

COUNCIL:

25 SEPTEMBER 2014

**STATEMENT OF ACCOUNTS 2013/14 AND ANNUAL COMPLIANCE
REPORTS**

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 10

Appendix 7, Annex B & C are not for publication as they contain exempt information of the description in paragraph 14 and 21 of schedule 12A of the Local Government Act 1972

Reason for this Report

1. The Statement of Accounts for 2013/14 is presented in order to meet the requirement of the Accounts and Audit (Wales) Regulations 2005 (as amended). This provides that the Statement of Accounts be approved by a relevant committee or by the Council meeting as a corporate body, such approval to take place before the 30 September immediately following the end of the financial year.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2014.
3. In accordance with the Council's Treasury Management Policy Statement, the Annual Treasury Management Report for 2013/14 is presented based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

Background

4. The Statement of Accounts in Appendix 1 presents the accounts for the City of Cardiff Council for the financial year 2013/14. Regulations require that the Responsible Finance Officer sign the accounts by 30 June, and that the audited accounts are approved by Council by 30 September. Following production of the accounts which were presented to the Audit Committee in June, the audit has been undertaken by the Wales Audit Office (WAO). In addition the accounts have been available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended).

5. The Audit Committee met on the 15 September 2014 where the “Audit of Financial Statements Report” for both the main financial statements and the Cardiff and Vale Pension Fund were presented by Wales Audit Office and the Statement of Accounts discussed. Overall, there was a positive feedback from the Audit Committee on the production of the accounts and no significant issues were raised.
6. Some of the main points evident in the 2013/14 Statement of Accounts are:
 - The Council Fund Balance has reduced by £135,000 to £11.413 million as at 31 March 2014. This is 1.92% of the net expenditure budget of the Council.
 - Total earmarked reserves stand at £30.6 million, although within this figure are Schools and Housing Revenue Account (HRA) reserves, which are not accessible for spending by the Council generally. The level of earmarked reserves decreased significantly in 2013/14 from £40.3 million in 2012/13, this is largely due to Voluntary Severance costs being funded through various earmarked reserves, which will be repaid over the next three years as savings are realised. Schools balances as at 31 March 2014 are £330,000.
 - The HRA balance of £8.808 million is available for spending on HRA issues only.
 - The Cardiff & Vale of Glamorgan Pension fund is valued at over £1.492 billion as at 31 March 2014. This is an increase of £144 million in the year.
7. Attached at Appendix 3 is the auditor’s report “Audit of Financial Statements Report”, which is presented to Council in order to fulfil the requirement of the International Standard on Auditing (ISA) 260 and in discharge of the External Auditor’s duty.
8. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the final Letter of Representation, which is included within Appendix 4.
9. There are currently no misstatements identified in the financial statements, which remain uncorrected. Corrected misstatements are summarised in Appendix 3 to the Audit of Financial Statements Report. While these amendments have been made, further amendments could still be carried out up to the signing of the accounts at Council on the 25 September 2014.
10. The WAO report also highlights a number qualitative findings, which they have stated as follows:
 - Overall the information provided was relevant, reliable, comparable and easy to understand. The processes to support the audit of Debtors and Creditors balances had been reinstated and were effective in addressing the problems experienced in 2012/13. However, the issue in respect of accounting treatment of surplus assets, in terms of the basis valuation and depreciation, had not been actioned, as the Council has taken the decision not to follow the CIPFA code of practice on local authority accounting in these areas. We have included the treatment used in the accounting policies within the Statement of Accounts. CIPFA are due to consider a change in its policy in respect of surplus assets in 2015/16 more in line with our current adopted approach. This does not materially affect the accounts in 2013/14 but we will keep under review for future years.
 - No significant difficulties were identified during the audit.

- No material weaknesses in internal control were identified that have not been reported already.
 - No significant matters were discussed and corresponded upon with management which need to be reported.
 - No other matters significant to the oversight of the financial reporting process need to be reported.
 - No other matters specifically required by auditing standards to be communicated to those charged with governance.
11. As in previous years the Council has not recognised a liability for pension contributions on its equal pay liabilities. This was highlighted in 2012/13 and the position from both WAO and the Council has not altered. The majority of equal pay claims have been settled with the vast amount of these signing a COT3 agreement which included a buy out of any entitlement the Employee had to have the payment treated as pensionable under LGPS. Therefore, the Council is of the view that if there is a change in legal advice there would be a minimal risk to the Council.
 12. The report 'Audit of Financial Statements' in respect of the Cardiff and Vale Pension Fund is attached at Appendix 5. The audit identified no uncorrected misstatements in the accounts of the Cardiff and Vale of Glamorgan Pension Fund. The amendments that have been made to the accounts are highlighted in Appendix 3 to the Audit of Financial Statements Report, none of which affected the net outturn position.
 13. The Council's external auditor is also required to audit the accounts of the Cardiff Port Health Authority (CPHA) and the report 'Audit of the Financial Statements' in respect of the CPHA is attached at Appendix 6.
 14. The Treasury Management Annual Report is attached at Appendix 7. It sets out the economic background within which treasury activities were conducted, the position on investments and borrowing at 31 March 2014, it indicates compliance with indicators set in the budget report for the year and sets out key issues that are being monitored closely in 2014/15 that could impact on treasury activities. The Annual report has been reviewed by Audit Committee in accordance with their terms of reference.

The Council continued to adopt a pragmatic approach to its treasury management activities in accordance with the strategy approved at Council in February 2013. The overall position on investments and external borrowing are:

- At the 31 March 2014, investments stood at £63.5 million and were deemed to be fully recoverable. The overall level of interest receivable from treasury investments totalled £0.5 million.
- The organisations with whom the Council invest with continue to be monitored closely by the Council together with its Treasury Advisors. This is in accordance with the criteria set out in the Council's Investment Strategies for 2013/14 and 2014/15, with diversification sought where possible. An update on the 2014/15 Mid Year Treasury Management position will be provided to Council in a further report.
- At the 31 March 2014, the Council had £473.3 million of external borrowing in order to pay for historical capital expenditure, with a further £12 million being internal borrowing. The former is predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity. The average

rate on the Council's borrowing is 5.22% at the 31 March 2014 and total interest paid on the external debt, which includes the Housing Revenue Account, was £23.9 million.

Legal Implications

15. The Report is reported to Council to meet statutory, regulatory and codified requirements to do so.
16. All local authority accounts are required to be made up to 31 March. The accounts must be prepared in accordance with any regulations relating to the keeping of accounts pursuant to the Audit Commission Act 1998, section 27(1) as well as all other applicable statutory provisions. The regulations currently in force are the Accounts and Audit (Wales) Regulations 2005 (as amended) ("the Regulations"). The 2005 Regulations confer specific duties upon 'the responsible financial officer', defined in regulation 2(2) of the 2005 Regulations as the person who, by virtue of the Local Government Act 1972, section 151, is responsible for the administration of the financial affairs of the Council, or if no person is so responsible, the person who is responsible for keeping the accounts of the Council.
17. Regulation 7 of the 2005 Regulations imposes a duty to prepare a statement of accounts and stipulates the form which such a statement shall take and its content. By regulation 9 of the 2005 Regulations, the statement of accounts must be approved by the relevant committee or by the Council meeting as a corporate body as soon as reasonably practicable, and in any event before the 30 September immediately following the end of the financial year. Regulation 9 of the 2005 Regulations also makes provision in respect of the signing and approval of the various forms of accounts required to be prepared under the 2005 Regulations.
18. As soon as reasonably possible after conclusion of an audit, and in any event before 30 September immediately following the end of the financial year, the Council must publish by means other than by reference in documents of meetings, committees or sub-committees, the statement of accounts together with any certificate, opinion or report issued, given or made by the auditor under sections 23(2) and 33 of the Public Audit (Wales) Act 2004 before the date of publication, or, if publication takes place prior to the conclusion of the audit and no such opinion has been given, together with a declaration and explanation of the fact that at the date of publication the auditor has given no opinion, and keep copies available for purchase by any person on payment of such sum as the Council may reasonably require (regulation 10 of the 2005 Regulations).
19. The 2005 Regulations also make provision in respect of arrangements to be made for the public inspection of the accounts (regulation 13). Failure to comply with the requirements laid down by, inter alia, regulations 7 and 10 of the 2005 Regulations constitutes an offence (regulation 21).
20. The approval of the Authority's Statement of Accounts is not a matter for the Executive. The Council has not delegated its powers to approve the Statement of Accounts and thus the matter needs to be considered by the Council.

Financial Implications

21. This report is presented to Council in discharge of its duty to approve the Council's audited accounts on or before 30 September of the year relating to the end of the accounting period.
22. The Council's financial standing as set out in the Financial Statements, the Appendices and this report will be considered as part of the budget report for 2015/16.

RECOMMENDATIONS

Council is requested to:

1. Approve the audited Statement of Accounts for the ended 31 March 2014 (Appendix 1)
2. Note the reports of the Wales Audit Office on the Statement of Accounts of Cardiff Council, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Port Health Authority for the year ending 31 March 2014 (Appendices 3, 5 and 6).
3. Note the final Letter of Representation for Cardiff Council (Appendix 4).
4. Note the Treasury Management Annual Report for 2013/14 (Appendix 7).
5. Note that the following documents will be formally signed at the conclusion of the meeting:
 - Statement of Accounts for Cardiff Council including the Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources
 - Annual Governance Statement (Within the accounts) – Leader of the Council and Chief Executive
 - Accounts of Cardiff Port Health Authority – Corporate Director Resources
 - Letters of Representation for Cardiff Council, Cardiff Port Health Authority – Leader of the Council and Corporate Director Resources
 - Letter of Representation for Cardiff and Vale of Glamorgan Pension Fund – Leader of the Council and Corporate Director Resources
 - Audit Certificate for Cardiff Council and Cardiff Port Health Authority – Appointed Auditor, Wales Audit Office. To be signed at a later date.

CHRISTINE SALTER
Corporate Director Resources

The following appendices are attached:

Appendix 1 – Statement of Accounts 2013/14

Appendix 2 – Summary Statement of Accounts 2013/14

Appendix 3 – Audit of Financial Statements for Cardiff Council including the draft Letter of Representation

Appendix 4 – Final Letter of Representation for Cardiff Council

Appendix 5 – Audit of Financial Statements for Cardiff and Vale of Glamorgan Pension Fund including the agreed Letter of Representation

Appendix 6 - Audit of Financial Statements for Cardiff Port Health Authority including the agreed Letter of Representation

Appendix 7 – Treasury Management Annual Report 2013/14

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STATEMENT OF ACCOUNTS

2013/14

OF

**THE COUNTY COUNCIL OF THE CITY
AND COUNTY OF CARDIFF**

FOREWORD

Introduction

This document presents the Statement of Accounts for Cardiff Council. These are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The Financial Statements

The Council's financial statements covered by the Statement of Responsibilities and the Auditor's Report, are set out on pages 20 to 169 and comprise:

- Accounting policies, critical judgements and assumptions
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account (HRA)
- Cardiff & Vale of Glamorgan Pension Fund Accounts
- Group Accounts

The Council is lead authority for three Joint Committees: the Glamorgan Archives, Prosiect Gwyrdd, and the Welsh Purchasing Consortium. Cardiff Council is also a member of the Central South Consortium Joint Education Service which was created on 1st September 2012, of which Rhondda Cynon Taf County Borough Council is the host authority. Cardiff Council's share of the transactions and balances of these Joint Committees are incorporated in these financial statements. Separate financial statements for each of the Joint Committees are also available.

An explanation of the statements, their purpose and relationship between them as well as the main accounting policies adopted and critical judgements made in compiling the financial statements are provided in sections that follow after this foreword.

Review of the financial year 2013/14

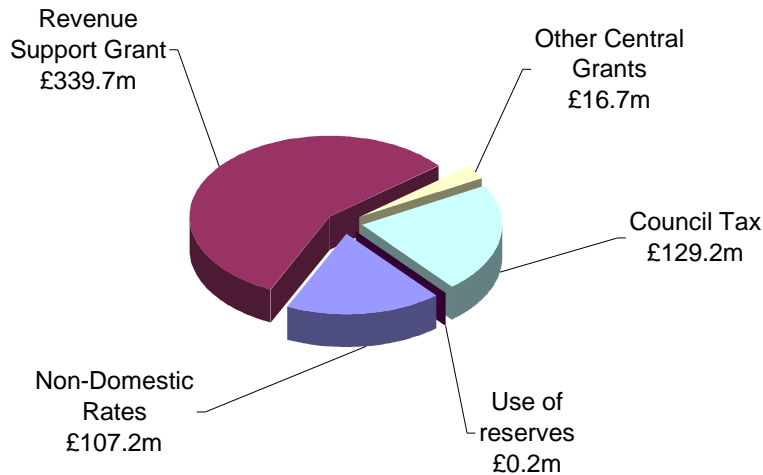
During 2013/14 the Authority faced a number of funding pressures, which presented a challenge for directorates. The following foreword gives a summary of the main aspects of revenue outturn and funding; capital expenditure and financing; treasury management; significant movements affecting the balance sheet including earmarked reserves and provisions; and pension fund accounts.

Revenue Funding and Revenue Expenditure Outturn

Cardiff Council at its meeting on 28 February 2013 set a cash limit budget of £592.757 million for 2013/14. In addition a budget of £250,000 was set for discretionary rate relief which is outside the Budget Requirement. The budget is made up of the following funding sources:

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Revenue Funding



Directorate Outturn 2013/14

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Cabinet Office	2,551	2,482	(69)
Children's Services	46,151	46,721	570
Communities, Housing & Customer Services	45,394	44,564	(830)
Corporate Management	23,737	23,451	(286)
County Clerk & Monitoring Officer	4,322	4,310	(12)
Economic Development	2,229	2,013	(216)
Education & Lifelong Learning	366,918	366,547	(371)
Environment	27,723	29,719	1,996
Health & Social Care	93,866	97,490	3,624
Resources	24,270	24,675	405
Sports, Leisure & Culture	23,776	23,558	(218)
Strategic Planning, Highways and Traffic & Transport	59,035	58,886	(149)
Capital Financing etc	(129,155)	(130,762)	(1,607)
Summary Revenue Account	1,940	(885)	(2,825)
Discretionary Rate Relief	250	238	(12)
Total as per outturn report	593,007	593,007	0

Also identified in the outturn report was a contribution from the Council Fund balance to fund the cash limit of £155,000 and the repayment of the costs of voluntary severance to the Council Fund Balance of £20,000, which resulted in a net reduction to the Council Fund balance of £135,000.

The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £593 million in 2013/14 with a balanced position reported after contributions to and from reserves. In line with the recommendation set out in the in year Monitoring Report available revenue budget of £789,000 has been utilised to meet the cost of voluntary severance in the financial year thereby reducing costs in future years.

FOREWORD

During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Health & Social Care, Environment, Children's Services and Resources. This reflected a range of factors including increased demographic pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2013/14 budget. This is reflected in the outturn position forming part of an overall overspend of £4.44 million on directorate budgets. Whilst the position on Children's Services and Resources improved compared to in year projections, further pressures were identified in Health & Social Care and Environment worsening their position towards the year end. The overspend on directorate budgets was offset by savings in other areas including Council Tax collection, capital financing and non-domestic rate (NDR) refunds on Council properties. There were also savings arising from the allocation provided in the budget in support of changes arising from the implementation of the Council Tax Reduction Scheme and from successful performance against the 2013/14 Outcome Agreement Grant.

The Council Fund Balance brought forward at 1 April 2013 was £11.548 million. The balance at 31 March 2014 has reduced by £135,000 to £11.413 million.

The Housing Revenue Account (HRA) shows a surplus for the year of £829,000 which includes the Housing Maintenance Unit surplus of £33,000. The surplus achieved included significant vacancy savings and other employee underspends, savings on supplies and services and support costs, partly offset by additional capital financing charges due to additional repayment of borrowing in year and partly by income below target due to a high level of void rent allowances. This total sum has been transferred to the HRA Revenue Balance and is available for spending on HRA issues only.

The Housing Revenue Account balance increased to £8.124 million after taking into account the £829,000 million surplus in 2013/14.

In England during 2011/12, those councils who owned and operated their own housing stock, moved to a system of self financing, whereby any net income paid to or received from Central Government was converted to a one off adjustment of borrowing. Subject to the outcome of a voluntary agreement with Local Authorities and Welsh Government in 2014/15 a similar process will be implemented in Wales resulting in a significant increase in debt of the Council's Housing Revenue Account of up to £190 million as well as the implementation of an overall limit to borrowing for housing purposes.

Revenue Outturn:

	Budget £000	Outturn £000	Variance £000
<i>Financing:</i>			
Revenue Support Grant (RSG)	(339,678)	(339,678)	0
Non-domestic Rates (NDR)	(107,229)	(107,229)	0
Council Tax	(129,226)	(131,993)	(2,767)
Other central grants	(16,719)	(17,065)	(346)
Budgeted transfers from balances/reserves	(155)	(155)	0
Total Funding	(593,007)	(596,120)	(3,113)
<i>Net Expenditure</i>			
Net budgeted expenditure	593,007		(593,007)
Net deficit on services on Comprehensive Income & Expenditure Statement		165,341	165,341
Adjust deficit figure for:			
Items shown separately as financing (above)		596,120	596,120
Adjustments between accounting and funding bases under regulations for the Council Fund Balance and HRA (as per Movement in Reserves Statement)		(155,647)	(155,647)
Transfers (to)/from Earmarked Reserves (as per Note 2)		(10,388)	(10,388)
Remove surplus on HRA		829	829
Total Expenditure	593,007	596,255	3,248

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Net (surplus)/deficit for year transferred to Council Fund Balance		135
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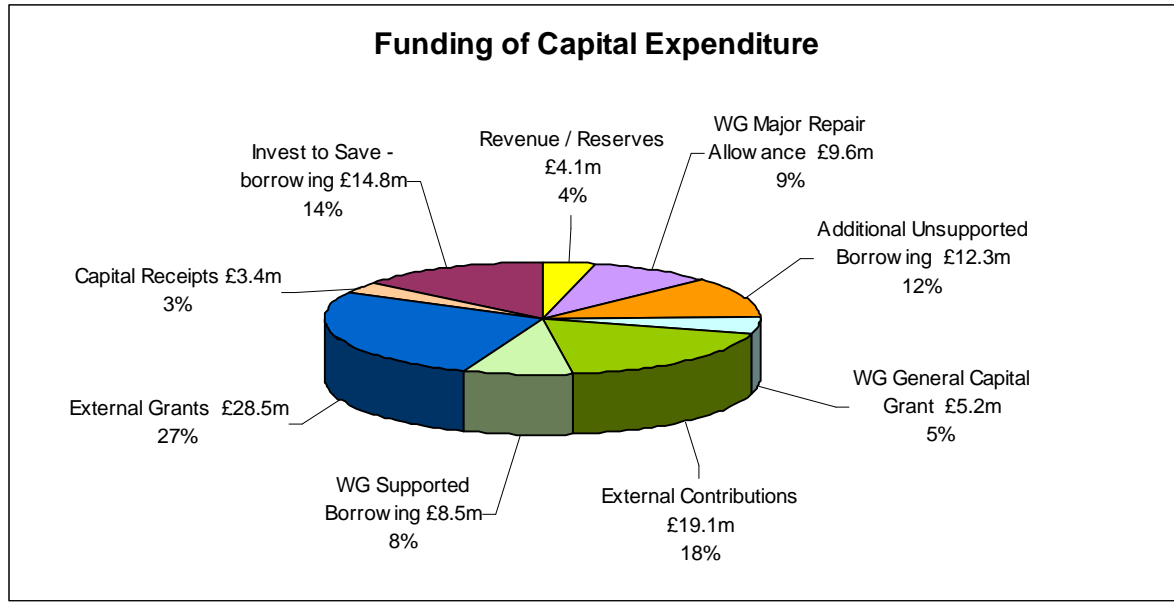
Capital Programme

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. Capital expenditure during the year totalled £105.5 million, with the main items of expenditure described in the table below.

		£m
Schools & Lifelong Learning	Includes completion of a new school at St Teilo's as well as associated renovations and refurbishment of Cardiff High School, Llanishen High School, and the establishment of Ysgol Bro Eder within the former premises of St Teilo's High School. Continued investment as part of the School Organisation Plan and 21 st Century Schools Programme over a number of sites, including a new-build Ysgol Treganna to accommodate the need for Welsh Medium Primary provision. Investment in wireless ICT Infrastructure.	43.4
Housing and Neighbourhood Regeneration	Public Housing investment in central heating and boiler replacement, kitchens and bathrooms, estate regeneration as well preparatory work on sites across the City for development of new housing. Disabled adaptations grants, allowing people to live independently in their homes, renewal area and other environmental improvements including neighbourhood public realm improvements as well as development of local shopping centre improvements at Beechley Drive.	19.2
Highways & Transportation	Road resurfacing, footpath and public realm improvements, road safety schemes and telematics improvements. Implementation of the cycling strategy, investment in safe routes in communities as well as other pedestrian, junction and public transportation improvements. Addressing liabilities of the former South Glamorgan Council to Welsh Government towards the costs of widening the M4 at Junction 30.	12.8
Culture, Libraries, Leisure and, Parks	Completion of flow rider in Cardiff Bay as part of Cardiff International Whitewater. Completion of Canton Library and development of Citizen hubs promoting shared use of buildings such as the Jasmine Centre in Ely. Improvements to roof at St Davids Hall; Play equipment replacement and other open space improvements and improvements at Bute Park.	5.2
Cardiff Enterprise Zone	Acquiring land in the vicinity of Cardiff Central Station for economic regeneration and to create a modern capital city gateway.	18.4
Organisational Development and Property Rationalisation	Investment in replacing computer hardware and other ICT infrastructure to develop existing and implement new systems to support and improve ways of working and service delivery including. Expenditure to maximise the use of existing office space in order to reduce costs of running the property estate.	1.8
Other	Expansion of Western Cemetery, loans grants and equity to Business from Capital Cardiff Fund, Waste Management infrastructure, loan to Cardiff Bus.	4.7

The Council pays for its capital expenditure from a number of sources including borrowing money. Borrowing must ultimately be repaid from the existing and future income of the Council. The following chart shows how the capital monies spent during the year were paid for:-

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During the year and in light of the significant financial challenges being faced in the short and medium term, the Council changed its approach to the way it determines how much to put away each year from its annual revenue budget as a provision for the repayment of borrowing. This is known as the Prudent Revenue Provision. Whilst this results in long term savings, it is still deemed to be a prudent approach consistent with guidance issued by the Welsh Government.

The Council is undertaking a number of projects which are both complex in their accounting requirements and also in the financial risks they represent. Such complex projects invariably involve a great deal of uncertainty, consultation and often involve significant time and work before they can be implemented. Significant levels of capital expenditure on new and existing assets were approved in the Council's budget in February 2014. Ongoing schemes include investment in the school buildings, economic regeneration, new build affordable housing, investment in highway infrastructure, creation of citizen hubs, improved leisure facilities, replacement street lighting columns and resurfacing as well continued investment in activities to improve the way we work and provide services using new technology. Such commitments and Welsh Government schemes such as the Local Government Borrowing Initiative will require the Council to significantly increase its need to borrow, impacting on future affordability. Some of this is on the basis that schemes will pay for themselves through income generation, savings or capital receipts and accordingly represent a significant financial risk to the Council. The risk within these invest to save schemes will be monitored and action taken if required to reduce this risk which at present is deemed acceptable by the Section 151 Officer.

Capital Receipts

The sale of surplus assets and other income treated as capital receipts generated usable capital receipts of £3.7 million. Whilst proceeds from asset sales such as land are required to minimise the level borrowing and reduce property operating costs in future years, the property market remains challenging and unpredictable. During the year, land with a value of £7 million was internally transferred from the Council Fund to the Housing Revenue Account to support the Housing Partnership Project proposals to increase the supply of affordable housing in the City.

Movements in Property, Plant and Equipment and other Non Current assets

Schools buildings and surplus assets held by the Council were re-valued during 2013/14 as part of a rolling programme of revaluation. Schools were revalued using the new 'Modern Equivalent Asset' valuation basis and whilst valuations of such assets involve a number of significant assumptions, movements in such asset valuations have no impact on the council tax or rent as they are required to be neutralised from capital reserves. In line with current guidance the value of infrastructure assets are required to be shown at historic cost. This is likely to change in future years, but until then the asset values presented in the accounts understate the real value of infrastructure assets held and used by the Council.

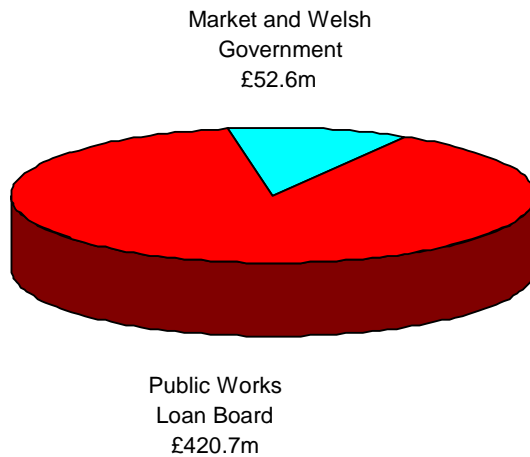
FOREWORD

During 2013/14, the Council implemented new accounting treatment after consideration of accounting guidelines in respect of landfill aftercare obligations. This requires the estimated £28 million cost of aftercare and capping over a sixty year period to be recognised as a cost and a provision in the Council accounts now, rather than as and when incurred. This has been actioned by adjusting the 2012/13 statement of accounts and is deemed to not enhance the value of the assets and as such has a net nil impact on property, plant and equipment valuations.

Treasury Management and Financial Instruments

The Council can borrow money to manage its daily cash flows and to pay for capital expenditure. The Council has loans of £473.3 million of fixed interest loans at the end of the year. £420.7 million is owed to the Public Works Loan Board (PWLB) and £52.6 million is owed to other bodies, primarily financial institutions. During the year external loans totalling £2 million were repaid and £20 million of new loans were raised. The Council continues to use some of its temporary cash balances to pay for capital expenditure. Total interest payable on borrowing was £23.9 million during 2013/14, of which £4.8 million was paid for by the Housing Revenue Account. The average rate on the Council's borrowing stood at 5.22% at the 31 March 2014 and the maturity profile of significant loans is shown in the chart in note 21 of the core financial statements.

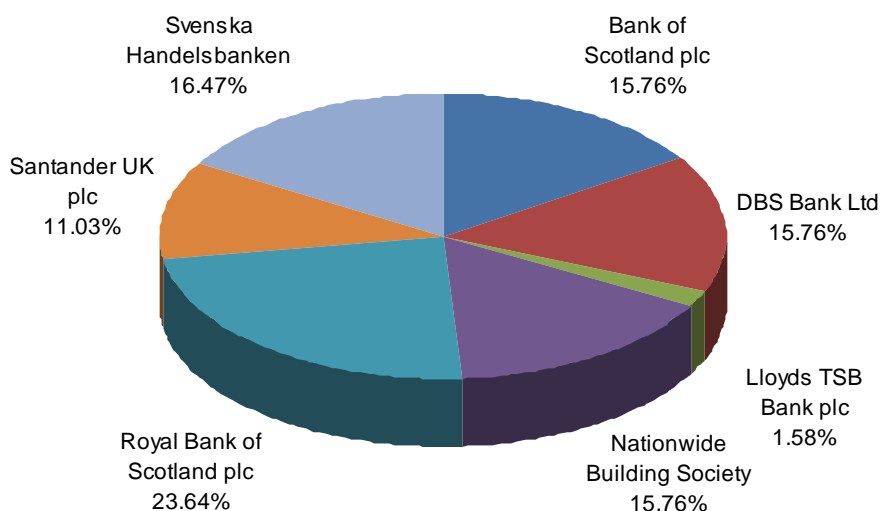
Amounts of fixed rate debt



Investments of £63.5 million at 31 March 2014 are represented primarily by temporary cash balances, which are deposited for various maturities with Financial Institutions.

FOREWORD

Investments Held by Institution



The balance of investments is at a point in time and will fluctuate daily depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants. The notes to the accounts provide further information on the Council's financial assets and liabilities and the nature and extent of risks involved.

In accordance with accounting requirements, the Council is required to consider whether amounts included in its balance sheet are shown at their recoverable amount. At the balance sheet date, loans of £5.06 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium and shown within long term debtors are shown as an impairment loss. There are a number indicators of impairment at the balance sheet date and the recoverable amount will be reviewed during 2014/15 together with the Club and its creditors, as discussions take place on a restructuring of the loans outstanding to determine an achievable repayment schedule to ensure sums due to the Council under the original contract are repaid. As the loan has been provided from capital resources, the loss on impairment is neutralised against capital reserves, with a net nil impact in the year. The Council continues to adopt a prudent approach in its revenue budget to the repayment of both the principal and interest amounts due.

Reserves

Movements on earmarked reserves and schools balances are detailed in note 2 to the Core Statements. Details of movements of other usable and unusable reserves are shown in notes 28 and 29 to the Core Statements respectively. Total usable reserves at the commencement of the year amounted to £62.079 million, decreasing by £9.900 million to £52.179 million at 31 March 2014.

Summary Reserves Movements:

	£000	£000
Balance Usable Reserves at 1 April 2014		62,079
Council Fund Earmarked Reserves		
Significant movements to/(from) earmarked reserves:		
Employee Changes Reserve*	(4,540)	
Schools Organisational Plan*	(3,303)	

FOREWORD

Housing Options Centre Reserve*	(628)	
Housing Support Reserve*	(484)	
Homelessness Reserve*	(344)	
Cardiff Enterprise Zone	1,179	
Parking Reserve	(560)	
Organisation Development Programme	940	
Equal Pay Reserve	(396)	
Harbour Contingency Fund	496	
Other movements to/(from) earmarked reserves	(2,120)	
		(9,760)
Other significant movements to/(from) other useable reserves:		
Council Fund Balance	(135)	
HRA Balance	829	
HRA Earmarked Reserves	(628)	
Usable Capital Receipts	(206)	
		(140)
Total Usable Reserves at 31 March 2014		52,179

* The initial contribution from the Employee Changes Reserve in respect of Voluntary Severance payments and other employee related costs was £8.82 million, which required borrowing from other earmarked reserves of £4.28 million to bring it to a credit position. The following earmarked reserves were used to fund this borrowing, Schools Organisation Plan - £3.11 million; Housing Options Centre - £492,000; Housing Support Reserve - £330,000; and Homelessness Reserve - £344,000. These reserves will be repaid over the next 3 years as savings from voluntary severance are realised.

Provisions

Total provisions held by the Authority for 2012/13 were restated from £15.706 million by £28.166 million to reflect the inclusion of the financial obligation made to Natural Resources Wales for the restoration and after care of landfill sites including Lamby Way and Ferry Road. Such financial obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure implications. During the financial year the council considered the accounting guidelines and, following this, created a provision to recognise costs that will take place over the next 60 years, immediately rather than when spent. The Council's Waste management service produced estimates of such costs as part of its aftercare management plan. This plan and estimates will need to be professionally reviewed periodically. A provision of £1.027 million for Glamorgan Cricket Club loan was also restated against short term investments due to the impairment of the outstanding principal and interest. This gives a restated 2012/13 total provision of £42.845 million.

During 2013/14, total provision increased by £56,000 to £42.901 million, which include a number of movements. These include increases in provision for taxi licensing (£817,000) and utilisation of the Equal Pay back pay provision (£1.606 million) and Lamby Way Landfill provision (£982,000). There was also a new provision in relation to termination benefits (£856,000) to reflect the obligation as a result of a planned decision to terminate an employee's employment. Details of the movement of individual provisions are shown on note 26 to the Core Statements.

Contingencies

A number of contingent liabilities are disclosed in relation to issues 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 in control of the Authority, where it is not probable an

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outflow of resources will be required or where the amount of obligation cannot be measured reliably. For 2013/14, disclosures covered:

- Legal claims against the Authority, where the Council is resisting liability;
- The Municipal Mutual Insurance (MMI) run off claims;
- Potential fines for the non achievement of 2013/14 Local Authority Recycling Targets.

The Authority also disclosed contingent assets in relation to proportion of the market value of future disposals of properties where proportion of the equity has been provided by the Council; and potential claims that may be due from the HMRC to the Council relating to outstanding VAT claims.

Cardiff and Vale of Glamorgan Pension Fund

In 2013/14 the benefits payable by the Pension Fund totalled £74.7 million and the contributions receivable totalled £106.5 million. Net returns on investments totalled £112.9m and the Fund's assets grew by £144.7 million (11.1%), from £1.35 billion to £1.49 billion. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date covering 82% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

Pensions Assets and Liabilities

Under International Accounting Standard 19 "Employee Benefits", local authorities are required to account for the costs of pension entitlements earned in the year rather than the costs of contributions paid to the fund.

Further details are given in Note 19 to the Core Financial Statements.

The Council's Actuary has estimated the Council's pension liability to be £473.027 million at 31 March 2014. The effect upon the net worth of the Council is as follows:

	£000
Net Worth Excluding Pensions Liability	1,350,736
Net Worth as per Balance Sheet	877,709

Corporate Plan 2014-17 and Challenge Ahead

The budget for 2014/15 was compiled against the backdrop of continued financial restraint with recognition from many expert commentators that the UK's period of austerity is likely to last until the end of the decade. The details included in the Provisional Settlement and confirmed in the Final Settlement announced in December 2013 clarified that the Council faced a significantly greater financial challenge than had been indicated by the WG in its indicative figures of December 2012. The Cabinet in its budget strategy and subsequent budget proposal was conscious of the impact its proposal was likely to have on the citizens and communities of Cardiff. The budget therefore, considered the issues having regard to the Corporate Plan priorities of:

- Economic development as the engine for growth and jobs.
- Education and skills for people of all ages to fulfil their potential and be well prepared for employment in the Cardiff economy and beyond.
- Supporting vulnerable adults, children and young people in times of austerity.

The budget proposals set out in the 2014/15 Budget Report were risk assessed and the delivery of these in year savings will be monitored. The savings identified totalled £48.645 million and their delivery represents a significant challenge for the Council. The 2014/15 Budget Report identified the significant operation and financial challenges ahead and detailed the risk mitigation measures that were already in place to deal with these challenges. The progress of these challenges will be monitored through directorate plans, performance reports and the Corporate Risk Register when reported to Cabinet, Scrutiny Committees, Audit Committee and the Senior Management Team.

Particular challenges for 2014/15 and in the medium term were identified through this exercise with the most significant being:

FOREWORD

- Necessity to deliver budgeted savings from service redesign and other change proposals that are not currently fully defined but also during a period when the Council's headcount is being significantly reduced.
- Continuing demographic demand for social care services if trendlines vary significantly from the anticipated position.
- The number of new income streams to be introduced together with significant increases in the level of some current fees and charges for discretionary services.
- The impact and the required speed of implementation of alternative models of service delivery together with the potential implication of collaborative models.
- Financial challenges continue across the period of the Medium Term Financial Plan and the 2014/15 Budget Report identified a base case Budget Reduction Requirement over the subsequent 3 years of £92.3 million and included scenarios which increased this figure to £123.5 million over this period. The Annual Governance Statement at the end of this Statement of Accounts considers the risks this may lead to in respect of governance and financial probity

Corporate Governance

In order to minimise the impact of the risks identified the Council has adopted a Governance Framework which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. The Council also maintains a Corporate Risk Register (CRR) which highlights the strategic risks facing the Council. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 172 to 191.

Acknowledgements

Finally, I wish to thank staff within Corporate Resources, and their colleagues throughout the Council, who have worked on the preparation of these statements and enabled this year's deadline to the accounts to be successfully met. I also wish to thank Corporate Directors, Assistant Directors and Heads of Service for their assistance and co-operation throughout this process.

Christine Salter
Corporate Director Resources
Date

GUIDE TO THE FINANCIAL STATEMENTS

Movement in Reserves Statement (Page 38)

This statement shows the movement in the year on the different reserves held by the authority, analysed into '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) and other reserves. The surplus or (deficit) on the Provision of Services line show the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (Page 40)

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

Balance Sheet (Page 42)

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 is those that the authority is not able to use to provide services. This category of reserves include 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 reflect 'Adjustments between accounting basis and funding basis under regulations'.

Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council.

Cash Flow Statement (Page 44)

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 (borrowing) to the authority.

Housing Revenue Account Income & Expenditure Account (Page 120)

The HRA Income and Expenditure Account 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Pension Fund Accounts (Page 125)

The accounts include a Fund Account and Net Assets Statement for the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers. The Cardiff & Vale of Glamorgan Pension Fund also publishes a separate, more detailed report.

GUIDE TO THE FINANCIAL STATEMENTS

Group Accounts (Page 145)

Group Accounts are prepared in addition to the single entity accounts where local authorities have material interests in subsidiary and associated companies and joint ventures. The Group Accounts have been prepared to include Cardiff City Transport Services and comprise the Movement in Reserves Statement; the Comprehensive Income Expenditure Statement; the Balance Sheet; the Cash Flow statement and associated notes.

Trust Funds (Page 170)

Various bequests and donations are held in Trust Funds. Income generated from the investments is available for grants and awards in accordance with the objects of the relevant Trusts.

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council 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 Council for 2013/14 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts as set out in pages 20 to 199

Councillor Margaret Jones
Lord Mayor

Date:

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 (the Code).

In preparing these financial statements, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

The Chief Finance Officer's Certificate

The financial statements for Cardiff Council give a true and fair view of the financial position of the authority at 31 March 2014 and its income and expenditure for the year ended 31 March 2014.

Christine Salter
Corporate Director Resources

Date:

AUDITORS REPORT

Independent auditor's report to the Members of the County Council of the City and County of Cardiff

I have audited the accounting statements and related notes of:

- the County Council of the City and County of Cardiff; and
- the County Council of the City and County of Cardiff Group; and
- Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

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

The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

AUDITORS REPORT

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of the Cardiff and Vale of Glamorgan Pension Fund

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

- give a true and fair view of the financial transactions of The Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ

September 2014

ACCOUNTING POLICIES

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

Accounting policies used when formulating the accounts

1. Accounting policies issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

IFRS10 Consolidated Financial Statements - The definition of 'Control' has been amended, which determines whether subsidiaries should be consolidated and Group Accounts prepared. The 2014/2015 Code also requires the preparation of Group Accounts where the Authority has investments in associates and/or joint ventures, but no interest in subsidiaries. Group Accounts are already prepared, consolidating the accounts of the Authority's wholly-owned subsidiary. At this stage, the Authority has no material associate or joint venture undertakings. Implementation of IFRS10 should therefore have no impact.

IFRS11 Joint Arrangements - Joint arrangements are classified as either joint operations or joint ventures, distinguished by the level of rights and obligations the controlling parties have to the assets and liabilities of the arrangement. Joint ventures have to be consolidated on an equity basis. The Authority is a controlling party in a number of joint arrangements, none of which is currently considered material. Each arrangement will need to be classified as a joint operation or joint venture and assessed for materiality. The Joint Education Service (the largest of the arrangements and currently classed as a joint entity) may need to be consolidated in Group Accounts, with appropriate restatement of the 2013/2014 Group Statements.

IFRS12 Disclosure of Interests in Other Entities - Disclosure of significant judgements and assumptions made in determining the nature of interests in other entities or arrangements. Significant additional information must be disclosed about interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

IAS27 Separate Financial Statements - Amended due to the implementation of new standards (IFRS10, IFRS11 and IFRS12) (as amended 2011). No impact on the Authority's Accounts beyond the changes implemented by IFRS10, IFRS11 and IFRS12 (above).

IAS28 Investments in Associates and Joint Ventures (as amended 2011) - Amended due to the implementation of new standards (IFRS10, IFRS11 and IFRS12). No impact on the Authority's Accounts beyond the changes implemented by IFRS10, IFRS11 and IFRS12 (above).

IAS32 Financial Instruments: Presentation - Financial assets and financial liabilities shall be offset and the net amount presented in the Balance Sheet only when the Authority has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

This amendment will have no impact on the 2013/2014 accounts as the Authority has no offsetting arrangements.

ACCOUNTING POLICIES

IAS 1 Presentation of Financial Statements - Inclusion of all Statements that are relevant to the Authority; inclusion of comparative information for the preceding period (except where permitted otherwise); and inclusion of comparative Balance Sheet at the beginning of the preceding period if a retrospective adjustment is made to the Accounts.

The Authority currently provides all relevant Statements and comparative information. Where required, Balance Sheets at the beginning of the preceding period are also included. Therefore the impact of this amendment to IAS 1 will be minimal.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- 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 is written down and a charge made to revenue for the income that might not be collected.

3. Carbon Reduction Commitment

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. 2013/14 is the final year of the introductory phase of the CRC Energy Efficiency Scheme and allowances are available for purchase retrospectively. However, as 2013/14 is the end of the introductory phase, there is no option to carry forward allowances for use in respect of emissions in 2014/15. The authority is required to purchase and surrender allowances, currently retrospectively, 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.

4. Cash and Cash Equivalents

These are sums of money available for immediate use. Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts, including petty cash accounts. Cash equivalents are highly liquid investments including Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

5. Contingent assets and liabilities

These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in a note to the accounts.

ACCOUNTING POLICIES

6. Deferred Liabilities

Where the Authority receives income from developers and other organisations in respect of the future maintenance of assets, the amounts are held in the Balance Sheet as deferred liabilities until such time that the maintenance of the asset takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 21.

7. Disposals and Capital Receipts

When non current assets are disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals are credited to 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. Where sums are due but not yet received they are treated as deferred capital receipts. A proportion of receipts relating to Housing disposals (75% for dwellings – net of statutory deductions and allowances) are used to reduce the capital financing requirement of the Housing Revenue Account.

Receipts from disposals are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). The written-off value of disposals is not a charge against council tax, as the cost of non current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

8. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements 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 there is no impact on Council Tax.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement. Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year. An accrual is made for the pension strain to the pension fund and is included in the Balance Sheet as a long-term creditor to the extent that it is repayable to the pension fund over 5 years. In the Movement in Reserves Statement, appropriations are made to or from the Pensions Reserve to neutralise the impact of this accrual on Council Tax.

Post Employment Benefits

Employees of Cardiff Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- The Local Government Pension Scheme, administered by Cardiff Council.

ACCOUNTING POLICIES

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). IAS19 requires recognition in the employer's accounts of the fact that although retirement benefits are not actually payable until an employee retires, the Authority's commitment to make those payments arises at the time that employees earn their future entitlements. The treatment of pension costs in the accounts depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

Defined Benefit Schemes

In defined benefit schemes the retirement benefits payable are based on pay and service and the assets and liabilities of the scheme can be readily identified between the participating bodies in the scheme. The Local Government Pension Scheme is a defined benefit scheme.

Under IAS19 the cost which is charged to net cost of services is the cost of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. This cost is known as the *current service cost* and is determined by the actuary. The *Net Pension Liability* which represents the Authority's attributable share of the Pension Fund's assets and liabilities is shown in the Balance Sheet.

The following accounting policies have been applied in determining the figures to be included in the Comprehensive Income and Expenditure Statement and Balance Sheet in respect of pensions costs for the Local Government Scheme:

- the attributable assets of the scheme have been valued at bid price
- the attributable liabilities have been measured on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2013/14 are the full costs relating to early retirements granted in the year which have been calculated as the special contributions payable into the fund adjusted for the financial assumptions used under IAS19 to represent the approximate cost of the increase in benefits granted to members under IAS19.

Defined Contribution Schemes

These are schemes where the employer pays fixed amounts into the scheme and has no obligation to contribute further amounts if the scheme does not have sufficient assets to pay employee benefits. Under IAS19, defined contribution schemes are accounted for by charging employer contributions to revenue as they become payable. The Teachers Pension Scheme is a defined benefit scheme but as the Authority cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis; this scheme is to be accounted for as if it were a defined contribution scheme under IAS19.

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

ACCOUNTING POLICIES

balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

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.

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

10. Exceptional Items

Exceptional items are material in terms of the Authority's overall expenditure and not expected to recur frequently or regularly. When they occur they are included in the Comprehensive Income Expenditure Statement as a separate line if that degree of prominence is necessary to give a fair presentation of the accounts.

11. Financial Assets

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- investments at fair value – assets that have a quoted market price and/or do not have fixed or determinable payments.
- fair value through profit and loss – assets that are held for trading

Loans and Receivables: Initially measured at fair value and carried at their amortised cost. Credits to 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. Interest that is due but unpaid at the end of the year is recognised in the Balance Sheet as a current asset.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Where loans or receivables are undertaken on behalf a third party or are legally required to be kept separate, Interest on these balances has been paid to the relevant third parties accordingly.

Investments at Fair Value: available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have

ACCOUNTING POLICIES

been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of 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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses.

Investments at Fair Value through Profit and loss: These are initially measured at and carried at fair value. Any movements in fair value, gains and losses that arise on de-recognition of the asset and investment income is credited/debited to the Comprehensive Income and Expenditure Statement.

12. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Interest that is due but is unpaid at the end of the year is recognised in the Balance Sheet as a current liability.

Premiums or Discounts incurred on the extinguishment of debt are charged immediately to the Comprehensive Income Expenditure Statement, with Regulation being used to mitigate the financial impact on the council taxpayer by an adjustment from the Financial Instruments Adjustment Account.

- Premiums are amortised to the Movement in Reserves Statement over the life of the replaced loan, replacement borrowing or other prudent period.
- Discounts are amortised to the Movement in Reserves Statement over the life of the replaced loan or 10 years (whichever is the shorter period).

Where restructuring of the loan portfolio 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 amortised to the Movement in Reserves Statement in accordance with statutory regulation.

Transaction costs such as brokers' fees and commission in relation to managing the Authority's Financial Instruments, which are not considered material, are charged immediately to the Comprehensive Income and Expenditure Statement.

13. Foreign Currency Translation

When transactions are required to be undertaken in a foreign currency, they are converted at the prevailing rate on the day of the transaction. The Council does not invest or borrow in any currency other than sterling and undertakes very few transactions involving foreign currency.

14. Grants - Revenue

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Council will comply with the conditions for their receipt.
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants for which conditions have not been yet been satisfied are carried in the Balance Sheet as Revenue Grants receipts in advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

ACCOUNTING POLICIES

Where the conditions of a revenue grant or contribution have been complied with but it is yet to be used to fund expenditure for the purpose stipulated in the grant agreement, it is set aside as an Earmarked Reserve.

15. Grants and Contributions – Capital

Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS), are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the “taxation and non-specific grant income” line in the Comprehensive income and expenditure statement.

Where a specific Capital Grant or a Contribution has been received but remains unapplied, this is deemed to represent a condition in that the unused element could be returned to the funder. Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as capital grants receipts in advance.

The unapplied element of such grants or contributions would not be taken to the Comprehensive Income and Expenditure Statement when received and is treated as a Creditor. Where a specific Capital grant or Contribution is applied, but is not yet received, this is taken to Comprehensive Income and Expenditure Statement when applied and is treated as a Debtor.

Non specific grants such as the General Capital Grant or Major Repair Allowance are recognised immediately in the Comprehensive Income and Expenditure statement. If such a non specific grant remains unapplied at the end of the year, this element is held as Capital Grants unapplied.

16. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised. In the case of computer software and licences, this will be capitalised where it relates to the enhancement or development of systems, expenditure on which is deemed to generate long-term economic benefits to the Authority in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation, are reviewed for impairment and are re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits

Any amortisation, impairment, disposal gains or losses are not permitted to have an effect upon Council Fund Balance and are reversed in the Movement in Reserves Statement.

17. Interests in Companies and Other Entities

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce group accounts. In the Council's own single entity accounts, the interests in such companies are recorded as Financial Assets in the Balance Sheet.

18. Inventories

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the Comprehensive Income and Expenditure Statement.

19. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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

ACCOUNTING POLICIES

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 Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

20. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income Expenditure Statement and Balance Sheet. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee. To date, no audit opinion has been issued in respect of the accounts of any of the Joint Committees.

21. 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. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract
- Option to purchase asset at price lower than fair value
- Lease term is for major part of economic life of asset
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset
- Leased assets are specialist and only lessee can use them without major modifications

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

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).

For plant and equipment the Authority has set a de-minimus level of £75,000 for leases to be recognised as finance leases.

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 Council 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.

ACCOUNTING POLICIES

Operating Leases

Payments for operating leases are charged to the relevant service revenue account on an accruals basis. The charges are made evenly throughout the period of the lease.

The Authority as Lessor

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance sheet is written off to 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 Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council 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 Council 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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 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).

22. 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 previously 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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

ACCOUNTING POLICIES

23. Overheads and Support Services Costs

The costs of overheads and support services are allocated to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

24. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

- Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period
- Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or performance. Any change 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.

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.

25. Private Finance Initiative (PFI) and similar contracts

These are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor during the contract term. The Council does not have any such contracts at the balance sheet date.

26. Property, Plant, Equipment, Community and Heritage Assets

Assets that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Recognition:

Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. This together with a 3-year rolling programme of revaluations ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/ benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

Expenditure that maintains but does not add to an asset's potential to deliver benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

The Council recognises heritage assets where it may have incurred separately identifiable expenditure on their acquisition or preservation at historic cost or where it has information on the value of the asset.

Only the parcels of land that are legally owned by the Council but held in respect of Voluntary Aided, Voluntary Controlled and Foundation Schools are recognised on the Authority's Balance Sheet. No other assets, including any buildings on this land, are recognised. Accounting for local authority maintained schools is the subject of review by CIPFA in 2014/15.

ACCOUNTING POLICIES

Measurement:

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use. The Council does not capitalise borrowing costs.

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

- Infrastructure assets – depreciated historical cost. Not all roads and infrastructure are included in the Balance Sheet as the balance sheet values reflect historic expenditure incurred on such assets from a point in time. Any roads adopted by the Council are not individually identified on the balance sheet and are effectively recorded at nil value. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to change in future years, but until then the asset values presented in the accounts understate the real value of infrastructure assets held and used by the Council.
- Community assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage assets and their nature makes determining a value for them complex. Valuations may lack reliability, there may be no market, providing an estimate of replacement cost may be difficult and the cost of determining a valuation for accounting purposes only may not be justified on cost benefit grounds. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council dwellings – Existing use value for social housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 41% to adjust beacon values to existing use value.
- The Code requires Surplus Assets to be valued at Existing Use Value (EUV) i.e applying the same assumptions relating to the level of usage as those in the most recent revaluation as an operational asset. This is problematic in that by definition a surplus asset will not have an existing use. The main types of assets held in this class include historic development land and buildings awaiting suitable open market disposal or use for identified schemes, sites held for the purpose of the Cardiff Partnering Scheme as well as former operational buildings awaiting disposal or alternative use.

Accordingly and for a number of other reasons, the Council values the assets within this category at Open Market Value rather than EUV. These reasons include:- former use of historic sites is not known; sites previously have been revalued on an open market basis and values may have changed in some cases significantly; to ensure consistency within the category e.g. where appropriations have been undertaken these would have been at Open Market Value; an approach that balances cost versus benefits compared to the approach in the Code, particularly for smaller sites.

The Councils alternative approach is deemed to give a fairer indication of the value of assets not used in service delivery. Whilst it is not reflected in the Code, there is a planned move away from current Code requirements by CIPFA, potentially in 2015/16 towards the approach adopted by the Council which will aim to address the issues currently being faced in relation to Surplus Assets.

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

ACCOUNTING POLICIES

Where there is no market-based evidence of fair value because of the specialist nature of an asset, existing use value such as depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets such as plant and equipment have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. From 2013/14, a detailed approach to DRC, known as Modern Equivalent Asset (MEA) is used for the valuation of school land and buildings, due to the very specialised nature of these assets.

Assets included in the Balance Sheet at fair value are required to be revalued at least every five years. The Council must balance the requirement to ensure carrying amounts are not materially different from their fair value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:-

- Undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- Using the experience and local knowledge of the in-house valuation team to provide valuation services to ensure financial services are made aware of all property issues affecting the Council
- Having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

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.

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.

Revaluation:

Where required by the Code, asset revaluations take place with an effective date of 1st April of the financial year and are undertaken by in-house professional valuers, all of whom are RICS registered. This is in accordance with the Council's rolling programme of three year revaluations.

Charges to Revenue for Non-Current Assets:

Services are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service
- 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

The Council is not required to raise council tax to fund depreciation, impairment losses or amortisations. However, it is required to make a prudent provision from revenue towards the reduction in its overall requirement to borrow. Depreciation, impairment losses and amortisations are therefore replaced by this prudent provision in the Council 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.

Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be reduced in value, either due to a reduction in service potential (impairment) or general market fluctuations (downward revaluation). Where either type of loss is identified, they are accounted for by:

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

ACCOUNTING POLICIES

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 an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction). The Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 also requires depreciation of buildings categorised as surplus assets. However, the Council does not depreciate these as by their very nature they are no longer used in service delivery, depreciation is not consistent with the valuation approach adopted and in the majority of cases, buildings on a site are planned to be demolished or are in a poor condition. For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

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

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings *	3-125
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure **	7-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

* Included within Buildings is City Hall with an initial useful life of 125 years

** Included within Infrastructure is the Cardiff Bay Barrage which is being depreciated over the design life of 120 years

Component Accounting:

Where a single asset may have a number of different components each having a different useful life, three 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.

- **Materiality with regards to the Council's financial statements** Componentisation will only be considered for individual non land assets that have a net book value of more than £1.5 million at the end of the financial year.
- **Significance of component.** For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc..) or items of fixed equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%) then those services / equipment will be valued separately on a component basis.
- **Difference in rate or method 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, or that require a different method of depreciation will be identified for componentisation.

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

ACCOUNTING POLICIES

Where assets are material and to be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services.
- Structure.

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

Revaluations of the Council's property assets will continue to be undertaken on a 3 yearly rolling programme basis, at which point the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant. Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision to the useful life.

The Council does not currently undertake componentisation on Infrastructure assets.

The Code for 2010/11 requires a revaluation decrease or impairment loss charged to the Surplus or Deficit in the Provision of Services (SDPS) to be reversed where there is a subsequent revaluation gain on the same asset that removes the underlying reasons for the original loss. The Statement of Accounts complies with this requirement for revaluations undertaken from 2011/12 onwards.

27. Provisions, including back pay arising from unequal pay claims

Provisions are made when, as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount but the timing of the settlement is uncertain.

Provisions are charged as an expense to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision which is held on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and provisions that are no longer required are credited back to the relevant service revenue account.

28. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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. Where the Council 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 Council 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.

29. Reserves

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

30. Value Added Tax

Apart from certain cases where the Council funds supplies of goods or services to other persons or organisations, the Council is reimbursed for VAT. The revenue accounts have, therefore been prepared exclusive of this tax.

ACCOUNTING POLICIES

Critical judgements in applying accounting policies

Accounting policies are only applied to material transactions of the Authority. In applying policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Examples of critical judgements made in the Statement of Accounts are:

- Reducing levels of funding for local government require budget prioritisation and organisational development change to ensure resources are firmly aligned to priorities as outlined in the Corporate Plan. The Council continues to effectively manage its resources within this challenging environment. An efficiency programme was in place during 2013/14 to identify and deliver budget savings. The continuing financial challenge will over the medium term have a significant impact on future operating structure and the assets used to deliver services and the Council will put in place the necessary resources to ensure that a balanced budget can be delivered.
- It is assumed that where provision for doubtful debtors or impairment has not been made, all other deferred debtors and investment balances are recoverable and not impaired.
- The level of both general and earmarked reserves held by the Council has been assessed by the Council's Section 151 Officer and is judged at present to be sufficient. Each request to establish an earmarked reserve is considered separately based on the evidence provided. It is the responsibility of the Section 151 Officer to advise Cabinet on the prudent level of reserves to hold and this is done following consideration and documentation of the risks the Council faces.
- All significant related parties are fully disclosed and figures included in the accounts produced by external organisations are robust and accurate.
- Due to declining capital resources and to meet the significant need for capital investment, the Council is significantly increasing the level of external borrowing that it will ultimately need to undertake. Such borrowing is required to be repaid from existing budgets, future savings, additional or existing income or from the sale of assets. The Council sets aside from its revenue budget each year a prudent amount for the eventual repayment of that borrowing. The Section 151 Officer is content that whilst borrowing is increasing it remains, affordable, prudent and sustainable. Careful monitoring of the Council's prudential indicators will be required over the life of the Capital Programme.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. In respect of the Council's future obligations in respect of landfill sites, a provision was required to be made. The Council has implemented this in the knowledge that the approach to this issue is the subject of a consultation and further work by CIPFA. The Council also recognises that the suggested WAO treatment indicates that the Capital Financing Requirement (CFR) will increase for capital expenditure not yet incurred. The CFR is defined in the prudential code for Capital Finance as capital expenditure incurred but not yet paid for and such a scenario is not included in the relevant guidance notes.
- The Council considers that there are a number of indicators of impairment at the balance sheet date for loans provided to Glamorgan County Cricket Club. This has resulted in the recoverable value reduced to nil at 31 March 2014 and to be reviewed during 2014/15 along with the club and its other creditors.
- It is assumed that the accounts for the year reflect all financial obligations under a contract required to be met by the Council during the year and that the Council is compliant with all such obligations placed upon it.

ACCOUNTING POLICIES

- Where an accrual has been made for future pension strain liabilities as a result of voluntary severance, it is assumed that these costs are *not* included in calculation of the pensions liability carried out by the actuary.
- If information is misstated, that is omitted, incorrectly shown or not disclosed, that information has the potential to influence or change the decisions and or judgement of the majority of reasonable persons relying on the financial report or the discharge of the accountability by management or those charged with governance. The Council recognises that any materiality threshold should be based upon what will affect the users' decisions and not on the assessment of the preparers of the accounts. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial report and their information needs. The Council gives consideration to a number of quantitative and qualitative factors in assessing whether a misstatement is material.

Where relevant, the notes to the accounts provide additional information on any risks and judgements.

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. Significant disclosures are already made in the accounts in relation to the assumptions about financial instruments. However the other items in the Authority's Balance Sheet at 31 March 2014 for which, by their nature, there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 41% to adjust beacon values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance Notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g valuations of the Council's shareholding in Cardiff City	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers has no impact on the level of Council Tax. Any changes are reflected by a corresponding amendment in the available for sale reserve. Changes in future accounting practice could mean changes in valuation basis of non current assets and in which assets are required to be included on the Councils balance sheet and which are not. Any such changes will have no impact on the level of Council Tax or rent.

ACCOUNTING POLICIES

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	<p>Transport Services Ltd, a guide such as multipliers of EBITDA are used.</p> <p>CIPFA are reviewing accounting treatment of various assets such as infrastructure and schools</p>	
Provisions	<p>The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities, this is detailed further in the provisions note.</p>	<p>The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.</p>
Provisions in relation to arrears	<p>At 31 March 2014, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may or may not be deemed to be sufficient.</p>	<p>Improvements in collection will improve future reported outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.</p>
Debtors and Creditors	<p>The level of debtors and creditors at the Balance Sheet may need to be manually determined or estimated.</p>	<p>There is a risk of under/overstatement which would impact on current and future reported position of revenue outturn or capital expenditure.</p>
Employee leave benefits	<p>The level of leave, flexi time and time in lieu owed to staff is based on a sample of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.</p>	<p>The level of creditor accrual may be under or over estimated. This will have no impact on the reported outturn position as statute allows the reversal of this figure to a reserve.</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages,</p>	<p>The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.</p>

ACCOUNTING POLICIES

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

	Council Fund Balance (Restated)	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves
	£000	£000	£000	£000
Balance at 31 March 2012	11,342	47,822	7,167	1,869
<u>Movement in Reserves during 2012/13</u>				
Surplus or (deficit) on the provision of Services	(68,407)	0	8,594	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(68,407)	0	8,594	0
Adjustments between accounting basis & funding basis under regulations (note 1)	60,972	0	(9,023)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(7,435)	0	(429)	0
Transfers to/(from) Earmarked Reserves (note 2)	7,503	(7,503)	557	(557)
Other Movements in Reserves	138	0	0	0
Increase/(Decrease) in 2012/13	206	(7,503)	128	(557)
Balance at 31 March 2013 carried forward	11,548	40,319	7,295	1,312
<u>Movement in Reserves during 2013/14</u>				
Surplus or (deficit) on the provision of Services	(169,776)	0	4,435	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(169,776)	0	4,435	0
Adjustments between accounting basis & funding basis under regulations (note 1)	159,881	0	(4,234)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(9,895)	0	201	0
Transfers to/(from) Earmarked Reserves (note 2)	9,760	(9,760)	628	(628)
Other Movements in Reserves	0	0	0	0
Increase/(Decrease) in 2013/14	(135)	(9,760)	829	(628)
Balance at 31 March 2014 carried forward	11,413	30,559	8,124	684

MOVEMENT IN RESERVES STATEMENT AS AT 31 MARCH 2014

	Capital Receipts Reserve	Total Usable Reserves (Restated)	Unusable Reserves (Restated)	Total Authority Reserves (Restated)
	£000	£000	£000	£000
Balance at 31 March 2012	1,806	70,006	842,875	912,881
<u>Movement in Reserves during 2012/13</u>	0			
Surplus or (deficit) on the provision of Services	0	(59,813)	0	(59,813)
Other Comprehensive Income and Expenditure	0	0	31,808	31,808
Total Comprehensive Income and Expenditure	0	(59,813)	31,808	(28,005)
Adjustments between accounting basis & funding basis under regulations (note 1)	(417)	51,532	(51,532)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(417)	(8,281)	(19,724)	(28,005)
Transfers to/(from) Earmarked Reserves (note 2)	0	0	0	0
Other Movements in Reserves	216	354	(354)	0
Increase/(Decrease) in 2012/13	(201)	(7,927)	(20,078)	(28,005)
Balance at 31 March 2013 carried forward	1,605	62,079	822,797	884,876
<u>Movement in Reserves during 2013/14</u>				
Surplus or (deficit) on the provision of Services	0	(165,341)	0	(165,341)
Other Comprehensive Income and Expenditure	0	0	158,174	158,174
Total Comprehensive Income and Expenditure	0	(165,341)	158,174	(7,167)
Adjustments between accounting basis & funding basis under regulations (note 1)	(206)	155,441	(155,441)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(206)	(9,900)	2,733	(7,167)
Transfers to/(from) Earmarked Reserves (note 2)	0	0	0	0
Other Movements in Reserves	0	0	0	0
Increase/(Decrease) in 2013/14	(206)	(9,900)	2,733	(7,167)
Balance at 31 March 2014 carried forward	1,399	52,179	825,530	877,709

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

2012/13				2013/14			
Gross Expenditure (Restated)	Gross Income	2012/13 Net Expenditure (Restated)		Note	Gross Expenditure	Gross Income	2013/14 Net Expenditure
£000	£000	£000			£000	£000	£000
54,928	(48,981)	5,947	Central Services to the Public		54,712	(20,679)	34,033
63,651	(24,494)	39,157	Cultural & Related Services		58,897	(25,426)	33,471
57,819	(20,069)	37,750	Environmental & Regulatory Services		56,121	(19,586)	36,535
24,248	(14,707)	9,541	Planning Services		32,169	(17,017)	15,152
379,959	(90,625)	289,334	Children's and Education Services		514,598	(84,664)	429,934
80,839	(20,592)	60,247	Highways & Transport Services		76,127	(18,719)	57,408
60,305	(61,474)	(1,169)	Housing Revenue Account		63,765	(62,124)	1,641
177,155	(168,747)	8,408	Housing Services (General Fund)		182,254	(175,897)	6,357
116,973	(31,348)	85,625	Adult Social Care		125,423	(23,029)	102,394
11,414	1,498	12,912	Corporate & Democratic Core		11,980	246	12,226
37	0	37	Non-Distributed Costs	3	2,838	0	2,838
28,555	(3,729)	24,826	Exceptional Item	3	5,056	0	5,056
1,055,883	(483,268)	572,615	Net Cost of Services	4	1,183,940	(446,895)	737,045
23,371	0	23,371	Police and Crime Commissioner for South Wales	6	25,012	0	25,012
239	0	239	Community Council Precepts	6	252	0	252
17,063	0	17,063	Levies & Contributions	6	17,392	0	17,392
3,164	(4,051)	(887)	(Gain)/loss on sale of non-current assets		2,150	(2,821)	(671)
43,837	(4,051)	39,786	Other Operating Expenditure		44,806	(2,821)	41,985
23,753	0	23,753	Interest Payable on debt	21	23,871	0	23,871
4	0	4	Interest element of finance leases	16	2	0	2
28,593	0	28,593	Interest on net defined benefit liability/(asset)	19	30,055	0	30,055
0	(3,163)	(3,163)	Interest & Investment Income		0	(1,199)	(1,199)
13,973	(9,550)	4,423	Change in fair value of Investment Properties		162	0	162
66,323	(12,713)	53,610	Financing and Investment Income & Expenditure		54,090	(1,199)	52,891
0	(36,417)	(36,417)	Recognised Capital Grants & Contributions		0	(45,350)	(45,350)
0	(307,237)	(307,237)	Revenue Support Grant		0	(339,678)	(339,678)
0	(93,743)	(93,743)	Non-Domestic Rates	9	0	(107,229)	(107,229)
1,574	(156,645)	(155,071)	Council Tax Income	8	948	(158,206)	(157,258)
0	(13,730)	(13,730)	Other Central Grants		0	(17,065)	(17,065)
1,574	(607,772)	(606,198)	Taxation & Non-Specific Grant Income		948	(667,528)	(666,580)
		59,813	(Surplus)/Deficit on Provision of Services				165,341

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 MARCH 2014**

	(81,890)	Revaluation Gains	29		(19,902)
	1,422	Revaluation Losses	29		127,299
	773	Impairment losses on non-current assets charged to the Revaluation Reserve			352
	0	Reversal of revaluation losses recognised in the Comprehensive Income & Expenditure Statement			0
	(1,862)	(Surplus)/Deficit on revaluation of available for sale financial assets	29		488
	49,749	Actuarial gains/losses on pension assets/liabilities	19		(266,411)
	0	Other gains/losses required to be included in the Comprehensive Income & Expenditure Statement			0
	(31,808)	Other Comprehensive Income & Expenditure			(158,174)
	28,005	Total Comprehensive Income & Expenditure			7,167

* The net cost of services includes IAS 19 Current Service Cost (CSC) which includes an allowance for the administration expenses of £470,000 in 2013/14 (£460,000 in 2012/13).

Restatements for 2012/13 include the creation of landfill provision which is explained in further detail in the provision note 26 in the notes to the core financial statements.

The revised IAS19 also came into force in 2012/13, which for the accounting period ending 31 March 2013 increased the expenses recognised for funded benefits increase for the Council from £44.38 million to £62.34 million an increase of £17.960 million. This is summarised in the table below:

	Cardiff 2012/13 Original £000	Adjustment £000	Cardiff 2012/13 Restated £000
CSC in NCOS	33,410	1,480	34,890
Pensions Interest Cost (now 'Interest on net defined liability/asset')	63,190	(34,590)	28,600
Expected return on pension assets	(51,070)	51,070	N/A
Surplus/Deficit Provision Services	45,530	17,960	63,490
Actuarial gains/losses on pension assets/liabilities	67,300	(17,960)	49,340
Other Comprehensive Income & Expenditure	67,300	(17,960)	49,340

Further details on pensions are detailed in note 19 in the notes to core statements.

BALANCE SHEET AS AT 31 MARCH 2014

31 March 2013 (restated) £000		Note	31 March 2014 £000
	<u>Property Plant & Equipment:</u>	20	
566,861	Council Dwellings		566,393
929,612	Other Land and Buildings		703,964
11,975	Vehicles, Plant, Furniture & Equipment		15,393
327,511	Infrastructure		314,866
16,715	Community Assets		18,734
7,079	Assets under construction		4,315
51,424	Surplus assets not held for sale		55,403
	<u>Heritage Assets</u>		
50,393	Heritage Assets		50,789
	<u>Investment Property:</u>	20	
57,809	Investment Properties		75,625
	<u>Intangible Assets</u>		
4,731	Intangible assets including AUC	20	4,748
25,053	Long-term Investments		20,743
4,352	Long-term Debtors		2,935
2,053,515	Total Long Term Assets		1,833,908
34,434	Short-term Investments		28,895
1,013	Assets held for Sale	20	380
2,997	Inventories		2,697
93,965	Short-term Debtors	22	70,911
34,946	Cash and Cash Equivalents	23	41,761
167,355	Total Current Assets		144,644
(9,421)	Short Term Borrowing	21	(14,457)
(81,306)	Short Term Creditors	24	(75,827)
(2,046)	Pension Strain	26.1	(2,486)
(7,632)	Provisions	26	(9,806)
(885)	Deferred Liabilities	27	(1,210)
(101,290)	Total Current Liabilities		(103,786)
(453,223)	Long Term Borrowing	21	(465,486)
(35,213)	Provisions	26	(33,095)
(7,740)	Deferred Liabilities	27	(7,290)
(25,404)	Capital Contributions Receipts in Advance	30	(9,724)
(1,143)	Revenue Grants Receipts in Advance	30	(2,363)
(557)	Capital Grants Receipts in Advance	30	(306)

BALANCE SHEET AS AT 31 MARCH 2014

(4,110)	Pensions Strain	26.1	(5,766)
(707,314)	Net Pensions Liability		(473,027)
(1,234,704)	Total Long Term Liabilities		(997,057)
884,876	NET ASSETS		877,709
	Financed by:		
11,548	Council Fund Balance		11,413
40,319	Council Fund Earmarked Reserves		30,559
7,295	Housing Revenue Account Balance		8,124
1,312	HRA Earmarked Reserves		684
1,605	Capital Receipts Reserve		1,399
62,079	Usable Reserves	28	52,179
317,680	Revaluation Reserve		206,879
1,210,481	Capital Adjustment Account		1,093,549
851	Deferred Capital Receipts		104
16,262	Available for Sale Financial Instruments Reserve		15,774
(3,051)	Financial Instruments Adjustment Account		(2,709)
(713,470)	Pensions Reserve		(481,278)
(5,956)	Accumulated Absences Adjustment Account		(6,789)
822,797	Unusable Reserves	29	825,530
884,876	TOTAL RESERVES		877,709

CASHFLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

2012/13 (Restated) £000		Note	2013/14 £000
59,813	Net (Surplus) /Deficit on the provision of services		165,341
(120,929)	Adjust net surplus or deficit on the provision of services for non-cash movements	32	(243,771)
35,552	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	35,208
(25,564)	Net cash flows from operating activities		(43,222)
(3,763)	Interest Received		(1,061)
24,016	Interest Paid		24,851
4	Finance lease interest paid		1
0	Dividends received		
(45,821)	Net cash flow from other operating activities		(67,013)
11,355	Investing activities		62,421
83,459	Purchase of property, plant and equipment, investment property and intangible assets		80,876
1,072	Purchase of short-term and long-term Investments		3,232
22,137	Other payments for investing activities		25,268
(4,194)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(3,568)
(54,895)	Capital Grants		(43,319)
(36,224)	Proceeds from short-term and long-term investments		(68)
0	Other receipts from investing activities		0
(10,004)	Financing activities		(26,014)
(15,663)	Cash receipts from short-term and long-term borrowing		(18,383)
0	Other receipts from financing activities		(7,752)
32	Cash payments for the reduction of outstanding liabilities relating to finance leases		15
53	Repayments of short-term and long-term borrowing		106
5,574	Other payments for financing activities		0
(24,213)	Net (increase)/ decrease in cash and cash equivalents		(6,815)
10,733	Cash and cash equivalents at the beginning of the reporting period		34,946
34,946	Cash and cash equivalents at the end of the reporting period represented by:		41,761
359	Cash held e.g. Imprest Accounts		323
9,213	Cash and Bank		9,219
25,374	Short-term deposits with financial institutions		32,219

NOTES TO CORE FINANCIAL STATEMENTS

1. 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 the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2013/14	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	185,718	13,113	0	(198,831)
Impairment/revaluation losses of non-current assets	5,056	0	0	(5,056)
Reverse previous impairment on revaluation	(14,931)	0	0	14,931
Amortisation of intangible assets	904	0	0	(904)
Movements in the market value of Investment properties	162	0	0	(162)
Movement in the value of Held for Sale Assets	1,033	0	0	(1,033)
Capital grants and contributions applied	(35,102)	(10,248)	0	45,350
Revenue expenditure funded from capital under statute	5,685	55	0	(5,740)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(109)	(561)	2,821	(2,151)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(21,577)	(4,074)	0	25,651
Statutory repayment of Debt (Finance Lease liabilities)	(13)	0	0	13
Capital expenditure charged against the General Fund and HRA balances	(1,891)	(2,198)	0	4,089
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(3,354)	3,354
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	18	(18)	0
Capital Receipts set aside for the repayment of debt	(103)	0	(402)	505
Adjustments involving the Financial Instruments Adjustment Account				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	74,055	1,428	0	(75,483)
Employer's contributions to the Pension Scheme	(41,605)	(1,755)	0	43,360
Pension Strain Future Years	2,111	(15)	0	(2,096)
Adjustments involving the Accumulating Compensated Absences Adjustment Account				

NOTES TO CORE FINANCIAL STATEMENTS

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.	828	5	0	(833)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	747	(747)
Total Adjustments	159,881	(4,234)	(206)	(155,441)

2012/13 (Restated)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	44,925	11,800	0	(56,725)
Impairment/revaluation losses of non-current assets	49,309	600	0	(49,909)
Reverse previous impairment on revaluation	(2,224)	(38)	0	2,262
Amortisation of intangible assets	804	0	0	(804)
Movements in the market value of Investment properties	4,526	(103)	0	(4,423)
Movement in the value of Held for Sale Assets	0	0	0	0
Capital grants and contributions applied	(24,876)	(11,541)	0	36,417
Revenue expenditure funded from capital under statute	2,047	0	0	(2,047)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(496)	(391)	4,001	(3,114)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(21,095)	(2,722)	0	23,817
Statutory repayment of Debt (Finance Lease liabilities)	(28)	0	0	28
Capital expenditure charged against the General Fund and HRA balances	(7,913)	(6,290)	0	14,203
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(4,011)	4,011
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	14	(14)	0
Capital Receipts set aside for the repayment of debt	(158)	0	(427)	585
Adjustments involving the Financial Instruments Adjustment Account				
Amortisation of Premiums and Discounts	(340)	(2)	0	342

NOTES TO CORE FINANCIAL STATEMENTS

Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	63,361	1,009	0	(64,370)
Employer's contributions to the Pension Scheme	(39,532)	(1,273)	0	40,805
Pension Strain Future Years	(925)	(109)	0	1,034
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(6,413)	23	0	6,390
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	34	(34)
Total Adjustments	60,972	(9,023)	(417)	(51,532)

2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2012/13 and 2013/14.

	Balance as at 31 March 2013 (Reclassified) £000	From Revenue £000	To Revenue £000	Balance as at 31 March 2014 £000
SCHOOLS BALANCES				
Schools Reserves inc. Nursery schools	2,201	3,162	(5,029)	334
Nursery Schools – General Reserve	0	0	0	0
Cathays HS – Maint. of Playing Field	3	0	0	3
Primary/Special DSU Contingency	242	131	0	373
	2,446	3,293	(5,029)	710
SCHOOLS RESERVES				
ICT Schools Practice Account	49	0	0	49
Schools Formula Funding Reserve (formerly LMS Contingency)	350	740	(378)	712
Music Service Reserve	26	0	(26)	0
Out of School Childcare	104	16	(18)	102
Schools Catering Reserve	558	0	(14)	544
Cleaning DSU	95	0	0	95
Schools Organisational Plan*	8,585	7,886	(11,189)	5,282
S.E.N. Unit	102	0	0	102
	9,869	8,642	(11,625)	6,886
OTHER EARMARKED RESERVES				
Apprenticeship Reserve	500	0	0	500
Asylum Seeker Leased Prop	140	0	(140)	0
Bereavement Services Reserve	442	183	(33)	592

NOTES TO CORE FINANCIAL STATEMENTS

Building Control Fee Earning	0	145	0	145
Bute Park Match Funding Reserve	254	0	0	254
Cardiff Academy Reserve	115	0	(30)	85
Cardiff Dogs' Home Legacy	33	0	0	33
Cardiff Enterprise Zone	346	1,179	0	1,525
Cardiff Insurance Reserve	4,034	0	(823)	3,211
Central Market Minor Works Reserve	1	0	0	1
Children's Play Sufficiency Assessment Reserve	20	0	0	20
City Centre Street Cleansing	66	0	(66)	0
City Hall Functions Reserve	20	0	(20)	0
Community Safety	30	0	0	30
Corporate Initiatives Reserve	705	52	(425)	332
CTS Vehicle Reserve	93	0	(27)	66
Discretionary Rate Relief Reserve	0	100	0	100
Employee Changes Reserve	4,790	6,051	(10,591)	250
Energy/Carbon Reduction Reserve	276	0	0	276
Energy Conservation Reserve	208	0	0	208
Equal Pay Reserve	805	0	(396)	409
Flatholm Reserve	24	0	0	24
Fraud Detection Reserve	182	0	0	182
Harbour Project & Contingency Fund	(5)	911	(415)	491
Highways Asset Management Development Reserve	76	0	(76)	0
Highways Local Government Borrowing Initiative Reserve	349	698	(349)	698
Homelessness Reserve*	1,558	0	(344)	1,214
Housing Benefit Reserve	2,346	76	(566)	1,856
House Mortgage Reserve	36	0	(4)	32
Housing Options Centre Reserve*	1,462	0	(628)	834
Housing Support Reserve*	1,937	0	(484)	1,453
ICT Holding A/C Reserve	289	100	(169)	220
Integrated Partnership Strategy	31	0	0	31
Invest to Save Reserve	0	350	0	350
Kitchen Improvement Reserve	415	0	(201)	214
Leisure Income Management System Reserve	150	0	0	150
Libraries Book Fund Reserve	45	0	(35)	10
Local Lend a Hand Mortgage Scheme	42	45	0	87
Local Plan Reserve	166	0	0	166
Local Service Board Initiative	46	0	0	46
Major Projects Reserve	2,120	413	(71)	2,462
Members Development	45	0	0	45
Municipal Election Reserve	0	96	0	96
Org Development Programme	0	940	0	940
Parking Reserve	681	2,877	(3,437)	121
PDD – Impact on Design Reserve	0	75	0	75
Registration Service Improvement	96	0	(50)	46
Resources Reserve	864	60	(61)	863
Scrutiny Development & Training Reserve	72	0	0	72
Social Care Technology Reserve	866	0	(12)	854

NOTES TO CORE FINANCIAL STATEMENTS

Specialist Advice incl Prosiect Gwyrdd Sport, Leisure & Culture	20 153	0 86	(20) (5)	0 234
Transformational Services Reserve	27	0	0	27
Valuers Reserve	39	0	0	39
Workshops Asset Maintenance	25	0	(13)	12
Youth and Community Education Reserve	523	58	(90)	491
	27,558	14,495	(19,581)	22,472
CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES				
Central South Consortium	178	62	0	240
Glamorgan Archives	193	12	(32)	173
Prosiect Gwyrdd	53	0	0	53
Welsh Purchasing Consortium	22	3	0	25
	446	77	(32)	491
HRA RESERVES				
Dilapidation Reserve	740	0	(355)	385
HRA / Housing IT Reserve	572	0	(273)	299
	1,312	0	(628)	684
TOTAL EARMARKED RESERVES	41,631	26,507	(36,895)	31,243

* These reserves have been utilised to fund voluntary severance, these will be repaid over the next three years, see employee changes reserve summary below.

The Schools Balances comprise two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2014 schools' own balances, including the balances of nursery schools, amounted to £334,000 (£2.201 million in 2012/13). In addition, the Council has established reserves to allow for contingencies affecting schools. Further details of each individual school's balance at 31 March 2014 are shown on pages 51 to 54.

The Schools Organisational Plan Reserve has been set up to fund the capital charges and other costs associated with schools reorganisation resulting from investment in the Schools Organisation Plan.

The Apprenticeship Reserve has been set up to fund apprenticeships in future years.

The Corporate Initiatives Reserve has been set up to take advantage of various opportunities that will positively impact on the economic prosperity of Cardiff and its standing as a capital city.

The Cardiff Insurance Reserve has been set up to protect the Council from potential future liabilities based on current insurance policies.

The Care First Reserve is required to meet future and potential IT and management information developments and requirements in relation to Adults and Children's Services (social care). The anticipated developments include electronic document and records management, information sharing, electronic time management and the possible replacement of the main social care case recoding system, Care First.

The Employee Changes Reserve has been set up to meet the costs associated with Single Status (Job Evaluation). The initial contribution from the Employee Changes Reserve in respect of Voluntary Severance payments and other employee related costs was £8.82 million, which required borrowing from other earmarked reserves of £4.28 million to bring it to a credit provision. The following earmarked reserves were used to fund this borrowing, Schools Organisation Plan - £3.11 million;

NOTES TO CORE FINANCIAL STATEMENTS

Housing Options Centre - £492,000; Housing Support Reserve - £330,000; and Homelessness Reserve - £344,000. These reserves will be repaid over the next 3 years as savings from voluntary severance are realised.

The Harbour Project & Contingency Fund Reserve has been set up following the Deed of Variation made between the Council and Welsh Ministers signed on 5th April 2011. The purpose is to support the Council's performance of its functions under the Cardiff Bay Barrage Act 1993 and to fund expenditure for other improvements and enhancement of infrastructure, assets, activities or services in or around the Bay. Any project expenditure is subject to prior consultation with the Welsh Ministers.

The Homelessness Reserve was established in order to deal with pressures on homelessness in the city. Further pressures are predicted due to the effects of welfare reforms and the introduction of universal credits.

The Housing Benefit Reserve will be used to fund home working and landlord liaison schemes and the training of new Benefits and Customer Services Assistants through to 2013/14. It will also be used to fund software development and office accommodation refurbishment costs and to provide further resources that may be required for Housing Benefit debt recovery.

The Housing Options Centre Reserve has been set up to fund the capital financing loan charges incurred in building the new Housing Options Centre.

The Major Projects Reserve was established to support the costs of major projects.

The Parking Reserve represents surpluses on street parking charges which are re-invested in parking, public transport and road traffic schemes. Further details of the parking reserve are shown on page 54.

The Resources Reserve brings together existing earmarked reserves that relate to the new Resources Directorate.

The Supporting People Reserve has been set up to smooth the impact of anticipated future grant fall-out

The Voluntary Severance Reserve has been set up to show the appropriation of surplus income received in the year from various sources to pay for the discretionary element of the costs of Voluntary Severance.

Cardiff's share of reserves of Joint Committees. These represent Cardiff's percentage share of the accumulated balances and reserves of the Joint Committees of which it is a member.

The Housing IT Reserve has been created to cover exceptional IT purchases including software.

NOTES TO CORE FINANCIAL STATEMENTS

Schools Balances

The individual balances of each school are as follows:

	Balance	Contributions		Balance
	(Reclassified)	From Revenue	To Revenue	31 March
	31 March 2013	£000	£000	2014
	£000	£000	£000	£000
Primary Schools				
Adamsdown Primary School	47	25	0	72
Albany Primary School	123	0	(29)	94
Allensbank Primary School	46	0	(24)	22
All Saints C.W. Primary School	17	7	0	24
Baden Powell Primary School	105	0	(73)	32
Birchgrove Primary School	78	0	(20)	58
Bishop Childs C.W. Primary School	54	0	(2)	52
Bryn Celyn Primary School	6	0	(27)	(21)
Bryn Deri Primary School	51	0	(24)	27
Bryn Hafod Primary School	44	0	(6)	38
Christ The King R.C. Primary School	24	3	(23)	4
Coed Glas Primary School	46	0	(8)	38
Coryton Primary School	49	0	(65)	(16)
Creigiau Primary School	75	0	(18)	57
Danescourt Primary School	9	0	(57)	(48)
Fairwater Primary School	27	0	(24)	3
Gabalfa Primary School	43	8	0	51
Gladstone Primary School	37	0	(2)	35
Glan Yr Afon Primary School	17	5	(33)	(11)
Glyncoed Primary School	49	0	(1)	48
Grangetown Primary School	44	0	(15)	29
Grangetown Nursery School	13	6	0	19
Greenway Primary School	6	12	0	18
Gwaelod-y-Garth Primary School	(2)	25	0	23
Hawthorn Primary School	(6)	7	0	1
Herbert Thompson Primary School	55	0	(35)	20
Holy Family R.C. Primary School	3	31	(19)	15
Hywel Dda Primary School	65	0	(3)	62
Kitchener Primary School	19	23	0	42
Lakeside Primary School	40	0	(25)	15
Lansdowne Primary School	21	0	(29)	(8)
Llandaff C.W. Primary School	9	13	0	22
Llanedeyrn Primary School	15	16	0	31
Llanishen Fach Primary School	1	6	0	7
Llysfaen Primary School	163	0	(49)	114
Marlborough Primary School	84	6	0	90
Meadowlane Primary School	57	0	(83)	(26)
Millbank Primary School	63	0	(30)	33
Moorland Primary School	27	0	(11)	16
Mount Stuart Primary School	36	5	(3)	38
Ninian Park Primary School	21	0	(19)	2
Oakfield Primary School	(29)	5	0	(24)
Pencaerau Primary School	51	0	(34)	17
Pentrebane Primary School	(18)	75	0	57

NOTES TO CORE FINANCIAL STATEMENTS

Pentyrch Primary School	72	0	(46)	26
Pen-y-Bryn Primary School	30	0	0	30
Peter Lea Primary School	(1)	24	0	23
Radnor Primary School	28	6	0	34
Radyr Primary School	50	0	(7)	43
Rhiwbina Primary School	151	0	(75)	76
Rhydypenau Primary School	84	0	(33)	51
Roath Park Primary School	91	0	(34)	57
Rumney Primary School	64	0	(47)	17
Severn Primary School	34	22	0	56
Springwood Primary School	21	48	0	69
Stacey Primary School	33	0	(4)	29
St Alban's R.C. Primary School	(70)	3	(109)	(176)
St Bernadette's R.C. Primary School	14	0	(4)	10
St Cadoc's R.C. Primary School	35	13	0	48
St Cuthbert's R.C. Primary School	54	0	(8)	46
St David's C.W. Primary School	24	0	(22)	2
St Fagan's C.W. Primary School	21	0	(47)	(26)
St Francis R.C. Primary School	35	21	0	56
St John Lloyd R.C. Primary School	53	0	(8)	45
St Joseph's R.C. Primary School	20	0	(95)	(75)
St Mary's R.C. Primary School	10	0	(56)	(46)
St Mary The Virgin C.W. Primary School	20	20		40
St Mellons C.W. Primary School	29	10	0	39
St Monica's C.W. Primary School	0	0	(48)	(48)
St Patrick's R.C. Primary School	65	3	(39)	29
St Paul's C.W. Primary School	33	20	0	53
St Peter's R.C. Primary School	79	0	(32)	47
St Philip Evans R.C. Primary School	30	0	(45)	(15)
Thornhill Primary School	24	0	(31)	(7)
Tongwynlais Primary School	32	5	0	37
Ton-yr-Ywen Primary School	60	0	(23)	37
Tredegaville C.W. Primary School	71	0	(22)	49
Trelai Primary School	68	0	(3)	65
Tremorfa Nursery School	51	0	(9)	42
Trowbridge Infant School	0	0	0	0
Trowbridge Junior School	0	0	0	0
Trowbridge Primary School	64	0	(31)	33
Whitchurch Primary School	95	0	(37)	58
Willowbrook Primary School	34	0	(20)	14
Windsor Clive Primary School	114	0	(45)	69
Ysgol Bro Eirwg	51	17	(39)	29
Ysgol Gymraeg Coed-y-Gof	55	0	(25)	30
Ysgol Melin Gruffydd	51	0	(6)	45
Ysgol Pencae	22	0	(13)	9
Ysgol Pwll Coch	18	6	0	24
Ysgol-y-Berllan Deg	61	0	(37)	24
Ysgol Mynydd Bychan	18	26	0	44
Ysgol Gymraeg Treganna	27	7	(17)	17
Ysgol-y-Wern	177	0	(138)	39
Ysgol Glan Morfa	(5)	0	(39)	(44)
Ysgol Nant Caerau	7	0	(22)	(15)
Ysgol Tan yr Eos	46	43	(89)	0

NOTES TO CORE FINANCIAL STATEMENTS

Ysgol Pen y Groes	120	0	(57)	63
Ysgol Pen y Pil	41	9	0	50
Ysgol Glan Ceubal	1	0	(6)	(5)
ICC Ely/Vachell Rd Nursery	50	0	(16)	34
Total Primary Schools (net)	4,147	581	(2,275)	2,453
Secondary Schools				
Corpus Christi R.C. High School	(31)	0	(11)	(42)
Mary Immaculate High School	(149)	86	(12)	(75)
St Illtyd's R.C. High School	78	8	(72)	14
Bishop Of Llandaff C.W. High School	(127)	61	0	(66)
Michaelston Community College	(241)	0	(309)	(550)
Cantonian High School	(1,077)	1	(212)	(1,288)
Cardiff High School	1	0	(80)	(79)
Cathays High School	31	1	0	32
Fitzalan High School	36	0	(36)	0
Glyn Derw High School	49	0	(210)	(161)
Llanedeyrn High School*	(646)	1,298	(652)	0
Llanishen High School	42	31	0	73
Llanrumney High School	(317)	748	(431)	0
Radyr Comprehensive	20	79	0	99
Rumney High School	(244)	0	(137)	(381)
St Teilo's C.W. High School	(149)	0	(101)	(250)
Whitchurch High School	34	0	(114)	(80)
Willows High School	129	0	(126)	3
Ysgol Gyfun Gymraeg Glantaf	142	61	(105)	98
Ysgol Gyfun Gymraeg Plasmawr	12	0	(77)	(65)
Ysgol Gyfun Bro Edern	80	0	(33)	47
Total Secondary Schools (net)	(2,327)	2,374	(2,718)	(2,671)
Special Schools				
The Court School	65	8	0	73
Riverbank School	64		(5)	59
Ty Gwyn School	(105)	167	0	62
Woodlands High School	85	0	(17)	68
Greenhill School	98	27	0	125
Meadowbank School	87	0	(1)	86
The Hollies School	87	5	(13)	79
Total Special Schools (net)	381	207	(36)	552
Total Schools Balances (net)	2,201	3,162	(5,029)	334

The schools balances brought forward have been restated to reflect the re-classification of funds between the School Organisation Plan Reserve, the Formula Funding Reserve and the Schools Balances.

NOTES TO CORE FINANCIAL STATEMENTS

Parking Reserve

The Parking Reserve is generated from surpluses achieved from Civil Parking Enforcement (CPE). The use of any surplus is governed by Section 55 of the Road Traffic Management Act 1984 which specifies that the surplus may be used to fund operational costs including subsidising the enforcement service, supporting public passenger transport services, transport planning and road safety, maintaining off-street car parks and highway improvement work.

2012/13		2013/14
£'000s		£'000's
	Income	
(3,192)	On-street pay car parking fees	(4,029)
(2,148)	Penalty charge notices	(2,150)
(140)	Residents parking permits	(142)
(245)	Off-Street car parking fees	(230)
(49)	Disabled bays	0
0	Other income	(48)
(5,774)	Total Income	(6,599)
	Expenditure	
803	Operational costs and Traffic Regulation Orders	947
2,802	Enforcement service	2,775
3,605	Total Expenditure	3,722
(2,169)	Civil Parking Enforcement Net (Surplus)/Deficit	(2,877)
	Appropriations to Parking Reserve:	
1,643	Balance 1 April 2013	681
2,169	Contributions from CPE	2,877
(3,131)	Contributions to revenue*	(3,437)
681	Balance 31 March 2014	121

* Eligible expenditure totalling £3.437 million was drawn down from the reserve in respect of the following leaving a balance of £120,775 at the 31 March 2014.

	£000's
- Contribution to overall provision for Transportation	3,050
- Pentwyn Park & Ride	387

3. Non-Distributed Costs and Exceptional Items

The Non-Distributed Costs (NDC) amount is made up of £2.437 million in relation to IAS 19 past service costs and £400,000 expenditure in relation to Equal Pay compensation.

Exceptional Items in 2013/14 include £5.056 million in relation to impairment of loans owed by Glamorgan County Cricket Club for the redevelopment of the stadium. There are a number indicators of impairment at the balance sheet date and the recoverable amount will be reviewed during 2014/15 together with the Club and its creditors, as discussions take place on a restructuring of the loans outstanding to determine an achievable repayment schedule to ensure sums due to the Council under the original contract are repaid. As the loan has been provided from Capital resources, the loss on impairment is neutralised against Capital reserves, with a net nil impact in the year. The Council continues to adopt a prudent approach in its revenue budget to both the principal amounts and interest due.

NOTES TO CORE FINANCIAL STATEMENTS

The restated 2012/13 exceptional item includes £28.166 million for the creation of a provision for Lamby Way and Ferry Road landfill aftercare. For further information on this restatement for the creation of this provision see note 26.

NOTES TO CORE FINANCIAL STATEMENTS

4. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

The service analysis, HRA and Harbour figures in the first three columns of the reconciliation to subjective analysis tables on pages 60 to 63 are based on the reported outturn for Council Fund services which will be reported to the Cabinet Meeting of the Council in July 2014. The outturn for the Housing Revenue Account (HRA) is reported separately at the same meeting. The figures for the Harbour Authority are based on the Council's ledger at the same date. These figures include some depreciation charges and the corresponding reversing entry which is required in order to neutralise the impact on Council Tax.

Not included in Net Cost of Services

Certain types of income and expenditure which are included in the reported outturn are required to be excluded from the Net Cost of Services and shown as either corporate amounts or included in the statutory adjustment accounts. These include the following:

- Employers pension contributions
- Appropriations to earmarked reserves and balances
- Direct revenue financing costs
- Voluntary revenue provision made by directorates
- Transfers to capital reserves included in HRA and Harbour revenue accounts
- Interest payable and receivable
- Precepts and levies

Amounts not reported to management for decision making

Items included in the above classification mainly cover adjustments that are required under the IFRS Code.

The following are reversed out in the statutory adjustment accounts ensuring that they do not impact on Council tax:

- Adjustments required under IAS19 in respect of accounting for pension costs and accruing for untaken leave.
- Other items including the reclassification of certain operating lease rentals into finance leases; elimination of agency expenditure and income; a reclassification between income and expenditure.

Other items include:

- The Council's share of the transactions of those Joint Committees of which it is a member are required to be added into its Comprehensive Income Expenditure Statement on a line-by-line basis instead of being shown as a contribution to each Joint Committee.
- Additional capital journals that are input as 'technical adjustments' after the reported outturn is determined.

Adjustment for recharges

The presentation of figures in the Council's outturn report is based on the cash limit budgets of directorates. Support service recharges are largely shown in the directorate that is responsible for the expenditure. However, some internal income is netted off against expenditure.

In the Comprehensive and Income Expenditure Statement all internal recharging between directorates is eliminated.

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

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

	2012/13 (Restated) £000	2013/14 £000
Net expenditure in Service Area Analysis	544,833	593,007
Services not included in Service Area Analysis (HRA and Harbour)	(128)	(964)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	84,619	(527,641)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(56,709)	672,643
Amounts in respect of presentation of internal recharges	0	0
Net Cost of Services in Comprehensive Income & Expenditure Statement	572,615	737,045

NOTES TO CORE FINANCIAL STATEMENTS

Service Information for year ended 31 March 2014

	Health & Social Care (including asylum seekers)	Education	Sports, Leisure & Culture	Environment
	£000	£000	£000	£000
Fees, charges and other service income	(6,669)	(27,579)	(31,309)	(8,753)
Government grants	(10,171)	(47,442)	(2,591)	(8,856)
Total Income	(16,840)	(75,021)	(33,900)	(17,609)
Employee expenses	27,623	234,214	29,442	27,210
Other service expenses	83,079	69,180	22,942	14,882
Support service recharges	3,314	5,157	1,248	4,669
Depreciation, amortisation, impairment, & REFCUS	0	0	0	0
Total Expenditure	114,016	308,551	53,632	46,761
Net Expenditure as per Outturn Report	97,176	233,530	19,732	29,152

Comparative Service Information for year ended 31 March 2013

	Adult Services	Childrens Services	City Management	City Services
	£000	£000	£000	£000
Fees, charges and other service income	(14,753)	(1,674)	(32,194)	(9,438)
Government grants	(10,860)	(1,943)	(1,594)	(8,502)
Total Income	(25,613)	(3,617)	(33,788)	(17,940)
Employee expenses	30,136	15,794	21,597	26,175
Other service expenses	79,168	32,398	38,410	22,612
Support service recharges	(19)	705	2,385	5,969
Depreciation, amortisation, impairment, & REFCUS	0	0	0	0
Total Expenditure	109,285	48,897	62,392	54,756
Net Expenditure as per Outturn Report	83,672	45,280	28,604	36,816

* Due to the restructuring that was undertaken between 2012/13 and 2013/14, the disaggregation for service analysis to compare with 2013/14 was unavailable, therefore 2012/13 figures have not been restated.

NOTES TO CORE FINANCIAL STATEMENTS

Service Information for year ended 31 March 2014

	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas £000	Total £000
Fees, charges and other service income	(15,222)	(17,014)	(29,853)	(136,399)
Government grants	(187,302)	(1,975)	(7,164)	(265,501)
Total Income	(202,524)	(18,989)	(37,017)	(401,900)
Employee expenses	24,497	16,742	62,134	421,862
Other service expenses	220,270	35,858	122,893	569,104
Support service recharges	716	2,199	(13,362)	3,941
Depreciation, amortisation, impairment, & REFCUS	0	0	0	0
Total Expenditure	245,483	54,799	171,665	994,907
Net Expenditure as per Outturn Report	42,959	35,810	134,648	593,007

Comparative Service Information for year ended 31 March 2013

	Communities £000	Education £000	Other Directorates £000	Total £000
Fees, charges and other service income	(29,697)	(28,400)	(50,627)	(166,783)
Government grants	(203,944)	(49,907)	(1,811)	(278,561)
Total Income	(233,641)	(78,307)	(52,438)	(445,344)
Employee expenses	41,384	233,097	54,505	422,688
Other service expenses	214,846	69,081	108,945	565,460
Support service recharges	3,646	3,259	(14,256)	1,689
Depreciation, amortisation, impairment, & REFCUS			340	340
Total Expenditure	259,876	305,437	149,534	990,177
Net Expenditure as per Outturn Report	26,235	227,130	97,096	544,833

NOTES TO CORE FINANCIAL STATEMENTS

Reconciliation to Subjective Analysis

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

2013/14	Service analysis	HRA	Harbour	Not included in Net Cost of Services	Adjustments re presentation of recharges
	£000	£000	£000	£000	£000
Fees, charges & other service income	(101,918)	(62,496)	(876)	724,085	186,532
Interest & investment income	(859)	(65)	0	162	0
Income from Council Tax	0	0	0	0	0
Government grants & contributions	(265,501)	(659)	(7,769)	746	
Grants/contributions to fund REFCUS	0	0	0	0	0
Transfer from CAA re depreciation	0	0	0	0	0
Capital Financing reversals (Net)	(33,622)	(645)	(415)	60,592	0
Gain/loss on disposal of fixed assets	0	0	0	0	0
Total Income	(401,900)	(63,865)	(9,060)	785,585	186,532

Employee expenses	421,862	10,139	3,196	(43,360)	(14,235)
Other service expenses	488,561	36,058	4,522	(1,515)	(100,110)
Support service recharges	3,941	5,674	927	(1,723)	(57,256)
Depreciation, amortisation, impairment & REFCUS	0	0	0	0	(14,931)
Interest payments	19,037	4,756	0	(4,782)	0
Interest on net defined benefit liability/asset	0	0	0	0	0
Precepts & levies	17,395	0	0	(17,395)	0
Change in fair value of investment properties	0	0	0	0	0
Capital financing	44,111	6,274	415	(44,167)	0
Total expenditure	994,907	62,901	9,060	(112,942)	(186,532)
(Surplus)/deficit on provision of services	593,007	(964)	0	672,643	0

NOTES TO CORE FINANCIAL STATEMENTS

	Not reported to management for decision making	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000
Fees, charges & other service income	(901,752)	(156,425)	0	(156,425)
Interest & investment income	762	0	(1,199)	(1,199)
Income from Council Tax	0	0	(157,258)	(157,258)
Government grants & contributions	(17,287)	(290,470)	(509,322)	(799,792)
Grants/contributions to fund REFCUS	0	0	0	0
Transfer from CAA re depreciation	0	0	0	0
Capital Financing Reversals (Net)	(25,910)	0	0	0
Gain/loss on disposal of fixed assets	0	0	(671)	(671)
Total Income	(944,187)	(446,895)	(668,450)	(1,115,345)
Employee expenses	67,475	445,077		445,077
Other service expenses	119,697	547,213		547,213
Support service recharges	49,194	757		757
Depreciation, amortisation, impairment & REFCUS	205,824	190,893		190,893
Interest payments	(19,011)	0	23,873	23,873
Interest on net defined benefit liability/asset	0	0	30,055	30,055
Precepts & levies		0	42,656	42,656
Change in fair value of investment properties	0	0	162	162
Capital financing	(6,633)	0		0
Total expenditure	416,546	1,183,940	96,746	1,280,686
(Surplus)/deficit on provision of services	(527,641)	737,045	(571,704)	165,341

NOTES TO CORE FINANCIAL STATEMENTS

Comparative movements for 2012/13 are as follows:

2012/13 (Restated)	Service analysis £000	HRA £000	Harbour £000	Not included in Net Cost of Services £000	Adjustments re presentation of recharges £000
Fees, charges & other service income	(150,013)	(62,576)	(2,238)	29,427	161,169
Interest & investment income	(3,069)	(230)	(2)	9,806	4
Income from Council Tax	(2,261)	0	0	0	0
Government grants & contributions	(278,562)	(12,018)	(7,563)	11,923	0
Grants/contributions to fund REFCUS	0	0	0	0	0
Transfer from CAA re depreciation	0	0	0	0	0
Capital Financing reversals (Net)	(11,439)	(12,598)	(5,043)	18,219	0
Gain/loss on disposal of fixed assets	0	0	0	0	0
Change in fair value of investment properties	0	0	0	0	0
Total Income	(445,344)	(87,422)	(14,846)	69,375	161,173

Employee expenses	422,689	9,122	2,757	(40,805)	(11,790)
Other service expenses	500,173	41,631	6,252	(47,881)	(90,314)
Support service recharges	1,689	4,967	794		(59,069)
Depreciation, amortisation, impairment & REFCUS	340	12,554	5,043	(2)	0
Interest payments	19,023	4,730	0	(4,730)	0
Pensions interest cost (IAS19)	0	0	0	0	0
Precepts & levies	17,063	0	0	(17,063)	0
Capital financing	29,200	14,290	0	(15,603)	0
Total expenditure	990,177	87,294	14,846	(126,084)	(161,173)
(Surplus)/deficit on provision of services	544,833	(128)	0	(56,709)	0

NOTES TO CORE FINANCIAL STATEMENTS

	<i>Not reported to management for decision making</i>	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000
Fees, charges & other service income	(152,005)	(176,236)	0	(176,236)
Interest & investment income	(6,509)	0	(3,163)	(3,163)
Income from Council Tax	2,261	0	(155,071)	(155,071)
Government grants & contributions	527	(285,693)	(451,127)	(736,820)
Grants/contributions to fund REFCUS	(21,339)	(21,339)	0	(21,339)
Transfer from CAA re depreciation	0	0	0	0
Capital Financing Reversals (Net)	10,861	0	0	0
Gain/loss on disposal of fixed assets	0	0	(887)	(887)
Change in fair value of investment properties	0	0	0	0
Total Income	(166,204)	(483,268)	(610,248)	(1,093,516)
Employee expenses	40,512	422,485	0	422,485
Other service expenses	116,099	525,960	0	525,960
Support service recharges	51,619	0	0	0
Depreciation, amortisation, impairment & REFCUS	89,503	107,438	0	107,438
Interest payments	(19,023)	0	23,757	23,757
Pensions interest cost (IAS19)	0	0	28,593	28,593
Precepts & levies	0	0	40,673	40,673
Capital financing	(27,887)	0	4,423	4,423
Total expenditure	250,823	1,055,883	97,446	1,153,329
(Surplus)/deficit on provision of services	84,619	572,615	(512,802)	59,813

NOTES TO CORE FINANCIAL STATEMENTS

5. Harbour Authority & Associated Activities

The following accounts are extracted from the Council's accounts and relate to functions transferred to Cardiff Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000. These accounts are required by the Welsh Government and comprise an Income and Expenditure Statement and Balance Sheet. They are consolidated into the accounts of Cardiff Council but are shown separately for information purposes.

2012/13	Harbour Authority Income & Expenditure Statement	2013/14
£000		£000
	Income	
(8,544)	Government Grants	(8,659)
(722)	Fees and Charges	(898)
(2)	Interest & Investment Income	0
(382)	Capital Grants Applied	(227)
(9,650)	Total Income	(9,784)
	Expenditure	
2,732	Employees	3,278
2,177	Premises	2,500
63	Transport	86
2,487	Supplies and Services	1,884
794	Support Services	973
7	Third Party Payments	7
0	Direct Revenue Financing	0
5,020	Depreciation	4,489
13,280	Total Expenditure	13,217
3,630	Net Expenditure for the year	3,433
	Appropriations from reserves:	
	Contributions to/(from) Capital Adjustment Account in respect of	
(5,020)	- Depreciation charged to income & expenditure	(4,489)
382	- Capital Grants Applied	227
1,516	- Capital expenditure funded from revenue resources	415
(2)	Contribution from Accumulated Absences account	4
27	Contributions to/(from) Pensions Reserve	(86)
(533)	Contributions to/(from) Project & Contingency Fund	496
0	(Surplus)/Deficit for the year	0

NOTES TO CORE FINANCIAL STATEMENTS

31 March 2013 £000 <i>(Restated)</i>	Harbour Authority Balance Sheet	31 March 2014 £000
	<u>Property, plant and equipment</u>	
7,624	Land and Buildings	7,571
111	Vehicles, Plant, Furniture & Equipment	255
170,191	Infrastructure	165,903
1,103	Community Assets	1,103
475	Surplus Assets	475
56	Heritage Assets	56
0	Assets under construction	0
255	Intangible Assets	191
179,815	Long-term assets	175,554
1,111	Stocks and Work in Progress	1,113
251	Debtors	951
500	Cash	910
0	Assets held for sale	0
1,862	Current assets	2,974
(1,993)	Creditors	(2,591)
(1,993)	Current liabilities	(2,591)
0	Revenue Grants Receipts in Advance	0
15	Capital Grants Receipts in Advance	0
15	Long-term liabilities	0
179,699	Net assets	175,937
	Financed by:	
174,843	Capital Adjustment Account	170,616
4,898	Revaluation Reserve	4,863
(5)	Project & Contingency Fund	491
(37)	Accumulated absences account	(33)
179,699	Total Reserves	175,937

The 2012/13 balances for Assets Under Construction have been restated as the property, plant and equipment it related to was previously shown as a Harbour Authority asset whereas this has been disclosed as a Council asset in 2013/14, therefore for comparative purposes has been restated in 2012/13. This movement has also reduced the figure in the Capital Adjustment Account in 2012/13 by the equivalent value.

NOTES TO CORE FINANCIAL STATEMENTS

6. Precepts and Levies

	2012/13 £000	2013/14 £000
Precepts		
Police and Crime Commissioner for South Wales	23,371	25,012
Community Councils:		
Lisvane	28	31
Pentyrch	73	80
Radyr	79	79
St Fagans	17	18
Old St Mellons	26	26
Tongwynlais	16	18
	23,610	25,264
Levies & Contributions		
South Wales Fire & Rescue Service	16,742	17,076
Caldicot & Wentloog Drainage Board	168	168
Cardiff Port Health Authority	148	144
Newport Health Authority	5	4
South Wales Sea Fisheries Committee		
	17,063	17,392

7. Participation in Joint Committees

During 2013/14 the Council was lead Authority for three Joint Committees:

- Glamorgan Archives Joint Committee which is responsible for the management and administration of the Glamorgan Records Office (GRO).
- Prosiect Gwyrdd has been established in order to jointly procure a residual waste treatment facility.
- The Welsh Purchasing Consortium has been established to support the Member Authorities in delivering joint, collaborative contracts and framework agreements for the procurement of goods and services.

For 2013/14 the revenue contributions made to these Committees were: Glamorgan Archives £242,378 (£244,182 in 2012/13); Prosiect Gwyrdd £83,333 (£79,308 in 2012/13); Welsh Purchasing Consortium £13,500 (£14,892 in 2012/13).

Cardiff Council is also a member of the Central South Consortium Joint Education Service which was created on 1st September 2012. The revenue contributions made to this committee for 2013/14 were £1.535 million (£0.894 million in 2012/13).

The Council has included its share of the transactions and balances of each Joint Committee in its 2013/14 accounting statements on a line-by-line basis. The exception is the funding of the GRO, where each Authority included within its own accounts how it has paid for its contribution towards the GRO building.

8. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the police Authority for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's council tax base for 2013/14 was 137,979 (137,951 for 2012/13).

NOTES TO CORE FINANCIAL STATEMENTS

The amounts for a band D property in Cardiff during 2013/14 were as follows:

Band D Council Tax:	2012/13	2013/14
	£	£
Cardiff Council	937	937
Police and Crime Commissioner for South Wales	169	181
TOTAL	1,106	1,118

The above amount (£1,118) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

Band	A	B	C	D	E	F	G	H	I
Multiplier	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

Analysis of the net proceeds from council tax:

	2012/13	2013/14
	£000	£000
Council Tax collectable	(156,645)	(158,206)
Provision for non-payment of Council Tax	1,574	948
	(155,071)	(157,258)

The following table shows the cumulative provision for non-payment of Council Tax held at the Balance Sheet date:

31 March 2013		31 March 2014
£000		£000
(6,526)	Council Tax Bad Debt Provision	(5,996)

9. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (46.4p in 2013/14 and 45.2p in 2012/13) and, subject to the effects of transitory 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 areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to local authorities on the basis of a fixed amount per head of population.

The NDR income, after relief and provision, of £181,839,744 for 2013/14 (£174,735,736 for 2012/13) was based on a total rateable value of £468,945,159 for 2013/14 (£468,692,125 for the year 2012/13).

Analysis of the net proceeds from non-domestic rates:

	2012/13	2013/14
	£000	£000
Non-Domestic Rates collectable	174,735	181,840
Cost of collection allowance	(878)	(877)
Provision for non payment of NDR	(3,855)	(4,109)
Payment into national pool	170,002	176,854
Redistribution from national pool	(93,743)	(107,229)

NOTES TO CORE FINANCIAL STATEMENTS

10. Agency Income & Expenditure

Cardiff Council acts as an agent on behalf of the Welsh Government for the collection of Non Domestic Rates. A net debtor of £11,274,484 (£18,080,431 in 2012/13) is shown in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.

During 2013/14, the Council carried out work on behalf of the South Wales Trunk Road Agency under an agency agreement. The Council is fully reimbursed for this work. The total reimbursement received £564,424 in 2013/14 (£599,696 in 2012/13).

The Council acts as an agent on behalf of the Welsh Government to provide loans to bring back unused properties into homes. At 31/3/2013 the balance available for loans was £1,039,186. A further £514,405 was received from WG to provide additional loans. During the year loans totalling £961,540 were awarded and a loan of £125,000 was repaid, leaving a balance available for loans of £717,051 at 31st March 2014.

11. Remuneration

11.1 The Accounts and Audit (Wales) (Amendment) Regulations 2010 requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff who fall within this category including teaching staff and those whose remuneration is disclosed in more detail in note 11.2.

The figures include all taxable remuneration received in the year, including in some cases, severance payments but exclude employers pension contributions and any expenses that are not chargeable to UK income tax.

Remuneration band £	Number of Employees	
	2012/13	2013/14
60,000-64,999	78	90
65,000-69,999	18	37
70,000-74,999	17	15
75,000-79,999	6	8
80,000-84,999	10	13
85,000-89,999	7	8
90,000-94,999	3	4
95,000-99,999	4	2
100,000-104,999	1	5
105,000-109,999	2	3
110,000-114,999	0	2
115,000-119,999	2	1
120,000-124,999	0	0
125,000-129,999	0	0
130,000-134,999	1	0
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	0	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	0	0
175,000-179,999	0	0
180,000-184,999	0	0
185,000-189,999	0	0
190,000-194,999	1	0

NOTES TO CORE FINANCIAL STATEMENTS

It will be noted from the Remuneration banding note that the number of individuals employed by the authority whose salary exceeds the £60,000 threshold is significantly higher for 2013/14 when compared to the previous financial year. The main explanation for this increase is the larger number of individuals leaving the authority during the financial year (545 in 2013/14 compared to 298 in 2012/13). The redundancy payments made to these individuals fall under the Authority's definition of remuneration and therefore must be taken into account when making disclosures in the remuneration bandings note to the Statement of Accounts. The value of these payments in many cases will have combined with traditional sources of remuneration to push many individuals above the £60,000 disclosure threshold for this note.

11.2 Further disclosure is required in respect of the individual remuneration details of senior employees (Chief Officers and Heads of Function and above) whose salary is £60,000 or more per annum but less than £150,000, identified by job title. Employees whose salary is £150,000 or more on an annualised basis are required to be identified by name.

No bonuses have been paid during 2013/14 (2012/13 - £nil)

The following persons fell within this definition for 2013/14

2013/14	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.9% of salary)	Salary, fees and allowances
Post title			Received via payroll (taxable) (a)	Received via creditors (non taxable)		
	£	£	£	£	£	£
Christine Salter, Interim Head of Paid Service, Corporate Director Resources and Section 151 Officer, Corporate Chief Officer, Corporate and Section 151 Officer (a)	136,957	0	0	0	32,733	169,690
Director Communities, Housing & Customer Services, Corporate Chief Officer, Communities (b)	115,787	0	0	0	27,673	143,460
Director Economic Development, Chief Officer, City Development (c)	111,990	0	0	0	26,766	138,756
Corporate Director Operations, Chief Operating Officer (Leaving Date 05/01/2014) (d)	103,338	0	0	0	23,771	127,109

NOTES TO CORE FINANCIAL STATEMENTS

Chief Officer, Legal and Democratic Services (Leaving Date 31/07/2013) (e)	42,531	0	61,968	0	10,592	115,091
Jonathan House, Chief Executive (Leaving Date 07/07/2013)(f)	88,347	0	0	0	11,804	108,089
Director Sport, Leisure & Culture (Commenced 15/07/2013) (g)	85,484	0	0	0	20,431	105,915
Chief HR Officer, Corporate Chief Officer, Shared (h)	84,935	0	0	0	20,299	105,235
Assistant Director Sport, Leisure & Culture, Chief Officer, City Management (i)	81,663	0	0	0	19,517	101,180
Director Health & Social Care (Commenced 29/07/2013) (j)	81,270	0	0	0	19,351	100,621
Assistant Director Environment, Chief Officer, City Services (k)	81,167	0	0	0	19,399	100,566
Director Children Services (Commenced 05/08/2013) (l)	78,710	52	0	0	18,812	97,574
Director Education & Lifelong Learning (Commenced 12/08/2013) (m)	76,571	0	0	0	18,272	94,843
Chief Officer, Adults Services (Leaving Date 03/06/2013) (n)	17,582	0	71,696	0	3,513	92,791
Director Environment (Commenced 19/08/2013) (o)	74,194	0	0	0	17,732	91,926
County Clerk & Monitoring Officer (Commenced 19/08/2013) (p)	74,194	0	0	0	17,732	91,926
Assistant Director Customer Services & Communities, Head of Service, Customer Services (q)	73,583	0	0	0	17,586	91,169

NOTES TO CORE FINANCIAL STATEMENTS

Interim Section 151 Officer and Operational Manager Project & Technical Accountancy (r)	71,261	0	0	0	17,031	88,292
Head of Service, Internal Services (Leaving Date 31/10/2013) (s)	49,238	11	29,700	0	8,953	87,902
Head of Service, Regulatory and Supporting Services (t)	70,393	88	0	0	16,786	87,267
Head of Service, Scrutiny, Performance and Improvement	70,128	0	0	0	16,761	86,889
Director Strategic Planning, Highways, Traffic & Transport (Commenced 02/09/2013) (u)	69,637	0	0	0	16,650	86,287
County Solicitor (Commenced 09/09/2013) (v)	67,333	0	0	0	16,093	83,426
Head of Service, Community Facilities, Operational Manager Programme Manager (w)	64,459	18	0	0	15,348	79,825
Paul Orders, Chief Executive (Commenced 09/12/2013) (x)	53,011	0	0	0	12,670	65,681
Project Officer (Leaving Date 11/06/2013) (y)	19,671	0	0	29,700	4,701	54,072

- a) Interim Head of Paid Service from 08/07/2013 – 08/12/2013. Annualised salary of £156,000. Corporate Director Resources & Section 151 Officer from 03/06/2013 – 07/07/2013 and then from 09/12/2013. Annualised salary of £130,000. Corporate Chief Officer, Corporate and Section 151 Officer until 02/06/2013. Annualised salary of £107,088. In addition to the remuneration fees detailed in the table above, Christine Salter received fees relating to Returning Officer duties of £1,957 (£nil in 2012/13).
- b) Director Communities, Housing & Customer Services from 03/06/2013. Annualised salary of £120,000. Corporate Chief Officer, Communities until 02/06/2013. Annualised salary of £95,538.
- c) Director Economic Development from 03/06/2013. Annualised salary of £120,000. Chief Officer City Development until 02/06/2013. Annualised salary of £73,491.
- d) Corporate Director Operations from 03/06/2013 until leaving the Authority on 05/01/2014. Annualised salary of £120,000. Chief Operating Officer until 02/06/2013. Annualised salary of £131,235.
- e) Chief Officer, Legal & Democratic Services left the Authority on 31/07/2013. Annualised salary of £83,991.

NOTES TO CORE FINANCIAL STATEMENTS

- f) Jonathan House, Chief Executive left the Authority on 07/07/2013. Annualised salary of £183,726.
- g) Director Sport, Leisure & Culture commenced 15/07/2013. Annualised salary of £120,000.
- h) Chief HR officer from 03/06/2013. Annualised salary of £80,000. Corporate Chief Officer, Shared until 02/06/2013. Annualised salary of £99,741.
- i) Assistant Director Sport, Leisure & Culture from 01/09/2013. Annualised salary of £80,000. Chief Officer City Management until 31/08/2013. Annualised salary of £83,991.
- j) Director Health & Social Care commenced 29/07/2013. Annualised salary of £120,000.
- k) Assistant Director Environment from 01/09/2013. Annualised salary of £80,000. Chief Officer City Services until 31/08/2013. Annualised salary of £82,800.
- l) Director Children's Services commenced 05/08/2013. Annualised salary of £120,000.
- m) Director Education & Lifelong Learning commenced 12/08/2013. Annualised salary of £120,000.
- n) Chief Officer Adult's Services left the Authority 03/06/2013. Annualised salary of £83,991.
- o) Director Environment commenced 19/08/2013. Annualised salary of £120,000.
- p) County Clerk & Monitoring Officer commenced 19/08/2013. Annualised salary of £120,000.
- q) Assistant Director Communities & Customer Services from 25/11/2013. Annualised salary of £80,000. Head of Service, Customer Services until 24/11/2013. Annualised salary of £70,128.
- r) Interim Section 151 Officer from 08/07/2013 until 08/09/2013. Annualised Salary of £76,838. Operational Manager Project & Technical Accountancy. Annualised Salary of £64,032.
- s) Head of Services, Internal Services left the Authority on 31/10/2013. Annualised salary of £64,218.
- t) Head of Service Regulatory & Supporting Services reports to Director Environment from 01/09/2013. Prior to this date the post reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13, Therefore to maintain consistency of treatment it is also disclosed for 2013/14.
- u) Director Strategic Planning, Highways, Traffic & Transport commenced 02/09/2013. Annualised salary of £120,000.
- v) County Solicitor commenced 09/09/2013. Annualised salary £120,000.
- w) Head of Service Community Facilities until 16/03/2014. Annualised salary of £64,218. This post no longer exists but reported to Corporate Director Communities, Housing & Customer Service from 03/06/2013 until 16/03/2014. Prior to this it reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13. Therefore to maintain consistency of treatment it is also disclosed for 2013/14. Post holder then occupied post of Operational Manager from 17/03/2014. Annualised salary of £51,945.
- x) Paul Orders, Chief Executive commenced 09/12/2013. Annualised salary of £170,000.
- y) Project Officer left the Authority on 11/06/2013. Annualised salary of £99,741. Project Officer post reported directly to the former Chief Executive and therefore remuneration is disclosed for 2013/14.
- z) In 2013/14 payments of £13,300 (£156,100 in 2012/13) were made to Windsor Transformational Education Services Ltd for payments to service as Corporate Director, People.

NOTES TO CORE FINANCIAL STATEMENTS

Comparative data for 2012/13 is as follows:

2012/13	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment		Employers pension contribution (22.9% of salary)	Salary, fees and allowances
Post title			Received via payroll (taxable) (a)	Received via creditors (non taxable)		
	£	£	£	£	£	£
Jonathan House, Chief Executive	191,664	0	0	0	42,073	233,737
Chief Operating Officer (Commenced 16/04/2012) (a)	130,559	0	0	0	28,801	159,359
Corporate Chief Officer, Corporate and Section 151 Officer	107,088	0	0	0	24,523	131,611
Chief Officer Education / Project Officer (b)	99,741	68	0	0	22,841	122,650
Corporate Chief Officer, Shared	99,741	0	0	0	22,841	122,582
Corporate Chief Officer, Communities	91,470	0	0	0	20,947	112,417
Chief Officer, Legal and Democratic Services	84,508	0	0	0	18,961	103,469
Chief Officer, City Management	83,991	0	0	0	19,234	103,225
Chief Officer, Adults Services	83,991	0	0	0	19,234	103,225
Chief Officer, City Services	77,694	0	0	0	17,792	95,486
Chief Officer, Children Services (Leaving Date 14/02/2013) (c)	75,127	0	0	0	16,830	91,956
Chief Officer, City Development	73,491	0	0	0	16,829	90,320
Head of Service, Regulatory and Supporting Services	70,345	79	0	0	16,083	86,507
Head of Service, Scrutiny, Performance and Improvement	70,128	0	0	0	16,059	86,187
Head of Service, Customer Services (d)	63,100	0	0	0	14,411	77,511
Head of Service, Community Facilities (e)	60,690	13	0	0	13,866	74,569
Head of Service, Internal Services (f)	60,549	0	0	0	13,866	74,415

(a) Chief Operating Officer, commenced 16/04/2012, has annualised salary of £131,235.

(b) Chief Officer Education left the post of Chief Officer Education on 31/08/2012 and switched to a new role as Project Officer reporting to the Chief Executive. Annualised Salary was unchanged.

(c) Chief Officer Children Services resigned on 14/02/2013. Annualised salary was £83,991.

(d) Head of Service, Customer Services annualised salary is £70,128.

(e) Remuneration for Head of Service Community Facilities was not disclosed in 2011/12 as the

NOTES TO CORE FINANCIAL STATEMENTS

remuneration for this post did not meet the £60,000 threshold for disclosure. Incremental progression in 2012/13 has meant that this threshold has now been met and the remuneration of this post must now be disclosed.

(f) Remuneration for Head of Service Internal Services was not disclosed in 2011/12 as the remuneration for this post did not meet the £60,000 threshold for disclosure. Incremental progression in 2012/13 has meant that this threshold has now been met and the remuneration of this post must now be disclosed.

(g) In addition to the remuneration fees detailed in the table above, Jonathan House, Chief Executive, received fees relating to Returning Officer duties of £24,329 (nil in 2011/12).

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies for 2012/13 and 2013/14 are set out in the tables below. The Total Costs of the exit packages identified below are made up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either Voluntary Severance or Compulsory Redundancy. The second element is the cost of the additional contributions the authority is required to make to the Pension Fund in respect of the individuals who are leaving the authority. This is known as the Pension Strain cost.

2013/14

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 £
£0 - £20,000	21	257	278	2,739,392
£20,001 – £40,000	11	162	173	4,623,123
£40,001 – £60,000	0	50	50	2,454,227
£60,001 – £80,000	2	21	23	1,537,634
£80,001 – £100,000	0	11	11	980,211
£100,001 – £150,000	0	11	11	1,253,820
Total	34	512	546	13,588,407

2012/13

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 £
£0 - £20,000	7	201	208	1,234,359
£20,001 – £40,000	4	61	65	1,803,086
£40,001 – £60,000	2	13	15	732,227
£60,001 – £80,000	0	6	6	401,022
£80,001 – £100,000	0	2	2	172,505
£100,001 – £150,000	0	1	1	101,115
£151,000 - £200,000	0	0	0	0
£201,000 - £250,000	0	1	1	211,777
Total	13	285	298	4,656,091

NOTES TO CORE FINANCIAL STATEMENTS

The amount of £211,777 in the table above relates to an exit package that was agreed in July 2012 but was not paid to the officer in 2012/13. An accrual has been made in the 2012/13 accounts for the pension strain cost in relation to this package.

The total amount of Members' Allowances (including basic and special responsibility) paid in 2013/14 was £1,287,408 (£1,253,713 in 2012/13). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances, and expenses which are directly reimbursed.

12. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store (JES) is a section 33 partnership agreement between Cardiff and Vale of Glamorgan local authorities and the Cardiff and Vale UHB for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1st January 2012. The Authority's transactions are included in the Health and Social Care line of the income and expenditure account. Income and expenditure for the pooled budget arrangements for the year ending 31st March 2014 is as follows:

2012/13 £000		2013/14 £000
1,623	<u>Expenditure</u> Equipment	1,673
102	Contribution to Overheads	102
1,725	Total Expenditure	1,775
1,135	<u>Funding</u> Cardiff and Vale UHB	1,148
405	Cardiff Council	426
185	Vale of Glamorgan Council	201
1,725	Total Funding	1,775

13. Related Parties

The Council 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 Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in note 30 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2014 are shown in Note 30.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown in note 11. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2013/14, goods and services to the value of £1,289,574 were commissioned from companies in which members had an interest (£1,693,028 in 2012/13). Grants totalling £904,462 (£457,200 in 2012/13) were paid to voluntary organisations in which members had an interest.

Officers - details of Officers' emoluments are shown in note 11 to the Core Financial Statements. During 2013/14, the Council received income of £128 from Chief Officers relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£824 in 2012/13). In 2013/14 no goods and services were commissioned from companies in which Chief Officers had an interest. (£nil in 2012/13).

NOTES TO CORE FINANCIAL STATEMENTS

Subsidiary Companies - Cardiff Council has four subsidiary companies, Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC), Cardiff & Co and Cardiff Business Council. Details of transactions with these companies are shown in note 25 to the Core Financial Statements.

Cardiff Medicentre is a joint venture between Cardiff Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. Details of transactions with Medicentre are shown in note 25 to the Core Financial Statements.

Pension Fund – details of pension contributions paid over to the Pension Fund are shown in note 19 to the Core Financial Statements.

Precepts and Levies – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 6 to the Core Financial Statements.

Police and Crime Commissioner for South Wales – the precept paid to Police and Crime Commissioner for South Wales during 2013/14 is detailed in note 6 to the Core Financial Statements. In addition to this, the Council made payments of £193,000 to SWPA during 2013/14 (£86,000 in 2012/13).

Related Party Balances

As at 31 March 2014 the following balances were held in respect of related parties:

31 March 2013			31 March 2014	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
34,344	(5,421)	Central Government Grants	18,391	(7,223)
66	(199)	Cardiff City Transport Services Ltd	31	(206)
242	(21)	Cardiff Medicentre/CBTC/Cardiff & Co.	339	(13)
0	0	Chief Officers and above – outstanding car loan balances	4	0
0	0	Precepting Bodies	0	0
33	0	Companies in which members' interests declared/other	0	(2)

14. External Audit Costs

In 2013/14 the Council incurred the following fees relating to external audit and inspection:

	2012/13 £000	2013/14 £000
Fees payable to Wales Audit Office for external audit services	469	461
Fees payable to Wales Audit Office in respect of statutory inspection	0	0
Fees payable to Wales Audit Office for the certification of grant claims and returns	103	117
Fees payable in respect of Public Interest Disclosure Act	32	0
Total	604	578

£32,000 has been disclosed in 2012/13 for fees payable in respect of other services provided by the appointed auditor. This is in respect of an audit to consider and investigate the disclosure of the Public Interest Disclosure Act. A refund of £94,100 is due from Wales Audit Office. This one-off redistribution results from the new accounting regime for the Wales Audit Office under the Public Audit (Wales) Act 2013.

NOTES TO CORE FINANCIAL STATEMENTS

15. Trading Accounts Summary

The following table summarises the results of the Council's trading activities in those areas where it is operating in a commercial environment. The following figures have been compiled in accordance with the requirements of the 2013/14 Code and SERCOP. Net capital charges, which include depreciation and impairment, are shown separately.

	2012/13	2013/14			
	Trading (Surplus) /Deficit (Restated) £000	Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
Non Housing Building Maintenance	211	(12,242)	0	12,307	65
Schools Catering	593	(8,066)	0	8,887	821
Leisure Centres	6,598	(5,860)	867	11,065	6,072
Land & Buildings & Workshops	(2,178)	(5,616)	9,308	2,252	5,944
St. David's Hall	2,590	(5,332)	968	7,057	2,693
Education Cleaning	164	(3,987)	0	4,402	415
New Theatre	1,143	(4,532)	95	5,505	1,068
Bereavement & Registration Services	1,356	(3,099)	184	3,352	437
Commercial Catering	52	(2,176)	0	2,473	297
Cardiff Castle	241	(3,022)	70	3,047	95
Non Schools Cleaning	524	(1,723)	0	1,688	(35)
Other trading accounts *	3,936	(13,044)	(890)	15,604	1,670
Total	15,230	(68,699)	10,602	77,639	19,542

* Other trading accounts totalled 17 in 2013/14 (19 in 2012/13). The Civil Parking Enforcement account is shown in Note 2 to the accounts.

16. Leasing

Under IFRS, a number of leases that were previously accounted for as operating leases are now required to be accounted for as finance leases. Where applicable, the comparative figures below have been adjusted to reflect this reclassification.

Authority as Lessee

Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2013/14:

	2012/13 £000	2013/14 £000
Property leases	2,143	2,114
Other leases	1,148	460

The Council was committed at 31 March 2014 to making payments of £2.265 million under operating leases in 2014/15 (£1.963 million at 31 March 2013 for 2013/14) comprising the following elements:

NOTES TO CORE FINANCIAL STATEMENTS

	2012/13		2013/14	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	47	63	158	46
Leases expiring between 2 and 5 years	213	320	140	311
Leases expiring after 5 years	1,320	0	1,602	8

Finance Leases

The Council leases a number of its vehicles under contract hire arrangements. The vehicle leases have been reviewed under the Code and as a result a small number of leases have been reclassified from operating leases to finance leases.

Details of assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following amounts:

2012/13 £000		2013/14 £000
24	Value as at 1 April	0
0	Additions	0
0	Revaluations	0
0	Disposals	0
24	Gross Book Value	0
(24)	Accumulated Depreciation (less release on disposals)	0
0	Value as at 31 March	0

There were no finance leases at 31 March 2014.

The aggregate finance charges made during 2013/14 were as follows:

	2012/13 £000	2013/14 £000
Vehicles	4	2

Obligations under finance leases:

2012/13 £000		2013/14 £000
13	Obligations payable within 1 year	0
0	Obligations payable between 2 and 5 years	0
0	Obligations payable after 5 years	0
13	Total liabilities as at 31 March	0

Authority as Lessor

Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.748 million in 2013/14 (£4.752 million in 2012/13)

The Council was committed as at 31 March 2014 to receiving income of £5.481 million (£4.738 million as at 31 March 2013) under operating leases for Land & Buildings comprising the following elements:

NOTES TO CORE FINANCIAL STATEMENTS

	2012/13 £000	2013/14 £000
Leases expiring within 1 year	70	158
Leases expiring between 2 and 5 years	1,149	785
Leases expiring after 5 years	3,519	4,539

Finance Leases

The Council does not provide any leases of this type.

17. Investment Properties

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

	2012/13 £000	2013/14 £000
Rental income from investment property	(4,565)	(4,747)
Direct operating expenses arising from investment property	1,470	2,191
Net (gain) / loss	(3,095)	(2,556)

Subject to compliance with any regulatory requirements, the Council can realise the value inherent in its investment property and has the right to income and the proceeds of disposal. Subject to the terms and conditions of individual lease arrangements, the authority does have contractual obligations to repairs, maintain or enhance certain properties.

18. Prudent Revenue Provision

The Council is required to set aside from its revenue budget a prudent amount for the repayment of external loans to be undertaken to pay for capital expenditure. The amount is set in accordance with Council policy approved in the February 2014 budget report and is used to reduce the Council's underlying need to borrow, the Capital Financing Requirement (CFR). During 2013/14, the Council changed its approach to Prudent Revenue Provision moving from a straight line approach to a reducing balance approach for borrowing which is supported by the Welsh Government. Whilst this results in a lower charge, this is still deemed to be a prudent approach in line with Welsh Government guidance. An additional voluntary contribution was made during the year by the Housing Revenue Account to pay for capital expenditure funded by borrowing in previous years.

Depreciation, impairment charges and finance lease charges included in the Comprehensive Income and Expenditure Statement are accounting charges. These are reversed and replaced by the prudent revenue provision via an appropriation to/from the Capital Adjustment Account in the Movement in Reserves Statement.

	2012/13 £000	2013/14 £000
Non Housing revenue provision	21,123	21,578
HRA provision	2,722	4,073
Prudent revenue provision	23,845	25,651

19. Pensions

Participation in Pension Schemes

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

NOTES TO CORE FINANCIAL STATEMENTS

The Council participates in two different pension schemes both of which provide members with benefits related to pay and service:

The Local Government Pension Scheme

The Council's non-teaching employees have the option to join the Cardiff and Vale of Glamorgan Pension Fund, for which Cardiff Council acts as Administering Authority. This is a defined benefit scheme based on final pensionable salary. Both the Authority and the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

The Local Government Pension Scheme is a funded scheme i.e. it has assets as well as liabilities. In addition, the Council has unfunded pension liabilities in respect of its commitment to make payments directly to certain pensioners arising from arrangements made in earlier years to award enhanced benefits.

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme unless they opt out. The scheme is administered by the Teachers' Pensions Agency (TPA) and provides teachers with defined benefits upon their retirement. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate which is paid by local education authorities to the Teachers Pension Scheme.

The Local Government Pension Scheme

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund ('the Fund') and, where applicable, certain unfunded benefits provided by the Employer as referred to above.

Transactions relating to retirement benefits

The main accounting statements have been compiled in accordance with IAS19 and for the Local Government Pension Scheme, include the cost to the Authority of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. The cost of entitlements earned, which is known as the current service cost has been recognised in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

However, the charge that is required to be made against Council Tax in respect of pensions is to be based on the cash payable to the pension fund during the year. To achieve this, IAS 19 costs are reversed out in the Movement in Reserves Statement and replaced with the employers' contribution payable during the year.

The following table sets out the requisite transactions that have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement during the year:

	2012/13 (Restated)			2013/14		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Comprehensive Income Expenditure Statement (CI&E Statement)						
Net Cost of Services:						
Current Service Cost	34,917	0	34,917	42,948	0	42,948
Past Service Costs	700	160	860	2,400	80	2,480
Financing & Investment Income & Expenditure						
Interest on net defined benefit liability/(asset)	26,743	1,850	28,593	28,365	1,690	30,055

NOTES TO CORE FINANCIAL STATEMENTS

Net charge to C I&E Statement	62,360	2,010	64,370	73,713	1,770	75,483
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(62,360)	(2,010)	(64,370)	(73,713)	(1,770)	(75,483)
Actual amount charged against Council Tax in respect of pensions for the year						
Employers contributions payable to the scheme	37,275	0	37,275	39,910	0	39,910
Payments in respect of unfunded pensions liabilities **	0	3,530	3,530	0	3,450	3,450
	37,275	3,530	40,805	39,910	3,450	43,360

** Included in this figure are enhanced benefits awarded to teachers for which the Council is responsible and some unfunded liabilities which are administered by Rhondda Cynon Taff (RCT) Council on behalf of Cardiff Council.

Contributions for year ending 31 March 2015

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2015 are estimated to be £35.27 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2015 the Council expects to pay £3.46 million directly to beneficiaries.

Basis for estimating assets and liabilities

The latest actuarial valuation of Cardiff Council's liabilities in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2013. The latest actuarial valuation of unfunded benefits took place as at 31 March 2008.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation for IAS19 purposes were:

(a) Principal financial assumptions

	31 March 2013 % pa	31 March 2014 % pa
Rate of inflation - RPI	3.6	3.4
Rate of inflation - CPI	2.7	2.4
Rate of general increase in salaries *	4.6	3.4
Rate of increase to pensions in payment**	2.7	2.4
Rate of increase to deferred pensions	2.7	2.4
Discount rate for scheme liabilities	4.4	4.3

*In addition, allowance is made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2013.

** In excess of Guaranteed Minimum Pension increases in payment where appropriate

NOTES TO CORE FINANCIAL STATEMENTS

(b) Mortality assumptions

	31 March 2013		31 March 2014	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	24.0	26.8	23.7	26.6
Currently age 45	25.7	28.8	25.7	28.9

(c) Take-up option to convert annual pension into retirement lump sum

	31 March 2013	31 March 2014
Pre 2010	50%	75%
Post 2010	75%	75%

Asset Allocation

The approximate split of assets for the Fund as a whole is shown in the table below. The asset allocation in the fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of the balanced investment strategy.

	31 March 2013	31 March 2014		
	Approx split of assets %	Quoted %	Unquoted %	Total %
Equities	76.0	72.1	6.2	78.3
Property	5.6	5.4	0.0	5.4
Government Bonds	7.5	6.9	0.0	6.9
Corporate Bonds	9.1	8.0	0.0	8.0
Cash	1.2	1.3	0.0	1.3
Other *	0.6	0.1	0.0	0.1
Average long-term expected rate of return	100	93.8	6.2	100

*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments. It is assumed that these will get a return in line with equities.

Reconciliation of funded status to balance sheet

	31 March 2013			31 March 2014		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	818,465	0	818,465	906,610	0	906,610
Present value of liabilities	(1,482,889)	(42,890)	(1,525,779)	(1,341,187)	(38,450)	(1,379,637)
Net pension asset/(liability)	(664,424)	(42,890)	(707,314)	(434,577)	(38,450)	(473,027)

NOTES TO CORE FINANCIAL STATEMENTS

Assets and Liabilities in relation to Retirement Benefits

Changes to the present value of liabilities during the accounting period:

	31 March 2013			31 March 2014		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,303,680)	(41,850)	(1,345,530)	(1,482,889)	(42,890)	(1,525,779)
Current service cost	(34,916)	0	(34,916)	(42,948)	0	(42,948)
Interest cost	(60,314)	(1,850)	(62,164)	(64,475)	(1,690)	(66,165)
Contributions by participants	(9,750)	0	(9,750)	(9,906)	0	(9,906)
Re-measurements in Other Comprehensive Income (OCI)	(115,109)	(2,560)	(117,669)	215,701	2,760	218,461
Net benefits paid out **	41,580	3,530	45,110	45,730	3,450	49,180
Past service cost	(700)	(160)	(860)	(2,400)	(80)	(2,480)
Closing present value of liabilities	(1,482,889)	(42,890)	(1,525,779)	(1,341,187)	(38,450)	(1,379,637)

* Includes changes to the actuarial assumptions.

Changes to the fair value of assets during the accounting period:

	31 March 2013 (restated) £000	31 March 2014 £000
Opening fair value of assets	711,530	818,465
Interest income on assets	33,570	36,110
Re-measurement gains/(losses) on assets	67,920	47,950
Contributions by employer	37,275	39,910
Contributions by participants	9,750	9,905
Net benefits paid out **	(41,580)	(45,730)
Closing fair value of assets	818,465	906,610

** The figures for net benefits paid out consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Re-measurements in Other Comprehensive Income (OCI)

	31 March 2013 (restated)		31 March 2014	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities £000
Return on plan assets (in excess of) / below that recognised in net interest	(68,120)	0	(48,067)	0
Actuarial (gains)/losses due to change in financial assumptions	116,250	2,640	(129,510)	(2,020)

NOTES TO CORE FINANCIAL STATEMENTS

Actuarial (gains)/losses due to changes in demographic assumptions	188	0	(51,681)	(780)
Actuarial (gains)/losses due to liability experience	(1,550)	(80)	(34,393)	40
Actuarial (gains)/losses arising on inherited pension assets and liabilities	402	0	0	0
Total amount recognised in OCI	47,170	2,560	(263,651)	(2,760)

Actual return on assets

	31 March 2013 <i>(restated)</i> £000	31 March 2014 £000
Interest income on assets	33,570	36,110
Remeasurement gain/(loss) on assets	67,920	47,950
Actual return on assets	101,490	84,060

Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

	31 March 2013 <i>(Restated)</i>			31 March 2014		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000
Total Actuarial Gain/(Loss)	(47,189)	(2,560)	(49,749)	263,651	2,760	266,411

History of total gains and losses recognised in the Comprehensive Income & Expenditure Statement

	2009/10 £m	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m
Total gain/(loss) –funded scheme	(156.35)	53.43	(132.77)	(47.19)	263.70
Total gain/(loss) –unfunded liabilities	(3.51)	(1.56)	(3.04)	(2.56)	2.76
Cumulative gain/(loss)	(432.31)	(380.44)	(516.25)	(566.00)	(299.54)

History of asset values, present value of liabilities and surplus/(deficit)

	31 March 2010 £000	31 March 2011 £000	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000
Fair value of assets	629,232	690,680	711,530	818,465	906,610
Present value of funded liabilities	(1,248,160)	(1,145,070)	(1,303,680)	(1,482,889)	(1,341,187)
Present value of unfunded liabilities	(42,660)	(39,980)	(41,850)	(42,890)	(38,450)
Surplus/(deficit)	(661,588)	(494,370)	(634,000)	(707,314)	(473,027)

History of experience gains and losses

	Year ending 31/03/10	Year ending 31/03/11	Year ending 31/03/12	Year ending 31/03/13 <i>(Restated)</i>	Year ending 31/03/14
	£m	£m	£m	£m	£m
Experience gains/(losses) on funded assets	125.15	5.93	(37.93)	67.92	47.95

NOTES TO CORE FINANCIAL STATEMENTS

Experience gains/(losses) on funded liabilities	10.25	52.02	(8.24)	1.55	34.60
Experience gains/(losses) on unfunded liabilities	1.32	(0.15)	(0.94)	0.08	0.04

Sensitivity Analysis

The results shown above are sensitive to the assumptions used. In each case, only the assumption mentioned is altered; all other assumptions remain the same. Sensitivity of unfunded benefits is not included on materiality grounds. This analysis is shown in the tables below:

Discount rate assumption

Adjustment to discount rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,317,200	1,365,000
% change in present value of total obligation	-1.8%	1.8%
Projected service cost	33,230	35,210
Approximate % change in projected service cost	-2.9%	2.9%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,347,300	1,334,500
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	34,700	33,730
Approximate % change in projected service cost	1.4%	-1.4%

Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,358,400	1,323,800
% change in present value of total obligation	1.3%	-1.3%
Projected service cost	34,750	33,680
Approximate % change in projected service cost	1.6%	-1.5%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year (£000)	+1 year (£000)
Present value of total obligation	1,372,010	1,309,630
% change in present value of total obligation	2.3%	-2.3%
Projected service cost	35,230	33,190
Approximate % change in projected service cost	3.0%	-3.0%

The Council does not currently have information on the maturity profile of the defined benefit obligation.

NOTES TO CORE FINANCIAL STATEMENTS

The Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. The scheme is defined benefit scheme and although it is unfunded, Teachers pensions use a notional fund as a basis for calculating the employer's contribution rate paid by Local Education Authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities of the scheme attributable to its own employees and so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme, i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2013/14 the Council paid £15.926 million in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (£15.926 million representing 14.1% of teachers' pensionable pay in 2012/13) In addition, the authority is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pensions liability for unfunded liabilities.

20. Non-Current Assets

Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on Pages 20 to 37.

NOTES TO CORE FINANCIAL STATEMENTS

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Movements in PPE, Investment properties, Assets Held for Sale and Heritage Assets during 2013/14 are summarised as follows:

	Property, Plant & equipment					
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	578,430	963,761	36,596	544,547	16,715	51,424
Additions	12,155	20,130	3,878	11,550	425	428
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)
Derecognition - disposals	(399)	(447)	(49)	0	0	(914)
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013
Other reclassifications	0	(408)	3,747	1,812	1594	9,087
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)
At 31 March 2014	589,754	729,265	44,172	557,909	18,734	55,403
Depreciation						
At 1 April 2013	11,569	34,149	24,621	217,036	0	0
Depreciation charge	11,800	13,392	4,207	26,007	0	0
Depreciation written out on impairment	0	(11)	0	0	0	0
Derecognition -disposals	(8)	(56)	(49)	0	0	0
Depreciation written out to SDPS **	0	(368)	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out on revaluation	0	(21,805)	0	0	0	0
At 31 March 2014	23,361	25,301	28,779	243,043	0	0
Net Book Value:						
At 31 March 2014	566,393	703,964	15,393	314,866	18,734	55,403
At 31 March 2013	566,861	929,612	11,975	327,511	16,715	51,424

NOTES TO CORE FINANCIAL STATEMENTS

	P,P & E under construction	Total Property, Plant & Equipment	Investment properties	Assets Held for Sale	Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2013	7,079	2,198,552	57,809	1,013	50,393
Additions	13,661	62,227	18,233	0	3
Impairment losses/reversals to RR *	0	(363)	0	0	0
Impairment losses / reversals to SDPS **	0	(1,332)	0	0	0
Derecognition - disposals	0	(1,809)	(455)	0	0
Reclassified (to)/from Held for Sale	0	(513)	0	513	0
Other reclassifications	(16,425)	(593)	200	0	393
Revaluation increases /(decreases) to RR*	0	(121,617)	0	(123)	0
Revaluation increases /(decreases) to SDPS**	0	(135,000)	(162)	(1,023)	0
At 31 March 2014	4,315	1,999,552	75,625	380	50,789
Depreciation					
At 1 April 2013	0	287,375	0	0	0
Depreciation charge	0	55,406	0	0	0
Depreciation written out on impairment	0	(11)	0	0	0
Derecognition -disposals	0	(113)	0	0	0
Depreciation written out to SDPS**	0	(368)	0	0	0
Reclassifications	0	0	0	0	0
Depreciation written out on revaluation	0	(21,805)	0	0	0
At 31 March 2014	0	320,484	0	0	0
Net Book Value:					
At 31 March 2014	4,315	1,679,068	75,625	380	50,789
At 31 March 2013	7,079	1,911,177	57,809	1,013	50,393

* RR = Revaluation Reserve

** SDPS = Surplus or deficit on Provision of Services

NOTES TO CORE FINANCIAL STATEMENTS

Comparative Movements in 2012/13:

	Property, Plant & equipment					
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2012	519,478	939,198	35,028	529,467	16,240	38,690
Additions	16,640	16,749	3,473	14,329	370	0
Impairment losses/reversals to RR *	0	(773)	0	0	0	0
Impairment losses / reversals to SDPS **	0	(12,643)	0	0	0	0
Derecognition - disposals	(309)	(12,535)	(2,015)	0	0	(80)
Reclassified (to)/from Held for Sale	0	(1,013)	0	0	0	9,635
Other reclassifications	40	36,708	110	751	105	2,209
Revaluation increases /(decreases) to RR*	42,581	9,421	0	0	0	1,009
Revaluation increases /(decreases) to SDPS**	0	(11,351)	0	0	0	(39)
At 31 March 2013	578,430	963,761	36,596	544,547	16,715	51,424
Depreciation						
At 1 April 2012	20,319	37,706	23,339	190,781	0	0
Depreciation charge	11,569	15,913	3,297	26,255	0	0
Depreciation written out on impairment	0	(791)	0	0	0	0
Derecognition -disposals		(12,535)	(2,015)	0	0	0
Depreciation written out to SDPS **	0	(309)	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out on revaluation	(20,319)	(5,835)	0	0	0	0
At 31 March 2013	11,569	34,149	24,621	217,036	0	0
Net Book Value:						
At 31 March 2013	566,861	929,612	11,975	327,511	16,715	51,424
At 31 March 2012	499,159	901,492	11,689	338,686	16,240	38,690

NOTES TO CORE FINANCIAL STATEMENTS

	P,P & E under construction	Total Property, Plant & Equipment	Investment properties	Assets Held for Sale	Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2012	17,966	2,096,067	63,808	12,376	45,178
Additions	27,444	79,005	98	0	108
Impairment losses/reversals to RR *	0	(773)	0	0	0
Impairment losses / reversals to SDPS **	(48)	(12,691)	(319)	0	0
Derecognition - disposals	0	(14,939)	(34)	(2,741)	0
Reclassified (to)/from Held for Sale	0	8,622	0	(8,622)	0
Other reclassifications	(38,283)	1,640	(1,640)	0	0
Revaluation increases /(decreases) to RR*	0	53,011	0	0	5,107
Revaluation increases /(decreases) to SDPS**	0	(11,390)	(4,104)	0	0
At 31 March 2013	7,079	2,198,552	57,809	1,013	50,393
Depreciation					
At 1 April 2012	0	272,145	0	0	0
Depreciation charge	0	57,034	0	0	0
Depreciation written out on impairment	0	(791)	0	0	0
Derecognition -disposals	0	(14,550)	0	0	0
Depreciation written out to SDPS**	0	(309)	0	0	0
Reclassifications	0	0	0	0	0
Depreciation written out on revaluation	0	(26,154)	0	0	0
At 31 March 2013	0	287,375	0	0	0
Net Book Value:					
At 31 March 2013	7,079	1,911,177	57,809	1,013	50,393
At 31 March 2012	17,966	1,823,922	63,808	12,376	45,178

* RR = Revaluation Reserve

** SDPS = Surplus or deficit on Provision of Services

NOTES TO CORE FINANCIAL STATEMENTS

Intangible Assets

Movements in Intangible assets during 2013/14 are summarised as follows:

	Internally Generated Assets £000	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation				
At 1 April 2013	0	3,926	2,344	6,270
Additions	0	12	909	921
Other reclassifications	0	585	(585)	0
At 31 March 2014	0	4,523	2,668	7,191
Amortisation				
At 1 April 2013	0	1,539	0	1,539
Amortisation	0	904	0	904
At 31 March 2014	0	2,443	0	2,443
Net Book Value:				
At 31 March 2014	0	2,080	2,668	4,748
At 31 March 2013	0	2,387	2,344	4,731

Comparative Movements in 2012/13:

	Internally Generated Assets £000	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation				
At 1 April 2012	0	2,055	178	2,233
Additions	0	1,552	2,485	4,037
Other reclassifications	0	319	(319)	0
At 31 March 2013	0	3,926	2,344	6,270
Amortisation				
At 1 April 2012	0	735	0	735
Amortisation	0	804	0	804
At 31 March 2013	0	1,539	0	1,539
Net Book Value:				
At 31 March 2013	0	2,387	2,344	4,731
At 31 March 2012	0	1,320	178	1,498

Non-Current Assets

The non-current assets of the Council include the following:

Allotment Gardens (28)	Parks & Public Open Spaces (Approx 1500 ha)
Caravan Park	Play Centres (7)
Cardiff Bay Barrage	Residential Establishments (4)
Cardiff Castle	Road Safety Centre
Cardiff International Sports Stadium	Roads - Non-Principal (1,010 km)

NOTES TO CORE FINANCIAL STATEMENTS

Cardiff Story Museum	Roads - Principal (86 km)
Cemeteries (7)	Schools - Nursery (2)
Central Bus Station	Schools - Primary (74)
City Hall	Schools - Secondary (13)
Civic Residence	Schools - Special (7)
Community Halls (7)	Schools – Grant Maintained (1)
Council Dwellings	Schools – Integrated Children’s Centre (1)
County Hall	Sports and Leisure Centres (7)
Crematorium	St David’s Hall
Day Centres and Clubs (7)	Storey Arms Outdoor Pursuits Centre
Depots (6) and Workshops (10)	Surface Car Parks (17)
Eastern Park & Ride	Swimming Pools (3)
Family Centres (2)	Traveller Sites (2)
Heliport	Various Administrative Buildings
Horse Riding School	Various Property & Land Holdings
Maindy Cycle Track	Vehicles, Plant, Furniture & Equipment
Libraries (20)	Vehicle Maintenance Depot
Indoor Market	Works of Art, Civic Regalia & other heritage assets
Mental Health Day Centres (1)	Youth & Neighbourhood Learning Centres (24)
New Theatre	
Cardiff International White Water Centre	

Heritage Assets

Heritage assets are defined as assets of historic, artistic or scientific importance that are maintained principally for their contribution to knowledge and culture at either a national or local level. This requires their identification, recognition and disclosure in the accounts where relevant practicable and material.

The Council has no material intangible heritage assets, however it does hold tangible heritage assets which can broadly, but not exclusively, be identified into four main categories:-

- public art
- scheduled ancient monuments for which it is responsible
- paintings, artefacts and civic regalia
- rare and antiquarian books

The Council is one of the constituent bodies of the Glamorgan Records Office (GRO) which holds assets and data accumulated over time. The GRO prepares a separate set of accounts, with only the Council’s share of any asset values included in these accounts. No valuations are recorded by the GRO for heritage assets.

The notes below indicate the treatment of each of the above four categories in these accounts.

Public Art

In total there over 100 pieces of public art owned by the Council across the City. This includes freestanding artworks and significant pieces integrated into the design of buildings. Commissions have taken place over the past 150 years. Individually and in total, these assets are not identified or valued separately in the Council’s balance sheet as the Council is of the opinion that conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council’s internet site www.cardiff.gov.uk under the Resident, Planning, City Design and Public Art section. Further information and advice can be obtained from the Council’s Strategic Planning, Highways and Traffic and Transportation division.

NOTES TO CORE FINANCIAL STATEMENTS

Scheduled Ancient Monuments

The Council is responsible for a number of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Council's accounts at historic cost or value. Given the unique and often diverse nature of these assets, the Council is of the opinion that conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Further information and advice can be obtained from the Council's City Development, Strategic Planning and Regeneration division.

Paintings, artefacts and civic regalia

The Council also has a collection of paintings, artefacts and civic regalia, much of which is related to local interest. The main items in terms of number and value are collections at the castle reflecting its historic significance and interpretation for visitors. Other items held at public buildings have been accumulated over a number of years. These items are included in the Council's balance sheet as heritage assets at an insurance valuation of £35.9 million undertaken externally as at 1st April 2013, by Mr AN Schoon, Antiques and Fine Art Valuer.

Rare and antiquarian books

Remaining items following disposal in 2010/11 are not separately valued and recognised in the Council's accounts as the Council is of the opinion that conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits.

The table below lists Heritage assets and their treatment in the Council's accounts

Heritage Category	Item	Nature / Type	Identified separately in Balance Sheet (Yes/No)	Valuation Basis of any asset or expenditure incurred
Public Art	Various – Per Public Art Register	Statues, Street Art	No	n/a
	Animal Wall	Statues	Yes	Historic Cost
	Welsh National War Memorial	Statue / Monument	Yes	Historic Cost
Scheduled Ancient Monuments	Wenallt Camp	Castle, Fort, Camp – Pre Roman	No	n/a
	Caerau Fort	Castle, Fort, Camp – Iron Age	No	n/a
	Ely Roman Villa	Domestic – Roman	No	n/a
	Penylan Roman Site	Remains – Roman	No	n/a
	Morganstown Castle Mound	Castle, Fort, Camp – Medieval	No	n/a
	Dominican Friary	Religious – Medieval	Yes	Historic Cost
	Llandaff Cathedral Bell Tower	Religious – Medieval	No	n/a
	Old Bishops Palace	Religious – Medieval	No	n/a
	Sea Wall Rumney	Sea Defences – Post Medieval	No	n/a
	Leckwith Bridge	Bridge – Post Medieval	No	n/a
	Wreck of the Louisa	Industry – Post Medieval	No	n/a
	Coal Discharger	Industry – Post Medieval	No	n/a

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	Melingriffith Water Pump	Industry – Post Medieval	Yes	Historic Cost
	Gun Batteries – Flatholm Island	Defence – Post Medieval	No	n/a
	Coastal and Aircraft Defences – Flatholm Island	Defence – Modern	No	n/a
	Cardiff Castle and Roman Fortress	Castle, Fort, Camp – Roman	Yes	Historic Cost
Paintings Artefacts and Civic Regalia	Various, primarily at Castle also at City Hall Mansion House and County Hall	Furniture, paintings, ornaments, jewellery, ceramics etc.	Yes	Valuation for Insurance Purposes
Rare and Antiquarian Books	In library Stock and held at National Library	First editions, Book of Aneirin	No	n/a
Other	Flatholm Island	Local Nature Reserve, Site of Special Scientific Interest and Special Protection Area	Yes	Historic Cost
	Graving Docks - Harbour	Post Medieval vessel servicing facilities	Yes	Historic Cost

Council policy on acquisitions, disposals, care and conservation

Where resources allow, the Council will seek to create, acquire and preserve heritage resources for the benefits of its Citizens in partnership with other public and private sector bodies using grant and other funding opportunities. Acquisitions are rare, although public art is often commissioned as part of regeneration schemes. Given limited resources and the cost of preserving heritage assets, the Council may consider various options such as community asset transfer and disposal to ensure the preservation of assets.

For assets held at the castle, acquisition, disposal and care is undertaken in accordance with the museum accreditation scheme.

The statutory requirements placed upon the owners of Scheduled Ancient Monuments are likely to make the disposal of assets within Council ownership unviable. Before any work, alteration or controlled archaeological excavations are undertaken, consent is obtained from the Welsh Government, a function administered by CADW.

Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by borrowing, this 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 paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

		CFR exc. landfill 2013/14 £000	Landfill 2013/14 £000	Total CFR 2013/14 £000
2012/13 £000				
469,203	Opening Capital Financing Requirement	475,536	28,166	503,702
	<u>Capital Expenditure:</u>			
79,004	Property, Plant and Equipment	62,226	0	62,226
108	Heritage Assets	4	0	4
0	Assets Held for Sale	0	0	0
98	Investment Properties	18,233	0	18,233
4,037	Intangible Assets	921	0	921

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72	Loans	1,332	0	1,332
23,386	Expenditure on REFCUS	22,803	0	22,803
	<u>Sources of Finance:</u>			
(4,011)	Capital Receipts	(3,354)	0	(3,354)
(57,757)	Government grants and other contributions	(62,413)	0	(62,413)
(14,203)	Direct revenue contributions and reserves	(4,089)	0	(4,089)
(24,402)	Prudent revenue and capital provision for loan repayment	(25,030)	(1,267)	(26,297)
475,535	Closing Capital Financing Requirement	486,169	26,899	513,068
	Explanation of movements in year:			
(7,197)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(6,463)	0	(6,463)
13,529	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	17,096	(1,267)	15,829
6,332	Increase in Capital Financing Requirement	10,633	(1,267)	9,366

Revenue Expenditure funded from Capital under Statute (REFCUS)

The following amounts were treated as capital expenditure to be paid for from capital resources. This is expenditure on items that do not result in the creation or enhancement of an asset for the Council.

	2012/13 £000	2013/14 £000
<i>Movements in Year:</i>		
Housing Improvement grants	4,672	4,315
Buildings not owned by Cardiff Council	18,549	16,035
REFCUS resulting from capitalisation directive	0	0
Grants awarded (not Housing grants)	165	2,453
Costs associated with capital disposal	0	
Charged to Income and Expenditure Account	23,386	22,803
<i>Funded by:</i>		
Grants and Contributions	(21,339)	(17,063)
St Donats Remediation – reduction in provision	0	0
Borrowing, receipts and other capital resources	(2,047)	(5,740)
	(23,386)	(22,803)

Asset Disposals

The main asset disposals during the year are identified below:-

- Sale of land Ipswich Road
- Sale of land at Leckwith
- Sale of land Stuart Close
- Sale of land Hadfield Road
- Sale of 17/18 Iron Street
- Sale of 48 Splott Road

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Significant capital expenditure contractual commitments

At 31 March 2013 the total of significant capital expenditure contractual commitments was £21.573 million. At 31 March 2014 the figure for significant capital expenditure commitments scheduled for completion in 2014/15 and future years is £9.606 million and includes the following:

	£000
Ysgol Gymraeg Bro Ederm	2,612
Millbank Primary School extension and refurbishment	1,953
Llanishen High School internal alterations	1,764
Trowbridge Mawr Estate regeneration	987
Carriageway Resurfacing	816
Whitchurch Welsh Medium Primary school	804
Longcross Cottage refurbishment works	670

21. Financial Instruments

Financial Instrument Balances

The following table discloses the Council's Financial Instruments (Assets and Liabilities) at their carrying value in the accounts. They arise as a result of the Council's Treasury Management activities as well as Financial instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below. Debtors and Creditors, with the exception of car loans, are shown separately in the respective notes rather than as financial instruments:-

	31 March 2013			31 March 2014		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
Investments/Financial Assets						
Loans & Receivables at amortised cost	8,545	71,216	79,761	4,247	72,174	76,421
Investments at Fair Value	17,516	0	17,516	17,160	0	17,160
Fair value through Profit and Loss	0	0	0	0	0	0
Total	26,061	71,216	97,277	21,407	72,174	93,581
Borrowings/Financial Liabilities						
Financial Liabilities at Amortised Cost	(453,223)	(9,421)	(462,644)	(465,486)	(14,457)	(479,943)

Investments / Financial Assets

Loans and receivables include:

- Loan and interest payable by Glamorgan County Cricket Club. The current terms of the loan are full repayment by January 2026, with repayments of principal and interest commencing in October 2015.

	31 March 2013 £000	31 March 2014 £000
Loan Principal	5,056	0
Accumulated Interest	1,028	0
Total	6,084	0

At 31 March 2014 the loan principal and accumulated interest due is deemed to be impaired. This is explained further in the gains and losses section below and will be the subject of annual review. The loan amount of £5.056 million and accrued interest of £1.190 million remains contractually payable but

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is to be the subject of discussion with the club and its other creditors in 2014/15 as part of a further restructuring.

- Car loans to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement. Over 400 such agreements existed during 2013/14 and the value of loans outstanding total £1.24 million as at 31 March 2014.
- Financial support to Small and Medium Enterprises (SMEs) £51,000.
- Loan of £1 million repayable in June 2016 provided to Cardiff Bus to support investment in its fleet of vehicles and depot facilities.
- Temporary cash balances of £62.5 million, deposited for various maturities with financial institutions. Such balances fluctuate daily and are not comparable year on year. In addition a sum of £1 million is placed with Lloyds Bank as an integral part of mortgage lending in relation to the Council's Local Authority Mortgage Scheme. This indemnity is repayable 24th April 2017, subject to any loss from mortgages approved within the scheme.

Where a fair value calculation for loans and receivables is available, there is little difference between this and the balance sheet carrying amount. This is due to current rates particularly on term deposits, being similar to those at the time when the investments were originally undertaken.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	34,946	34,946	41,761	41,761
Deposits with banks and building societies	35,168	35,191	30,040	30,045
Local Authority Mortgage Scheme	1,042	1,168	1,042	1,120
Assisted Car Purchase Loans	1,817	1,817	1,235	1,235
Loan to Cardiff Bus	0	0	1,000	1,000
Loans to External Organisations / Subsidiary	6,788	6,788	1,343	1,343
Financial assets	79,761	79,910	76,421	76,504

Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. Whilst the Council's shareholding is not listed on any quoted market, accounting rules require a valuation be estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or Cash flow in any one year as any movement in value of the asset is reflected in a corresponding reserve, the 'available for sale reserve' as it is required to be called. The fair value of the investment at 31 March 2014 is deemed to be £15.8 million (£16.3 million 2012/13). Given that the shareholding is not quoted on a recognised exchange, a value is required for the accounting treatment. This value is determined by applying a multiplier to the Company's Earnings before Interest Tax Depreciation and Amortisation (EBITDA) all of which could fluctuate dependent on the company's performance and economic climate in which it operates. Accordingly, the accounting valuation may vary significantly from year to year.
- A 44.5% interest in the Medicentre, a Joint Venture between the Council, University of Wales College of Medicine, the Welsh Government and the Cardiff and Vale NHS Trust (£1.09 million), and minority holdings in SMEs. During the year the Council agreed to start negotiations on disposing of its stake in the Joint Venture.

Borrowings / Financial Liabilities include:

- Borrowing undertaken to fund the long term capital expenditure requirements of the Council and any short term cash flow requirements. This includes debt instruments (Lender Option Borrower Option Loans) totalling £51 million which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a

NOTES TO CORE FINANCIAL STATEMENTS

change in the rate. It should also be noted that the carrying amounts below include accrued interest payable at 31 March 2014.

- The Council has not granted financial guarantees of a significant value that warrants separate recognition on the Balance Sheet, nor has any debt rescheduling occurred during the year.

The fair value of borrowing and financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. Interest rates on similar loans have seen a reduction compared to the same point last financial year. The commitment to pay interest above current market rates increases the amount that the Council would have to pay in the form of a premium or penalty if the lender agreed to early repayment of the loans.

	31 March 2013		31 March 2014	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board Loans	(408,827)	(511,272)	(425,849)	(500,795)
Lender Option Borrower Option Loans	(51,638)	(50,476)	(51,636)	(47,850)
Market loans, Bonds and Temporary Balances	(2,177)	(2,009)	(2,455)	(2,634)
Bank overdraft	0	0	0	0
Financial liabilities	(462,642)	(563,757)	(479,940)	(551,279)

Fair value calculations used the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing on 31 March 2014. The PWLB provided a fair value of £578.15 million based on the premature repayment rates in force at 31 March 2014.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised.

Financial Instrument Gains/Losses

The table below shows the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments disclosed above:

	Financial Liabilities		Financial Assets						Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value		Fair Value through P&L			
	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000
Interest Expense	23,753	23,871	0	0	0	0	0	0	23,753	23,871
Losses on De-recognition	0	0	0	0	0	0	0	0	0	0
Impairment Losses	0	0	0	5,056	0	0	0	0	0	5,056
Interest Payable and Similar Charges	23,753	23,871	0	5,056	0	0	0	0	23,753	28,927
Interest / Dividend Income	0	0	(1,411)	(872)	0	0	0	0	(1,411)	(872)
Gains on De-recognition	0	0	0	0	0	0	0	0	0	0
Interest and Investment Income	0	0	(1,411)	(872)	0	0	0	0	(1,411)	(872)

NOTES TO CORE FINANCIAL STATEMENTS

Gains on Revaluation	0	0	0	0	(1,862)	0	0	0	(1,862)	0
Losses on Revaluation	0	0	0	0	0	488	0	0	0	488
(Surplus) / Loss arising on revaluation of financial assets	0	0	0	0	(1,862)	488	0	0	(1,862)	488
Net (gain) / loss for the year	23,753	23,871	(1,411)	4,184	(1,862)	488	0	0	20,480	28,543

In accordance with accounting requirements, the Council is required to consider whether amounts shown on its balance sheet are shown at their recoverable amount. At the balance sheet date, loans of £5.06 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium and shown within long term debtors are shown as an impairment loss. There are a number indicators of impairment at the balance sheet date and the recoverable amount will be reviewed during 2014/15 together with the Club and its creditors, as discussions take place on a restructuring of the loans outstanding to determine an achievable repayment schedule to ensure sums due to the Council under the original contract are repaid. As the loan has been provided from Capital resources, the loss on impairment is neutralised against capital reserves, with a net nil impact in the year. The Council continues to adopt a prudent approach in its revenue budget to both the principal amounts and interest due.

The Council's strategy to defer borrowing whilst interest costs on borrowing are greater than that on investments, as well as reduced interest rates on investments, have resulted in reduced interest receivable compared to the previous year.

Nature and Extent of Risks arising from Financial Instruments

The Authority's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks which are identified below. In undertaking its treasury management activities, the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs. Given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. This risk is enhanced when loans to external organisations are provided for service delivery objectives and Indicators of significant impairment are considered at the balance sheet date.

The successful identification, monitoring and control of risk are integral elements of treasury management activities and these risks include credit and counterparty, liquidity and refinancing, interest rate, market value, exchange rate, fraud and regulatory risk. The Council has Treasury Management Practices to address and mitigate these risks. It has adopted the CIPFA Treasury Management Code of Practice and sets indicators to control key financial instrument risks. The Council sets at the start of the year a Treasury Management Strategy, which for 2013/14 can be found on the Council's external website, Cardiff.gov.uk. by selecting Your Council > Council Finance > Managing the Council's Finances > Treasury Management Strategy 2013-14.

Responsibility for the execution and administration of treasury management decisions rests with the Corporate Director Resources. Scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices are undertaken by the Council's Audit Committee due to the technical nature of the documents.

Reports on the Council's borrowing and investments for Treasury Management Purposes are provided in a strategy report published at the start of each financial year, a mid year report and an outturn report prepared at the end of the financial year. This is in addition to a Treasury Performance Report at each Audit Committee.

Further details in relation to key risks are disclosed in the following sections where relevant.

Credit Risk – further disclosures

This is the possibility that other parties may fail to pay amounts due to the Authority. For the Council it

NOTES TO CORE FINANCIAL STATEMENTS

arises from lending of temporary cash balances to banks, building societies, other local authorities and money market funds as part of the Council's Treasury Management Activities. It also arises from exposure to the authority's customers and organisations to whom it may have provided a loan.

The following table summarises the Council's main exposures to credit risk.

Credit Risk	Likelihood of Default	31 March 2013 £000	31 March 2014 £000
Deposits – banks, buildings societies	<p>In accordance with its Treasury Management Strategy, Council policy is to place deposits only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a prudent maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. Ratings are regularly reviewed.</p> <p>A risk of non-recoverability applies to all of the Authority's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the authority has not experienced default of any institution and as the counterparty exposure table below shows this is not deemed to be a significant factor for investments held for the prudent management of the Councils financial affairs. Thus requiring no provisions or losses to be recognised.</p> <p>See table below.</p>	60,703	71,399
Local Authority Mortgage Scheme	<p>The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. The Authority will only incur a loss if a house is repossessed and sale proceeds are insufficient to cover the debt. At the balance sheet date, no defaults had occurred and should they occur in future, the Council is setting aside interest received in an earmarked reserve for this purpose.</p>	1,000	1,000
Car Loans	<p>Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.</p>	1,817	1,235
Loans to External Bodies	<p>Glamorgan Cricket Club loan and interest accrued, £6.08 million (31.03.2013), impaired to leave interest due £1.19m at 31.03.2014. Loans to SME's £510,000. Loan to Cardiff Bus £1 million. Repayments are dependant on financial and operating performance, which are monitored closely for large amounts. Where there is deemed to be a risk of non-repayment a provision or impairment considered.</p>	6,668	2,706
Customers	<p>The Authority does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum</p>	14,266	12,912

NOTES TO CORE FINANCIAL STATEMENTS

	collectable. The bad debt provision for 2013/14 was based on the adjusted age profile disclosed below.																													
	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">2012/13</th> <th style="text-align: center;">2013/14</th> </tr> <tr> <th></th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td style="text-align: center;">12,081</td> <td style="text-align: center;">11,211</td> </tr> <tr> <td>1 – 2 years</td> <td style="text-align: center;">712</td> <td style="text-align: center;">788</td> </tr> <tr> <td>2 – 3 years</td> <td style="text-align: center;">346</td> <td style="text-align: center;">225</td> </tr> <tr> <td>3 – 4 years</td> <td style="text-align: center;">311</td> <td style="text-align: center;">198</td> </tr> <tr> <td>4 – 5 years</td> <td style="text-align: center;">138</td> <td style="text-align: center;">128</td> </tr> <tr> <td>Over 5 years</td> <td style="text-align: center;">419</td> <td style="text-align: center;">291</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">14,007</td> <td style="text-align: center;">12,841</td> </tr> </tbody> </table>		2012/13	2013/14		£000	£000	Less than 1 year	12,081	11,211	1 – 2 years	712	788	2 – 3 years	346	225	3 – 4 years	311	198	4 – 5 years	138	128	Over 5 years	419	291	Total	14,007	12,841		
	2012/13	2013/14																												
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Less than 1 year	12,081	11,211																												
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2 – 3 years	346	225																												
3 – 4 years	311	198																												
4 – 5 years	138	128																												
Over 5 years	419	291																												
Total	14,007	12,841																												
	Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non payment is not usually considered necessary.																													
Total		84,454	89,252																											

Counterparty Exposure at 31 March 2014

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland plc	UK	A	10,000
Nationwide Building Society	UK	A	10,000
Royal Bank of Scotland plc	UK	A	15,000
Santander UK plc	UK	A	7,000
Development Bank Singapore Ltd	Singapore	AA-	10,000
Svenska Handelsbanken	Sweden	AA-	10,450
Lloyds - LAMS	UK	A	1,000
Total			63,450

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2014, the probability of any default is 0.039% or £24,745.

Liquidity and Refinancing Risk – further disclosures

This is the possibility that the Authority may not have funds available to meet its commitments to make payments or have to renew a financial instrument on maturity at disadvantageous interest rates or terms. The Council manages its daily liquidity position by undertaking cash flow modelling. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance to meet its commitments under financial instruments and for the purposes of the prudent management of its financial affairs. The Council also borrows money to pay for capital expenditure. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. Where financially beneficial, opportunities are taken to restructure borrowing to reduce the average rate paid and achieve a balanced debt portfolio. The amounts of fixed rate debt maturing in any period are disclosed in the table below:-

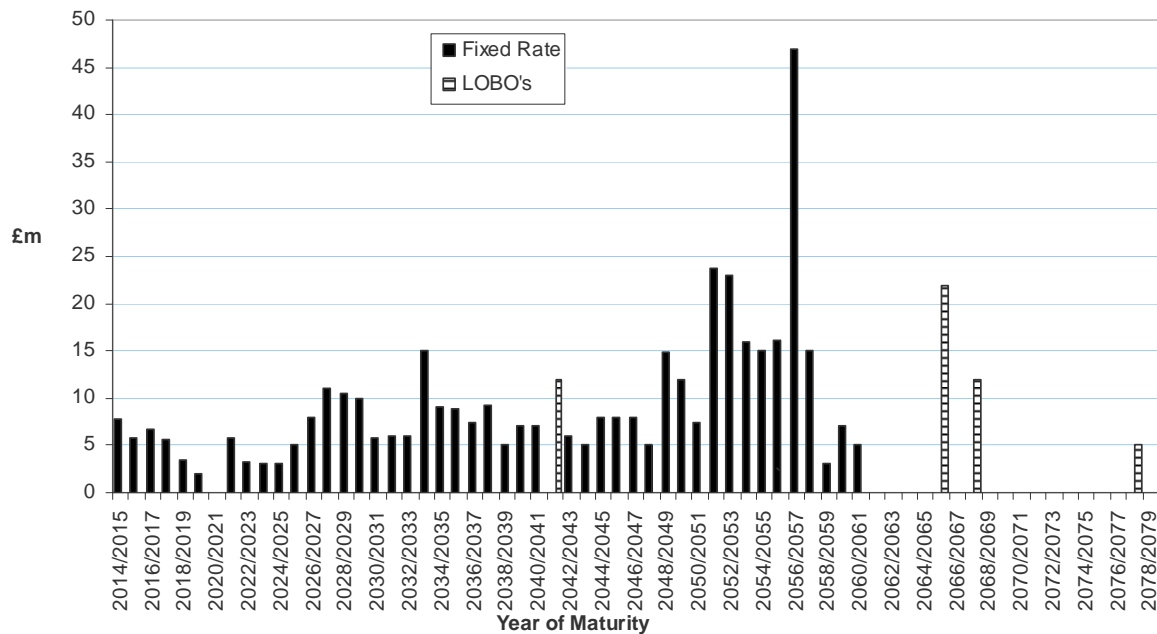
NOTES TO CORE FINANCIAL STATEMENTS

31 March 2013	Loans Outstanding	31 March 2014
£000		£000
402,695	Public Works Loans Board	420,695
51,000	LOBO's	51,000
1,726	Market Debt / Bonds	1,621
455,421	Total	473,316
2,198	Under 12 months	7,830
7,804	12 months and within 24 months	5,719
17,940	24 months and within 5 years	15,629
14,488	5 years and within 10 years	14,147
68,306	10 years and within 20 years	80,306
76,602	20 years and within 30 years	76,602
110,194	30 years and within 40 years	126,049
118,889	40 years and within 50 years	108,034
34,000	50 years and within 60 years	34,000
5,000	60 years and within 70 years	5,000
455,421	Total	473,316

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £5.798 million and short term borrowing of £827,000.

The Council's debt maturity profile is shown in the following graph on the assumption that all loans run to their final maturity.

NOTES TO CORE FINANCIAL STATEMENTS



Currently, £24 million of the Lender Option Borrower Option loans (LOBO's) are subject to the lender having the right to change the rate of interest payable every six months. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the table below:-

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.08%	01/09/2014	6 months	23/05/2067
6	4.28%	21/05/2014	6 months	21/11/2041
6	4.35%	21/05/2014	6 months	21/11/2041
6	4.06%	21/05/2014	6 months	23/05/2067
22	3.81%	21/11/2015	5 years	23/11/2065
5	4.10%	05/01/2018	5 years	17/01/2078

In respect of trade and other payables, the Council aims to make payment within 10 days in respect of undisputed invoices.

Interest Rate Risk – further disclosures

The possibility that financial loss might arise for the Authority as a result of changes in interest rates.

The main impacts of interest rate movements are set out below:-

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	<ul style="list-style-type: none"> Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.

NOTES TO CORE FINANCIAL STATEMENTS

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	<ul style="list-style-type: none"> • Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year. • By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

An indication of the authority's sensitivity to interest rate change is disclosed below. The table indicates the potential impact on the Comprehensive Income and Expenditure Statement had interest rates during 2013/14 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(192)
Interest in interest receivable on investments	363
Impact on Income and Expenditure Account	171
Increase in interest transferred to HRA	(45)
Increase in interest transferred to other balances and accounts	(59)
Net Income / (Expenditure)	67

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	99
Decrease in Fair Value of Fixed Rate Borrowings	74,045

The impact of a 1% fall in interest rates may not have exactly the opposite effect, since financial instruments with calls may not be exercised by the lender or borrower.

Foreign exchange risk

The Authority's exposure to loss arising from movements in exchange rates is minimal. Borrowing and investments are carried out only in sterling.

Price Risk

This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. Whilst the Council, excluding the pension fund, could invest directly in products such as Bank Certificates of Deposits and Gilts, at the Balance Sheet date, the Council did not have any direct holding.

NOTES TO CORE FINANCIAL STATEMENTS

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5% in the fair value (positive or negative) would result in a £789,000 gain or loss being recognised in the Movement in Reserves Statement.

22. Debtors

31 March 2013 £000		31 March 2014 £000
59,184	Central Government Bodies	37,636
2,606	Other Local Authorities	3,283
4,212	NHS Bodies	5,149
75	Public Corporations & Trading Funds	17
27,888	Other Entities and Individuals	24,826
93,965	Total Debtors Net of Impairments	70,911

23. Cash and Cash Equivalents

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

31 March 2013 £000		31 March 2014 £000
359	Cash	323
9,213	Bank (including cheque book schools)	9,219
25,374	Short-term deposit with banks and building societies	32,219
34,946	Total Cash and Cash Equivalents	41,761

Included within the bank figure above are bank balances of chequebook schools totalling £1.245 million (£2.313 million in 2012/13).

In addition to the above, at 31 March 2014 the Council held £938,000 (£864,000 at 31 March 2013) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

24. Creditors

31 March 2013 £000		31 March 2014 £000
(13,871)	Central Government Bodies	(13,403)
(1,630)	Other Local Authorities	(2,120)
(773)	NHS Bodies	(853)
(30)	Public Corporations & Trading Funds	(43)
(65,002)	Other Entities and Individuals	(59,408)
(81,306)	Total Creditors	(75,827)

25. Interests in companies and other organisations

The Council has interests in 3 subsidiary companies and one joint venture. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on Pages 145 to 169. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service

NOTES TO CORE FINANCIAL STATEMENTS

provision and it is not considered that they expose the Authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2013/14.

Cardiff City Transport Services Ltd. (Cardiff Bus)

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by Cardiff Council. Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2013/14 as summarised below are provisional:

	Year to 31 March 2013	Year to 31 March 2014
	£000	£000
Turnover	(34,439)	(35,054)
Operating and other expenditure	32,275	33,494
Net (Profit) / Loss before Taxation	(2,164)	(1,560)
Less: Taxation	587	345
(Profit) / Loss after Taxation	(1,577)	(1,215)

A summary of the company's financial position is as follows:

	31 March 2013	31 March 2014
	£000	£000
Bus and other operating assets	17,087	20,055
Current Assets	4,797	5,409
Less Current Liabilities	(4,118)	(3,383)
Net Assets	17,766	22,081
Creditors: Amounts falling due after more than one year	(156)	(4,000)
Provisions & Long term liabilities	(2,930)	(3,060)
Deferred Taxation	0	(401)
Pension Liability	(6,326)	(2,910)
Total Assets less liabilities	8,354	11,710
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	5,147	6,111
IAS19 Pension Reserve	(6,326)	(2,910)
Revaluation Reserve	3,915	3,891
Net Worth	8,354	11,710

In 2013/14 the Council made payments totalling £11.068 million to Cardiff Bus (£10.732 million in 2012/13) and received income of £144,000 (£123,000 in 2012/13). During 2013/14 Cardiff Bus did not pay a dividend to the Council (£nil in 2012/13).

At 31 March 2014, Cardiff Bus had inter-company balances with Cardiff Council as follows: debtors £206,000 (£199,000 in 2012/13); creditors £31,000 (£66,000 in 2012/13).

The accounts for year ended 31 March 2014 have yet to be audited.

Cardiff Business Technology Centre Ltd. (CBTC Ltd.)

CBTC is a company limited by guarantee, which is wholly owned by the Council. The Council's guarantee to CBTC Ltd is to pay costs not exceeding £10 in the event of the company being wound up.

NOTES TO CORE FINANCIAL STATEMENTS

The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. CBTC Ltd has an unsecured loan from Cardiff Council, of which £5,931 is outstanding at 31 March 2014. The most recent operating results are shown below:

	Year to 31 March 2013 £000	Year to 31 March 2014 £000
Net (Profit)/Loss before taxation	(35)	(46)
Less: Taxation	3	10
(Profit)/Loss for year after taxation	(32)	(36)

A summary of the company's financial position is as follows:

	31 March 2013 £000	31 March 2014 £000
Total assets less current liabilities	900	920
Creditors: falling due after more than one year	(15)	(7)
Provision for taxation	0	(4)
Pension Asset/(Liability)	(142)	0
Total Assets less liabilities	743	909
Represented by:		
Retained Profit	165	189
Revaluation Reserve	720	720
FRS17 Pension Reserve	(142)	0
Net Worth	743	909

During 2013/14 the Council received income of £25,000 (£25,000 in 2012/13) from CBTC Ltd. At 31 March 2014 CBTC Ltd. owed Cardiff Council £150,174 (£172,954 at 31 March 2013) and was owed £10,850 (£10,850 at 31 March 2013).

The company's auditors are Gerald Thomas & Co. The accounts were given an unqualified audit opinion for 31 March 2014.

Cardiff & Co.

Cardiff & Co. is a company that was set up during 2007/08 to promote and publicise the City of Cardiff and surrounding area. It is a company limited by guarantee and is a wholly owned subsidiary of Cardiff Council. The liability of its directors, who are its members, is limited to £1 per member. During 2012/13, a decision was taken to close Cardiff & Co. and, therefore, the figures below represent the final balances associated with the Company.

The company's closing operating results, as summarised below, are provisional:

	Period to 31 March 2013 £000	Period to 31 March 2014 £000
Net (Profit)/Loss before taxation	56	163
Taxation	0	0
(Profit)/Loss for year after taxation	56	163

A summary of the company's financial position is as follows:

NOTES TO CORE FINANCIAL STATEMENTS

	31 March 2013 £000	31 March 2014 £000
Total assets less current liabilities	163	0
Creditors falling due after more than one year	0	0
Total Assets less liabilities	163	0
Represented by:		
Retained Profit	163	0

During the year Cardiff Council made payments of £224 (£560,000 in 2012/13) to Cardiff & Co. and received income from the Company of £4,267 (£33,302 in 2012/13). In addition the Council provided a payroll service for Cardiff & Co., until May 2013, for which it received direct reimbursement (£2,794 in 2013/14). At 31 March 2014 the Company owed the Council £66,408 (£13,210 in 2012/13) and was owed £0 by the Council (£10,249 in 2012/13). The balance owed to the Council represents the final bank balance held by the Company, which will be transferred to the Council as part of the winding up process.

The company's auditors are Broomfield & Alexander Ltd. The accounts were given an unqualified audit opinion for 31 March 2014.

Cardiff Business Council

Cardiff Business Council is a company that was set up during 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. It is a wholly owned arms-length company of the Council limited by guarantee.

The company's closing operating results, as summarised below, are provisional:

	Period to 31 March 2014 £000
Net (Profit)/Loss before taxation	(197)
Taxation	0
(Profit)/Loss for year after taxation	(197)

A summary of the company's financial position is as follows:

	31 March 2014 £000
Total assets less current liabilities	197
Creditors falling due after more than one year	0
Total assets less liabilities	0
Represented by:	
Retained Profit	(197)
Balance	0

During the year Cardiff Council made core funding payments totalling £500,000 to Cardiff Business Council and received income from the Company totalling £174,146. The Council incurred other expenditure in connection with Cardiff Business Council totalling £11,304. At 31 March 2014 the Company owed the Council £73,130 and was owed £112,810 by the Council.

The company's auditors are Broomfield & Alexander Ltd. An unqualified audit opinion has been issued in respect of the accounts for year ending 31 March 2014.

Cardiff Medicentre Joint Venture

Cardiff Medicentre was established to provide facilities for small firms in the medical and health care sector and is the result of a joint collaboration between Cardiff Council, Cardiff University, Welsh Government and the Cardiff and Vale University Health Board. The Council owns a 44.5% share which is shown in Cardiff Council's balance sheet as an investment.

NOTES TO CORE FINANCIAL STATEMENTS

During 2013/14 the Council received a total income of £4,500 from Medicentre (£4,500 in 2012/13). No decision has as yet been reached as to the profit distribution to be made in respect of the 2013/14 surplus (£nil in 2012/13). At 31 March 2014 Medicentre there is no outstanding money owing to the Council (£nil at 31 March 2013). A net surplus of £137,895 was made in 2013/14 (net surplus of £70,923 in 2012/13).

The Invest to Save loan received from the Council was repaid in full in 2013/14. The accounts for the year ended 31 March 2014 have yet to be audited.

26. Provisions

	Balance 1 April 2013 (Restated) £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2014 £000
Cardiff Insurance Provisions	(11,683)	4,687	(4,984)	(11,980)
South Glamorgan Insurance Fund	(90)	67	0	(23)
Equal Pay Back Pay Provision	(1,606)	1,606	0	0
Termination Benefits Provision	0	0	(856)	(856)
Ferry Road Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(19,070)	982	0	(18,088)
Taxi Licensing Provision	(354)	0	(817)	(1,171)
Other Provisions	(946)	1,800	(2,541)	(1,687)
Total Provisions	(42,845)	9,142	(9,198)	(42,901)

	Not later than one year £000	Later than one year £000	Balance 31 March 2014 £000
Cardiff Insurance Provisions	(5,054)	(6,926)	(11,980)
South Glamorgan Insurance Fund	(5)	(18)	(23)
Termination Benefits Provision	(856)	0	(856)
Ferry Road Landfill Provision		(9,096)	(9,096)
Lamby Way Landfill Provision	(1,561)	(16,527)	(18,088)
Taxi Licensing Provision	(1,171)	0	(1,171)
Other Provisions	(1,159)	(528)	(1,687)
Total Provisions	(9,806)	(33,095)	(42,901)

The Cardiff Insurance provision represents sums set aside to meet the cost of claims received, but not yet settled, by the Council.

Cardiff Council operates a system of self insurance which provides cover either in part or in total for a considerable number of the Council's insured risks. Major risks including property, liability and motor vehicle are partially self-funded whereas full cover is provided for secondary risks such as 'All Risks'. In total, insurance is provided for 32 different types of risk which have the potential to have a serious affect on the financial position of individual establishments and directorates. These risks have been selected for insurance after consultation with the Council's insurance brokers.

Charges are made to directorates on the basis of the assets insured for vehicle and property related insurances and on the basis of claims' experience for public and employers' liability insurances.

Within other provisions is an amount of £450,198 in respect of claims in relation to the Municipal Mutual Insurance (MMI) Ltd scheme creditor. The scheme was triggered on the 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims.

NOTES TO CORE FINANCIAL STATEMENTS

The South Glamorgan Insurance Fund provision represents the current surplus in the Fund. Claims are still being processed and when the fund is eventually wound up any surplus or deficit will be split between Cardiff Council and the Vale of Glamorgan Council in their respective proportions.

Termination Benefits Provision represents the obligation Cardiff Council has following the decision to terminate an employee's employment, where the employee has not yet left the authority but there is a communication to the affected employees a plan of termination.

The Taxi Licensing Provision represents an amount set aside for the estimate of overpaid licence fees that could be reimbursed to hackney carriage and private hire vehicles, drivers, and operators.

Landfill Aftercare Provision

The Council has numerous landfill sites throughout the City's boundaries and whilst many are historic and have no obligations, others such as Lamby Way and Ferry Road require the Council to address restoration and after care in accordance with obligations made to Natural Resources Wales as part of initial permits. Such financial obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure obligations. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will need to be professionally reviewed periodically. Based on these figures, a provision has been created as at 31 March 2013 of £28.166 million with the 2012/13 accounts restatement entries shown in the tables below. The balance on the Provision as at 31 March 2014 is £27.184 million

Initial recognition of a provision in the Council's accounts requires recognition of the same value of expenditure to be shown as an addition to Property Plant and Equipment (PPE) asset value. This is assumed to be funded from Capital Resources, even though expenditure on landfill has not yet taken place and may not take place for a number of years. This is assumed to take place on 31 March 2013 and upon recognition of such a significant value, immediate revaluation of PPE is required. Based on valuation and other professional advice the asset value is impaired to £0 on recognition and there are no resulting ongoing depreciation charges which will be recognized in the CI&E account.

Movements in relevant Balance Sheet line item balances 2012/13

	Balance Previously Stated as at 31 March 2013 £000	Creation of Provision £000	Impairment of Asset £000	Balance Restated as at 31 March 2013 £000
Other Land & Buildings	929,612	28,166	(28,166)	929,612
Provisions	(15,706)	(28,166)	0	(43,872)
Total Net Assets	913,042	0	(28,166)	884,876
Capital Adjustment Account	(1,238,647)	0	28,166	1,210,481
Total Reserves	(913,042)	0	28,166	(884,876)

NOTES TO CORE FINANCIAL STATEMENTS

Movements in Comprehensive Income & Expenditure Account 2012/13

	As Previously Stated 31 March 2013 £000	Impairment £000	As Restated 31 March 2013 £000
Net cost of services	542,969	28,166	571,135
Total Comprehensive Income and Expenditure	(161)	28,166	28,005
Adjustments between accounting basis & funding basis under regulations (MIRS)	0	(28,166)	(28,166)
Total Reserves	913,042	(28,166)	884,876

The calculation of the provision includes a number of significant assumptions and the approach adopted impacts on other areas of the statement of accounts such as the Calculation of the Capital Financing Requirement. The approach to such obligations is currently in the process of being reviewed by CIPFA.

26.1 Pension Strain

In addition to the costs of redundancy payments made to leavers, in some cases the authority also incurs costs relating to Pension Strain which it is required to pay over to the Pension Fund when individuals leave via the Severance Scheme.

This applies only to leavers who are members of the Local Government Pension Scheme and aged 55-59 at the date they leave employment with the authority. The pension strain cost to the authority is the amount it has to pay over to the Pension Fund to compensate for the lost pension contributions for these staff.

Cardiff Council has an arrangement in place with the Cardiff & Vale Pension Fund whereby it pays the amounts due in respect of pension strain over a 5 year period in order to spread the impact of these costs. The following table shows the level of pension strain in the balance sheet.

	Balance at 31 March 2013 £000	Balance at 31 March 2014 £000
Pension Strain due within 1 year	2,046	2,486
Pension Strain due later than 1 year	4,110	5,766
Total Pension Strain	6,156	8,252

27. Deferred Liabilities

	Balance 1 April 2013 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2014 £000
Commutated Maintenance Sums	(8,612)	712	(600)	(8,500)
Vehicles Finance Lease	(13)	13	0	0
Total Deferred Liabilities	(8,625)	725	(600)	(8,500)

NOTES TO CORE FINANCIAL STATEMENTS

	Not later than one year	Later than one year	Balance 31 March 2014
Commuted Maintenance Sums	(1,210)	(7,290)	(8,500)
Vehicles Finance Lease	0	0	0
Total Deferred Liabilities	(1,210)	(7,290)	(8,500)

28. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts available to finance existing capital commitments and future capital expenditure, after setting aside any voluntary amounts as provision to repay external loans. The movements are as follows:

2012/13 £000		2013/14 £000
1,806	Balance as at 1 April	1,605
	Movements during Year:	
3,475	Sale of Land, Buildings and other assets	2,696
704	Sale of Council Dwellings	854
2	Private Mortgage Repayments	3
216	Recoupments of grant/other	143
4,397		3,696
(4,011)	Finance Capital Expenditure	(3,354)
(585)	Provide for Repayment of External Loans	(545)
(4,596)		(3,899)
(2)	Additional set aside from Private Mortgage Repayments	(3)
1,605	Balance as at 31 March	1,399

The balance held at 31 March 2014 relates primarily to sums received for housing purposes and to be used for future housing capital schemes

29. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non current assets. 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 Reserves contain 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. The movements are as follows:

2012/13 £000		2013/14 £000
242,948	Balance as at 1 April	317,680
81,890	Upward revaluation of assets	19,902
(2,195)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(127,651)

NOTES TO CORE FINANCIAL STATEMENTS

79,695	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(107,749)
(3,437)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,909)
(1,526)	Accumulated gains on assets sold or scrapped	(143)
(4,963)	Amount written off to the Capital Adjustment Account	(3,052)
317,680	Balance as at 31 March	206,879

Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all of the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2012/13 Restated £000		2013/14 £000
1,241,621	Balance as at 1 April	1,210,481
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(96,787)	Charges for depreciation and impairment of non-current assets	(56,370)
2,262	Reverse previous impairment on revaluation	14,931
(9,847)	Revaluation losses on Property, Plant and Equipment	(142,461)
(804)	Amortisation of intangible assets	(904)
(2,047)	Expenditure on REFCUS	(5,740)
(1,638)	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	(2,008)
(108,861)		(192,552)
3,437	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,909
(105,424)	Net written out amount of the cost of non-current assets consumed in the year	(189,643)
	Capital financing applied in the year:	
4,011	Capital Receipts	3,354
8,470	Direct Revenue Financing	3,197
5,733	Reserves and provisions	892
164	Insurance settlement	216
36,253	Grants and contributions	45,134
23,817	Prudent Revenue Provision	25,651
585	Capital receipts used to repay external loans	646
0	Impair Glamorgan County Cricket Club loan	(5,056)
(354)	Reduction in loan debtors	(141)
28	Leased vehicles	13
78,707		73,906
(4,423)	Movements in the market value of Investment Properties	(162)
0	Movement in the value of Held for Sale assets	(1,033)
1,210,481	Balance as at 31 March	1,093,549

NOTES TO CORE FINANCIAL STATEMENTS

Deferred Capital Receipts Reserve

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

2012/13 £000		2013/14 £000
835	Balance as at 1 April	851
50	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(34)	Transfers to the Capital Receipts Reserve upon receipt of cash	(747)
851	Balance as at 31 March	104

Following consent given to Cardiff City Football Club for the development of the hotel site and former coach park in 2009/10, a £720,000 premium became payable to the Council which was deferred for five years. The payment of the premium was to be made over five years commencing in 2015/16 including accrued interest, but payable immediately should the Club be promoted to the Premier League. All sums due were paid to the Council in 2013/14.

Available for Sale Financial Instruments Reserve

Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2012/13 £000		2013/14 £000
14,400	Balance as at 1 April	16,262
1,862	Downwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(488)
16,262	Balance as at 31 March	15,774

Whilst the Council's shareholding in Cardiff Bus is not listed on any quoted market, accounting rules require a valuation be estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is reflected in a corresponding reserve, the 'available for sale reserve' as it is required to be called. The fair value of the investment at 31 March 2014 is deemed to be £15.774 million, a decrease of £488,000 from the value previously determined in 2012/13. This value is determined by applying a multiplier to the Company's EBITDA, both of which are likely to fluctuate.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account contains entries required by legislation to ensure that the impact on Council Tax, resulting from accounting for various Financial Instruments is neutralised.

2012/13 £000		2013/14 £000
(3,393)	Balance as at 1 April	(3,051)
342	Proportions of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	342
(3,051)	Balance as at 31 March	(2,709)

NOTES TO CORE FINANCIAL STATEMENTS

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 a benefit 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.

2012/13 (Restated) £000		2013/14 £000
(641,190)	Balance as at 1 April	(713,470)
(49,749)	Actuarial gains or losses on pensions assets and liabilities	266,411
(64,370)	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 *	(75,483)
1,034	Reversal of amounts accrual in respect of pension strain for future years	(2,096)
40,805	Employer's pensions contributions and direct payments to pensioners payable in the year	43,360
(713,470)	Balance as at 31 March	(481,278)

Accumulated Absences Account

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

2012/13 £000		2013/14 £000
(12,346)	Balance as at 1 April	(5,956)
6,390	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	(833)
(5,956)	Balance as at 31 March	(6,789)

30. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2013/14:

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(307,237)	(339,678)
Outcome Agreement Grant	(3,249)	(3,303)
Concessionary Fares Grant	(10,481)	(11,220)
Council Tax Reduction Scheme	0	(2,542)
Non-Domestic Rates	(93,743)	(107,229)
Capital Grants:	(33,572)	(26,406)
Developers' Contributions	(2,845)	(18,944)

NOTES TO CORE FINANCIAL STATEMENTS

Total	(451,127)	(509,322)
Credited to Services (Revenue Grants & Contributions)		
Central Government Bodies	(285,756)	(271,435)
Other Local Authorities	0	(4,916)
NHS Bodies	(17)	(7,235)
Public Corporations & Trading Funds	(81)	(67)
Other Entities and Individuals	(108)	(6,817)
Total	(285,962)	(290,470)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2013 £000		31 March 2014 £000
	Capital Grants Receipts in Advance	
(557)	Central Government Bodies	(306)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(557)	Total	(306)

Capital Contributions Receipts in Advance:

2012/13 £000		2013/14 £000
(26,512)	Balance as at 1 April	(25,404)
	Movements during Year:	
(2,035)	Contributions received during the year	(3,724)
2,862	Contributions applied to expenditure during the year	19,093
281	Reclassification	311
(25,404)	Balance as at 31 March	(9,724)

The above sums represent amounts received from developers in the main and from other external sources such as insurance receipts which are yet to be used to fund capital expenditure. Schemes to be funded are specific and very often time limited. The overall reduction from 2012/13 is reflected primarily by the use of a £17 million contribution received from WG and used towards purchase of land as part of the redevelopment of Central Square.

31 March 2013 £000		31 March 2014 £000
	Revenue Grants and Contributions Receipts in Advance	
(984)	Central Government Bodies	(1,447)
0	Other Local Authorities	0
0	NHS Bodies	0
(73)	Public Corporations and Trading Funds	0
(86)	Other Entities and Individuals	(916)
(1,143)	Total	(2,363)

NOTES TO CORE FINANCIAL STATEMENTS

31. Contingent Assets & Liabilities

Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31st March 2014 is £5.103 million.

There are a number of outstanding VAT claims that could be due to the Council in the future. This includes further trade waste claims, parking claims and cultural exemption claims. Certain claims would also be subject to due interest being added to the amount received.

Liabilities

As at 31 March 2014 there existed 28 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, racial and disability discrimination, repayment of hackney carriage licence fees, claims for refunds of searches carried out, outstanding equal pay claims and unsuccessful tender of procurement and breach of contract. The maximum liability in respect of the 28 claims is estimated to be £1.467 million although some are unknown. The Council is resisting liability in all cases, where appropriate the Council has included a provision for the estimated liability.

The former authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. As at 31 March 2014 this liability amounted to £2.754 million for the former South Glamorgan County Council (shared 72/28 with the Vale of Glamorgan) and £285,000 for the former Cardiff City Council.

The Scheme was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of any future claims. A 15% levy has been paid and open and new claims will be paid at 85%. The Council has recognised as a provision the sum of £450,198 as at 31 March 2014 (as disclosed at Note 26 of the Notes to the Statement of Accounts). Additional levies may be imposed on authorities. The value and timing of these is not yet known.

In 2013/14 the Council did not achieve the 52% Local Authority Recycling Target set by Welsh Government. The potential fine to be confirmed by Natural Resources Wales is 4014 tonnes at £200 per tonne, this could result in a potential liability of £802,800. A decision on whether to impose the fine will follow discussions between the Council and Welsh Government on the reasons for missing the target and any mitigating steps that will take place. In 2012/13 fines were not imposed for authorities that missed the statutory target.

The Council continues to encourage expressions of interest in voluntary redundancy in order to meet future budget constraints. Expressions of interest are sought across the Council and business cases are assessed on a case by case basis. The cost of such cases is recognised and disclosed in the Statement of Accounts in the year in which the business case is approved since until that stage, any application for voluntary severance can be declined. Redundancies that have been approved in 2013-14 are included in the disclosure of exit packages at Note 11.

NOTES TO CORE FINANCIAL STATEMENTS

32. Notes to Cash Flow Statement

Adjust net surplus or deficit on the provision of services for non cash movements

	2012/13 (Restated) £000	2013/14 £000
Depreciation and impairment	(105,176)	(189,860)
Charges made for retirement benefits (IAS19) less employers contributions	(17,155)	(32,843)
Contributions (to)/from provisions	4,918	(2,075)
Changes in fair value of investment properties	(4,423)	(1,195)
Increase/(decrease) in stock	(126)	(301)
Increase/(decrease) in debtors (exc capital)	(6,732)	(4,515)
(Increase)/decrease in creditors (exc capital creditors) & super fund	7,765	(12,982)
	(120,929)	(243,771)

Items in net surplus/ deficit on provision of services that are investing and financing activities

	2012/13 £000	2013/14 £000
REFCUS	(2,047)	(5,740)
Net gain/(loss) on sale of non-current assets	887	671
Repayments of liabilities under finance leases	32	14
Capital grants/contributions recognised in I&E	36,417	45,350
Other cash items which effect investing or financing activities	263	(5,087)
	35,552	35,208

33. Voluntary and Compulsory Severance

During the year, circa 546 people left the Council under its voluntary severance scheme. It is likely that this will continue during 2014/15. In total the severance costs incurred during the year amounted to £9.742 million (£3.645 million in 2012/13) of which £0.292 million (£0.174 million in 2012/13) related to staff working under the Asylum Seeker contract or the HRA. The balance of £9.350 million severance cost related to Council fund services. This was paid from within in-year revenue resources.

34. Post Balance Sheet Events

On the 6th August 2014 Natural Resources Wales (NRW) concluded that the Council had failed to meet the Local Authority Recycling Target of 52% for 2013/14. This followed the initial data submission on 2nd May 2014 of having the Council achieving the target; however following the second phase of validations by NRW it was outlined that the final performance was 50% with a potential liability of fines of £802,800. As the decision to whether fines will be issued by Welsh Government is still uncertain this has been included as a contingent liability in note 31 of the accounts.

35. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 25 September 2014 by Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

HOUSING REVENUE ACCOUNT: INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014

The HRA Income and Expenditure Account 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 regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2012/13		Note	2013/14
£000			£000
	Expenditure		
17,822	Repairs and maintenance		18,524
14,439	Supervision and management		17,255
159	Rents, rates, taxes and other charges		198
15,096	Housing Revenue Account subsidy payable		15,062
326	Provision for bad and doubtful debts		446
12,362	Depreciation, impairment and revaluation of non-current assets	10	13,113
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	11	0
33	Debt management costs		30
60,237	Total Expenditure		64,628
	Income	2	
(54,983)	Dwelling rents		(56,398)
(83)	Non-dwelling rents		(81)
(6,408)	Charges for services and facilities		(6,508)
0	Sums directed by the Welsh Government that are income in accordance with the Code		0
(61,474)	Total Income		(62,987)
(1,237)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		1,641
42	HRA Services' share of Corporate and Democratic Core		42
(1,195)	Net Cost for HRA Services		1,683
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(391)	(Gain)/loss on sale of HRA non-current assets		(561)
4,730	Interest payable and similar charges		4,756
(103)	Changes in fair value of investment properties		0
(94)	Interest and Investment income	4	(65)
(11,541)	Capital Grants and Contributions applied		(10,248)
(8,594)	(Surplus)/Deficit for year on HRA services		(4,435)

NOTES TO THE HOUSING REVENUE ACCOUNT

MOVEMENT ON HRA STATEMENT

2012/13 £000		Note	2013/14 £000
(7,167)	Balance on the HRA at the end of the previous year		(7,295)
(8,594)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(4,435)
9,023	Adjustments between accounting basis and funding basis under regulations	1	4,234
429	Net (increase)/decrease before transfers to or from reserves		(201)
(557)	Transfers to/(from) reserves		(628)
(128)	Increase or decrease in the year on the HRA		(829)
(7,295)	Balance on the HRA at the end of the current year		(8,124)

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

2012/13 £000		Note	2013/14 £000
	Adjustments primarily involving the Capital Adjustment Account:		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
12,362	Charges for depreciation and impairment of non-current assets	10	13,113
(103)	Movement in the market value of investment properties		0
0	Sums directed by Welsh Government	11	55
309	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		0
(11,541)	Capital grants and contributions applied		(10,248)
	<u>Insertion of items not debited or credited to the HRA Income and Expenditure Statement:</u>		
(2,722)	Prudent Provision for the financing of capital investment		(4,074)
(6,290)	Capital expenditure funded by the HRA		(2,198)
	Adjustments involving the Pensions Reserve:		
1,009	Net Retirement Benefits per IAS19		1,428
(109)	Pension Strain Accrual – future years		(15)
(1,273)	Employers Contributions to pension schemes		(1,755)
	Adjustments involving the Capital Receipts Reserve:		
(780)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(561)
14	Credit for disposal costs that qualify to be met from the resulting capital receipts		18
	Adjustments involving the Revaluation Reserve:		
80	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		0
	Adjustments involving the Accumulated Compensated Absences Account:		
23	Amount by which officer remuneration charged to the HRA Income & Expenditure Account on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		5
	Adjustments involving the Financial Instruments Adjustment Account:		
(2)	Amortisation of premiums and discounts		(2)
(9,023)	Total Adjustments		(4,234)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.52% of rental income (1.74% in 2012/13). Average rents were £81.36 per week (£78.66 in 2012/13) based on a 52 week year.

3. Rent Arrears and Bad Debt Provision

	As at 31 March 2013		As at 31 March 2014	
	Rent arrears	Bad debt provision	Rent arrears	Bad debt provision
	£000	£000	£000	£000
Ordinary HRA	2,090	1,687	2,140	1,697
Leasehold properties	73	73	52	52
Hostels	63	63	89	89
Total	2,226	1,823	2,281	1,838

In addition the following sums were also due from tenants:

	As at 31 March 2013		As at 31 March 2014	
	Arrears	Bad debt provision	Arrears	Bad debt provision
	£000	£000	£000	£000
Service Charges	66	40	62	37
Tenants recoverables	361	361	299	299
Total	427	401	361	336

During 2013/14 a number of old debts totalling £384,880 were written off as irrecoverable (£576,556 in 2012/13).

4. Investment Income

The figure for HRA investment income includes mortgage interest, interest earned on notional cash balances and repayments of retained equity.

5. Pension Costs

In accordance with IAS19 the amount included within Supervision and Management in respect of employee costs includes the current service cost for pensions. In order that the bottom line pension cost borne by the HRA equals the total employer's contributions paid to the Pension Fund in the year plus any discretionary benefits payable to ex-housing staff, a transfer has been made to the Pensions Reserve as follows:

	2012/13 £000	2013/14 £000
Cost of employer's contributions plus discretionary benefits	1,273	1,755
Current service cost	(1,009)	(1,428)
Pension Strain Accrual - Future Years	109	15
Net transfer to Pensions Reserve	373	342

No attempt has been made to apportion a share of the pensions interest cost and expected return on pensions assets to the HRA as there is no valid basis of apportionment.

6. Mortgages on Sold Council Houses

Mortgage arrears amounted to £17,333 (£19,983 in 2012/13) and prepayments were £17,595 (£31,660 in 2012/13).

NOTES TO THE HOUSING REVENUE ACCOUNT

7. Housing Stock

The Council's housing stock is shown below:

	31st March 2013	31st March 2014
Houses	7,294	7,286
Bungalows	624	624
Flats/Bedsits	5,126	5,113
Maisonettes	288	291
Retirement complexes	358	358
Total	13,690	13,672

The Council also had:

	31st March 2013	31st March 2014
Bed spaces in hostels	9	9
Flats in hostels	49	49
Total	58	58

8. Capital Expenditure and Capital Financing

2012/13 £000		2013/14 £000
92,303	Opening Capital Financing Requirement	93,898
	Capital Expenditure:	
16,640	Council dwellings	12,154
533	Other land & buildings	(314)
256	Vehicles, plant & equipment	92
0	Surplus assets	428
638	Assets under construction	181
499	Intangible Assets including intangible AUC	232
0	Expenditure on REFCUS	55
4,325	Appropriation of Land	7,040
	Sources of Finance:	
(316)	Capital Receipts	(375)
(11,541)	Government grants and other contributions *	(10,268)
(6,290)	Direct revenue contributions and reserves	(2,185)
(3,149)	Prudent revenue and capital provision for loan repayment	(4,578)
93,898	Closing Capital Financing Requirement	96,360
	Explanation of Movements in Year:	
(1,897)	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	(2,024)
3,492	Increase in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	4,486
1,595	Increase in capital financing requirement	2,462

- £9.6 million (£9.6 million in 2012/13) of Major Repairs Grant was received and applied in the year.

NOTES TO THE HOUSING REVENUE ACCOUNT

9. Capital Receipts

Proceeds from the disposal of HRA Assets during 2013/14 were as follows:

- Council Dwellings, Repayment of Discount & Home Purchase Contributions £854,000 (£704,000 in 2012/13)
- Land £207,000 (£96,000 in 2012/13)

10. Depreciation, Impairment and Revaluation charged

Depreciation and impairment was charged on HRA assets as follows:

	2012/13 £000	2013/14 £000
Council dwellings	11,569	12,232
Land and buildings	729	759
Vehicles, plant & equipment	64	122
Total depreciation, impairment and revaluation	12,362	13,113

Such charges to the HRA and changes in valuation do not have any impact on the amount required to be collected from rents as all such adjustments to non-current assets are required to be neutralised from capital reserves.

11. Sums directed by the Welsh Government

Revenue expenditure funded from capital under statute charged to the Housing Revenue Account in 2013/14 was £55,000 (£nil in 2012/13).

	2012/13 £000	2013/14 £000
<i>Movements in Year:</i>		
Buildings not owned by Cardiff Council	0	55
Charged to Income and Expenditure Account*	0	55
<i>Funded by:</i>		
Borrowing, receipts and other capital resources	0	55
	0	55

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Foreword

Cardiff Council is the Administering Authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales. The regulations for the Scheme are determined by the UK Government.

The triennial actuarial valuation of the Fund as at 31 March 2013 was completed in March 2014. The valuation showed that although the Fund's liabilities had continued to increase, the funding ratio had improved from 71% in 2010 to 82% and the deficit had fallen from £431 million to £311 million. The Fund's assets grew by 11% during 2013/14, from £1.35 billion to nearly £1.5 billion. Employer contribution rates have been set for the next 3 years and in most cases were contained within expectations.

New regulations for the LGPS were issued in September 2013 with an implementation date of 1st April 2014. All benefits accrued from that date will be on a career average basis with annual inflation-linked revaluations. The new regulations also link each member's Normal Pension Age with their State Pension Age, which will result in pensions payable on retirement before State Pension Age being reduced. Benefits accrued up to 31st March 2014 will be protected and will continue to be based on the member's length of service up to that date and final salary on retirement.

During 2013 the Department for Communities and Local Government (DCLG) issued its "Call for Evidence" on the future structure of the LGPS. Following analysis of the responses by the Shadow Scheme Advisory Board and a supplementary analysis of options for reform by actuarial consultants Hymans Robertson, a consultation on collaborative investments has been issued by the DCLG. A further consultation on scheme governance is expected shortly, leading to the establishment of a local Pension Board for each LGPS fund from 1st April 2015. The local Pensions Board's remit will be to assist the Administering Authority with securing compliance with regulations for governance and administration.

Another challenging year lies ahead as pension matters continue to be a major discussion topic for government, employers and scheme members. The Pension Section's key objectives continue to be to minimise future employer costs and to deliver a high standard of services to its 34 employers and 35,000 contributing employees, pensioners and deferred pension members.

Christine Salter
Corporate Director Resources
June 2014

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Actuarial Statement

Cardiff and Vale of Glamorgan Pension Fund

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date (of £1,369M) covering 82% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2014 was as set out below:

- 15.4% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
- **Plus**
- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2014, amounting to £16.9M in 2014/15, and increasing by 3.4% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 22.2% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.4% p.a.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt's report dated 28 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.

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

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.9% p.a.
Rate of pay increases	3.4% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014.

8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

Aon Hewitt Limited
May 2014

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2014

2012/13 (Restated) £000		2013/14 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions receivable	
56,358	from employers (Note 5)	58,961
15,477	from employees (Note 5)	15,720
2,621	Transfers in	3,872
1,302	Deficit Funding (Note 5)	23,630
1,430	Other Income (Capitalised Payments and interest on deficit funding)	4,327
77,188		106,510
	Benefits Payable	
(49,833)	Pensions (Note 6)	(52,321)
(11,710)	Lump Sums (Note 6)	(16,784)
	Payments to and on account of leavers	
(2)	Refunds of contributions	(10)
(4,050)	Transfers out	(4,668)
(854)	Group Transfer Out	0
(709)	Admin & Other expenses (Note 8)	(951)
(67,158)		(74,734)
10,030	Net Additions/(Withdrawals) from dealings with Members of the Fund	31,776
	RETURNS ON INVESTMENT	
15,701	Investment Income (Note 9)	12,746
158,993	Change in market value of investments (Note 10)	104,275
(3,264)	Investment management expenses (Note 8)	(4,097)
171,430	Net Returns on Investments	112,924
181,460	Net Increase/(Decrease) in the Fund During Year	144,700
1,166,343	Opening Net Assets of the Scheme	1,347,803
1,347,803	Closing Net Assets of the Scheme	1,492,503

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

NET ASSET STATEMENT AS AT 31 MARCH 2014

2012/13 (Restated) £000		2013/14 £000
1,306,525	Investments at market value (Note 10)	1,442,289
33,403	Cash & investment proceeds due (Note 10)	23,836
1,339,928		1,466,125
	Current assets	
390	UK & Overseas Tax	147
2,019	Contributions due from Employers and deficit funding	4,471
0	Investment Income accrued	0
334	Sundry Debtors (Note 14)	118
2,284	Pension Strain costs due within one year	2,733
5,027		7,469
	Non current assets	
296	Deficit funding (former employers)	18,022
3,971	Pension strain costs due after one year	4,857
4,267		22,879
	Current liabilities	
(639)	Unpaid Benefits	(2,811)
(780)	Sundry Creditors (Note 14)	(1,159)
(1,419)		(3,970)
1,347,803	Net Assets of the Scheme	1,492,503

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2013/2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2013/2014 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2013 as £2,028.8 million, with a comparator value as at the 31 March 2010 valuation of £1,950.4 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 126 and 127. This shows that the overall funding level as at 31 March 2013 is 82%.

2. Accounting Policies

(a) Basis of Preparation

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future. As per IAS 26, a disclosure has been made of the Fund's pension liability i.e. the actuarial present value of promised retirement benefits

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2014 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31.03.2014 was £93 million (93 million at 31.03.2013).

Pension fund liability - This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

calculation are summarised in the actuary's statement on page 126 and 127. This estimate is based on significant variances based on changes to the underlying assumptions.

(d) Assumptions made about the future and other major sources of estimation uncertainty.

The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £93 million. There is a risk that this investment may be under, or overstated in the accounts.

(e) Acquisition costs of Investments

Acquisition costs are included with the original book cost at the time of purchase. At the year end, however, investments on the balance sheet are valued at market value. The difference is recorded in the Accounts as "Change in Market Value of Investments".

3. Taxation

(a) UK Income, Capital Gains Taxes.

The Fund is an exempt approved fund able to recover UK income tax. No Capital Gains Tax is chargeable.

(b) Value Added Tax.

The accounts are shown exclusive of VAT. As the County Council is the administering authority, VAT is recoverable on all Fund activities.

(c) Overseas Withholding Tax.

Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2014 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

5. Employing Bodies – Contributions

	No. of contributors at 31.03.14 £000	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
SCHEDULED BODIES:						
Barry Town Council	13	28.9%	0	76	17	93
Cardiff and Vale College	400	13.0%	342	1,311	466	1,777
Cardiff City Transport	46	22.3%	521	799	81	880
Cardiff Council	8,704	23.9%	13	37,444	9,888	47,332
Cardiff Metropolitan University	713	13.0%	946	3,093	1,097	4,190
Cowbridge Town Council	4	28.9%	0	19	4	23
Dinas Powys Community Council	1	18.2%	1	6	1	7
Llantwit Major Town Council	3	28.9%	0	15	3	18
Penarth Town Council	13	28.9%	0	67	14	81
Public Services Ombudsman for Wales	3	30.3%	242	279	8	287
Radyr & Morganstown Community Council	1	18.2%	1	4	1	5
St Davids Sixth Form College	21	15.8%	17	89	29	118
Stanwell School	70	15.8%	30	167	51	218
Vale Of Glamorgan Council	3,068	21.5%	6	10,799	3,152	13,951
Sub-total	13,060			54,168	14,812	68,980
ADMITTED BODIES:						
Cardiff Business Technology Centre	3	29.2%	8	22	3	25
Cardiff Gypsy & Traveller Project	1	24.0%	0	4	1	5
Cardiff Institute For The Blind	2	22.7%	63	77	4	81

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Cardiff University	61	25.7%	1,391	1,775	96	1,871
Careers Wales (Cardiff & Vale)	88	18.1%	0	393	142	535
Children In Wales	22	22.2%	0	117	34	151
Civic Trust For Wales	1	24.0%	0	9	2	11
Colleges Wales (Fforwm) Design	9	25.9%	18	103	23	126
Commission for Wales	3	22.2%	0	27	9	36
Memorial Hall	5	20.5%	0	24	8	32
Mirus Wales	6	24.0%	0	59	17	76
National Trust	15	20.7%	0	43	15	58
One Voice	2	20.0%	0	19	7	26
Play Wales	8	23.5%	0	61	17	78
Royal National Eisteddfod	10	25.3%	50	160	30	190
Sport Wales	132	21.5%	75	947	273	1,220
Wales & West Housing	1	22.7%	83	111	9	120
Welsh Council For Voluntary Action	80	22.6%	111	640	160	800
Workers Education Association	37	22.6%	0	202	58	260
Sub-total	486			4,793	908	5,701
Total	13,546			58,961	15,720	74,681

*Glamorgan Holiday Hotel is no longer an employer in the Fund and is paying the cessation payment over five years, with a further one year remaining.

Additional deficit funding

Scheme Employer	£000
Sport Wales (Voluntary)	1,000
Glamorgan Holiday Home	138
Mirus Wales (Voluntary)	175
Children in Wales (Voluntary)	5
S Wales Magistrates Courts	22,312
Total	23,630

During 2013/14 calculation of the transfer payment applicable the transfer of pension liabilities in respect of the Cardiff and Vale of Glamorgan Pension Fund for Magistrates' Courts Committees staff from the Local Government Pension Scheme (LGPS) to the Principal Civil Service Pension Scheme (PCSPS) was agreed. This resulted in a £22.312 million payable to Cardiff & Vale of Glamorgan Pension Fund, which has been accounted for in full in the deficit funding in the 2013/14 fund account. Interest of £1.725 million has been calculated as payable and will be accounted for annually over a straight line basis over 10 years.

10 annual payments of £2,403,500 are payable (£2,231,000 plus £172,500 interest) from 2013/14, with the first payment being received in April 2013. The remaining outstanding transfer payment due is shown as an asset in the net asset statement.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	73	0	0	0
Cardiff City Transport	2,097	335	125	0
Cardiff Council	33,725	11,310	1,102	158
Cardiff and Vale College	480	344	0	1
Cowbridge Town Council	12	24	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	14	0	0	0
Penarth Town Council	40	0	0	0
Probation Service	250	0	0	0
Public Services Ombudsman for Wales	177	35	0	0
Radyr & Morganstown Community Council	12	40	0	0
Royal Welsh College of Music & Drama	74	17	0	0
S Wales Magistrates Courts	242	36	0	7
St Cyres School	45	3	0	0
St Davids Sixth Form Coll	61	0	0	0
Stanwell School	31	0	0	0
Cardiff Metropolitan University (UWIC)	1,243	219	0	4
Vale of Glamorgan Council	10,083	1,843	98	47
Sub-total	48,686	14,206	1,325	217
ADMITTED BODIES:				
Cardiff Bay Arts Trust	11	0	0	0
Cardiff Bay Devt Corp	477	14	0	0
Cardiff Business Technology	12	0	0	0
Citizens Advice Bureau (Cardiff)	12	0	0	0
Cardiff Gypsy Sites	5	11	0	0
Cardiff Institute for Blind	69	5	0	0
Cardiff University	986	118	0	0
Careers Service	286	0	42	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	12	0	0	0
Citizens Advice Bureau (Vale)	10	0	0	0
Civic Trust for Wales	3	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	9	12	0	0
Colleges Wales	8	0	0	0
Glam & Gwent Hsg Assoc	56	0	0	0

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Higher Ed Development Wales	3	0	0	0
Housing for Wales	183	121	0	0
Intervol	21	0	0	0
Land Authority for Wales	297	0	0	0
National Eisteddfod	45	295	0	0
National Trust	0	9	0	0
Memorial Hall	2	23	0	0
Mirus Wales (Opportunity Housing Trust)	23	17	2	0
Play Wales	22	0	0	0
Glamorgan Holiday Hotel	53	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	709	73	0	0
STAR	6	0	0	0
Wales & West Housing Ass	137	0	0	0
Wales Youth Agency	54	0	0	0
Welsh Council for Voluntary Action	95	261	0	4
Workers Education Association	12	29	0	0
Sub-total	3,635	988	44	4
TOTAL	52,321	15,194	1,369	221

7. Membership of the Fund

Fund membership at 31 March 2014 is as follows:

Fund membership at 31 March 2014 is as follows:	2012/13	2013/14
Contributing Employers	35	33
Contributors	13,402	13,546
Pensioners	9,552	9,886
Deferred pensioners	10,658	11,534
Total membership	33,612	34,966

8. Investment and Administration Expenses

Investment Management and Administration Expenses fully charged to the Fund are:

	2012/13 £000	2013/14 £000
Management fees	3,156	3,980
Custody fees	108	117
Sub-total	3,264	4,097
Support Service Charges	160	171
Other Administration Expenses	549	780
Sub-total	709	951
TOTAL	3,973	5,048

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

9. Investment Income

	2012/13 £000	2013/14 £000
UK Fixed Interest Securities	3,472	3,802
Overseas Fixed Interest Securities	4,609	1,120
UK Equities & Private Equity Funds	2,454	2,760
Pooled investments	921	1,134
Overseas Equities (net of irrecoverable tax)	2,750	3,234
Property Unit Trust Income	1,363	619
Interest on UK cash	76	66
Securities Lending	56	11
TOTAL	15,701	12,746

10. Investments at Market Value

2012/13 (Restated) £000		2013/14 £000
46,895	UK Fixed Interest: Public Sector	46,589
8,555	Non Govt	8,051
104,574	Other (Pooled)	107,302
160,024		161,942
0	Overseas Fixed Interest: Public Sector (Pooled)	0
59,126	Other	58,120
59,126		58,120
68,120	UK quoted Equities & Convertibles	77,425
139,281	Foreign quoted Equities	157,972
75,237	UK Property Unit Trusts	79,897
282,638		315,294
93,089	Private Equity	92,925
	Pooled Funds	
400,564	UK	446,157
311,084	Overseas	367,851
711,648		814,008
	Derivatives:	
732	Forward Currency contracts	884
0	Futures	0
732		884
	Cash:	
19,483	UK	16,950
11,443	Overseas	5,190

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

1,745	Net investment proceeds due	812
32,671		22,952
1,339,928	TOTAL	1,466,125

Gross purchases in the year (excluding cash) were £193.424 million, whilst sales were £152.498 million. From these a net realised profit was accrued to the Fund of £19.0 million. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

The managing companies of all the pooled managed Funds are UK registered. Private Equity Funds are not quoted on recognised stock exchanges and may not be realisable as readily as quoted investments. Other than pooled funds, no single investment accounted for more than 5% of the Fund's assets.

	Value at 31/03/13 (Restated) £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/14 £000's
Fixed Interest Securities	219,150	77,421	(67,140)	(9,369)	220,062
Equities	207,401	88,401	(70,145)	9,740	235,397
Pooled Funds	711,647	18,695	0	83,666	814,008
Property unit trusts	75,238	0	(339)	4,998	79,897
Private equity	93,089	8,907	(14,874)	5,803	92,925
Sub total	1,306,525	193,424	(152,498)	94,838	1,442,289
Forward Currency	732	1,581,563	(1,592,067)	10,656	884
Futures	0	418,215	(418,215)	0	0
Total Derivatives	732	1,999,778	(2,010,282)	10,656	884
Debtors	1,754				812
Creditors	(9)				0
Managers' Cash	7,709				9,049
Internal Cash	16,288				12,625
Currency Overlay	6,929				466
Total Cash	32,671			(1,219)	22,952
Total Cash and Investment Proceeds Due	33,403			9,437	23,836
Total	1,339,928			104,275	1,466,125

	Value at 31/03/12 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/13 £000's
Fixed Interest Securities	191,030	70,695	(52,364)	9,789	219,150
Equities	157,579	76,165	(54,296)	27,953	207,401
Pooled Funds	625,581	15,970	(40,000)	110,096	711,647
Property unit trusts	73,094	0	(1,249)	3,393	75,238
Private equity	84,150	9,952	(11,106)	10,093	93,089
Sub total	1,131,434	172,782	(159,015)	161,324	1,306,525
Forward Currency	2,372	1,439,340	(1,438,547)	(2,433)	732
Futures	0	244,629	(244,629)	0	0
Total Derivatives	2,372	1,683,969	(1,683,176)	(2,433)	732

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Debtors	1,202			1,754
Creditors	(1,199)			(9)
Managers' Cash	14,738			7,709
Internal Cash	732			16,288
Currency Overlay	3,034			6,929
Total Cash	18,507		102	32,671
Total Cash and Investment Proceeds Due	20,879		(2,331)	33,403
Total	1,152,313		158,993	1,339,928

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £342,835. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency management overlay in place managed by Mesirow, which hedges significant long term currency movements to limit losses. The portfolio covers US dollars, Yen and Euro currencies.

11. Summary of Manager's Portfolio Values at 31 March 2014

	£000	% of Fund
Aberdeen Asset Management	222,365	15.2
Aberdeen Emerging Markets	51,491	3.5
Blackrock Investment Management	176,445	12.0
Invesco Perpetual	81,358	5.5
J P Morgan	62,345	4.3
Majedie	96,972	6.6
Nikko	75,354	5.1
Schroder Investment Managers	70,649	4.8
State Street Global Advisers	442,368	30.2
Property	79,897	5.4
Private Equity Managers	92,925	6.3
Mesirow currency overlay	864	0.1
Cash with custodian	467	0.1
Internally managed (Cash)	12,625	0.9
Total	1,466,125	100

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

12. Financial Instruments

a) Classification of financial instruments

31/03/2013 (Restated)				31/03/2014		
Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs		Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs
£000	£000	£000	Financial assets	£000	£000	£000
219,150	0	0	Fixed Interest Securities	220,062	0	0
207,401	0	0	Equities	235,397	0	0
711,647	0	0	Pooled Funds	814,008	0	0
75,238	0	0	Property Unit Trusts	79,897	0	0
93,089	0	0	Private Equity	92,925	0	0
22,476	0	0	Derivatives	41,742	0	0
0	30,926	0	Cash	0	22,140	0
1,754	0	0	Other investments	812	0	0
0	9,294	0	Debtors	0	30,348	0
1,330,755	40,220	0		1,484,843	52,488	0
			Financial liabilities			
(21,744)	0	0	Derivatives	(40,858)	0	0
(9)	0	0	Other investments	0	0	0
0	0	(1,419)	Creditors	0	0	(3,970)
0	0	0	Borrowings	0	0	0
(21,753)	0	(1,419)		(40,858)	0	(3,970)
1,309,002	40,220	(1,419)		1,443,985	52,488	(3,970)

b) Net gains and losses on financial instruments

31/03/2013 £000	Financial Assets	31/03/2014 £000
161,324	Fair value through profit and loss	94,041
0	Loans and receivables	0
	Financial liabilities	
102	Fair value through profit and loss	4,919
(2,433)	Loans and receivables	5,315
158,993	Total	104,275

c) Fair value of financial instruments and liabilities

31/03/2013		31/03/2014	
Carrying value	Fair value	Carrying value	Fair value

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

£000	£000		£000	£000
		Financial assets		
978,521	1,330,755	Fair value	1,049,489	1,484,843
40,220	40,220	Loans and receivables	52,488	52,488
1,018,741	1,370,975	Total financial assets	1,101,977	1,537,331
		Financial liabilities		
(21,753)	(21,753)	Fair value	(40,858)	(40,858)
(1,419)	(1,419)	Financial liabilities	(3,970)	(3,970)
(23,172)	(23,172)	Total financial liabilities	(44,828)	(44,828)

d) Valuation of financial instruments carried at fair value

Level 1 - Quoted prices for similar instruments. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 - Directly observable market inputs other than Level 1 inputs. Where an instrument is traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 - Inputs not based on observable market data. The values of investment in private equity are based on valuations provided by the general partners to the private equity funds. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end.

	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
Values as at 31st March 2014	Level 1 £000	Level 2 £000	Level 3 £000	£000
Financial assets				
Financial assets at fair value	622,610	646,877	215,356	1,484,843
Loans and receivables	52,488	0	0	52,488
Total financial assets	675,098	646,877	215,356	1,537,331
Financial liabilities				
Financial liabilities at fair value	0	0	(40,858)	(40,858)
Financial liabilities at amortised cost	(3,970)	0	0	(3,970)
Total financial liabilities	(3,970)	0	(40,858)	(44,828)
Net financial assets	671,128	646,877	174,498	1,492,503

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

13. Nature and extent of risks rising from financial instruments

The fund maintains positions in a variety of instruments, as dictated by the Statement of Investment principles (SIP), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

Market Risk

Market risk is the risk that the fair value or future cashflows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

Interest rate risk is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen, the appointed active bond manager.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits

Asset Type	Carrying amount as at 31.03.2014 £000	Change in year in the net assets available to pay benefits	
		+ 100bps £000	- 100bps £000
Cash	23,836	238	(238)
Fixed interest securities	220,082	2,201	(2,201)
Total	243,918	2,439	(2,439)

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

2012/13 Comparative:

Asset Type	Carrying amount as at 31.03.2013 £000	Change in year in the net assets available to pay benefits	
		+ 100bps £000	- 100bps £000
Cash	32,671	327	(327)
Fixed interest securities	219,950	2,200	(2,200)
Total	252,621	2,527	(2,527)

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates.

The Fund has appointed two active currency managers who manage the currency risk in several countries and the fund's Japanese and European portfolios have a 50% passive currency overlay in place. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 3.09%. A 3.09% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31.03.2014 £000	Change to net assets available to pay benefits	
		3.09%	-3.09%
	£000	£000	£000
Overseas quoted securities	526,232	542,513	509,951
Overseas corporate bonds (quoted)	58,120	59,918	56,322
Total change in assets available	584,352	602,431	566,273

Currency exposure – asset type	Asset value as at 31.03.2013 £000	Change to net assets available to pay benefits	
		3.20%	-3.20%
	£000	£000	£000
Overseas quoted securities	450,365	464,832	435,898
Overseas corporate bonds (quoted)	59,126	61,025	57,227
Total change in assets available	509,491	525,857	493,125

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Price risk sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	539,453	11.42%	601,059	477,847
Overseas Equities	509,953	12.63%	574,360	445,546
Total Bonds	220,082	4.65%	230,316	209,848
Cash	23,816	0.02%	23,821	23,811
Alternatives	92,924	1.89%	81,407	78,387
Property	79,897	4.61%	97,208	88,640
Total Assets	1,466,125	8.04%	1,584,001	1,348,249

Asset type	Value as at 31.03.2013 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	468,683	12.20%	502,830	378,632
Overseas Equities	450,365	13.60%	396,122	288,736
Total Bonds	219,150	4.20%	200,192	182,730
Cash	33,403	0.00%	20,452	20,444
Alternatives	93,089	4.30%	91,976	76,324
Property	75,238	1.60%	79,451	66,647
Total Assets	1,339,928		1,291,023	1,013,513

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme. This is run by the Fund's custodian, Northern Trust who manage and monitor the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Co-operative bank. Surplus cash is not invested with the Co-op but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2014 was 13.2 million (16.7 million at 31.03.2013). This was held with the following institutions:

	Rating	Balance at 31.03.2013 £000	Balance at 31.03.2014 £000
Money market funds		£000	£000
Ignis	AAA	16,854	13,080
Bank current account			
Co-operative	B	(123)	131
Total		16,731	13,211

Liquidity Risk

Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the fund is that it is cash positive, which reflects the fact that contributions into the Fund exceeds benefits being paid out. The Pension Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds investments are substantially made up of listed securities which are considered readily realisable.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

14. Sundry Debtors & Creditors

	2012/13 £000	2013/14 £000
Debtors		
Pensions Administration	106	108
Miscellaneous	228	10
	334	118
Creditors		
Management & Custody Fees	(763)	(956)
Miscellaneous	(17)	(203)
	(780)	(1,159)
Total	(446)	(1,041)

15. Additional Voluntary Contributions

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts.

The amount of AVC contributions paid during the year amounted to £486,000 and the market value of separately invested AVC's as at 31 March 2014 was £3.368 million.

16. Commitments

As at 31 March 2014 the Fund had outstanding private equity commitments of a maximum of £48.07 million (£66.43 million at 31 March 2013).

As at 31 March 2014 the Fund had forward currency contracts amounting to £41.742 million of purchases and £40.858 million of sales, showing an unrealised gain of £884,000.

17. Securities Lending

At the year end the value of quoted equities on loan was £16.149 million (£19.531m at March 2013) in exchange for which the custodian held collateral of £17.321 million (£21.417m at March 2013). For the year ending 31st March 2014, the Fund received income of £49,091 from the lending of stock.

18. Contingent Liabilities

The Fund has no contingent liabilities.

19. Related Party Transactions

The relationship between the employers and the Pension Fund is, by its very nature, close, therefore, each participating employer is considered a related Party as shown in notes 5 and 6.

Other related party transactions with Cardiff Council are:

- Cash invested internally by Cardiff Council (for working capital purposes) - see note 10;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of Cardiff Council.

20. Post Balance Sheet Events

There are no post balance sheet events to report.

GROUP ACCOUNTS

INTRODUCTION

The group accounts that follow comply with the requirement of the 2013/14 Code that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Cardiff Council and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus).

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff & Co., and in Cardiff Medicentre Joint Venture. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2013/14. Details of the Council's interests in these organisations are included in note 25 to the Core Financial Statements.

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd. Inter- group transactions and balances between the Council and its subsidiary have been eliminated in full.

Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 20 to 37 with the following additions and exceptions:

1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with IAS19. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

2. Value Added Tax

VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

3. Goodwill

The Council's interest in its subsidiary dates back to its inception and therefore there is no goodwill to be accounted for.

4. Charges to Income and Expenditure for Fixed Assets

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of fixed assets held by the subsidiary and what would have been the historical cost depreciation for the year.

5. Derivatives Financial Instruments

Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk. The company does not hold derivatives for speculative purposes.

GROUP ACCOUNTS

THE GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

	Council Fund Balance Restated £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000
Balance at 31 March 2012 carried forward	11,342	47,822	7,167	1,869
<u>Movement in Reserves during 2012/13</u>				
Surplus or (deficit) on the provision of Services	(68,407)	0	8,594	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(68,407)	0	8,594	0
Adjustments between accounting basis & funding basis under regulations	60,972	0	(9,023)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(7,435)	0	(429)	0
Transfers to/(from) Earmarked Reserves	7,503	(7,503)	557	(557)
Other Movements in Reserves	138	0	0	0
Increase/(Decrease) in 2012/13	206	(7,503)	128	(557)
Balance at 31 March 2013 carried forward	11,548	40,319	7,295	1,312
<u>Movement in Reserves during 2013/14</u>				
Surplus or (deficit) on the provision of Services	(169,776)	0	4,435	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	(169,776)	0	4,435	0
Adjustments between accounting basis & funding basis under regulations	159,881	0	(4,234)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(9,895)	0	201	0
Transfers to/(from) Earmarked Reserves	9,760	(9,760)	628	(628)
Other Movements in Reserves	0	0	0	0
Increase/(Decrease) in 2013/14	(135)	(9,760)	829	(628)
Balance at 31 March 2014 carried forward	11,413	30,559	8,124	684

GROUP ACCOUNTS

	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves (including Group Reserves)	Total Authority Reserves
	£000	£000	£000	£000
Balance at 31 March 2012 carried forward	1,806	70,006	835,130	905,136
<u>Movement in Reserves during 2012/13</u>				
Surplus or (deficit) on the provision of Services	0	(59,813)	1,577	(58,236)
Other Comprehensive Income and Expenditure	0	0	29,168	29,168
Total Comprehensive Income and Expenditure	0	(59,813)	30,745	(29,068)
Adjustments between accounting basis & funding basis under regulations	(417)	51,532	(51,532)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(417)	(8,281)	(20,787)	(29,068)
Transfers to/(from) Earmarked Reserves	0	0	0	0
Other Movements in Reserves	216	354	(354)	0
Increase/(Decrease) in 2012/13	(201)	(7,927)	(21,141)	(29,068)
Balance at 31 March 2013 carried forward	1,605	62,079	813,989	876,068
<u>Movement in Reserves during 2013/14</u>				
Surplus or (deficit) on the provision of Services	0	(165,341)	1,215	(164,126)
Other Comprehensive Income and Expenditure	0	0	160,925	160,925
Total Comprehensive Income and Expenditure	0	(165,341)	162,140	(3,201)
Adjustments between accounting basis & funding basis under regulations	(206)	155,441	(155,441)	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(206)	(9,900)	6,699	(3,201)
Transfers to/(from) Earmarked Reserves	0	0	0	0
Other Movements in Reserves	0	0	0	0
Increase/Decrease in 2013/14	(206)	(9,900)	6,699	(3,201)
Balance at 31 March 2014 carried forward	1,399	52,179	820,688	872,867

GROUP ACCOUNTS

THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2014

2012/13								2013/14		
Gross Expenditure (Restated) £000	Gross Income £000	2012/13 Net Expenditure (Restated) £000		Note	Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000			
54,928	(48,981)	5,947	Central Services to the Public		54,714	(20,680)	34,034			
63,649	(24,494)	39,155	Cultural & Related Services		58,897	(25,426)	33,471			
		37,722	Environmental & Regulatory Services		56,113	(19,586)	36,527			
57,791	(20,069)		Planning Services		32,169	(17,017)	15,152			
24,248	(14,707)	9,541	Children's and Education Services		514,515	(84,520)	429,995			
379,955	(90,625)	289,330	Highways & Transport Services		98,458	(41,706)	56,752			
102,611	(43,844)	58,767	Housing Revenue Account		63,765	(62,124)	1,641			
60,305	(61,474)	(1,169)	Housing Services (General Fund)		182,254	(175,897)	6,357			
177,155	(168,747)	8,408	Adult Social Care		125,423	(23,029)	102,394			
116,973	(31,348)	85,625	Corporate & Democratic Core		11,980	246	12,226			
11,414	1,498	12,912	Non-Distributed Costs		2,837	0	2,837			
37	0	37	Exceptional Item	6	5,056	0	5,056			
28,394	(3,729)	24,665	Net Cost of Services		1,206,181	(469,739)	736,442			
1,077,460	(506,520)	570,940	South Wales Police Authority Precept		25,012	0	25,012			
23,371	0	23,371	Community Council Precepts		252	0	252			
239	0	239	Levies & Contributions		17,392	0	17,392			
17,063	0	17,063	(Gain)/loss on sale of non-current assets		2,150	(2,854)	(704)			
3,164	(4,067)	(903)	Other Operating Expenditure		44,806	(2,854)	41,952			
43,837	(4,067)	39,770	Interest Payable on debt	4	23,884	0	23,884			
23,766	0	23,766	Interest element of finance leases		64	0	64			
96	0	96	Interest on net defined liability/(asset)		32,626	(3,551)	29,075			
31,235	(3,207)	28,028	Interest & Investment Income		0	(1,218)	(1,218)			
0	(3,176)	(3,176)	Change in fair value of Investment Properties		162	0	162			
13,973	(9,550)	4,423	Financing and Investment Income & Expenditure		56,736	(4,769)	51,967			
69,070	(15,933)	53,137	Recognised Capital Grants & Contributions		0	(45,350)	(45,350)			
0	(36,417)	(36,417)	Revenue Support Grant		0	(339,678)	(339,678)			
0	(307,237)	(307,237)	Non-Domestic Rates		0	(107,229)	(107,229)			
0	(93,743)	(93,743)	Council Tax Income		948	(158,206)	(157,258)			
1,574	(156,645)	(155,071)	Other Central Grants		0	(17,065)	(17,065)			
0	(13,730)	(13,730)								

GROUP ACCOUNTS

1,574	(607,772)	(606,198)	Taxation & Non-Specific Grant Income	948	(667,528)	(666,580)
587	0	587	Tax expenses - Corporation Tax payable	345	0	345
1,192,528	(1,134,292)	58,236	(Surplus)Deficit on Provision of Services	1,309,016	(1,144,890)	164,126
		(82,146)	Revaluation Gains			(19,902)
		1,422	Revaluation Losses			127,299
		773	Impairment losses on non-current assets charged to the Revaluation Reserve			352
		0	(Surplus)Deficit on revaluation of available for sale financial assets			0
		49,749	Actuarial gains/losses on pension assets/liabilities			(266,411)
		0	Other gains/losses required to be included in the Comprehensive Income & Expenditure Statement			0
		1,034	Share of other comprehensive income & expenditure of subsidiaries			(2,263)
		(29,168)	Other Comprehensive Income & Expenditure			(160,925)
		29,068	Total Comprehensive Income & Expenditure			3,201

GROUP ACCOUNTS

GROUP BALANCE SHEET AS AT 31 MARCH 2014

31 March 2013 (restated) £000		Note	31 March 2014 £000
	<u>Property Plant & Equipment:</u>	7	
566,861	Council Dwellings		566,393
935,187	Other Land and Buildings		709,432
23,487	Vehicles, Plant, Furniture & Equipment		29,979
327,511	Infrastructure		314,866
16,715	Community Assets		18,734
7,079	Assets under construction		4,315
51,424	Surplus assets not held for sale		55,403
50,393	Heritage Assets		50,789
57,809	Investment Properties		75,625
4,731	Intangible Fixed Assets including AUC	7	4,748
8,791	Long-term Investments		4,970
4,352	Long-term Debtors		2,935
1,890	Deferred tax asset		728
2,056,230	Total Long Term Assets		1,838,917
34,434	Short-term Investments		28,895
1,013	Assets held for Sale	7	380
3,316	Inventories		2,961
95,143	Short-term Debtors	9	72,100
38,112	Cash and Cash Equivalents		45,542
172,018	Total Current Assets		149,878
(9,421)	Short Term Borrowing		(14,457)
(84,365)	Short Term Creditors	11	(77,779)
(2,046)	Pension Strain		(2,486)
(9,849)	Provisions	12	(11,400)
(1,810)	Deferred Liabilities	13	(1,914)
0	Deferred tax liability		(552)
(107,491)	Total Current Liabilities		(108,588)
(453,223)	Long Term Borrowing		(466,486)
(35,329)	Provisions		(34,561)
(7,896)	Deferred Liabilities		(10,290)
(25,404)	Capital Contributions Receipts in Advance		(9,724)
(1,143)	Revenue Grants Receipts in Advance		(2,363)
(557)	Capital Grants Receipts in Advance		(306)

GROUP ACCOUNTS

(4,110)	Pensions Strain	(5,766)
(715,530)	Net Pensions Liability	(476,665)
(1,497)	Deferred tax liability	(1,179)
(1,244,689)	Total Long Term Liabilities	(1,007,340)
876,068	NET ASSETS	872,867
	Financed by:	
11,548	Council Fund Balance	11,413
40,319	Council Fund Earmarked Reserves	30,559
7,295	Housing Revenue Account Balance	8,124
1,312	HRA Earmarked Reserves	684
1,605	Capital Receipts Reserve	1,399
62,079	Usable Reserves	52,179
320,695	Revaluation Reserve	209,992
1,210,481	Capital Adjustment Account	1,093,549
851	Deferred Capital Receipts	104
4,618	Available for Sale Financial Instruments Reserve	4,618
(3,051)	Financial Instruments Adjustment Account	(2,709)
(719,796)	Pensions Reserve	(484,188)
0	Equal Pay Back Pay Reserve	0
(5,956)	Accumulated Absences Adjustment Account	(6,789)
6,147	Reserves (group entities)	6,111
813,989	Unusable Reserves	820,688
876,068	TOTAL RESERVES	872,867

GROUP ACCOUNTS

GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2014

2012/13 (Restated) £000		Note	2013/14 £000
58,236	Net (Surplus) /Deficit on the provision of services		164,126
(120,049)	Adjust net surplus or deficit on the provision of services for non-cash movements	14	(244,519)
35,567	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15	35,242
(26,246)	Net cash flows from operating activities		(45,151)
(3,775)	Interest Received		(1,080)
24,029	Interest Paid		24,802
96	Finance lease interest paid		63
0	Dividends received		0
587	Taxation (group only)		(122)
(46,596)	Net cash flow from other operating activities		(68,814)
11,664	Investing activities		63,155
83,784	Purchase of property, plant and equipment, investment property and intangible assets		81,661
1,072	Purchase of short-term and long-term Investments		3,232
22,137	Other payments for investing activities		25,268
(4,210)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(3,619)
(54,895)	Capital Grants		(43,319)
(36,224)	Proceeds from short-term and long-term investments		(68)
0	Other receipts from investing activities		0
(8,659)	Financing activities		(25,434)
(15,663)	Cash receipts from short-term and long-term borrowing		(19,382)
0	Other receipts from financing activities		(7,752)
1,377	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,594
53	Repayments of short-term and long-term borrowing		106
5,574	Other payments for financing activities		0
(23,241)	Net (increase)/ decrease in cash and cash equivalents		(7,430)
14,871	Cash and cash equivalents at the beginning of the reporting period		38,112
38,112	Cash and cash equivalents at the end of the reporting period represented by:		45,542
1,108	Cash held e.g. Imprest Accounts		324
9,213	Cash and Bank		10,513
27,791	Short-term deposits with financial institutions		34,705

GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 45 to 119 apply also to the Group Accounts with the following additions and exceptions:

1. Remuneration

(a) The number of employees of the Council and its subsidiary whose remuneration is over £60,000 per annum is disclosed below.

Remuneration band £	Number of Employees	
	2012/13	2013/14
60,000-64,999	78	91
65,000-69,999	18	37
70,000-74,999	18	15
75,000-79,999	6	10
80,000-84,999	10	13
85,000-89,999	7	8
90,000-94,999	4	4
95,000-99,999	4	2
100,000-104,999	1	6
105,000-109,999	2	3
110,000-114,999	0	2
115,000-119,999	2	1
120,000-124,999	0	0
125,000-129,999	0	0
130,000-134,999	1	0
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	0	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	0	0
175,000-179,999	0	0
180,000-184,999	0	0
185,000-189,999	0	0
190,000-194,999	1	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2013/14 Financial Statements.

(b) The disclosure for Members allowances is the same as for the single entity accounts.

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 13 to the single entity financial statements with the following addition:

PTI Cymru During the year Cardiff City Transport Services received £79,983 (£12,312 in 2012/13) from PTI CYMRU Ltd. for the rent of a call centre in Cardiff together with refurbishment costs and in turn was charged £nil (£10,849 in 2012/13) in respect of calls handled. At 31 March 2014 there was a net balance of £6,177 (£12,769 in 2012/13) owed by PTI Cymru Ltd to Cardiff City Transport Services Ltd.

GROUP ACCOUNTS

3. External Audit Costs

In 2013/14 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2012/13 £000	2013/14 £000
Fees payable to Wales Audit Office for external audit services	469	461
Fees Payable to other external auditors in respect of external audit services	26	23
Fees payable to Wales Audit Office in respect of statutory inspection	0	0
Fees payable to external auditors for the certification of grant claims and returns	113	117
Fees payable in respect of other services provided by external auditors	50	8
Total	658	609

Within the disclosure for fees payable in 2012/13 in respect of other services provided by the appointed auditor £32,000 is in respect of an audit to consider and investigate the disclosure of the Public Internet Disclosure Act.

4. Leasing

Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2013/14 were as follows:

	2012/13 £000	2013/14 £000
Property Leases	2,221	2,114
Other Leases	1,148	460

The group was committed at 31 March 2014 to making payments of £2.265 million under operating leases in 2013/14 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2013/14	158	46
Leases expiring between 2014/15 and 2015/16	140	311
Leases expiring after 2016/17	1,602	8

Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2013/14 were as follows:

	2012/13 £000	2013/14 £000
Vehicles, Plant & Equipment	96	64

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

GROUP ACCOUNTS

2012/13 £000		2013/14 £000
5,334	Vehicles, Plant, Furniture and Equipment	8,674

Obligations under finance leases:

2012/13 £000		2013/14 £000
938	Obligations payable within 1 year	704
156	Obligations payable between 2 and 5 years	3,000
0	Obligations payable after 5 years	0
1,094	Total liabilities as at 31st March	3,704

5. Pensions

The following sums were charged to the Group Comprehensive Income Expenditure Statement in the year in respect of pensions:

	2012/13 (Restated) £000	2013/14 £000
<i>Net Cost of Services</i>		
Current Service Cost	35,968	43,902
Past Service Costs	860	2,480
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	28,028	29,075
Net charge to Group Income & Expenditure Account	64,856	75,457
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(23,565)	(32,123)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	1,441	1,727
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaries in respect of Pensions	42,732	45,061
Presented by:		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(37,275)	(39,910)
Payments in Respect of Unfunded Pensions Liabilities	(3,530)	(3,450)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,927)	(1,701)
	(42,732)	(45,061)

Pensions Assets and Liabilities of Cardiff Bus

The disclosures in note 5 relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2013/14 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced.

GROUP ACCOUNTS

Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2012. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 2.6% per annum higher than the rate of future annual wage and salary growth and 1.4% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 1.6% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £30.0m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, was found to be 14.5% of members' pensionable pay from 1 April 2014. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

Company and employee contributions for members of the defined contribution section are payable in accordance with the scheme rules.

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2014 by a qualified independent actuary. The major assumptions used by the actuary were:

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2013 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2012	31 March 2013	31 March 2014
Rate of increase in salaries	3.9% per annum	3.7% per annum	3.9% per annum
Discount rate	4.9% per annum	4.3% per annum	4.4% per annum
Inflation assumption	2.9% per annum	3.2% per annum	3.4% per annum
Pension increases	2.3% per annum	2.5% per annum	2.7% per annum
Inflation assumption (CPI)	2.3% per annum	2.5% per annum	2.7% per annum

Mortality assumption

The mortality assumptions are based on SIPA tables, relevant to year of birth adjusted for medium cohort effects, rated up two years, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.1 years if they are male and for a further 22.6 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.9 years after retirement if they are male and for a further 24.4 years after retirement if they are female.

The assets in the fund and expected rates of return were:

GROUP ACCOUNTS

	2011/12		2012/2013		2013/2014	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.0% pa	9,197	7.0% pa	10,814	7.0% pa	7,341
Diversified growth	6.8% pa	8,217	6.8% pa	9,122	6.8% pa	12,937
Convertible Bonds	6.5% pa	7,614	6.5% pa	8,692	6.5% pa	9,748
Bonds	N/A	0	N/A	0	N/A	0
Cash	2.0% pa	100	2.0% pa	86	2.0% pa	60
		25,128		28,714		30,086

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Total market value of assets	25,128	28,714	30,086
Present value of scheme liabilities	(25,239)	(29,260)	(29,914)
Net IAS19 Scheme Deficit	(111)	(546)	172

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Analysis of amount charged to operating profit			
Current service cost and total operating charge	(709)	(711)	(644)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	1,873	1,707	1,941
Interest on pension scheme liabilities	(1,384)	(1,232)	(1,251)
Net finance income/(charge)	489	475	690

Analysis of amount recognised in the primary statements

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Actual return less expected return on pension assets	(826)	1,683	(474)
Changes in financial assumptions underlying the scheme/(liabilities)	867	(2,979)	245
Actuarial gain/(loss) recognised in the primary statements	41	(1,296)	(229)

GROUP ACCOUNTS

Movements in scheme deficit during the year

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
At 1 April b/f	(921)	(111)	(546)
Movement in year:			
Total operating charge	(709)	(711)	(644)
Contributions	989	1,097	901
Net finance income/(charge)	489	475	690
Actuarial gain/(loss) in the primary statements	41	(1,296)	(229)
At 31 March c/f	(111)	(546)	172

Cardiff and Vale of Glamorgan Pension Fund

Cardiff Bus also participates in the Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary.

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2010.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 22.3% of pensionable pay from 1 April 2011 continuing into 2013/14. In addition to this rate, Cardiff City Transport Services Limited is required to pay £521,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2014. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company's contribution rate over the accounting period was 22.3% of pensionable pay plus a monetary amount of £521,000. The contribution rates certified for the company at the 31 March 2013 valuation are as follows:

April 2014 to March 2017 25.4% of pensionable pay plus £480,000.

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

The scheme is now closed to the company's employees and the company's condition of continued participation is to pay contributions as required.

The main assumptions used for the purposes of IAS19 are as follows:

	At 31 March 2012	At 31 March 2013	At 31 March 2014
Rate of increase in salaries	3.9% pa	3.7% pa	3.9% pa
Discount rate	4.9% pa	4.3% pa	4.4% pa
Rate of increase in pensions in payment	2.3% pa	2.5% pa	2.7% pa
Rate of increase in deferred pensions	2.3% pa	2.5% pa	2.7% pa
Rate of inflation (RPI)	2.9% pa	3.2% pa	3.4% pa
Rate of inflation (CPI)	2.3% pa	2.5% pa	2.7% pa

GROUP ACCOUNTS

Mortality assumption

The mortality assumptions are based on SIPMA tables, for 100% of medium cohort, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.0 years if they are male and for a further 22.7 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.8 years after retirement if they are male and for a further 24.3 years after retirement if they are female.

The assets in the fund and expected rates of return were:

The assets in the fund and expected rates of return were:	2011/12		2012/2013		2013/14	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	8.1% pa	15,264	7.8% pa	17,883	7.6% pa	19,888
Government bonds	3.1% pa	1,630	2.8% pa	1,765	3.4% pa	1,753
Corporate bonds	3.7% pa	1,863	3.8% pa	2,141	4.0% pa	2,032
Property	7.6% pa	1,334	7.3% pa	1,318	6.9% pa	1,372
Cash	1.8%pa	275	0.9% pa	282	0.9% pa	330
Other assets	8.1% pa	804	7.8% pa	141	7.6% pa	25
		21,170		23,530		25,400

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Total market value share of assets	21,170	23,530	25,400
Present value of scheme liabilities	(29,410)	(31,200)	(29,210)
Net IAS19 Scheme Deficit	(8,240)	(7,670)	(3,810)

Analysis of amount charged to operating profit:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Current service cost	(420)	(340)	(310)
Past service cost	0	0	0
Total Operating Charge	(420)	(340)	(310)

Analysis of amount credited/(charged) to interest receivable/payable:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Expected return on pension scheme assets	1,610	1,500	1,610
Interest on pension scheme liabilities	(1,550)	(1,410)	(1,320)
Net Finance Income/(Charge)	60	90	290

GROUP ACCOUNTS

Analysis of amount recognised in the primary statements:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
Actual return less expected return on pension assets/(liabilities)	(1,140)	1,460	840
Changes in financial assumptions underlying the scheme (liabilities)/assets	(720)	(1,470)	2,240
Actuarial (loss)/gain recognised in the primary statements.	(1,860)	(10)	3,080

Movements in scheme deficit during the year:

	At 31 March 2012 £000	At 31 March 2013 £000	At 31 March 2014 £000
At 1 April	(6,920)	(8,240)	(7,670)
Movement in year:			
Total operating charge	(420)	(340)	(310)
Contributions	900	830	800
Net finance income/(charge)	60	90	290
Actuarial (loss)/gain in the primary statements	(1,860)	(10)	3,080
At 31 March	(8,240)	(7,670)	(3,810)

The total net pension liability measured under IAS19 for both schemes is as follows:

The Group and the Company	31 March 2013 £000	31 March 2014 £000
Cardiff City Transport Scheme	546	(172)
Cardiff & Vale of Glamorgan Pension Scheme	7,670	3,810
Deferred Tax Asset	(1,890)	(728)
Total	6,326	2,910

6. Exceptional Item

There are no exceptional items reported in the 2013/14 Cardiff Bus Accounts. £5.056 million exceptional items relates to impairment of Glamorgan County Cricket Club Loan as per note 3 of the notes to the core statements.

GROUP ACCOUNTS

GROUP ACCOUNTS

7. Non-Current Assets Note

	Property, Plant & equipment					
	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 1 April 2013	578,430	969,366	71,601	544,547	16,715	51,424
Additions	12,155	20,130	8,867	11,550	425	428
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)
Derecognition - disposals	(399)	(447)	(3,289)	0	0	(914)
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)
At 31 March 2014	589,754	734,870	80,926	557,909	18,734	55,403
Depreciation						
At 1 April 2013	11,569	34,179	48,114	217,036	0	0
Depreciation charge	11,800	13,499	6,103	26,007	0	0
Depreciation written out on impairment	0	(11)	0	0	0	0
Derecognition -disposals	(8)	(56)	(3,270)	0	0	0
Depreciation written out to SDPS **	0	(368)	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out on revaluation	0	(21,805)	0	0	0	0
At 31 March 2014	23,361	25,438	50,947	243,043	0	0
Net Book Value:						
At 31 March 2014	566,393	709,432	29,979	314,866	18,734	55,403
At 31 March 2013	566,861	935,187	23,487	327,511	16,715	51,424

* RR = Revaluation Reserve
SDPS = Surplus or deficit on Provision of Services

GROUP ACCOUNTS

	P,P & E under construction	Total Property, Plant & Equipment	Investment properties	Assets Held for Sale	Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2013	7,079	2,239,162	57,809	1,013	50,393
Additions	13,661	67,216	18,233	0	3
Impairment losses/reversals to RR *	0	(363)	0	0	0
Impairment losses / reversals to SDPS **	0	(1,332)	0	0	0
Derecognition - disposals	0	(5,049)	(455)	0	0
Reclassified (to)/from Held for Sale	0	(513)	0	513	0
Other reclassifications	(16,425)	(593)	200	0	393
Revaluation increases /(decreases) to RR*	0	(121,617)	0	(123)	0
Revaluation increases /(decreases) to SDPS**	0	(135,000)	(162)	(1,023)	0
At 31 March 2014	4,315	2,041,911	75,625	380	50,789
Depreciation					
At 1 April 2013	0	310,898	0	0	0
Depreciation charge	0	57,409	0	0	0
Depreciation written out on impairment	0	(11)	0	0	0
Derecognition -disposals	0	(3,334)	0	0	0
Depreciation written out to SDPS**	0	(368)	0	0	0
Reclassifications	0	0	0	0	0
Depreciation written out on revaluation	0	(21,805)	0	0	0
At 31 March 2014	0	342,789	0	0	0
Net Book Value:					
At 31 March 2014	4,315	1,699,122	75,625	380	50,789
At 31 March 2013	7,079	1,928,264	57,809	1,013	50,393

GROUP ACCOUNTS

Comparative Movements in 2012/13:

	Property, Plant & Equipment (PPE)					
	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000
Cost or Valuation						
At 1 April 2012	519,478	944,778	69,895	529,467	16,240	38,690
Additions	16,640	44,915	3,798	14,329	370	0
Impairment losses/reversals to RR *	0	(773)	0	0	0	0
Impairment losses / reversals to SDPS **	0	(40,809)	0	0	0	0
Derecognition - disposals	(309)	(12,535)	(2,202)	0	0	(80)
Reclassified (to)/from Held for Sale	0	(1,012)	0	0	0	9,635
Other reclassifications	40	36,707	110	751	105	2,209
Revaluation increases /(decreases) to RR*	42,581	9,446	0	0	0	1,009
Revaluation increases /(decreases) to SDPS**	0	(11,351)	0	0	0	(39)
At 31 March 2013	578,430	969,366	71,601	544,547	16,715	51,424
Depreciation						
At 1 April 2012	20,319	37,736	45,339	190,781	0	0
Depreciation charge	11,569	16,144	4,977	26,255	0	0
Depreciation written out on impairment	0	(791)	0	0	0	0
Derecognition -disposals		(12,535)	(2,202)	0	0	0
Depreciation written out to SDPS **	0	(309)	0	0	0	0
Reclassifications	0	0	0	0	0	0
Depreciation written out on revaluation	(20,319)	(6,066)	0	0	0	0
At 31 March 2013	11,569	34,179	48,114	217,036	0	0
Net Book Value:						
At 31 March 2013	566,861	935,187	23,487	327,511	16,715	51,424
At 31 March 2012	499,159	907,042	24,556	338,686	16,240	38,690

GROUP ACCOUNTS

	P,P & E under construction	Total Property, Plant & Equipment	Investment Properties	Assets Held for Sale	Heritage Assets
	£000	£000	£000	£000	£000
Cost or Valuation					
At 1 April 2012	17,966	2,136,514	63,808	12,376	45,178
Additions	27,444	107,496	98	0	108
Impairment losses/reversals to RR *	0	(773)	0	0	0
Impairment losses / reversals to SDPS **	(48)	(40,857)	(319)	0	0
Derecognition - disposals	0	(15,126)	(34)	(2,741)	0
Reclassified (to)/from Held for Sale	0	8,623	0	(8,622)	0
Other reclassifications	(38,283)	1,639	(1,640)	0	0
Revaluation increases /(decreases) to RR*	0	53,036	0	0	5,107
Revaluation increases /(decreases) to SDPS**	0	(11,390)	(4,104)	0	0
At 31 March 2013	7,079	2,239,162	57,809	1,013	50,393
Depreciation					
At 1 April 2012	0	294,175	0	0	0
Depreciation charge	0	58,945	0	0	0
Depreciation written out on impairment	0	(791)	0	0	0
Derecognition -disposals	0	(14,737)	0	0	0
Depreciation written out to SDPS **	0	(309)	0	0	0
Reclassifications	0	0	0	0	0
Depreciation written out on revaluation	0	(26,385)	0	0	0
At 31 March 2013	0	310,898	0	0	0
Net Book Value:					
At 31 March 2013	7,079	1,928,264	57,809	1,013	50,393
At 31 March 2012	17,966	1,842,339	63,808	12,376	45,178

GROUP ACCOUNTS

Movements in Intangible assets during 2013/14 are summarised as follows:

	Internally Generated Assets £000	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation				
At 1 April 2013	0	3,926	2,344	6,270
Additions	0	12	909	921
Other reclassifications	0	585	(585)	0
At 31 March 2014	0	4,523	2,668	7,191
Amortisation				
At 1 April 2013	0	1,539	0	1,539
Amortisation	0	904	0	904
At 31 March 2014	0	2,443	0	2,443
Net Book Value:				
At 31 March 2014	0	2,080	2,668	4,748
At 31 March 2013	0	2,387	2,344	4,731

Comparative Movements in 2012/13:

	Internally Generated Assets £000	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation				
At 1 April 2012	0	2,055	178	2,233
Additions	0	1,552	2,485	4,037
Other reclassifications	0	319	(319)	0
At 31 March 2013	0	3,926	2,344	6,270
Amortisation				
At 1 April 2012	0	735	0	735
Amortisation	0	804	0	804
At 31 March 2013	0	1,539	0	1,539
Net Book Value:				
At 31 March 2013	0	2,387	2,344	4,731
At 31 March 2012	0	1,320	178	1,498

8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

GROUP ACCOUNTS

Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2014, the company had no contracts to buy fuel.

9. Debtors

31 March 2013 £000		31 March 2014 £000
59,445	Central Government Bodies	37,768
2,928	Other Local Authorities	3,424
4,215	NHS Bodies	5,149
75	Public Corporations & Trading Funds	17
28,480	Other Entities and Individuals	25,742
95,143	Total Debtors Net of Impairments	72,100

10. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £2.486 million (£2.585 million in 2012/13) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities.

11. Creditors

31 March 2013 £000		31 March 2014 £000
(14,164)	Central Government Bodies	(13,403)
(1,763)	Other Local Authorities	(2,120)
(773)	NHS Bodies	(853)
(30)	Public Corporations & Trading Funds	(43)
(67,635)	Other Entities and Individuals	(61,360)
(84,365)	Total Creditors	(77,779)

12. Provisions

	Balance 1 April 2013 (Restated) £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2014 £000
Cardiff Insurance Provisions	(11,683)	4,687	(4,984)	(11,980)
South Glamorgan Insurance Fund	(90)	67	0	(23)
Cardiff Bus Insurance Provision	(2,333)	1,854	(2,187)	(2,666)
Cardiff Bus Reorganisation Provision	0	0	(394)	(394)
Equal Pay Back Pay Provision	(1,606)	1,606	0	0
Termination Benefits Provision	0	0	(856)	(856)
Ferry Road Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(19,070)	982	0	(18,088)
Taxi Licensing Provision	(354)	0	(817)	(1,171)
Other Provisions	(946)	1,800	(2,541)	(1,687)
Total Provisions	(45,178)	10,996	(11,779)	(45,961)

GROUP ACCOUNTS

	Not later than one year £000	Later than one year £000	Balance 31 March 2014 £000
Cardiff Insurance Provisions	(5,054)	(6,926)	(11,980)
South Glamorgan Insurance Fund	(5)	(18)	(23)
Cardiff Bus Insurance Provision	(1,200)	(1,466)	(2,666)
Cardiff Bus Reorganisation Provision	(394)	0	(394)
Termination Benefits Provision	(856)	0	(856)
Ferry Road Landfill Provision	0	(9,096)	(9,096)
Lamby Way Landfill Provision	(1,561)	(16,527)	(18,088)
Taxi Licensing Provision	(1,171)	0	(1,171)
Other Provisions	(1,159)	(528)	(1,687)
Total Provisions	(11,400)	(34,561)	(45,961)

13. Deferred Liabilities

	Balance 1 April 2013 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2014 £000
Commuted Maintenance Sums	(8,612)	712	(600)	(8,500)
Cardiff Bus Finance Lease Liability	(1,081)	925	(3,548)	(3,704)
Vehicles Finance Lease	(13)	13	0	0
Total Deferred Liabilities	(9,706)	1,650	(4,148)	(12,204)

	Not later than one year £000	Later than one year £000	Balance 31 March 2014 £000
Commuted Maintenance Sums	(1,210)	(7,290)	(8,500)
Cardiff Bus Finance Lease Liability	(704)	(3,000)	(3,704)
Vehicles Finance Lease	0	0	0
Total Deferred Liabilities	(1,914)	(10,290)	(12,204)

14. Adjust net surplus or deficit on the provision of services for non cash movements

	2012/13 (Restated) £000	2013/14 £000
Depreciation and impairment	(107,087)	(191,864)
Charges made for retirement benefits (IAS19) less employers contributions	(15,714)	(31,116)
Contributions (to)/from provisions	4,918	(2,802)
Changes in fair value of investment properties	(4,423)	(1,195)
Cardiff Bus Taxation	(587)	(122)
Increase/(decrease) in stock	(107)	(356)
Increase/(decrease) in debtors (exc capital)	(6,691)	(4,320)
(Increase)/decrease in creditors (exc capital creditors) & super fund	9,642	(12,744)
	(120,049)	(244,519)

GROUP ACCOUNTS

15. Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2012/13 £000	2013/14 £000
REFCUS	(2,047)	(5,740)
Net gain/(loss) on sale of non-current assets	902	704
Repayments of liabilities under finance leases	32	14
Capital grants/contributions recognised in I&E	36,417	45,351
Other cash items which effect investing or financing activities	263	(5,087)
	35,567	35,242

16. Segmental Reporting

Please refer to note 4 in the Notes to Core Financial Statements for the Council's segmental reporting analysis. The group report is not prepared on the basis that Cardiff Bus prepares its accounts in accordance with UK GAAP.

TRUST FUNDS

During 2013/14, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the sole trustee of the following charities the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

Llandaff War Memorial Fund (219060) – For defraying the cost of upkeep of the war memorial at Llandaff.

Maindy Park Foundation (524137) – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

Cardiff Further Education Trust Fund/Craddock Wells Trust – Apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to University of Wales, Cardiff.

Norwegian Church Preservation Trust - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor's attraction on the Cardiff Bay Waterfront for future generations.

A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christine Salter
Corporate Director Resources
County Hall
Cardiff
CF10 4UW.

TRUST FUNDS

	Balance as at 31 March 2013 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2014 £
General Funds					
Llandaff War Memorial Fund	1,452	5	0	11	1,446
Maindy Park Foundation	77,603	257	0	10	77,850
Norwegian Church Preservation Trust	80	52,201	0	52,201	80
Further Education					
Cardiff Further Education Trust/ Craddock Wells	26,029,285	145,525	(7,910,636)	500,441	17,763,733
Total funds for which the sole trustee	26,108,420	197,988	(7,910,636)	552,663	17,843,109
Other funds administered Council					
R Fice Memorial Trust	56,011	2,145	3,423	2,218	59,361
The Howardian Trust	28,163	966	(207)	1998	26,924
Total other funds which are administered by the Council	84,174	3,111	3,216	4,216	86,285
Total	26,192,594	201,099	(7,907,420)	556,879	17,929,394

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31st March 2014 have yet to be examined. This is to be undertaken in January 2015 which is within the statutory deadlines set.

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Scope of Responsibility

1. The City of Cardiff Council (the Council) 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 Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. 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
4. The Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit and Risk Manager. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2005.

The Purpose of the Governance Framework

5. The Governance Framework comprises the systems and processes, and culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
6. 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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
7. The following paragraphs summarise the core principles of the Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of Members and Officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability

THE ANNUAL GOVERNANCE STATEMENT

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

8. The Council sets out its key priorities and performance measures in its Corporate Plan, linked to 'What Matters' – the 10 Year Strategy for Cardiff which has brought together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering seven shared outcomes. The Corporate Plan provides direction for the more detailed directorate plans which set out the key objectives associated with service delivery.
9. There is alignment between these documents, risk assessments and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements.
10. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. A Cardiff Partnership Board (CPB) comprising the Chief Executive Officers of key public service and third sector providers in the city meet monthly to co-ordinate actions to address specific challenges, service gaps or performance failures.
11. The CPB for the city draws together a range of collaborative activity into one place which is chaired by the Council's Chief Executive. The CPB facilitates a 'seamless public service' approach which encourages greater joint working and integration of service delivery to release efficiencies and improve the effectiveness of services provided. Alignment of commissioning processes to meet identified needs and deliver shared outcomes has been progressed through the Families First programme which has used outcome based service specifications. These services are also being joined-up with other programmes such as Flying Start, Communities First, Integrated Family Support and Neighbourhood Management.
12. A Neighbourhood White Paper has been agreed by partners in October 2013 which included a number of recommendations for further developing locality working and the delivery of neighbourhood action plans. One of the recommendations included the identification of lead elected members for each of the six Neighbourhood Partnerships, which were agreed by Cabinet in March 2014.
13. Due to the growing agenda for partnership working and in order to implement the requirements of the Local Government (Wales) Measure 2009, the Council has adopted an outcome based approach in conjunction with its partners. The Council has, therefore, participated in the development of seven Citizen Outcomes with the CPB partners.
14. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order. The annual outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality Plan, Directorate Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.
15. The Corporate Plan and Directorate Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required. Further enhancements will be made in 2014/15 to significantly strengthen the performance management arrangements given the range of challenges facing local government.

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16. An annual Improvement Plan reports the progress over the previous financial year in terms of;
 - a review against the key objectives
 - progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan,
 - an assessment of the key risks,
 - an account of the challenges for the future which in future will be part of the requirements of the Corporate Planning regime.
17. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. Both Plans assist the Council in meeting the statutory obligations under the Local Government (Wales) Measure 2009 and form part of the Regulation and Inspection Regime undertaken by the Wales Audit Office (WAO) on behalf of the Welsh Government. This regime was amended under the Measure and the Council will receive two Letters each year which will culminate in an overall picture of the 'ability to improve' in the Auditor General for Wales Annual Improvement Report.

Members and Officers working together to achieve a common purpose with clearly defined functions and roles

18. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Annual Council meet in May of each year to establish Committees, their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees; which is reviewed regularly by the Constitution Committee and recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.
19. The Council's Constitution sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
 - Scheme of Delegations
 - Members' Code of Conduct
 - Employees' Code of Conduct
 - Protocol on Member / Officer Relations
 - Cardiff Undertaking - upon election all Members sign "The Cardiff Undertaking" which underlines their duties to the City and its citizens.
20. The Local Elections in 2012 saw a change in administration which brought about a new Leader, Councillor Heath Joyce, who held the position for just short of two years. Soon after the 2014/15 Budget was approved at February 2014 Council the Leader announced her resignation. Councillor Joyce stepped down when a new Leader had been appointed by the Labour Group; Councillor Phil Bale was elected the Leader of the Council in March 2014.
21. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the Independent Remuneration Panel in any annual or supplementary reports. Information relating to officers' pay levels is included in the Council's Annual Pay Policy Statement as required by the Localism Act 2011 and published as part of the Budget Report and also in the Annual Statement of Accounts.
22. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Authority's strategic policy priorities and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to

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- publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.
23. A Welsh Local Government Association (WLGA) Peer Review team was engaged by the Council in 2013 to act as a 'critical friend', a number of recommendations were made in relation to the Council's Corporate Plan 2013-2017 and associated improvement and performance framework. These recommendations have informed the Council's strengthened approach to business, financial planning and performance management since October 2013.
 24. The Auditor General for Wales' Annual Audit Letter and Wales Audit Office Annual Improvement Report 2011/12, were noted by the Cabinet on 10 October 2013, which incorporated several proposals for improvement; including the need for the Corporate Plan to identify more clearly the Council's priorities for improvement and how the Council measures performance targets and outcomes against these objectives. It was emphasised that the Council also needed to provide more information about how the development of the objectives contained in the Corporate Plan were linked to citizen consultation and engagement.
 25. During the Autumn of 2013 the Council set about developing a new Corporate Plan for 2014-2017 in the context of severe financial challenges facing local government, which has required budget savings of some £48.645 million to be identified in 2014/15, with potential for further severe budget savings required between 2015/16 and 2016/17. This reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing unprecedented challenges in how it delivers services in the future. As a result, the Council has to focus its limited resources on a smaller number of key priorities and outcomes. The Corporate Plan 2014-2017 was agreed by Council on 27 February 2014 which sets out the Council's 'Priorities for Improvement', which draws on the improvement objectives for 2013/14 that were approved by the Cabinet on 10 October 2013, together with an additional priority regarding Organisational Development.
 26. The Council also recognises the importance of maintaining the 'golden thread' that should exist between:
 - priorities;
 - service and financial planning;
 - timely performance management that integrates financial and service performance; and;
 - objectives for and performance of individual members of staff.
 27. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. As part of the integrated, corporate approach required to support the implementation of the Corporate Plan 2014-2017, newly redesigned individual Directorate Delivery Plans, containing more detailed objectives and outcomes, further integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.
 28. A revised senior management structure designed to ensure that the Council has the capacity necessary to address the combined challenges of delivering the administration's agenda for Cardiff, whilst dealing with the consequences of the severe financial settlements facing Local Government was approved in the autumn of 2012. The revised structure started to take effect during the summer period 2013 and the leadership team was fully in place by September 2013.
 29. During the first quarter of the financial year, Jon House, former Chief Executive resigned in May 2013. The Council on 27 June 2013 agreed that it was vital to have appropriate senior management leadership and experience at a time when the majority of the Director positions within the new structure had been filled by external candidates. Christine Salter, Corporate Director Resources was nominated by Council to act as Interim Head of Paid Service. Following a public recruitment exercise Paul Orders, was appointed as Chief Executive in the autumn and commenced in post in December 2013. All Directors attend Senior Management Team meetings which are held weekly and chaired by the Chief Executive.

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30. All employees, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.
31. The Corporate Director Resources is the Council's Section 151 Officer who has overall responsibility for the financial administration of the Council. During the temporary period when the Corporate Director Resources was acting as Interim Head of Paid Service arrangements were put in place for an Interim Section 151 Officer. The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
32. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.
33. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the authority's Financial Procedure Rules and the Contract Standing Order and Procurement Rules.
34. Prior to the revised senior management structure being recruited the Council's Monitoring Officer had been the Chief Officer Legal and Democratic Services. The functions of legal and democratic services have been split resulting in a County Solicitor being appointed and reporting to the Corporate Director Resources. The role of County Clerk & Monitoring Officer (Democratic Services) reports directly to the Chief Executive. Legal staff work closely with Directorates to provide advice where appropriate. All reports to the Council, the Cabinet, and Committees are considered from a legal perspective.
35. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also included within the Cabinet Report template to ensure the Council meets its statutory duties.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

36. The Council has defined its values – Accountability, Flexibility, Openness, Professional Integrity, Diversity, Working with Others and Respect. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council and the organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.
37. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be undertaken in a group environment or one to one with officers. Specific training events were instigated following the elections where Members met with senior management to gain an understanding of the wide variety of functions across the Council.
38. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place for working relationships between Members and Officers

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e.g. Officer-Member Protocol. Since the local elections in 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from Officers.

39. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members. The independent members of the Committee during 2013/14 were also members of the former Audit Panel, Sir Jon Shortridge was re-elected as Chair to the Committee. One of the independent lay members resigned from the Committee during the financial year 2013/14, a public recruitment exercise was initiated during the end of the financial period to fill the current vacant seat.
40. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its Work Programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Committee is supported by the Council's Section 151 Officer as the principal advisor, the Audit Manager and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are captured on the Council's Website.
41. All staff undertake induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Health & Safety, Equalities and IT Security.
42. The Council takes fraud, corruption and maladministration very seriously and has the following policies to prevent, and deal with, such occurrences:
 - Financial Procedure Rules
 - Contract Standing Order and Procurement Rules
 - Whistleblowing Policy
 - Anti-Fraud, Anti-Corruption and Bribery Policy
 - Anti-Money Laundering Policy
 - HR policies regarding discipline of staff involved in such incidents;
 - Local Government Code of Conduct (for employees)
43. Under the Anti-Fraud, Anti-Corruption and Bribery Policy all managers are required to notify the Audit Manager where there is any suspicion of fraud or impropriety, which helps to ensure a consistent and high standard of investigation is undertaken. The Council is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption. The Council's expectation on propriety and accountability is that Members and staff at all levels will lead by example in ensuring adherence to rules, and that all procedures and practices are above reproach. The policy is regularly reviewed and is available for staff on the Council's CIS site. A review of the policy is to be undertaken in 2014/15, once finalised and approved a message will be circulated to all staff via the Core Brief communication tool.
44. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The new streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Annually Cabinet are informed of the number of complaints received, indications illustrate that fewer complaints were received in 2013/14 to that of the previous year. Further detail will be available in the annual report which is to be presented to Cabinet later in 2014/15.
45. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and

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staff. These policies provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the (Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice), the Freedom of Information Act, and Environmental Information Regulations.

46. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receive training based on their employment within the Council and additional training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with level one being mandatory for all staff that use a PC as part of their duties. Compliance reports for level one training are regularly distributed to Directors and Operational Managers. All other staff receive a booklet outlining the Council's Policies and setting out their responsibilities, these staff are required to attend a briefing session and sign that they have received the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.
47. On 10 October 2013 the Cabinet were provided with an update on the Council's Information Governance arrangements and approved a number of relevant policies. The Cabinet were also updated on the findings of a Wales Audit Office review of the Council's Information Governance arrangements.
48. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities, for instance; by undertaking a review of the membership of the Council's Information Security Forum and assigning service area representatives to be Service Information Asset Owners. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.
49. Members are registered with the Information Commissioner as individual Data Controllers.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

50. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
51. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.
52. A Scrutiny function is in place with opportunities to challenge decision making. The Council has appointed five standing Scrutiny Committees, each of which meets on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Training events were arranged throughout the year for scrutiny members; an example includes 'Working with Risk – Budget Scrutiny Workshop' which was held in January prior the Council's budget being set for 2014/15.
53. Each Committee launches a number of in-depth inquiries each year to help the Cabinet develop and review robust, evidence-driven policies and services. The Committees provide recommendations to the Cabinet following Scrutiny inquiries, the majority of which are fully accepted. Recommendations are monitored to ensure these are accepted. Each Inquiry is formally presented to Cabinet and a formal response given, detailing exactly how many

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recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward (often annually).

54. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations.
55. The Council is entering into an increasing number of collaborative scrutiny arrangements with its partners. Notable examples currently underway are the Prosiect Gwyrdd five Council Joint Scrutiny Panel and the Cardiff Partnership Joint Scrutiny Panel. Plans to develop joint scrutiny committees to ensure democratic accountability of regional social care and schools improvement consortia are underway.
56. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. The group oversees the development of risk management throughout the Council and a network of Directorate risk champions assist with identifying, assessing and managing risks. For the most part of the year Councillor Huw Thomas, was the nominated Member Risk Champion. Annual Council in May 2014 nominated Councillor Sue Lent to the role of Member Risk Champion. The Corporate Director Resources has continued as Senior Officer Risk Champion.
57. The Council has a Risk Management Policy, Strategy and Methodology, a review of which concluded in the autumn 2013. On 2 December 2013 the Audit Committee were presented with the revised document for comment, subsequently the document was updated and Cabinet approved the revised document on 13 March 2014.
58. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. Each year an assessment is undertaken to cross reference the CRR to the Corporate Plan which incorporates the strategic objectives. This forms the focus for senior managers in identifying their business risks, as detailed in their Directorate Delivery Plans.
59. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.
60. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

Developing the capacity and capability of Members and Officers to be effective

61. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
62. Under the principle 'Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour' details of Member training is noted which is co-ordinated by the Democratic Services Team. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements. During 2012/13 a mentoring programme was put in place for Members to support each other.

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63. The Council operates a Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.
64. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.
65. The Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.
66. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.
67. In some areas compliance with Council rules has been identified as an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme has been delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

Engaging with local people and other stakeholders to ensure robust public accountability

68. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.
69. The Council provides a webcasting service to watch live meetings, download relevant documents or presentations discussed. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions made, whilst also giving the public the chance to feedback on items being discussed.
70. Scrutiny meetings are held in public, annual reports published by each of the Council's five Scrutiny Committees are presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts, public and third sector leaders on topics of their expertise.
71. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by Directorates are in accordance with the Council's Corporate Consultation Strategy.
72. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.
73. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate

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the engagement of local people and other stakeholders in the identification of local priorities and solutions.

74. A budget engagement process was undertaken to inform the 2014/15 budget proposals which included engagement events, an on-line budget strategy tool and consultation on the detailed proposals.
75. The Council publishes a newsletter 'Capital Times' which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.
76. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.
77. Institutional stakeholders, to whom the authority is accountable to include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.
78. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Weekly Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.
79. The Authority regularly engages in consultation with the Trade Unions.

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Review of Effectiveness

80. Regulation 4 of the Accounts and Audit (Wales) Regulations 2005 requires authorities to carry out an annual review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by:-
- The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
 - Views or comments from any Committee, the Cabinet or Council;
 - The external auditors and other review agencies and inspectorates.
 - The work of the Internal Auditors;
 - The opinion of the Audit Committee;
 - The outcome of any Scrutiny reviews;
 - Views or comments from the Standards & Ethics Committee;
 - Comments made by the public in the form of complaints or ombudsman matters;
81. During 2013/14 the Council has faced some of its most difficult challenges, the financial context for public service delivery has changed dramatically in recent years. Reflecting this new reality, the budget setting process for 2014/15 was the most challenging in the Council's history. Over £48 million in savings needed to be identified necessitating, in some cases, budget reductions of up to 48% of controllable budgets for individual directorates. The delivery of this level of savings will require close and continual monitoring throughout the year and regular scrutiny by Cabinet, Audit and Scrutiny Committees. This financial challenge is set to continue with the Council facing a long period of severe budget constraint at a time when the demand for many services will be outstripping the resources available to deliver them. In this context it is becoming increasingly clear that conventional, top-down and silo-based service delivery models are struggling to deal with complex, cross-public sector issues.
82. A 'business-as-usual' mind set, alongside indefinite salami-slicing of budgets, will lead to a steady decline in the quality and availability of public services, dissatisfaction amongst those who use the service and poor staff morale. It will therefore be increasingly difficult, if not impossible, for the Council to maintain its current shape and form and continue to deliver the same level and quality of services.
83. In this context, the Medium Term Financial Plan (MTFP) set out in the Council's 2014/15 Budget Report highlighted the need for urgent steps to be taken to ensure that the Council's approach to service delivery is capable of meeting the rigours of an era of 'permanent' public sector austerity. The report made clear that in order to achieve financial stability in the future the Council will need to deliver less services directly, employ fewer staff and will need to deliver direct services much more efficiently. As a consequence of these profound changes the Council will also need to rationalise the asset base from which services are delivered. Thus, the budget for 2014/15 underlined the need for a fundamental change in the organisation's approach to delivery. It also noted that the Cabinet would receive a report outlining how the Council could be repositioned in response to the challenges it faces, mapping out a route to achieve organisational and service resilience.
84. In addition to financial and demand pressures the Council also needs to deal decisively with a number of systemic issues, some of which were identified by the Welsh Local Government Association (WLGA)-led Peer Review, which was commissioned by the Cabinet. In May 2014 the Cabinet were presented with a 'Peer Review Recommendations Monitoring Schedule April 2014' detailing progress taken to respond to each of the recommendations. However, it is clear that a more fundamental response is required that integrates the financial, performance and organisational management of the Council into a coherent change programme.
85. The Cabinet in May 2014 made clear its commitment to Cardiff becoming a 'Cooperative Council,' including a commitment to openness and a greater involvement of citizens, communities and staff in decision making, service design and delivery. It was agreed that this will need to underpin an organisational development programme that will address head-on the

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pressures bearing down on the organisation. The Cabinet authorised the programme alongside a new framework for service delivery, with corresponding governance and performance management arrangements, which will allow immediate steps to be taken to review and re-focus services to meet the critical challenges the organisation faces.

86. The Council faces a series of challenges which are reshaping the environment in which public services are delivered:

- Rapid fiscal consolidation - Following the setting of the budget for 2014/15 the Council has already started planning for severe budget reductions in future years. The approved Medium Term Financial Plan (MTFP) set out within the 2014/15 Budget Report brings into sharp focus the extent of the financial challenge ahead. Provisional Settlement figures will be announced in October 2014. The MTFP will be reviewed as part of the Financial Strategy work for 2015/16 and beyond.
- Increased demand on services – Cardiff continues to rank as one of the fastest growing UK core cities with the city's population projected to increase by 14.5% between 2011 and 2026. People are also living longer with long term health problems demanding complex, multifaceted and resource intensive care support. These long term trends will have a major impact on Council services such as schools, care for the elderly and waste management. At the same time, the recent economic downturn has led to an increase in demand for social and community-based services which is placing additional pressure on the social infrastructure.
- The need for continuous improvement - As the Council adjusts to the impact of significant levels of cuts, continuous improvement of council services will remain essential. The WLGA-led peer review and recent director assessments of key areas, such as educational attainment and children's services, underline the need for sustained attention to be given to the performance of core services that are pivotal to the Cabinet's agenda for Cardiff.
- Accelerating Cardiff's development as a European Capital City – The Cabinet aims for Cardiff to become Europe's most liveable capital city. The delivery of this ambition will be underpinned by new partnership arrangements between the Council, Welsh Government, the city-region and the private sector. Though evidence suggests that the city is on the verge of a new cycle of investment, the 'Rebuilding Momentum' Green Paper made clear that, despite a strong performance in the Welsh context, the city's economic performance has dipped in international terms, and more work needs to be done if Cardiff is to play its part in sustaining economic recovery in Wales.
- Reorganising local government - The publication of the report by the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams, means that the reorganisation of local government in Wales is now coming in to view. The 'Williams Commission' proposes to reduce the number of local authorities in Wales from 22 to 12, 11 or 10 with a merger between the City of Cardiff Council and the Vale of Glamorgan County Borough Council featuring in each of the three options.

Service Performance Challenges

87. The Council delivers a diverse and complex range of services to citizens, businesses and visitors. Across this range of services performance is inconsistent. Though areas of good practice exist, it is recognised that many are in need of urgent improvement. Areas of concern - some of which were highlighted by the WLGA Peer Review - include:

- Performance transparency and challenge – it is currently difficult to provide members with assurance as to the overall quality of services due to under-developed performance management practice. A key weakness is the lack of appropriate benchmarking, with the Council currently having no consistent approach to comparing its performance against other leading cities. Service improvement methodologies are poorly developed, with

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limited visibility of action being taken to address performance both in year and over the longer term.

- Sickness Absence and Employee Development – although a general trend of improvement is evident, sickness absence remains unacceptably high in some parts of the Council. Personal Performance and Development Review (PPDR) compliance is inconsistent. This is despite the wealth of good practice that has been identified to address the situation over a number of years, not least by the Council's Policy Review and Performance Scrutiny Committee.
 - Educational attainment – a recent Estyn monitoring visit concluded that the Council had made insufficient progress in relation to the recommendations following the 2011 inspection and 2012 monitoring visit, and concluded that the service was 'in need of significant improvement'. A detailed plan is in place to deliver this improvement, and this will need to be closely monitored and fully delivered.
 - Children's Services – persistently high caseloads represent a risk to service performance. More widely, the Welsh Government's recently published summary of local authority performance identifies Cardiff as being in the lower quartile in social care.
88. Cabinet and the Policy Review and Performance Scrutiny Committee have been previously advised that: performance management systems have been inconsistently applied and need to be re-energised; employee engagement has been traditional in nature, top-down, and inadequate for the task of assisting an organisation going through a significant period of change; management training and development systems have not been geared adequately towards meeting current challenges; and accountability for, and ownership of, service performance has been variable. In summary, at management and political levels, there is an urgent need to take concerted steps to build a strong performance management culture that can give the public high levels of confidence that the Council's decisions are informed by a robust analysis of reliable performance information.
89. In response, work has been initiated to improve performance planning and management across the Council. It will involve a step change in the Council's approach to quarterly assessment and reporting, bringing rigour to the process and a higher level of peer challenge. The PPDR process has been refocused to provide a more explicit link between the contribution of each individual employee and the delivery of Council priorities. Monthly Senior Management Team meetings are now focused on performance analysis and challenge.
90. This work now needs to be accelerated to address key performance risks, provide focused support to services where performance is a concern, and to drive rapid improvement, and much work is required to improve the use of benchmarking relationships with high performing councils. The accessibility of performance data must also be improved, through mechanisms such as a Balanced Scorecard.

An Internal Control Self Assessment

91. Biannually (at the mid year position and at the end of the financial year), Directors complete an Assurance Statement on internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues identified at the mid year position will be reviewed by Directors at the year end position.
92. Building on previous work of the Annual Governance Statement 2012/13, Internal Audit following year end facilitate an update of the 'Significant Governance Issues'. Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing. In this instance all issues have been closed that were raised in the Council's Annual Governance Statement 2012/13.

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93. Any new issues captured on individual Senior Management Assurance Statements, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

External Audit and Inspection

94. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales. External Inspections have been referred to under service performance challenges.
95. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.
96. During the financial year 2013/14 the Wales Audit Office commenced a 'Full Corporate Assessment' of the Council. The assessment is to 'provide a position statement of an improvement authority's capacity and capability to deliver continuous improvement. It will, by its nature, examine an authority's track record of performance and outcomes as well as examining the key arrangements that are necessary to underpin improvements in services and functions'. The Council will look to address any outcomes arising from the assessment in context with the report of the Chief Executive to Cabinet on 15 May 2014 which established a Programme for Organisational Change.
97. The Information Commissioner's Office (ICO) issued Cardiff Council with an Undertaking in August 2013 and consequently the Council agreed to implement processes to ensure it processed personal data in accordance with principle 7 of the Data Protection Act. Following this, the Council agreed to a consensual audit by the ICO of its processing of personal data. On site interviews began in April 2014, the outcome of the audit will be reported later in the year where the Council will look to address any recommendations from the audit.

Internal Audit

98. The Council operates an independent Internal Audit function whose role is to review internal control arrangements. This function has operated under the requirements of the Public Sector Internal Audit Standards which came into effect on 1 April 2013, which superseded the CIPFA Code of Practice for Internal Audit in Local Government in the UK.
99. The Audit Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control, based on the work undertaken by the section. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
100. The Audit Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Section 151 Officer, but also has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members. The Audit Manager post has been undertaken on a job share basis since April 2011. Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.
101. Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents i.e. Corporate Risk Register and the Annual Governance Statement, it is considered that overall the framework for financial control within the Council, for the financial year 2013/14, is satisfactory. More work challenging the effectiveness of governance arrangements, as part of preparing the Annual Governance Statement, has however identified a number of high level issues which need addressing as part of the changing direction of travel for the authority, as a whole going forward. This includes reports from External Regulators and the Peer Review. A full Corporate Assessment Report from the Wales Audit Office is due shortly and it will be vital any concerns are addressed arising from this.

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102. The Council's governance arrangements are based on a firm footing i.e. the CIPFA/SOLACE Local Governance Framework, which is instrumental in preparing the Annual Governance Statement. The Council has a comprehensive Constitution which includes a Scheme of Delegation and a sound set of Rules, Codes of Practice and best practice guides for managers to follow. Some of the Rules and guidance require updating and much of this is ongoing at the year end.
103. There again appears to be a greater awareness and understanding around governance matters and managing risks both at a strategic and service area level, demonstrated through increasing engagement with the Corporate Risk Register and Senior Manager Assurance Statements. This year has seen an increase in engagement between officers and with Members through Cabinet, Scrutiny and Audit Committee.
104. The majority of audits have provided assurance in terms of managing risk and internal controls having been given a satisfactory or better audit opinion, but reported figures for final reports classified as 'Limited' (previously unsatisfactory) is up on last year. Only one audit resulted in an 'Unsound' audit opinion during 2013/14. This related to a primary school and the Head Teacher attended Audit Committee and provided assurances relating to implementing the internal audit recommendations to enhance governance and financial control at the school. Of the twenty reports with a 'Limited Assurance' audit opinion six, (30%) related to high risk audit areas and included three in relation to contracting and tendering matters, highlighting a need for increased compliance with Contract Procurement Rules, and one ICT asset management arrangements, relating to the difficult task of tracking all ICT software and hardware items. In terms of 'medium' risk audit areas the majority were in schools where the main areas of concerns related to overall governance arrangements and some specific issues around procurement and financial control. The figures include eight follow up audits where an audit was being revisited to monitor implementation of proposed audit recommendations.
105. Audit reports have continued to highlight that there is scope to further improve the internal control environment and this year, in fact, has seen a general increase in the number of audit recommendations proposed and agreed. Some system weaknesses have been highlighted, but by far the majority of audit recommendations relate to compliance issues and there has been an increase in training events to look to address this. Statistics confirm that Managers understand and support the majority of audit recommendations, and they do seem keen to tackle control weaknesses and incidents of non compliance, but it is becoming increasingly more challenging for them to do so and bring about change to their control environments, where they have, and continue to be, experiencing a significant reduction in resources. It is thought, partly as a consequence, that there has been more follow up audits required, due to slow progress in actioning audit recommendations in some areas, an issue continually highlighted. This will require constant monitoring and attention throughout next year.

Audit Committee

106. Based on the evidence presented to the Audit Committee during 2013/14, it is the considered view of the Committee that the Council does for the most part have sound financial controls and governance arrangements in place. Examples of where the Committee has continuing concerns include:
- Budget Pressures and Organisational Change
During the autumn of 2013 the Council set about developing a new Corporate Plan for 2014-2017 in the context of severe financial challenges facing Local Government. In February 2014 full Council accepted total savings within the 2014/15 budget proposals amounting to a significant total of £48.645 million. Further severe budget savings will be required between 2015/16 and 2016/17. This reduction in resources, together with a growing population and greater demand for public services, means that the Council is facing unprecedented challenges in how it delivers services in the future. The Committee will continue to receive regular updates from the Corporate Director Resources and other

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senior managers to seek assurances around sound governance and fundamental financial control.

- Contract and Procurement Matters
The Committee has been informed through the work of the Internal Audit team of the common issues identified in relation to contract and procurement matters. Whilst a framework of rules and best practice guidance is in place for Council Directorates, Internal Audit reports continue to highlight compliance issues in some areas. The Committee raised this as a concern in the Audit Committee's Annual Report 2012/13 and whilst some improvements have been noted it is still seen as an area of concern. On 20 January 2014 Steve Robinson, Operational Manager – Commissioning & Procurement, attended the Committee to inform the Members of how their concerns are being addressed corporately through the joint working practices of Internal Audit and the Procurement Team. The Committee were satisfied with the information presented and progress being made but will continue to keep a close watch on this issue through the Audit Manager's Progress Reports and may choose to call back the Operational Manager – Commissioning & Procurement to seek further assurance. The Committee does, however, recognise that the responsibility for complying with procurement rules lies with the respective Directors rather than the central team. At a time of unprecedented financial challenges and remodelling of service delivery, procurement must continue to be scrutinised and examples of non compliance deemed unacceptable.
- Schools Compliance with Council Rules, Financial Controls & Budget Deficits
Financial Procedure Rules for Schools have recently been updated and circulated to schools, and a wide range of training has been provided to Governors, Head Teachers, Bursars and School Clerks. However, Internal Audit reports continue to highlight control weakness in a number of schools around basic governance and financial processes. The matter has been raised with a previous Director and more recently with Nick Batchelar, current Director of Education and Lifelong Learning, who is due to attend the Audit Committee on 25 June 2014 where Members can consider how the Directorate is addressing the current issues within Schools.

A further area of concern in Cardiff schools is in relation to contracting matters, where external legal advice has been provided which indicates that the Council is not able to set rules for schools to adhere to regarding contracting matters. All it can do is offer advice on good practice. The Audit Committee supports production of best practice guidance for contracting matters relating to schools and for these to be commended to schools once agreed by Legal Officers.
- Internal Audit Resources
The financial challenges facing the Authority are having an impact across all services resulting in the reduction of resources. The Internal Audit section like others has seen a significant reduction in the number of staff in recent years, and more recently in 2013/14 the loss of an experienced Group Auditor, Senior Auditor and Investigator. Reliance is placed on the Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Authority. As resources reduce it is becoming an increasing challenge to have appropriate coverage across directorates. Policy Review and Performance Scrutiny in reviewing the budget savings for 2014-15 highlighted reductions in Internal Audit resources. The Audit Committee will be kept informed of the issues facing the Internal Audit team and closely monitor resource implications and the associated risks, through the Audit Manager's quarterly progress reports.

107. The Committee will be monitoring all these areas very carefully and some may be subject to further review by the Committee during 2014/15.

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Other Sources of Assurance

108. The Council's Constitution provides that, at its annual meeting, Council will decide which Committees to establish, their size, terms of reference and allocation of seats. Annual Council took place in May 2013 which agreed these matters. Through out the municipal year the Committee's have met in accordance with what was agreed and set about establishing a programme of work for the year. Each of the committees produces an Annual Report which details findings of their work throughout the year.
109. Discussions have taken place with Officers including the County Clerk & Monitoring Officer and Operational Manager, Scrutiny, to identify if any matters have arisen from any committee meetings which would be considered significant governance issues. It was considered that no further issues needed to be raised beyond what has already been addressed within the review of effectiveness of this statement.
110. In order to undertake an annual review of effectiveness specialist officers are consulted in order to inform the review, from areas such as; corporate complaints, performance management, information governance, project management and risk management. The views of these officers have been considered when compiling this statement and are referred to through out.

Significant Governance Issues

111. The following table highlights the significant issues arising from the review of internal control and details the action being taken to deal with them. As previously mentioned issues identified which also feature on the Corporate Risk Register will not be captured in the below table to avoid duplication in the review process.

Issue	Action	Responsible Officer
Issues raised at Year End 2013/14		
<p><u>Capacity & Decision Making</u></p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice.</p>	<p>Prioritisation of work to make best use of internal expertise.</p>	<p>Senior Management Team</p>
<p><u>Organisational Development (OD) Programme</u></p> <p>The Cabinet acknowledges the range of critical challenges facing the Council, in order to respond to these challenges an ambitious programme of organisational change has been established to reflect the transformational ambition for the Council and for Cardiff. This includes a wide number of capital and other projects. We need to ensure that projects are commissioned through proper arrangements and that their subsequent sponsorship ensures</p>	<p>The OD Programme identifies the key enablers through which the Council will reposition its approach to understanding and meeting citizen needs. This approach will be central in meeting the challenges facing the Council.</p> <p>The Programme will comprise of five separate programmes each having smaller individual projects. On 15 May 2014 the Cabinet agreed to put in place appropriate governance arrangements and support to deliver a three year OD Programme.</p>	<p>Senior Management Team</p>

THE ANNUAL GOVERNANCE STATEMENT

Issue	Action	Responsible Officer
<p>that project objectives are met. The requirement to have sound processes and governance arrangements are critical to the success of the Programme.</p>	<p>Our focus in 2014/15 will be to ensure that there is a step change in the delivery of key projects across the Council; to organise and govern the Capital and School Improvement Programme as one single programme, so that this is shaped and performance managed by a single board empowered to ensure that the programme as a whole delivers on time and within budget; ensure that 'call-off' funding for Project Management of Capital projects is being used effectively in the delivery of these projects; carry out a Project Management skills audit and ensure that key gaps are identified and addressed in individual development plans; ensure that there is a renewed drive to make sure that projects from concept to delivery stage are registered and that project teams are using at least the basic set of tools and templates available.</p>	
<p><u>Commissioning capability and capacity</u> In the new Organisational Framework this will be a critical competency and capability. The success of a number of programmes depends on having this capability and capacity in place e.g. Health & Social Care transformation.</p>	<p>A Commissioning Capability Framework needs to be developed using external best practice and internal experiences and skills. This framework will identify key competencies, capabilities and behaviours needed to successfully develop and get the best out of partnerships with service providers. It is now critical that this framework is translated into delivering a step change in commissioning capability.</p>	<p>Senior Management Team</p>
<p><u>Transparency of Internal Market Costing</u> The Council's internal charging arrangements are not always sufficiently transparent in terms of rate setting, monitoring & charging. Some council wide arrangements, for instance the timescales operated by Service Desks are not always sufficiently aligned to the requirements of business critical services within directorates.</p>	<p>Reviews currently being carried out to improve costing arrangements in the most critical areas with ongoing investigations to shortly commence in less critical areas. Account manager arrangements to be considered to improve dialogue between customers and clients.</p>	<p>Senior Management Team</p>

THE ANNUAL GOVERNANCE STATEMENT

Significant Issues - The Cardiff and Vale of Glamorgan Pension Fund

112. During 2013/14, no significant governance issues have been identified in respect to the Pension Fund however it is considered the following may have potential implications on future financial periods and is worthy of note in this statement.

Issue	Action	Responsible Officer
<p><u>Welsh Local Government Pension Funds Working Together</u></p> <p>In 2010 the Pensions Sub Group of the Society of Welsh Treasurers commissioned a report by PWC who were asked to conduct a high level review of ways in which the eight current pension Funds could operate more effectively together, particularly in their investment and administration arrangements.</p> <p>Following the publication of the Sub Group's own report in March 2013, an invitation to tender was issued in November 2013 by Gwynedd Council on behalf of the Project for the preparation of a detailed business case for a common investment fund for Pension Funds in Wales. The award of the tender has been put on hold pending the outcome of the UK Government's own consultation on collaborative investments for all LGPS funds in England & Wales.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to contribute to the Project and Project Board.</p> <p>Developments are regularly reported to the Pension Fund's Investment Advisory Panel.</p>	<p>Corporate Director Resources</p>

Cardiff Port Health Authority (CPHA)

113. During 2013/14, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

Monitoring

114. 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.

THE ANNUAL GOVERNANCE STATEMENT

Certification by the Leader of the Council and the Chief Executive

115. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Management Team.
116. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the review of effectiveness based on the systems of internal control. There are plans to provide improvements in review processes and address weaknesses to ensure continuous improvement of the system of internal control.
117. On the basis of this process, the legal and financial advice of the statutory officers, the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2013/14.

Paul Orders, Chief Executive

Date:

Councillor Phil Bale, Leader of the City of Cardiff Council

Date:

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance and other specialist areas, which are described below:

Agency Services

The provision of services or functions, which are the responsibility of one authority or public body, by another. The policy and financial resources are set by the principal authority and implemented by the agent authority.

Asset Under Construction

An Asset Under Construction represents an asset that is not yet complete.

Borrowing

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

Capital Expenditure

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Capital Financing Requirement

An authority's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the professional body for people in public finance. As the world's only specialised public services body, they provide information, guidance, and determine accounting standards and reporting standards to be followed by Local Government.

Civil Parking Enforcement

A responsibility granted by Welsh Government designating Cardiff as a "Civil Enforcement Area". This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

Council Fund Balance

The Council Fund Balance represents the cumulative retained surpluses on the Council's revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan.

Depreciation/Impairment/Amortisation

A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non current assets in the year in the provision of Council services.

Direct Revenue Financing

The amount of revenue funding used to pay for capital expenditure incurred.

Earmarked Reserves

Amount set aside from the General Balance to fund a future specific purpose or requirement. This is done in accordance with CIPFA guidance (LAAP 77).

Fair Value

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations than to secure a fair price.

Financial Guarantee

The promise to make specified payments to the holder of a debt if the debtor fails to make payment in accordance with the terms of a contract.

Financial Instrument

Any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans provided and investments.

Housing Revenue Account (HRA)

The HRA is an account of expenditure and income that every local authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's Capital Financing Requirement.

Internal Borrowing

Money borrowed from within the Council, sourced from temporary internal cash balances.

Investments

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

Lender Option Borrower Option Loans (LOBOs)

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

Market Loans

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

Non-domestic rates (NDR)

A levy on businesses collected by billing authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh authorities on the basis of population.

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

Pension Fund

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Precept

A demand levied by one public authority, which is collected on its behalf by another authority.

Provisions & Reserves

Amounts set aside in a year to cover expenditure in the future. Provisions are amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain. Reserves are also amounts set aside for future use but fall outside the definition of provisions. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every authority must maintain as a matter of prudence.

Prudential Code for Capital Finance

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Prudent Revenue Provision (PRP)

An amount set aside as a provision each year to repay loans taken out to pay for capital. This has the effect of reducing the Capital Financing Requirement (CFR).

Public Works Loan Board (PWLB)

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Recharge

An internal charge for services rendered by one Council directorate or section to another.

Revenue Expenditure funded from Capital Under Statute (REFCUS)

Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the authority e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

Revenue Support Grant

General government grant in support of local authority services. It seeks to even out the effects on the council taxpayer of differences in needs between authorities.

Term Deposits

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Trust Funds

Funds held in trust which are administered by the Council.

STATEMENT OF ACCOUNTS

2013/14

of

CARDIFF PORT HEALTH AUTHORITY

CARDIFF PORT HEALTH AUTHORITY

FOREWORD

The Cardiff Port Health Authority's accounts for the year 2013/14 are set out on page 197. They comprise an Income and Expenditure Statement and Balance Sheet.

Port Health authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The authority, through the officers of the Communities Service of Cardiff Council, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the authority raises a levy on Cardiff Council and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates (SSCEC/SSCC).

ACCOUNTING POLICIES

1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2005 (as amended).

2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

3. Support Services Costs

Cardiff Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2013/14 (SERCOP). This applies to support service recharges from Cardiff Council directorates to the Port Health Authority.

CARDIFF PORT HEALTH AUTHORITY

PORT HEALTH AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2014		
2012/13 £		2013/14 £
	Expenditure	
115,801	Employees	113,215
0	Premises	0
2,272	Transport	1,294
5,125	Supplies	10,636
27,023	Support Costs	24,292
150,221		149,437
	Income	
(2,690)	Fees and Charges	(2,478)
(148,450)	Levies : Cardiff Council	(143,580)
(16,550)	The Vale of Glamorgan Council	(15,756)
(167,690)		(161,814)
(17,469)	Net Expenditure (Income)	(12,377)
(1,960)	Appropriations from Reserves	340
(63,422)	Revenue Balance brought forward	(82,851)
(82,851)	Total Comprehensive Income and Expenditure	(94,888)

BALANCE SHEET AS AT 31 MARCH 2014		
31 March 2013 £		31 March 2014 £
	Current Assets	
82,902	Cash in Hand	101,477
82,902		101,477
	Current Liabilities	
(2,011)	Creditors	(8,209)
80,891	Total Assets Less Current Liabilities	93,268
	Funded by:	
(1,960)	Accumulated Absence Ac (unusable reserve)	(1,620)
82,851	Income and Expenditure Reserve	94,888
80,891		93,268

CARDIFF PORT HEALTH AUTHORITY

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts summarised on page 197 presents fairly the financial position of the Cardiff Port Health Authority at 31 March 2014 and its Income and Expenditure for the year ended 31 March 2014.

Christine Salter
Corporate Director Resources

Date:

Independent auditor's report to the Cardiff Port Health Authority

I have audited the accounting statements and related notes of the Cardiff Port Health Authority for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Statement and the Balance Sheet. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounts.

This report is made solely to the Cardiff Port Health Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose as set out in the Statement of the Responsibilities prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The Corporate Director Resources is responsible for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and proper practices.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the Cardiff Port Health Authority

In my opinion the accounting statements and related notes:

- presents fairly the financial position of the Cardiff Port Health Authority as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with generally accepted practices.

Opinion on other matters

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

CARDIFF PORT HEALTH AUTHORITY

Certificate of completion of audit

I certify that I have carried out the audit of the accounts of the Cardiff Port Health Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ

Date: September 2014

Summary of accounts 2013/14

Income and Expenditure

The Income & Expenditure Account below presents the cost of running Council Services for the 2013/14 financial year. It also shows where the money came from to finance these costs. The Service Expenditure analysis section has been provided as prescribed by CIPFA and the accounts are presented in the formats as required by the code of practice.

Council Tax:

Council Tax is collected by the Council and where applicable includes precepts for the police and community councils. These precepts are then passed onto the relevant bodies.

Band D Council Tax	£
Cardiff Council	936.56
Police & Crime Commissioner for South Wales	181.28
Total	1,117.84

Net Proceeds from Council Tax	£000
Council Tax Collectible	158,206
Provision for Non-Payment	(948)
Total	157,258

Total Council Tax income accounts for just over a quarter of the Council's net expenditure

At the end of March 2014 the provision for bad debt relating to council tax was £6m

The council tax collection rate for 2013/14 was 96.3%

Non-Domestic Rates:

Non-Domestic Rates (NDR) are taxes levied based on the value of buildings used in business or for non-domestic purposes. The rates are set by the Welsh Government but collected by the Council. The funds are collected in one pool and redistributed to Councils on the basis of adult population.

	£000
Non-Domestic Rates collectable	181,840
Cost of collection allowance	(877)
Provision for non payment of NDR	(4,109)
Payment into national pool	176,854
Redistribution from national pool	(107,229)

The Welsh Government. 2013/14 NDR rate is 46.4p per pound of the business' rateable value

The net NDR collected by Cardiff for 13/14 totalled £177m. Cardiff received £107m after redistribution

The majority – 53% of total income for the year 2013/14 is received through Grants from the Welsh Government

Income and Expenditure

	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public	54,712	(20,679)	34,033
Cultural & Related Services	58,897	(25,426)	33,471
Environmental & Regulatory Services	56,121	(19,586)	36,535
Planning Services	32,169	(17,017)	15,152
Children's and Education Services	514,598	(84,664)	429,934
Highways & Transport Services	76,127	(18,719)	57,408
Housing Revenue Account	63,765	(62,124)	1,641
Housing Services (General Fund)	182,254	(175,897)	6,357
Adult Social Care	125,423	(23,029)	102,394
Corporate & Democratic Core	11,980	246	12,226
Non-Distributed Costs	2,838	0	2,838
Exceptional Item	5,056	0	5,056
Net Cost of Services	1,183,940	(446,895)	737,045
South Wales Police Authority Precept	25,012	0	25,012
Community Council Precepts	252	0	252
Levies & Contributions	17,392	0	17,392
(Gain)/loss on sale of fixed assets	2,150	(2,821)	(671)
Other Operating Expenditure	44,806	(2,821)	41,985
Interest Payable on debt	23,871	0	23,871
Interest element of finance leases	2	0	2
Pensions Interest cost	30,055	0	30,055
Interest & Investment Income	0	(1,199)	(1,199)
Change in fair value of Investment Properties	162	0	162
Financing /Investment Income & Expenditure	54,090	(1,199)	52,891
Recognised Capital Grants & Contributions	0	(45,350)	(45,350)
Revenue Support Grant	0	(339,678)	(339,678)
Non-Domestic Rates	0	(107,229)	(107,229)
Council Tax Income	948	(158,206)	(157,258)
Other Central Grants	0	(17,065)	(17,065)
Taxation & Non-Specific Grant Income	948	(667,528)	(666,580)
Deficit on Provision of Services			165,341
Revaluation Gains			(19,902)
Revaluation Losses			127,299
Impairment losses on non-current assets charged to the Revaluation Reserve			352
Deficit on revaluation of available for sale financial assets			488
Actuarial gains/losses on pension assets/liabilities			(266,411)
Other gains/losses required to be included			0
Other Comprehensive Income & Expenditure			(158,174)
Total Comprehensive Income & Expenditure			7,167

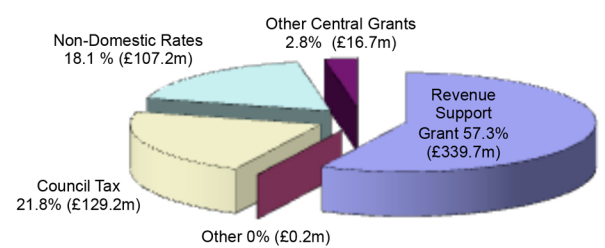
Balance Sheet	£000	£000
Property Plant & Equipment		1,810,230
Long-term Investments	20,743	
Long-term Debtors	2,935	
		23,678
Total Long Term Assets		1,833,908
Short-term Investments	28,895	
Assets held for Sale	380	
Inventories	2,697	
Short-term Debtors	70,911	
Cash and Cash Equivalents	41,761	
Total Current Assets		144,644
Short Term Borrowing	(14,457)	
Short Term Creditors	(75,827)	
Pension Strain	(2,486)	
Provisions	(9,806)	
Deferred Liabilities	(1,210)	
Total Current Liabilities		(103,786)
Long Term Borrowing	(465,486)	
Provisions	(33,095)	
Deferred Liabilities	(7,290)	
Capital Contributions Receipts in Advance	(9,724)	
Revenue Grants Receipts in Advance	(2,363)	
Capital Grants Receipts in Advance	(306)	
Pensions Strain	(5,766)	
Net Pensions Liability	(473,027)	
Total Long Term Liabilities		(997,057)
NET ASSETS		877,709
Financed by:		
Council Fund Balance	11,413	
Council Fund Earmarked Reserves	30,559	
Housing Revenue Account Balance	8,124	
HRA Earmarked Reserves	684	
Capital Receipts Reserve	1,399	
Usable Reserves		52,179
Revaluation Reserve	206,879	
Capital Adjustment Account	1,093,549	
Deferred Capital Receipts	104	
Available for Sale Financial Instruments Reserve	15,774	
Financial Instruments Adjustment Account	(2,709)	
Pensions Reserve	(481,278)	
Accumulated Absences Adjustment Account	(6,789)	
Unusable Reserves		825,530
TOTAL RESERVES		877,709

Movement on Council Fund Balance	£000
Surplus or (deficit) on the provision of Services (exc. Housing Revenue Account)	(169,776)
Other Comprehensive Income and Expenditure	0
Adjustments between accounting basis & funding basis under regulations	159,881
Transfers to/(from) Earmarked Reserves	9,760
Other Movements in Reserves	0
Increase/(Decrease) in 2013/14	(135)
Balance at 31 March 2013 carried forward	11,548
Balance at 31 March 2014 carried forward	11,413

The Council Fund	Earmarked Reserves for 13/14	Earmarked Reserves
Balance of £11.413m represents accumulated surpluses retained by Cardiff Council	Reserves for 13/14 totalled £31.243m, this figure is inclusive of £7.596m of Schools Reserves	are sums of money put aside for specific uses. A list can be found in the full Statement of Accounts

Housing Revenue Account	£000
Income	
Dwelling rents	(56,398)
Non-dwelling rents	(81)
Charges for services and facilities	(6,508)
Sums directed by the Welsh Government (income)	0
Total Income	(62,987)
Expenditure	
Repairs and maintenance	18,524
Supervision and management	17,255
Rents, rates, taxes and other charges	198
Housing Revenue Account subsidy payable	15,062
Provision for bad and doubtful debts	446
Depreciation and impairment of non-current assets	13,113
Sums directed by the Welsh Government (expenditure)	0
Debt management costs	30
Total Expenditure	64,628
HRA Services' share of Corporate and Democratic Core	42
Net Cost for HRA Services	1,683
HRA share of the operating income and expenditure	
(Gain)/loss on sale of HRA non-current assets	(561)
Interest payable and similar charges	4,756
Changes in fair value of investment properties	0
Interest and Investment income	(65)
Capital Grants and Contributions applied	(10,248)
Surplus for year on HRA services	(4,435)
Balance on HRA at end of previous year	7,295
Surplus for year on HRA services	4,435
Adjustments between accounting basis and funding basis under regulations and reserves	(4,234)
Transfers to/from Reserves	628
Net increase in the year on the HRA	829
Balance on HRA at end of current year	8,124

Sources of Income as per budget (£ millions)

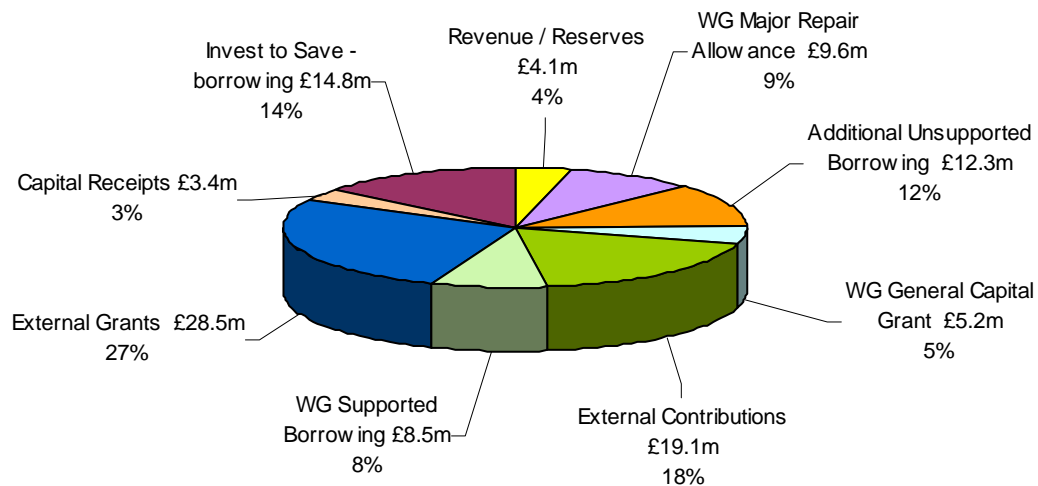


Capital Expenditure:

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. Capital expenditure during the year totalled £105.5 million, with the main items of expenditure described in the table below:

		£m
Schools & Lifelong Learning	Significant investment in property renewal including the Community Centres and Schools.	43.4
Housing & Neighbourhood Regeneration	Improvements to public housing and housing grants and disabled facilities. Community investment improving local shopping parades.	19.2
Highways & Transportation	Drainage, street lighting, road safety, public transport and energy efficiency improvements.	12.8
Culture, Libraries, Leisure and Parks	Attractions such as Cardiff International White-water flowrider and development of Citizen Hubs promoting shared use of buildings.	5.2
Other	Includes loans, grants and equity to Business, improving IT systems and Waste Management.	24.9

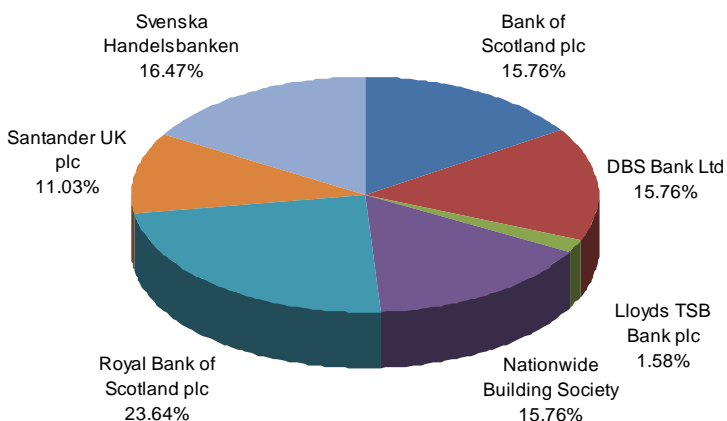
Funding of Capital Expenditure



Treasury Management:

The Council follows the CIPFA Treasury Management Code of Practice and is compliant with the Prudential Code of Capital Finance in Local Authorities. Investments of £63.5m are deposited for various maturities with Financial Institutions.

Investments by Institution



Borrowing

	Principal (£m)	Average Rate (%)	Average Life (years)
Public Work Loan Boards	420.7	5.36	28.961
Market and WG	52.6	4.08	46.19
Total Fixed Debt	473.3	5.22	30.87

'The information contained in this summary was extracted from the 2013/14 Statement of Accounts of Cardiff Council. A full version is available on request from Projects and Technical Accountancy, County Hall, Atlantic Wharf, Cardiff CF10 4UW'



Audit of Financial Statements Report

County Council of the City and County of Cardiff

Audit year: 2013-14

Issued: September 2014

Document reference: 505A2014

Status of report

This document has been prepared for the internal use of County Council of the City and County of Cardiff as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

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The Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. Anthony Barrett, as Appointed Auditor, is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the County Council of the City and County of Cardiff (the Council) at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for the Council are £12.8 million for income and expenditure items and working capital balances, and £18.4 million for other balances. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with the governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2013-14, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2014 on 18 June, in line with the agreed deadline, and have now substantially completed the audit work.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

8. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
9. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

10. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **The Council has not recognised a liability for pension contributions on its equal pay liabilities**

In common with other local authorities in Wales, the Council has recently gone through a process of agreeing equal pay settlements with employees. In 2013-14 the Council paid the majority of the outstanding claims in full together with the composite tax amount payable to Her Majesty's Revenue and Customs (HMRC). The Council has, on the basis of legal advice, not paid pension contributions on these settlements.

We have been provided with legal advice which suggests that pension contributions should be made on the payments to resolve the equal pay claims.

In light of the diverging legal views and the uncertainty regarding the need to recognise a provision in respect of pension contributions on equal pay settlements, we have concluded that we are not required to undertake any further action regarding this matter as part of the audit of the 2013-14 Statement of Accounts.

The Council needs to be alert to any future court decisions on this issue that could clarify the legal position and impact on the need for a provision. In the event of any such decisions, we will also need to reconsider our position.

-
- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.** Overall, we found the information provided to be relevant, reliable, comparable and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. It was pleasing to note that the processes to support the audit of the Debtors and Creditors balances had been reinstated this year and were effective in addressing the problems experienced last year. However, the issue we raised last year in respect of the accounting treatment of surplus assets, in terms of the basis of valuation and depreciation, had not been actioned as the Council has taken the decision not to follow the CIPFA code of practice on local authority accounting in the UK 2013-14 in these areas. We requested that these departures from the Code were included in the Council's accounting policies and this has been actioned. We are satisfied that this non-compliance does not materially affect the accounts this year but will keep this under review in future audits.
 - **We did not encounter any significant difficulties during the audit.** We received the majority of information in a timely and helpful manner and were not restricted in our work.
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
 - **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13. As part of the finalisation process, we are required to provide you with representations concerning our independence.
14. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Council that we consider bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

(Audited body's letterhead)

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

[Date]

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of the County Council of the City and County of Cardiff (the Council) for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation. We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the CIPFA code of practice on local authority accounting in the UK 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

-
- additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
 - The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 - Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
 - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - The identity of all related parties and all the related party relationships and transactions of which we are aware.
 - Our knowledge of all known partnerships and joint working/collaborative arrangements that would impact on the financial statements.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Council has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the accounts.

The Council has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The reserves of the Council have been reviewed and are properly treated within the final accounts in accordance with the CIPFA guidance.

The provisions of the Council have been reviewed and have been properly treated within the final accounts in accordance with IAS 37.

The Council has accounted for and disclosed its partnership and joint/collaborative working arrangements in accordance with accounting standards and the CIPFA Code.

The agreed recommendations set out in the 2012-13 Wales Audit Office financial accounts reports have been satisfactorily implemented.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- [xxxx]

Representations by the Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Cardiff Council on [insert date].

Signed by:

[Officer who signs on behalf of management]

Date:

Signed by:

[Member who signs on behalf of those charged with governance]

Date:

Appendix 2

Proposed audit report of the Appointed Auditor to the County Council of the City and County of Cardiff

Independent auditor's report to the Members of the County Council of the City and County of Cardiff

I have audited the accounting statements and related notes of:

- the County Council of the City and County of Cardiff; and
- the County Council of the City and County of Cardiff Group; and
- Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

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

The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of the Cardiff and Vale of Glamorgan Pension Fund

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

- give a true and fair view of the financial transactions of The Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and

-
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ
September 2014

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£2,950,836	Reduce the gross book value of other land and buildings (OLB) balance, decrease the revaluation reserve and decrease the depreciation overcharge within the Comprehensive Income and Expenditure Statement (CIES).	Ysgol Bro Edern was transferred from assets under construction (AUC) to OLB during 2013-14, as the building had become fully operational. However, the asset was included within the schools listing for valuation purposes; this meant that the asset was double-counted. The resulting change to the accounts was to decrease the OLB balance by £2,950,836 and to decrease the revaluation reserve balance by the same amount. The depreciation over charge amounted to £95,188.
£2,837,105	<i>Balance sheet:</i> Reduce the gross book value of OLB, decrease the revaluation reserve. <i>CIES:</i> Increase the revaluation charged and decrease the depreciation overcharge.	Eastern High School was transferred from AUC to OLB during 2013-14, as the building had become fully operational. However the asset was included within the schools listing for valuation purposes; this meant that the asset was double-counted. The resulting balance sheet change to the accounts was to reduce the gross book value of OLB by £2,837,105, which takes into account the in-year expenditure of £683,798 and opening balance of £83,602 and decrease the revaluation reserve by £2,069,705. For the CIES an additional charge of £767,400 and a deduction of £97,831 for the depreciation element.

Value of correction	Nature of correction	Reason for correction
<p>£2,083,000 opening balance.</p> <p>£932,000 transfers from reserves.</p> <p>£1,151,000 transfers to reserves.</p> <p>No change to the net position.</p>	<p>To reflect the balances held as per the ledger within Note 2: Earmarked Reserves.</p>	<p>Review of the ledger identified discrepancies between the appropriations to and from reserves for the schools balances.</p>
<p>£1,533,156</p>	<p>To accurately reflect internal income within Note 4: Amounts reported for Resource Allocation Decisions.</p>	<p>For three of the departments included within Note 4 the wrong cost centres were picked up when analysing internal and external income, this led to the following classification changes being required:</p> <ul style="list-style-type: none"> • fees, charges and other service income decreased by £270,833; • support service recharges decreased by £1,262,323; • employee expenses increased by £650,952; and • other expenditure increased by £882,204. <p>The amendments above had no impact on the overall net expenditure total.</p>
<p>£1,189,000</p>	<p>To reflect the impairment of the Glamorgan Cricket Club loan.</p>	<p>The Council undertook an assessment of the Glamorgan Cricket Club loan to determine its collectability against IAS39. Having reviewed IAS39 the Council concluded that it should impair the loan, i.e. reduce short-term investments by £1,189,000.</p>
<p>£968,000</p>	<p>Remove from the provisions note 26 and add to provision for bad debts note 22.</p>	<p>A Provision was held in the accounts for the Coal Exchange (£968,000). However, on review it was identified that it did not meet all of the criteria for a provision as set out in IAS37, in particular the definition of an obligation to transfer economic benefits as a result of a past event, therefore the potential impairment of the debt needed to be recognised within debtors.</p> <p>This resulted in provision for bad debts being increased by £968,000 and provisions reducing by £968,000.</p>

Value of correction	Nature of correction	Reason for correction
£375,962	Decrease revaluation reserve and increase depreciation.	The split between the revaluation reserve and the surplus/deficit on provision of services for Fitzalan High School and Grangetown Primary School was incorrect; therefore, the following corrections were required - decrease revaluation reserve by £375,962 and increase depreciation by the same amount.
£240,655	To reflect the actual cash and cash equivalent position.	The superannuation element of cash and cash equivalents had been accounted for incorrectly due to a formulaic error when processing, therefore, an amount of £240,655 was removed from the short-term deposit with banks and building societies balance and short-term investments were increased by the same amount. The narrative underneath the cash and cash equivalents table was also amended as the incorrect total had been recorded for chequebook schools, £8.912 million instead of £1.245 million, due to the schools figure being placed into the wrong codes. However, as all codes feed into the balance, the narrative change will have no impact on the cash and cash equivalents balance at the year-end.
HRA		
£862,930	Reduction in supervision and management costs and an increase in charges for services and facilities within the Housing Revenue Account.	The income received from charges for services and facilities had been netted off against supervision and management costs, therefore, charges were increased by £862,930 and management costs reduced by £862,930.
£420,517	Reducing the depreciation and impairment line for Council Dwellings and increasing the land and buildings depreciation line within Note10 (Housing Revenue Account).	The total depreciation for Council dwellings had been calculated incorrectly, the note should have stated £12,232,000 rather than £12,653,000, and other land and buildings should have been £758,000 rather than £338,000. This does not affect the total depreciation charge.

Value of correction	Nature of correction	Reason for correction
Narrative change	To add additional wording within the accounting policies section.	<p>1: Accounting policies issued but not yet adopted:</p> <p>Additional narrative was required to indicate the policies that have been issued but not yet adopted, as the draft contained details of the current accounting period.</p> <p>26. Property, Plant, Equipment, Community and Heritage Assets:</p> <p>Additional narrative was required to clarify the Council's position for surplus assets; the Council does not apply all of 'the Code' requirements.</p>
Narrative change	To aid clarity for the readers of the accounts.	<p>Note 4: Amounts reported for Resource Allocation Decisions:</p> <p>The Council added in a paragraph about the department restructure which took place in 2013-14, to ensure that the readers of the accounts understood it was not possible to complete a year-on-year comparison as the basis of reporting had changed.</p>
Narrative change	To ensure all information is included within Note 11: remuneration.	<p>Additional narrative was added to footnote a) 2013/14 table to reflect the receipt of returning officer fees for the Interim Head of Paid Service.</p> <p>An additional footnote z) was placed under the 2013/14 table to reflect payments made to Windsor Transformational Education Service Ltd for providing the services of the Corporate Director, People in 2012-13 and 2013-14.</p>
Narrative change	To ensure that IAS19 changes are reflected within Note 19: pensions.	Additional narrative and tables were placed into Note 19 to ensure that it was IAS 19 compliant.
Narrative change	To ensure that the tables within Note 20 accurately reflects our findings.	<p>Non-Current Assets table:</p> <p>To increase the number of primary schools by one, as a voluntary-controlled school was not included and to remove one of the vehicle depots as the two included were the same building.</p> <p>Heritage Assets table:</p> <p>To add Blackfriars Friary into the Heritage Assets table.</p>

Value of correction	Nature of correction	Reason for correction
Narrative change	To ensure that the tables within Note 21: Financial Instruments accurately reflect our findings.	<p>Financial Assets table: As noted above the cash and cash equivalents balance has been reduced by £240,655 to £41,761,000, and the loan given to Cardiff Bus in 2013-14 has been added in as this was omitted in the draft.</p> <p>Financial Instruments Balances: Narrative has been added to indicate that car loans are shown within the 'loans and receivables' line rather than within debtors.</p>
Narrative change	To ensure that the tables within Note 26: provisions accurately reflect our findings.	The Council added wording to the note to ensure that it was clear that the MMI provision was included within 'other' rather than 'insurance' provision.
Narrative change	To ensure that the contingent assets and liabilities note is complete.	In August the Council received confirmation it had not achieved the landfill targets set by Welsh Government, this has been added to the contingent liability note to reflect the possibility of a fine being imposed in the future.
Narrative change	To supplement the wording in the Annual Governance Statement.	Additional narrative was required to clarify some of the statements made.

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Final Letter of Representation

(Audited body's letterhead)

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

[Date]

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of the County Council of the City and County of Cardiff (the Council) for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the CIPFA code of practice on local authority accounting in the UK 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff Council and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working/collaborative arrangements that would impact on the financial statements.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Council has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the accounts.

The Council has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The reserves of the Council have been reviewed and are properly treated within the final accounts in accordance with the CIPFA guidance.

The provisions of the Council have been reviewed and have been properly treated within the final accounts in accordance with IAS 37.

The Council has accounted for and disclosed its partnership and joint/collaborative working arrangements in accordance with accounting standards and the CIPFA Code.

The agreed recommendations set out in the 2012-13 Wales Audit Office financial accounts reports have been satisfactorily implemented.

- The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Representations by the Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Cardiff Council on 25th September 2014.

Signed by:

[Officer who signs on behalf of
management]

Date:

Signed by:

[Member who signs on behalf of those
charged with governance]

Date:

Archwilydd Cyffredinol Cymru
Auditor General for Wales



WALES **AUDIT** OFFICE
SWYDDFA **ARCHWILIO** CYMRU

Audit of Financial Statements Report

Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2013-14

Issued: September 2014

Document reference: 540A2014

Status of report

This document has been prepared for the internal use of Cardiff and Vale of Glamorgan Pension Fund as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk.

The team who delivered the work were Ann-Marie Harkin, Jeremy Saunders, Kate Havard, David Phillips and Simon Pippard

Contents

The Appointed Auditor intends to issue an unqualified audit report on the financial statements of the pension fund. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. The Appointed Auditor is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might mislead a reader of the accounts.
3. The quantitative level at which we judge such misstatements to be material for the Pension Fund is £14.962 million. Whether an item is judged material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
4. This report sets out the matters arising from the audit of the Pension Fund's financial statements for 2013-14, that require reporting under ISA 260.

Status of the audit

5. We received the draft financial statements for the year ended 31 March 2014 on 20 June 2014 which met the submission deadline and have now substantially completed the audit work on them.
6. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Pension Fund Manager and the Head of Technical Accounting.

Proposed audit report

7. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#). The proposed audit report is set out in [Appendix 2](#). (This is the full report that will be provided on conclusion of the audit of the Council's accounts as the Pension Fund statements are included within them.)

Issues arising from the audit

Uncorrected misstatements

8. There are no uncorrected misstatements in the financial statements.

Corrected misstatements

9. There are misstatements that management has corrected which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. The main items are set out below along with explanations:

Description of correction	Reason for correction
<p>Fund account and Note 5 deficit funding</p> <p>The draft statements recognise £25.348 million for funding due to the Pension Fund relating to the cost of providing pension benefits to staff employed by the Magistrates Court. This includes £1.718 million of interest receivable that is due over 10 years. This was also included in the current and non-current debtor balances.</p> <p>The interest should be recognised in the year that it falls due which means that:</p> <ul style="list-style-type: none"> deficit funding has reduced by £1.718 million and other income has increased by £0.172 million; and the current deficit funding debtor has reduced by £0.172 million and non-current deficit funding debtor has reduced by £1.373 million. 	To correct treatment of deficit funding interest.
<p>Fund account, Net assets statement, Note 6 Lump sum payments</p> <p>Lump sum payments and unpaid benefits were increased by £2.254 million</p>	To include lump sums due to all 2013-14 retirees in the 2013-14 financial statements.

Significant audit risks

10. In our Annual Audit Outline, we set out information regarding the significant and other audit risks that were identified during the audit planning process. The table below sets out the outcome of our audit procedures in respect of those risks:

Significant risks

Risks	Action taken
Control environment risks	
<p>Management override of controls</p> <p>In any organisation, management may be in a position to override the financial controls that you have in place. A breach of controls of this nature may result in a material misstatement.</p>	<ul style="list-style-type: none"> We understood and evaluated internal control processes and procedures as part of our planning work. We reviewed and tested the appropriateness of a sample of manual journals processed during the year. We looked carefully at management estimations and considered if they were

Risks	Action taken
	<p>subject to bias.</p> <ul style="list-style-type: none"> • We understood the business rationale for significant transactions which appeared out of the normal course of business. • Our audit procedures also included an unpredictable element that varies year on year. <p>We have not identified any misstatements as a result of our testing.</p>

Other risks

Risks	Action taken
Financial Systems risks	
<p>The Council is upgrading the AXISE pension fund software to Altair. The planned 'go-live' date for Altair is 31 March 2014 and the data in Altair, once validated, will be used to support the Pension Fund accounts.</p>	<p>We reviewed the transfer which confirmed that all data has been accurately transferred in all material respects.</p>
Preparation of accounts risks	
<p>There is a loss of experience in preparing the accounts as the former Pension Accountant left the Council in December 2013. Responsibility for preparing the accounts has now passed to the Technical Accountancy section.</p>	<p>We reviewed the plans in place to prepare the Pension Fund accounts. We did not identify any significant issues with the process in place to prepare the accounts.</p>
Financial Statements risks	
<p>As part of its portfolio, the Pension Fund has substantial holdings in unquoted investments which are valued at fair value. These valuations include a degree of estimation and there is a risk that these valuations are materially misstated.</p>	<p>We have assessed the value of private equity investments and have confirmed that the information provided adequately supports the year-end valuation.</p>
<p>The value of the transfer of the Magistrates Court Committees Pension Fund liabilities to the Principal Civil Service Pension Scheme has been calculated at £24 million. Cardiff and Vale Pension Fund will receive this in instalments over 10 years. There is a risk that this income is not accounted for correctly.</p>	<p>We have reviewed the accounting treatment of the transfer. Management have made amendments to the statements for the interest element of the funding as described in paragraph 9.</p>

Other issues arising from the audit

11. In the course of the audit we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** There are no matters arising that need to be reported to the Audit Committee.
 - We did not encounter any significant difficulties during the audit. We received information in a timely and helpful manner.
 - There were no matters discussed and corresponded upon with management which we need to report to you
 - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
 - **We did not identify any material weaknesses in your internal controls.** However, we note that there has again been no Internal Audit coverage on systems relating to the Pension Fund this year. Internal Audit is a key part of the Internal Control Framework and should provide management with assurance that key controls are in place and operating effectively
 - **There are not any other matters specifically relating to fraud, compliance with laws and regulations, subsequent events etc, required by auditing standards to be communicated to you.**

Independence and objectivity

12. As part of the finalisation process, we are required to provide you with representations concerning our independence.
13. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Cardiff and Vale of Glamorgan Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ
[Date]

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2014 for the purpose of expressing an opinion on their truth and their proper preparation and the regularity of income and expenditure.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14; in particular the financial statements give a true and fair view in accordance therewith.

I acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale Pension Fund and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected
- non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There were no uncorrected misstatements.

Representations by those charged with governance.

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by Cardiff County Council on 25 September 2014.

Section 151 Officer

Leader of the Council

Appendix 2

Proposed audit report of the Appointed Auditor to the Members of the County Council of the City and County of Cardiff

I have audited the accounting statements and related notes of:

- the County Council of the City and County of Cardiff; and
- the County Council of the City and County of Cardiff Group; and
- Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004.

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

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

The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the independent auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 17, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

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

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the County Council of the City and County of Cardiff; the County Council of the City and County of Cardiff Group and the Cardiff and Vale of Glamorgan Pension Fund's

circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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

Opinion on the accounting statements of County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on the accounting statements of Cardiff and Vale of Glamorgan Pension Fund

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

- give a true and fair view of the financial transactions of The Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2014 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year ; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013-14.

Opinion on other matters

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

Matters on which I report by exception

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

Certificate of completion of audit

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

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF

September 2014

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Auditor General for Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

Cardiff Port Health Authority

Audit year: 2013-14

Issued: September 2014

Document reference: 555A2014

Status of report

This document has been prepared for the internal use of Cardiff Port Health Authority as part of work performed in accordance with statutory functions, the Code of Audit Practice and the Statement of Responsibilities issued by the Auditor General for Wales.

No responsibility is taken by the Wales Audit Office (the Auditor General and his staff) and, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales (and, where applicable, his appointed auditor) is a relevant third party. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at infoofficer@wao.gov.uk

Contents

Anthony Barrett as Appointed Auditor intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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Summary report

Introduction

1. Anthony Barrett as Appointed Auditor is responsible for providing an opinion on whether the financial statements presents fairly the financial position of the Cardiff Port Health Authority at 31 March 2014 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative levels at which we judge such misstatements to be material for Cardiff Port Health Authority is £1,520. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of Cardiff Port Health Authority, for 2013-14, that require reporting under ISA 260.

Status of the audit

6. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with relevant officers.

Proposed audit report

7. It is the Appointed Auditor's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
8. The proposed audit report is set out in [Appendix 2](#).

Significant issues arising from the audit

Uncorrected misstatements

9. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

10. There are some misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

Other significant issues arising from the audit

11. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
- **There is an area of concern about the qualitative aspects of your accounting practices and financial reporting.** We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear. However, as there had been no effective management review of the financial statements and supporting working papers the draft accounts contained a number of errors that should have been identified and corrected prior to their presentation for audit.
 - **We did not encounter any significant difficulties during the audit.** We received the majority of information in a timely and helpful manner and were not restricted in our work.
 - **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
 - **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
 - **We did not identify any material weaknesses in your internal controls.**
 - **There are no other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

12. As part of the finalisation process, we are required to provide you with representations concerning our independence.
13. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Cardiff Port Health Authority that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Anthony Barrett
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[xx September 2014]

Representations regarding the 2013-14 financial statements

This letter is provided in connection with your audit of the financial statements of the Cardiff Port Health Authority for the year ended 31 March 2014.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for the preparation of the financial statements that present fairly the financial position in accordance with legislative requirements and the Code of Practice on Local Authority Accounting 2013-14.

We acknowledge our responsibility for the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
 - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

-
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Cardiff Port Health Authority and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
 - Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
 - Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
 - The agreed recommendations set out in the 2012-13 WAO financial accounts reports have been satisfactorily implemented.
 - The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility that financial statements are presented fairly in accordance with the applicable financial reporting framework. The financial statements were approved by the Cardiff Port Health Authority on XX September 2014.

Signed by:

Christine Salter

Corporate Director Resources

Date:

Signed by:

Councillor XXX

Chairman of Cardiff Port Health Authority

Date:

Appendix 2

Proposed audit report of the Appointed Auditor to the Cardiff Port Health Authority

I have audited the accounting statements and related notes of the Cardiff Port Health Authority for the year ended 31 March 2014 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Statement and the Balance Sheet. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounts.

This report is made solely to the Cardiff Port Health Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose as set out in the Statement of the Responsibilities prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The Corporate Director Resources is responsible for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and proper practices.

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

Scope of the audit of the accounting statements

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

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

Opinion on the accounting statements of the Cardiff Port Health Authority

In my opinion the accounting statements and related notes:

- presents fairly the financial position of the Cardiff Port Health Authority as at 31 March 2014 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with generally accepted practices.

Opinion on other matters

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

Certificate of completion of audit

I certify that I have carried out the audit of the accounts of the Cardiff Port Health Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett
Appointed Auditor
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ

Date: xx September 2014

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£8,338	Reduce Support costs and increase Cash in Hand.	Miscalculation of the support costs recharged to the Authority by Cardiff Council.
£6,019	Increase Supplies expenditure and increase Creditors.	There was no accrual for our audit fee of £6,019, which was noted in the Financial Audit Annual Outline.
£2,000	Reduce Supplies expenditure and increase Support Costs.	This is a misallocation of expenditure between cost headings.
£1,620	Reduce Employees expenditure, increase Creditors, reduce Cash in Hand, reduce Appropriations from Reserves and increase the Accumulated Absence Account (unusable reserve). The corrections amend the accrual for Accumulated Absences and the Unusable Reserve to £1,620 and reduce Employee expenditure by £340.	The balance of the Accumulated Absences creditor and the related unusable reserve were incorrectly calculated and accounted for at 31 March 2014.
£625	Reduce Supplies expenditure and increase Cash in Hand.	Expenditure on IT equipment purchased was duplicated.
£489	Increase Employee expenditure and increase Creditors.	Overtime costs incurred before the yearend were not accounted for at 31 March.
£322	Reduce Premises expenditure and increase Supplies expenditure.	This expenditure was misclassified in the Premises heading.
£81	Increase Creditors and decrease Cash in Hand.	An accrual for car allowances was incorrectly processed as a payment at 31 March.

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