

# Statement of Accounts 2018/19

The County Council of the City and County of Cardiff,  
Cardiff Harbour Authority and Cardiff Port Health Authority





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This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg



# Narrative Report by Council's Statutory Finance Officer

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OF WRNAIS AWEN'SING



## Introduction

This report presents the 2018/19 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

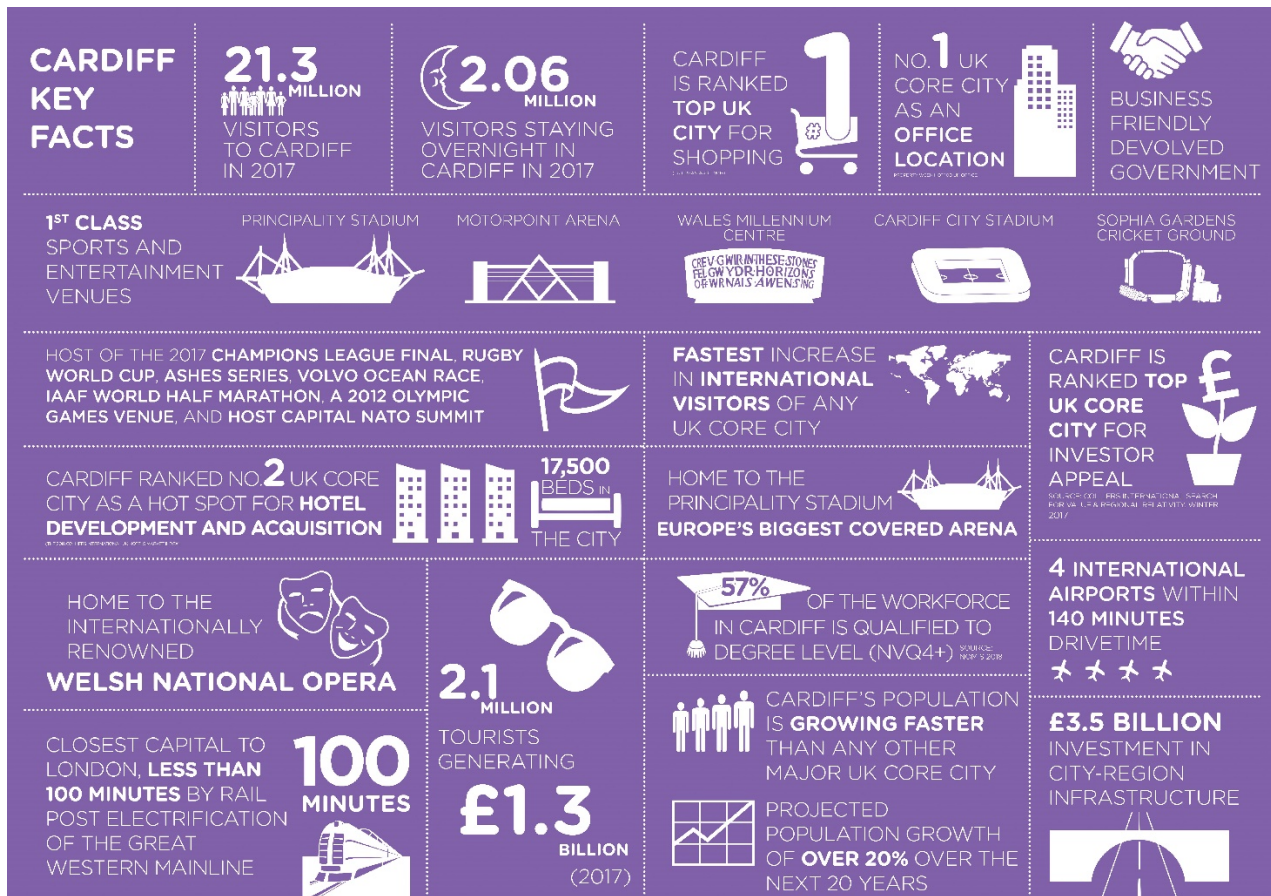
The cumulative savings made by the Council over the past 10 years are over £220 million and the financial outlook for future years remains extremely challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be sustained in the medium-term. This is in the context of an uncertain economic environment in Wales, UK and internationally, and the need to maintain priority services that meet resident's expectations. There is a need to invest in the city's future, to prioritise and challenge the way we deliver services whilst ensuring we remain financially resilient, not only now, but for future generations.

## Our City

Cardiff is a city in the south east of Wales, covering an area 140 square kilometres. It is the 11<sup>th</sup> largest city in the United Kingdom with a population of 367,000 living in approximately 151,000 homes.

Cardiff is now a true economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people. Its economy is growing, jobs and businesses are being created, and unemployment is at its lowest level this decade.

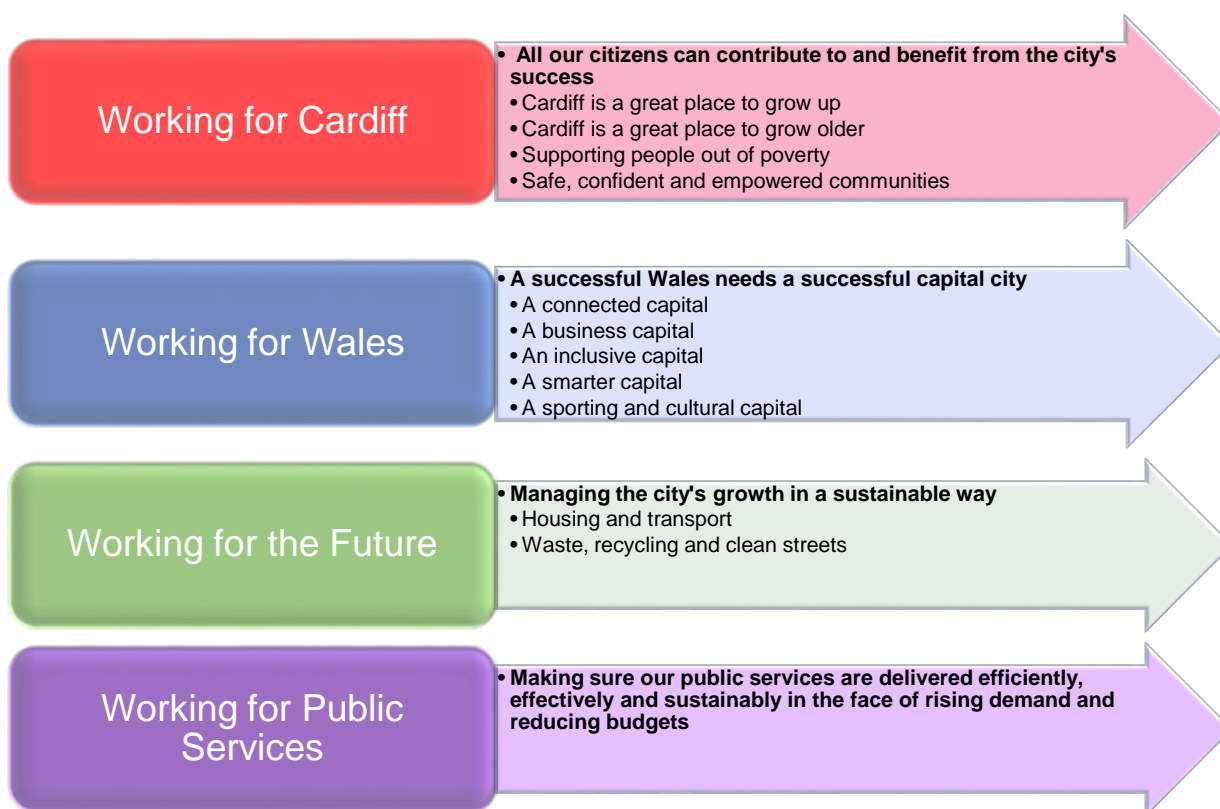
As well as those living in the city, nearly 100,000 people commute to Cardiff every day from across the city region. However, like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing.



## Our Capital Ambition

The Council, through its Capital Ambition, explains how it aims to address the above challenges by embarking on a programme of action, with commitments and targets to move forward in the face of significant budgetary constraints.

Its four priorities are driven by the ambition to ensure everyone is included in the city's success and will have a home where they can achieve their aspirations, regardless of their background or where they grew up. Tackling poverty and inequality is at the heart of everything we do.



The Council's Corporate Plan and the Wellbeing Plan translate the above priorities into deliverable organisational objectives, setting out the steps to be taken and how performance will be measured.

The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, together with a series of commitments which will help change the lives of people in the city for the better. Further detail is available on the Council's website.

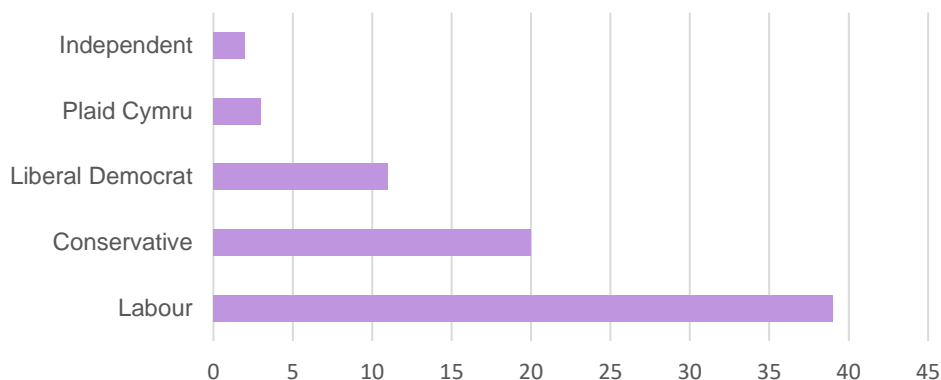
## Our Services and the way we work

The Council provides over 700 services, supporting local communities and improving the lives of local people, some of which are shown below.

|   |   |
|---|---|
| <b>Planning, Transport and Environment</b> <ul style="list-style-type: none"> <li>• Bereavement and registration</li> <li>• Highways infrastructure and street cleansing</li> <li>• Transport and civil parking enforcement</li> <li>• Waste collection, recycling, treatment, disposal and education</li> <li>• Schools transport</li> </ul>   | <b>Economic Development</b> <ul style="list-style-type: none"> <li>• Business and investment</li> <li>• Regeneration and major projects</li> <li>• Corporate Landlord</li> <li>• Culture, venues, and tourism</li> <li>• Leisure, parks and sport</li> </ul>  |
| <b>People and Communities - Housing and Customer Services</b> <ul style="list-style-type: none"> <li>• Community hubs and libraries</li> <li>• Customer facing services e.g. preventative and 'Into work' services</li> <li>• Independent living and community alarm</li> <li>• Adult and community learning</li> <li>• Housing Revenue Account – Council dwellings management</li> </ul> | <b>People and Communities - Social Services</b> <ul style="list-style-type: none"> <li>• Adult learning disabilities and mental health</li> <li>• Youth offending</li> <li>• Children's safeguarding, early help, fostering and residential services</li> <li>• Support for older people and those with physical disabilities</li> <li>• Day, residential and nursing care</li> </ul> |
| <b>Education and Lifelong Learning</b> <ul style="list-style-type: none"> <li>• Nursery, primary, secondary and special schools</li> <li>• Youth and community education and community learning</li> <li>• Achievement and inclusion</li> <li>• Schools catering</li> </ul>   | <b>Resources</b> <ul style="list-style-type: none"> <li>• Finance, Human resources</li> <li>• Commissioning and procurement</li> <li>• ICT, customer and digital services</li> <li>• Performance and partnerships</li> </ul>  |
| <b>Corporate Management</b> <ul style="list-style-type: none"> <li>• Precepts, levies and contributions</li> <li>• Corporate initiatives</li> </ul>   | <b>Resources - Governance and Legal Services</b> <ul style="list-style-type: none"> <li>• Democratic, electoral, and legal services</li> <li>• Scrutiny, member and bilingual services</li> </ul>   |

The Council has 75 elected Councillors who represent the people of Cardiff and set the overall policy and budget framework.

### Cardiff Councillors - Political Party Representation



A **constitution** sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people.

Council selects a **Lord Mayor** annually to perform a civic role, promote the city and chair Council meetings. They also appoint a **leader** of the Council who appoints **Cabinet Members**, each with responsibility for a specific portfolio of services.

The role of Cabinet is to:

- be responsible for most major decisions
- provide leadership
- propose the budget framework and subsequent budget.

**Scrutiny Committees** support the work of the Cabinet and the Council by:

- monitoring decisions of the Cabinet
- allowing all Councillors, citizens and stakeholders to have a say in matters concerning the Council
- producing reports and recommendations to support the development of policies and decisions
- having the ability to review a decision which has been made but not yet implemented.

**Regulatory and other committees** support delivery of Council services. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.



The Council's **Management Team** is led by Chief Executive Paul Orders and includes Corporate Directors, Directors and Assistant Directors, including the statutory officers (Monitoring Officer and Section 151 Officer). They are responsible for:

- providing impartial advice on policy and implementing decisions of the Cabinet and Council and
- delivery of services and performance.

Our **Workforce** comprises 5344 'full time equivalent' employees as well as 6600 schools based employees.

### Our Performance 2018/19

#### Cardiff is a great place to grow up

**95%** of primary school children and **82%** of secondary school children secured their first choice schools (90% and 76% in 2017-18).

**56%** of primary schools and **50%** of secondary schools were categorised as green (53% and 38% in 2017/18).

**90.2%** of pupils achieved core subjects at the end of KS2 academic year (Wales average 89.5%).

**60.4%** of pupils achieved 5 GCSEs grades A\* to C at the end of KS4 compared (Wales average 53.1%).

**50%** of children with a care and support plan were supported to remain living with their family.



#### Cardiff is a great place to grow old

**8,351** people were helped to remain independent through alternative solutions provided by Independent Living (275 increase on 2017-18 figure of 6,551).



**86%** of people who feel reconnected into their community through intervention from day opportunities.

#### Supporting people out of poverty

The Council has supported **88** employers across Cardiff to become accredited Living Wage Employers, this has increased from 62 organisations in 2017-18.

**181** apprenticeships and traineeships were created by the Council (47% increase on 2017-18 figure of 123).

**45,497** people accessed 'Into Work' advice to help citizens to develop skills and find employment opportunities (42,371 in 2017-18).



#### Safe, Confident and Empowered Communities

**2,840,127** visits to Cardiff's various sports and leisure sites across the City (2,714,916 in 2017-18).

**3,400,748** citizens visited our libraries and hubs (3,344,686 in 2017-18).



**608** Council Employees have participated in Welsh language courses and awareness training.

#### A Capital City that Works for Wales

**2,070** new and safeguarded jobs supported across the City.

**22.170m** visitors (22.050m in 2017-18).

**2.065m** staying visitors (2.062m in 2017-18).



**966** children and adults in need of care and support using the Direct Payments Scheme, this has increased from 908 in 2017-18.

### Cardiff Grows in a Resilient Way

**48.1%** of people travelled to work by sustainable methods compared to 45.8% of people in 2017-18

**13.7%** of people in Cardiff used cycling as a mode of transport to travel to work (11.4% in 2017-18).



3.50% of principal A roads were in overall poor condition, this has improved from 3.70% in 2017-18.

99.33% of reported fly tipping incidents were cleared in 5 working days.

**£46** million was invested on improving or building new schools.

### Modernising and integrating Our Public Services

Since its launch the Cardiff App has been downloaded **11,740** times, across both android and iOS devices.

This has seen an increase to **946,019**



**customers** choosing to use digital channels to contact the Council on areas such as Council Tax, housing, planning and waste collection. (784,467 in 2017-18).

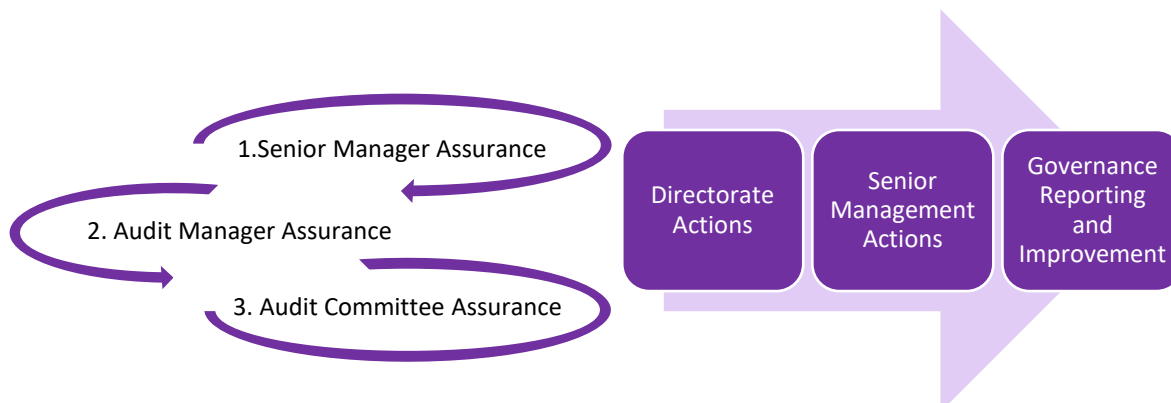
The Council continues to see an increase in the number of customers choosing to interact via social media channels, with approx. 112,000 followers.

## Our Governance, Risks and Financial Outlook

We prepare an Annual Governance Statement (AGS) each year, to disclose the findings of our annual review of the Council's governance. The AGS includes an Action Plan for any significant governance issues identified as part of the review, to be progressed by Senior Management. It is approved by Council in parallel with the Financial Statements and is used for governance reporting and improvement. This is available on the Council's website at the following address.

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Pages/default.aspx>

In preparing the AGS, the Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by CIPFA and the Society of Local Authority Chief Executives. It comprises the systems, processes, culture and values through which the Council is directed and controlled and its engagement and work with the community. The AGS is built through core disclosures from Senior Management, and the independent opinions of the Internal Audit Manager and the Audit Committee.

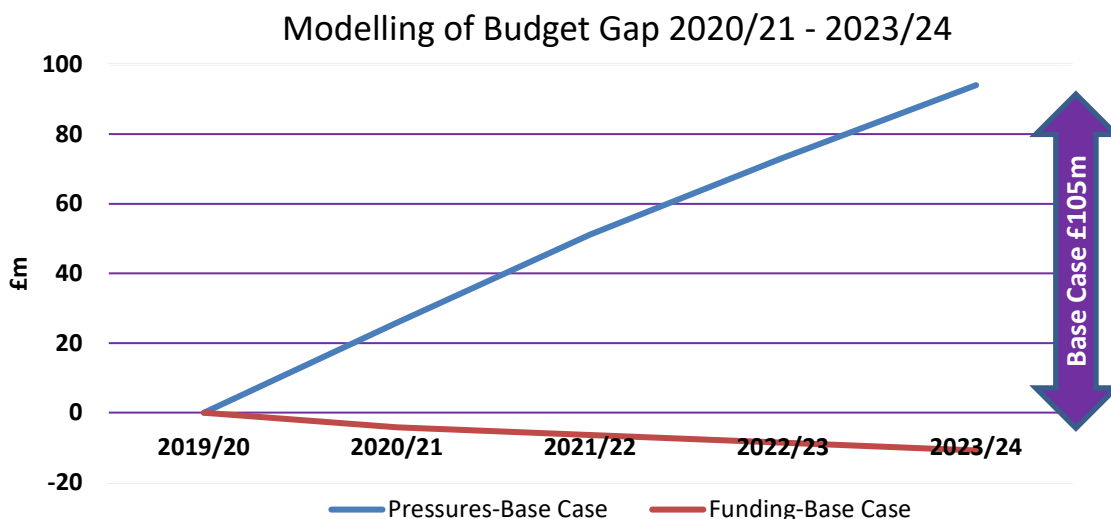


The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks to Senior Management Team for ownership, review and reporting.

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2019, there are eleven corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. These are shown below and are being actively managed

|  |   |
|--|---|
| City Security                            | <ul style="list-style-type: none"> <li>Major security-related incident in the city as a result of international or domestic terrorism</li> </ul>  |
| Coastal Erosion                          | <ul style="list-style-type: none"> <li>Breach of current defences resulting in widespread flooding</li> </ul>   |
| Air Quality & Clean Air                  | <ul style="list-style-type: none"> <li>Failure to address the impact of poor air quality on the health of our communities</li> </ul>  |
| Welfare Reform                           | <ul style="list-style-type: none"> <li>Failure to meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, removal of automatic entitlement to housing cost for under 21s and changes to funding for supported housing</li> </ul>                        |
| Schools Delegated Budgets                | <ul style="list-style-type: none"> <li>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans</li> </ul>   |
| Brexit                                   | <ul style="list-style-type: none"> <li>The risk that Brexit (and any subsequent decisions) will create severe disruption to the city and hinder its ability to continue to deliver effective services and maintain community cohesion</li> </ul>  |
| Waste Management                         | <ul style="list-style-type: none"> <li>Failure to meet statutory recycling targets and deliver cost effective compliance with waste management legislation</li> </ul>   |
| Building Equipment Maintenance           | <ul style="list-style-type: none"> <li>Ineffective application of statutory equipment maintenance responsibilities for council buildings</li> </ul>   |
| ICT Platforms Unsuitable/Outdated        | <ul style="list-style-type: none"> <li>Risk that ICT platforms (desktop, software, network, servers and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems</li> </ul> |
| Increase in Demand (Children's Services) | <ul style="list-style-type: none"> <li>Failure to effectively manage demand resulting in an increase in the number of looked after children, and the service and financial pressures this presents</li> </ul>   |
| Cyber Security                           | <ul style="list-style-type: none"> <li>Management - risk of an inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity</li> <li>Corporate cloud security - risk of weaknesses in externally hosted services</li> </ul>  |

The 2019/20 budget report agreed by Council in February 2019 addressed a budget gap of £32.4 million including £19.2 million of savings. The budget gap between 2020/21 and 2023/24 is estimated to be £105 million.





As in previous years, the key reasons for the budget gap are that Welsh Government funding is anticipated to reduce over the medium term by 0.5% p.a, whilst costs are expected to rise significantly. These are due to factors such as employee costs, price inflation, paying for capital projects, demographic pressures for adults and children as well as increased school pupil numbers and needs.

To ensure the budget strategy approach is aligned to the delivery of corporate priorities a Capital Ambition Delivery Programme is in place and composed of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery and
- Resilient Services: Transformation of front-line services.

A range of options will be considered in order to address the gap including income generation, collaboration, review of business processes, review of expenditure, increases in Council Tax, strength based practice and preventing escalation of need for services. Determining and meeting savings targets will be increasingly problematic with increased levels of risk to the delivery of those targets. This will need to be managed and performance monitored closely.

Significant capital expenditure investment is proposed in areas such as: new schools; to address the condition of existing buildings across the whole estate; to develop new council housing; to address air quality; economic regeneration and for sustainable travel schemes such as cycling. The five year investment plan will require an increase in borrowing and a new approach to generating a significantly enhanced level of asset disposals in order to help pay for investment and minimise the need for investment in the first place.

Further details of the Council's budget are included in the Budget Report 2019/20, which is available on the Council's website at the following address.

<http://cardiff.moderngov.co.uk/documents/s27709/Council%2028%20Feb%202019%20Budget%20FINAL.pdf>

### **Financial Performance 2018/19**

Along with the rest of local government, the Council has faced significant challenges in funding its services. The 2018/19 budget was set against this backdrop of financial uncertainty and increasing demand for our services. During the year, the Council developed a Medium Term Financial Plan based on a rolling four-year period from 2018/19 to 2021/22, ensuring that resources are aligned to outcomes in the Corporate Strategy.

Council approved the 2018/19 budget in February 2018, which addressed a budget shortfall of £25.248 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 5.0% Council Tax increase.

#### **Revenue Expenditure and Funding**

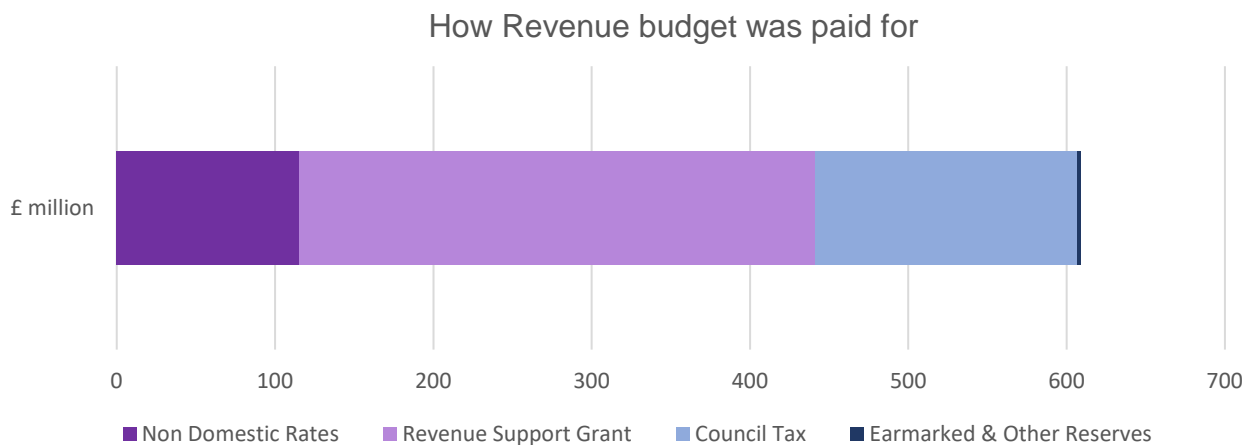
Revenue expenditure covers the cost of the Council's day-to-day operations and contributions to and from reserves.

The final revenue outturn shows expenditure within the overall 2018/19 net revenue budget of £608.913 million. Favourable variances within the summary Revenue Account enabled contributions to be made to a number of strategic earmarked reserves that will support financial resilience of the Council in the medium term.

| Directorate   | Net<br>Expenditure<br>Budget<br>£000 | Net<br>Expenditure<br>Outturn<br>£000 | Variance<br>(Under)/Over<br>£000 |
|---|--------------------------------------|---------------------------------------|----------------------------------|
| Corporate Management  | 23,191                               | 23,638                                | 447                              |
| Economic Development  | 6,648                                | 7,141                                 | 493                              |
| Education & Lifelong Learning   | 255,376                              | 256,308                               | 932                              |
| People & Communities - Housing & Communities  | 44,394                               | 43,860                                | (534)                            |
| People & Communities - Social Services  | 168,232                              | 171,110                               | 2,878                            |
| Planning, Transport & Environment   | 44,995                               | 46,260                                | 1,265                            |
| Resources - Governance & Legal Services   | 5,367                                | 5,612                                 | 245                              |
| Resources   | 20,374                               | 20,001                                | (373)                            |
| <b>Directorate Outturn Subtotal</b>   | <b>568.577</b>                       | <b>573.930</b>                        | <b>5.353</b>                     |
| Capital Financing   | 35,236                               | 34,844                                | (392)                            |
| General Contingency   | 3,000                                | 0                                     | (3,000)                          |
| Summary Revenue Account inc. Council Tax collection<br>and NDR refunds and Discretionary Relief | 2,100                                | 139                                   | (1,961)                          |
| <b>Total Council Outturn</b>  | <b>608.913</b>                       | <b>608.913</b>                        | <b>0</b>                         |

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services, Planning Transport & Environment and Education & Lifelong Learning. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2018/19 budget.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £5.353 million. This was managed by the release of the £3 million general contingency held to reflect the quantum risk and planning status of proposed savings as well as savings from other areas including Council Tax collection, NDR refunds on Council properties, Capital Financing and the Summary Revenue Account.



- Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collectable by Cardiff for 2018/19 totalled £194.593 million of which Cardiff received £115.383 million after redistribution by Welsh Government. The in-year collection rate was 96.8%.
- Revenue Support Grant of £325.564 million was received from Welsh Government.
- Council Tax collected by the Council includes precepts for the police and community councils and where applicable was passed onto the relevant bodies. Council Tax income retained by the

Council of £166.417 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.4%.

## Housing Revenue Account (HRA)

The Housing Revenue Account is a ring-fenced account shown within the Housing and Communities directorate. It includes income from rents and expenditure on managing the housing stock and related services.

- The council has 13,466 dwellings at March 2019.
- The average weekly net rent for 2018/19 was £101.68.
- Income including rent and charges for services totalled £77.653 million.
- Revenue expenditure included £22.434 million on repairs and maintenance, £24.499 million on supervision and management and £32.640 million on interest, provision for the repayment of debt and towards capital expenditure.

## Capital Expenditure and Funding by the Council

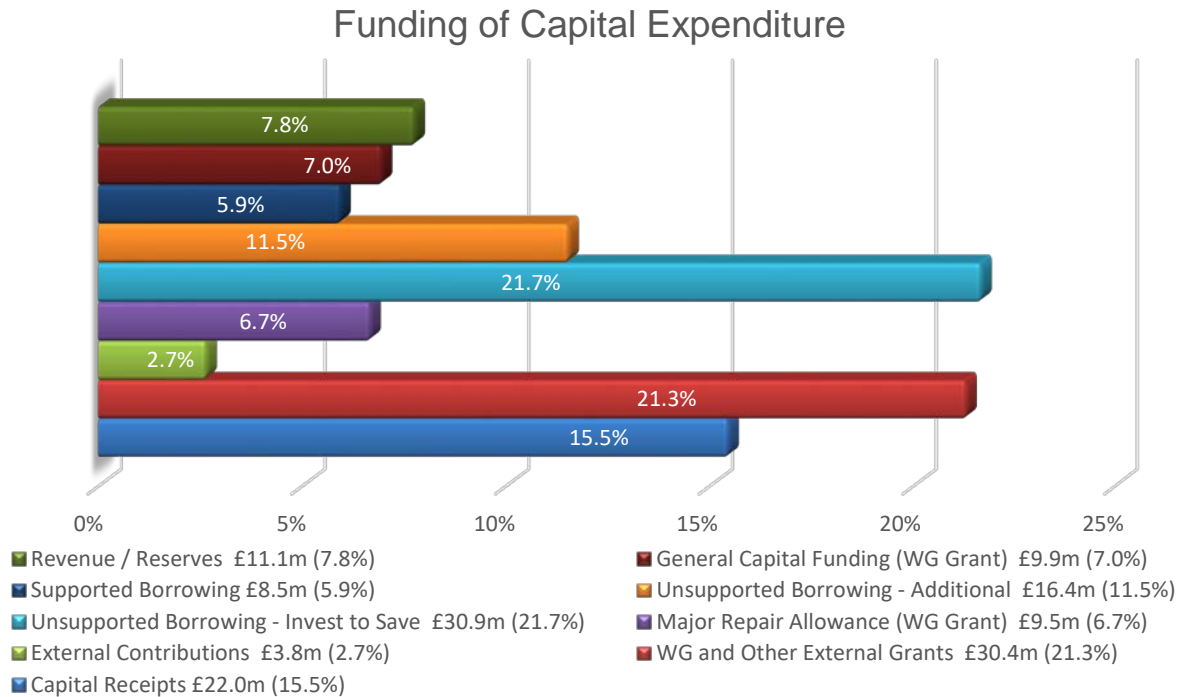
Capital investment forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspirations to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our non-financial stability. Capital spending during the year totalled £142.5 million

| Schemes   | Detail  | £m           |
|---|---|--------------|
| Housing, Neighbourhood Regeneration               | Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements and a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn including creation of new shop units; completion of St Mellons Hub.   | 8.4          |
| Education & Lifelong Learning                     | Completion of the Band A Investment Programme including a new High school in the West and three new primary schools; extensions of facilities at a number of schools; investment in the condition and suitability of school buildings and development costs for the start of the Band B projects.                 | 46.6         |
| Highways & Transportation                         | Road and footpath reconstruction and resurfacing; Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire scheme; investment in safe routes in communities; design works for city centre air quality measures. | 17.6         |
| Leisure Facilities & Parks                        | Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; outdoor sports facilities and infrastructure improvements.  | 4.0          |
| Property, Economic Development and Major Projects | Public realm improvements at Central Square; acquisition of land at Britannia Park, internationals sports village and as part of the investment property strategy; condition improvements of operational buildings; town centre loan initiatives.   | 17.9         |
| City Deal   | Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility   | 2.9          |
| Other   | Modernising ICT to improve business process; Energy efficiency in buildings; harbour asset renewal; Waste Recycling and collection improvements; acquisition of previously leased road salt gritters and waste collection vehicles; day centre improvements.  | 6.2          |
| Public Housing                                    | Improvement of current housing stock, estate regeneration and creation of new Council housing   | 38.9         |
| <b>Total capital spending</b>                     |   | <b>142.5</b> |

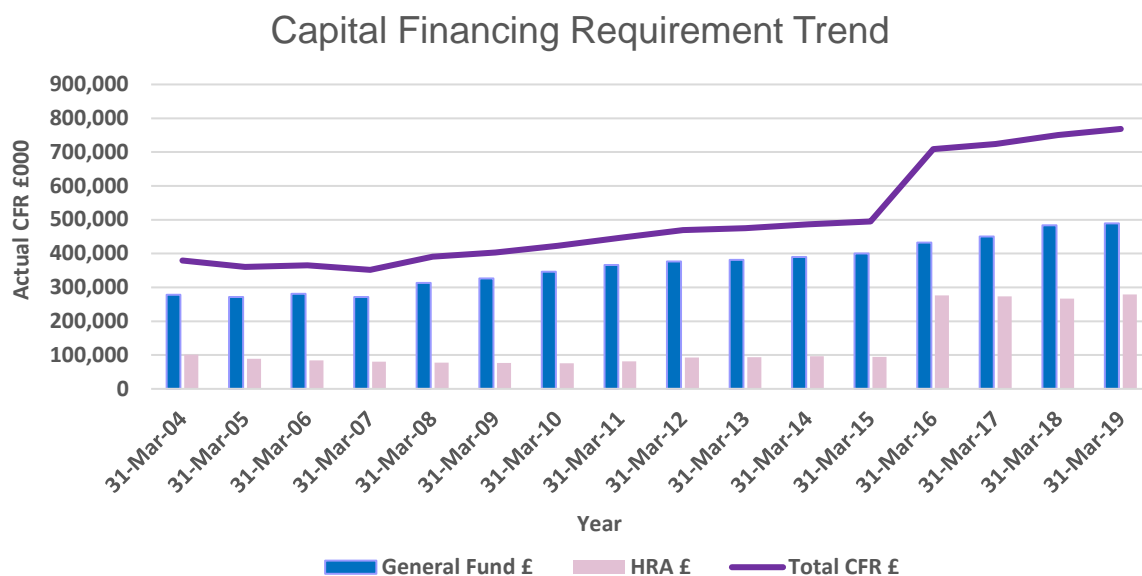
The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. The Capital Programme was financed from a combination of borrowing (£55.8 million)



and from grants, contributions reserves and Sale of assets (£86.7 million). An analysis of the sources of capital funding is shown in the chart below:

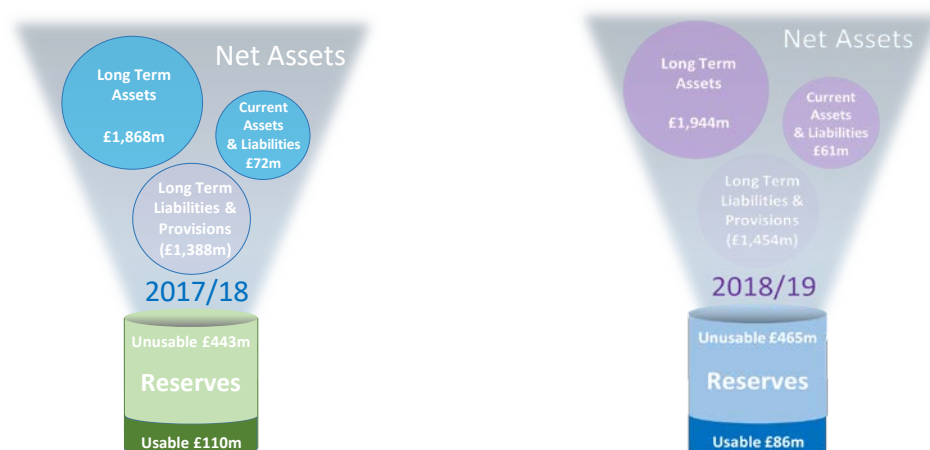


Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continues to rise as a percentage of controllable budget.



## Financial Position 2018/19

The balance sheet of the Council is summarised below and shows its assets and liabilities.



### Property, Plant, Equipment and Other Non-Current Assets

The valuation of assets involves a number of assumptions; however, movements in asset valuations as well as any accounting charges such as depreciation have no impact on the council tax or rent payable, as they are required to be reversed from unusable reserves. Note 18 details movements in assets, capital expenditure and its financing.

- Capital receipts from the disposal of property assets and similar income was £9.232 million including the sale of land at Howard Gardens and Council dwellings sold under right to buy regulations.
- As part of the Council's rolling programme, revaluations took place during the year of Council dwellings, operational assets (excluding schools), investment properties and surplus assets.

### Financial Assets and Liabilities

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2018/19. Investments for treasury management purposes and cash is £89.194 million at 31 March 2019 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.76%.

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing to meet the capital financing requirement continues to be deferred by using temporary cash balances. Borrowing is undertaken when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly.

The average interest rate paid on the Council's borrowing reduced from 4.64% to 4.53% at 31 March 2019. Interest payable on borrowing was £32.176 million, of which £11.716 million was payable by the Housing Revenue Account.

Note 19 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved

### Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. This includes insurance claims received as well as for

landfill aftercare. During 2018/19, total provisions increased by £1.440 million to £30.857 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

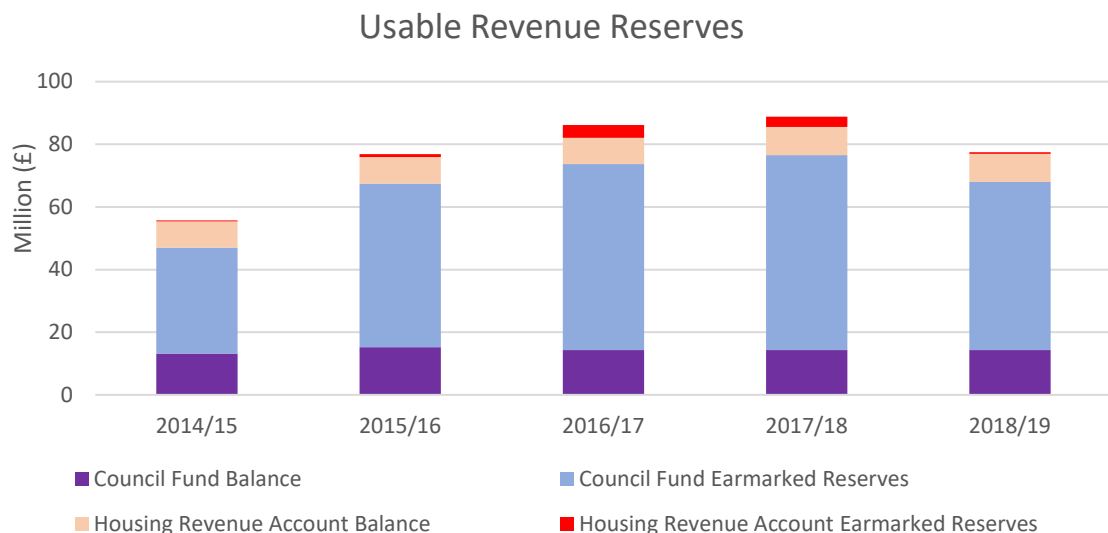
### Pensions Liabilities

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund, with details of its participation in pension schemes shown in note 17 of the accounts.

- The cost to the Council during the year for pension liabilities is £47.890 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £669.690 million at 31 March 2019. This is based on the latest actuarial assumptions adjusted for the estimated impact of the McCloud judgement and GMP equalisation. This has increased by £26.408 million from 2017/18.
- The fund is revalued every three years, with the fund's assets at 31 March 2017 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

### Balances and Reserves

Balances and Reserves are sums of money put aside for specific policy purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. The level of usable reserves as a percentage of revenue expenditure continues to be one of the lowest in Wales. Earmarked reserves are detailed in note 2 of the accounts whilst other usable and unusable reserves are shown in notes 28 and 29.



## The Financial Statements

The Statement of Accounts are set out in this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report.

### The core statements are:

- *The Comprehensive Income and Expenditure Statement* records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by directorate. The bottom half of the statement deals with corporate transactions and funding.
- *The Movement in Reserves Statement* is a summary of the changes to our reserves over the course of the year. Reserves are divided into 'useable', which can be invested in capital projects or service improvements and 'unusable', which must be set aside for specific purposes.



- *The Balance Sheet* is a 'snap shot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- *The Cash Flow Statement* shows the reasons for changes in the council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.

### The supplementary statements are:

- *The Housing Revenue Account* separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- *Group Accounts* combine the Council's own financial statements with its material interests in subsidiaries, associates and/or joint ventures, in this Council's case, Cardiff Bus.
- *Other statements for regulatory purposes* include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

## Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2018/19. Demand for all council services continues to increase and the continued negative future funding outlook for all local authorities remains a significant risk. The Council has set an ambitious agenda to invest and improve what we do for residents which will require difficult choices to be made and a focus on key priorities. Detailed financial planning assumptions will continue to be required to support a fully informed Medium Term Financial Plan that ensures financial resilience.

I am grateful for the work of my finance team in supporting directorates and in preparing these financial statements that facilitate transparency of our financial performance and position during 2018/19. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

Christopher Lee  
Corporate Director Resources and Section 151 Officer

# Statement of Responsibilities for the Financial Statements



# Statement of Responsibilities for the Financial Statements

## Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

### 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 2018/19, that officer was Christopher Lee, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

**Councillor Daniel De'Ath**  
**Lord Mayor**

**Date: 12 September 2019**

### The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position of the Council at 31 March 2019.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 12 September 2019**

# Audit Report

## **Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff**

### **Opinion**

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2019 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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



# Audit Report

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

## Report on other requirements

### Opinion on other matters

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

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19;
- The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

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

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

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

### Certificate of completion of audit

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

### Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, 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, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

## Audit Report

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Accounting Policies, Critical Judgements and Assumptions



## Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2019 and its financial position at 31 March 2019. 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 2018/19 (the Code).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis i.e. on the assumption that the Council will continue to be in existence for the foreseeable future. All operations were classified as continuing and there were no significant acquisitions or discontinuations of service during the financial year.

### 1. Accounting Standards issued but not yet adopted

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases in 2020/21. This will remove the existing classification of operating and finance leases covering buildings, equipment etc. and their different accounting treatments. It will require all leases, with a term over a year, to be recorded as assets and liabilities unless the underlying asset is of low value.

Whilst this is expected to have no direct financial impact, work will need to be undertaken to ensure existing lease type arrangements across the Council are identified, and accurately recorded. This will include a review of existing and the creation of new processes for managing and recording existing and new lease arrangements.

### 2. Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser
- revenue from the provision of services/contracts is recognised when the Council can measure reliably the percentage of completion and it is probable that economic benefits or service potential will be achieved
- supplies are recorded as expenditure when they are consumed
- services received 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 debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

### 3. 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 if it meets the following criteria:

- be available for immediate sale in its present condition
- sale must be highly probable
- be actively marketed or have identified prospective purchasers
- the sale expected to be completed within one year.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision



of Services. Depreciation is not charged on Assets Held for Sale. Regular reviews are undertaken as to whether assets still meet the criteria for Assets Held for Sale and where this is not the case they are reclassified and revalued in accordance with the appropriate class.

#### **4. Cash and Cash Equivalents**

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 include Call Accounts repayable with under ninety days notice and Money Market Funds repayable without penalty on notice of not more than twenty four hours.

#### **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 the notes to the accounts where deemed material.

#### **6. Deferred Liabilities**

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

#### **7. Disposals and Capital Receipts**

When assets are disposed of or decommissioned, the value of those assets included in the Balance Sheet along with any proceeds from disposal are used to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts.

#### **8. Employee Benefits**

##### **Benefits Payable during Employment**

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

##### **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 Comprehensive Income and Expenditure Statement.

##### **Post-Employment Benefits**

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

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, via membership of the Cardiff and Vale of Glamorgan Pension Fund administered by the Council.

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

##### **Defined Contribution Schemes**

Centralised arrangements for the Teacher's Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council and is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme. The net pension liability, which represents the Council's attributable share of the Pension Fund's assets and liabilities, is shown in the Balance Sheet where:

- liabilities for the scheme attributable to the Council are included on an actuarial basis using the projected unit method (an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections earnings for current employees).
- assets of the scheme attributable to the Council are included at their fair value:
  - quoted and unlisted securities – current bid price
  - unquoted securities – professional estimate
  - property – market value.

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

- Current service costs: increase in the liability as a result of pension earned by employees in the year is charged to net cost of services.
- Past service costs: increase in the liability arising from current year decisions which affect pension earned by employees in earlier years is charged to Corporate Management.
- Gains/losses on settlements and curtailments: result of actions to relieve the Council of liabilities or events that reduce expected future service or accrual of benefits are charged to Corporate Management.
- Net interest on the net defined benefit liability: net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- Re-measurements: return on plan assets (excluding amounts included in net interest) and actuarial gains/losses as a result of updated actuarial assumptions. These are both charged to the Pensions Reserve as Other Income and Expenditure.

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 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. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the Council's business model for holding financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost - Achieve objectives by collecting contractual cash flows e.g. principal and interest
- Fair value through profit or loss (FVPL) - Achieve objectives by both collecting contractual cash flows and selling assets
- Fair value through other comprehensive income (FVOCI) - Achieve objectives by any other means than collecting contractual cash flows and where the Council has designated that this is the case.

In terms of value of financial assets recognised in the accounts, the authority's primary business model is to hold investments to collect contractual cash flows, however loans and equity instruments may be provided as capital expenditure in the approved Capital Programme to achieve service objectives. Depending on the rationale for holding such financial assets, primarily equity, the Council may designate such items to be measured at fair value through other comprehensive income.

Fair value measurement techniques are defined within the final section of this policy.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the 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 in accordance with any investment or loan agreement. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

Any gains or losses that arise on the derecognition of an asset are credited/debited to the CIES.

### Expected Credit Loss Model

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Such a review would take place on an individual financial asset or collective basis, based on materiality and cost benefit of individual assessment.

The Council undertakes a review of expected credit losses on all financial assets held at amortised cost either on a 12-month or lifetime basis. Where provision for such losses is not already undertaken e.g. as part of a provision for bad debts, adjustments to the value of financial assets disclosed in the accounts would be made. Credit risk plays a crucial part in assessing expected credit loss. Where risk has increased significantly since a financial asset was initially recognised, provision for losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, provision for losses are assessed on the basis of 12-month expected loss.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

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

### **Financial Assets Measured at Fair Value through other comprehensive income (FVOCI)**

Financial assets that are measured as FVOCI are initially measured and carried at fair value on the Balance Sheet. Treating such assets under this category will require a 'Designation' by the Council. These are likely to be equity holdings held as part of a service objective.

Fair value gains and losses are recognised in other comprehensive income and the change in the amount of the investment in the balance sheet is matched with an entry in the Financial Instruments Revaluation Reserve.

Upon derecognition, any balance on the Financial Instruments Revaluation Reserve is recycled through the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurement of Financial Assets**

Fair value measurements for the above financial asset classes measured at fair value are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

### 10. Financial Liabilities

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

Where a fair value price which is paid to transfer a liability, is estimated and disclosed, inputs to the valuation techniques used to determine fair value are attributed to the same levels as stated under the Financial Assets accounting policy.

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

- 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 Council's Financial Instruments, which are not considered material, are charged immediately to the Comprehensive Income and Expenditure Statement.

### 11. Grants and Contributions

Grants and other contributions are accounted for on an accruals basis and recognised when:

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

#### Revenue

Grants, for which conditions have not 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 longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

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 in an Earmarked Reserve.

#### 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 contribution has been received but remains unapplied, this is deemed to represent a condition and is shown as a creditor, as the unused element could be returned to the funder.



## Accounting Policies, Critical Judgements and Assumptions

Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

Capital grants and contributions are identified separately on the Balance Sheet.

### **12. Heritage Assets**

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

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. No depreciation charge is made on heritage assets.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets within the notes to the accounts. The next valuation is due to take place in 2019/20.

### **13. Intangible Non-Current 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 Council in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation and are reviewed for impairment and re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

Gains or losses arising from disposal are recognised in the surplus or deficit on the provision of services.

### **14. 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.

### **15. 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 expenditure.

### **16. Investment Property**

Investment properties are those held solely to earn rentals and/or for capital appreciation such as; ground leases, land held for future development as strategic sites and other land and buildings that meet investment property criteria.

Investment properties are measured at fair value, based on the market value that would be received to sell an asset in an orderly transaction between market participants at the measurement date, reflecting the asset's highest and best use. A full valuation took place in 2018/19.

Investment properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service 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.

### 17. Joint Committees

The relevant proportion of Joint Committees are included within the Council's accounts which reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 18. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership, of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

#### The Council as Lessee

##### Finance Leases

For plant and equipment, the Council has set a de-minimis level of £75,000 for leases to be recognised as finance leases. The Council does not hold any leases of this type.

##### Operating Leases

Payments for operating leases are charged to the relevant service line on an accruals basis.

#### The Council as Lessor

##### Finance Leases

The Council does not provide any leases of this type.

##### Operating Leases

Where the Council 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.

### 19. Property, Plant, Equipment

These assets are those 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.

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 has a de-minimis policy of £1,000 with regards to capitalisation of expenditure in connection with Council dwellings.

#### 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, excluding borrowing costs which are not capitalised.

A full year's depreciation is charged on capital expenditure incurred in the year. No depreciation is charged in the year of disposal.

Assets are subsequently carried on the balance sheet as per the following:

## Accounting Policies, Critical Judgements and Assumptions

| Asset Type  | Measurement   | Revaluation                          | Valuer  | Depreciation  |
|---|---|--------------------------------------|---|---|
|   |   | Next revaluations are scheduled for: | Those undertaken this year were completed by: | Calculated on a straight line basis over the below estimated useful lives, unless there is not a determinable finite useful life. |
| <b>Assets under Construction</b>                  | Depreciated Historical Cost   | n/a                                  | n/a   | n/a   |
| <b>Community Assets</b>                           | Depreciated Historical Cost   | n/a                                  | n/a   | n/a   |
| <b>Council Dwellings</b>                          | Existing Use Value for Social Housing   | 2018/19<br>2021/22                   | Council valuation team                        | Land: n/a<br>Buildings: 50 years  |
| <b>Infrastructure</b>                             | Depreciated Historical Cost   | n/a                                  | n/a   | 7-120 years*  |
| <b>Other Operational Land &amp; Buildings</b>     | Existing Use Value or Depreciated Replacement Cost if specialist nature without market-based evidence | 2018/19<br>2021/22                   | Cooke & Arkwright                             | Land: n/a<br>Buildings: 3-65 years  |
| <b>School Assets</b>                              | Detailed Depreciated Replacement Cost (Modern Equivalent Asset)                                       | 2019/20<br>2022/23                   | n/a   | Land: n/a<br>Buildings: 3-65 years  |
| <b>Surplus Assets</b>                             | Fair Value  | 2018/19<br>2019/20<br>2020/21        | Council valuation team                        | n/a   |
| <b>Vehicles, Plant, Furniture &amp; Equipment</b> | Depreciated Historical Cost   | n/a                                  | n/a   | 5-15 years  |

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

### Revaluations:

Council dwellings, other land and buildings and surplus assets are required to be revalued periodically. Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current 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 or source any external valuation services. This ensures finance are made aware of all property issues affecting the Council,
- having an agreed rolling revaluation programme 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.

Revaluations of the Council's property assets are undertaken on a minimum 3 yearly rolling programme basis, or where there is a major refurbishment of an asset a new valuation will be sought in the year of completion and a revision is made to the useful life.

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

### **Impairment and Downward Revaluation:**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is as follows:

- 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.
- thereafter, or if there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **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.

These factors are:

- 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 £1.500 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 do not meet the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatement in the accounts.

## **20. Provisions**

Provisions are charged as expenditure to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Provisions are reviewed at the end of each financial year and where no longer required are credited back to the relevant service line.

## **21. 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.

## **22. Reserves**

The Council sets aside useable earmarked reserves for future policy purposes or to cover contingencies. Certain reserves are maintained to manage the accounting processes for non-current assets, financial



## Accounting Policies, Critical Judgements and Assumptions

instruments, and retirement and employee benefits. These do not represent usable resources for the Council and there are no net impacts on council tax or rent.

### 23. Value Added Tax (VAT)

VAT payable is excluded from expenditure except where it is not recoverable from HMRC. VAT receivable is excluded from income.

### Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government, however the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. Lower levels of funding require prioritisation choices to be made and significant investment is required in property assets, that should be retained, and highway infrastructure in order to maintain condition and usefulness in service delivery.
- In 2014/15, CIPFA clarified the requirements for recognising schools property on Council Balance sheets. This highlighted the need for there to be 'control' of assets, with a key criteria for recognition being legal ownership. The Council includes Voluntary Aided, Voluntary Controlled and Foundation schools in its balance sheet only if it owns the land and can accordingly direct the use of the assets. In most cases these are owned by religious bodies, the trustees or governing body of the school.

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

The Statement of Accounts contains figures that are based on assumptions or estimates about the future or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different. The main items in the Council's Balance Sheet at 31 March 2019 for which there is a risk of adjustment in future financial years are:

| Item   | Uncertainty   | Effect if Actual Results Differ from Assumptions  |
|--|---|---|
| Valuation, where required of Property, Plant and Equipment assets, Heritage assets and Investment properties | Valuation of property interests involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factors for social housing etc. Valuations are undertaken on a more frequent basis than the minimum 5 year period and indications of any significant impairment are considered annually. Valuations are undertaken by qualified Chartered Surveyors, or experts in the relevant field, 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. | Any changes to valuations and any associated depreciation charges to services for non-current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.      |
| Financial Instrument assets  | These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability. For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd. The fair value is deemed to be Net   | Any change in the fair value of Cardiff City Transport Services Ltd has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the Financial Instrument Adjustment Reserve. |

## Accounting Policies, Critical Judgements and Assumptions

| Item               | Uncertainty   | Effect if Actual Results Differ from Assumptions  |
|--------------------|---|---|
|                    | Worth in accordance with the company's latest accounts.   |   |
| Provisions         | The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims, such as those for insurance. Provisions relating to landfill sites subject to a high level of estimation primarily given the length of period over which they are to be considered. Professional internal and external advice is used to determine the need and value of provisions. | The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify  |
| Arrears            | At 31 March 2019, the Authority 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 which may impact on collectability a level of impairment or provision for expected credit losses is assumed, which may, or may not be sufficient.   | Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay this will require increases in the level of provisions currently set aside. |
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This also includes market volatility for example, as a result of Brexit. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.          | The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.  |

# Core Financial Statements and Notes to the Financial Statements



## Comprehensive Income and Expenditure

This statement records all of the Council's income and expenditure throughout the year and consequently shows the accounting cost of providing services during the year in line with generally accepted accounting practices. The Expenditure and Funding Analysis (Note 4) demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

| 2017/18           |                  |                 |  | Note | 2018/19           |                  |                 |
|-------------------|------------------|-----------------|--|------|-------------------|------------------|-----------------|
| Gross Expenditure | Gross Income     | Net Expenditure |  |      | Gross Expenditure | Gross Income     | Net Expenditure |
| £000              | £000             | £000            |  |      | £000              | £000             | £000            |
| 13,455            | (3,164)          | 10,291          | Corporate Management                                     |      | 35,392            | (1,416)          | 33,976          |
| 71,450            | (37,654)         | 33,796          | Economic Development                                     |      | 75,983            | (40,445)         | 35,538          |
| 375,125           | (90,253)         | 284,872         | Education & Lifelong Learning                            |      | 366,543           | (92,894)         | 273,649         |
| 8,187             | (1,690)          | 6,497           | Governance & Legal Services                              |      | 6,939             | (1,067)          | 5,872           |
| 9,134             | (6,484)          | 2,650           | Harbour Authority  |      | 8,977             | (6,074)          | 2,903           |
| 53,836            | (72,896)         | (19,060)        | Housing Revenue Account                                  |      | 42,624            | (77,654)         | (35,030)        |
| 248,468           | (200,324)        | 48,144          | Housing and Communities                                  |      | 240,878           | (194,488)        | 46,390          |
| 113,495           | (56,235)         | 57,260          | Planning , Transport and Environment                     |      | 128,170           | (52,783)         | 75,387          |
| 37,300            | (14,854)         | 22,446          | Resources  |      | 39,103            | (15,278)         | 23,825          |
| 184,114           | (26,541)         | 157,573         | Social Services  |      | 197,074           | (24,084)         | 172,990         |
| 2,701             | (5,813)          | (3,112)         | Summary Revenue Account                                  |      | 3,688             | (5,514)          | (1,826)         |
| <b>1,117,265</b>  | <b>(515,908)</b> | <b>601,357</b>  | <b>Net Cost of Services</b>                              |      | <b>1,145,371</b>  | <b>(511,697)</b> | <b>633,674</b>  |
| 31,216            | 0                | 31,216          | Police and Crime Commissioner for South Wales            | 5    | 33,499            | 0                | 33,499          |
| 310               | 0                | 310             | Community Council Precepts                               | 5    | 367               | 0                | 367             |
| 17,115            | 0                | 17,115          | Levies & Contributions                                   | 5    | 17,439            | 0                | 17,439          |
| 29,135            | (27,146)         | 1,989           | (Gain)/loss on sale of non-current assets                |      | 9,106             | (9,590)          | (484)           |
| <b>77,776</b>     | <b>(27,146)</b>  | <b>50,630</b>   | <b>Other Operating Expenditure</b>                       |      | <b>60,411</b>     | <b>(9,590)</b>   | <b>50,821</b>   |
| 31,781            | 0                | 31,781          | Interest Payable on debt                                 | 19   | 32,176            | 0                | 32,176          |
| 14,690            | 0                | 14,690          | Interest on net defined benefit liability/(asset)*       | 17   | 16,098            | (11)             | 16,087          |
| 0                 | (700)            | (700)           | Interest & Investment Income                             | 19   | 0                 | (972)            | (972)           |
| 2,502             | (38)             | 2,464           | Change in fair value of Investment Properties            | 4.2  | 5,066             | (5,655)          | (589)           |
| <b>48,973</b>     | <b>(738)</b>     | <b>48,235</b>   | <b>Financing and Investment Income &amp; Expenditure</b> |      | <b>53,340</b>     | <b>(6,638)</b>   | <b>46,702</b>   |
| 0                 | (50,734)         | (50,734)        | Recognised Capital Grants & Contributions                | 30   | 0                 | (49,018)         | (49,018)        |
| 0                 | (312,736)        | (312,736)       | Revenue Support Grant                                    | 30   | 0                 | (325,564)        | (325,564)       |
| 0                 | (115,480)        | (115,480)       | Non-Domestic Rates                                       | 8    | 0                 | (115,383)        | (115,383)       |

## Comprehensive Income and Expenditure

|       |           |           |  |    |       |           |           |
|-------|-----------|-----------|--|----|-------|-----------|-----------|
| 2,070 | (191,095) | (189,025) | Council Tax Income   | 7  | 2,282 | (202,564) | (200,282) |
| 0     | 0         | 0         | Corporation Tax (CCRCDD)   |    | 131   | 0         | 131       |
| 2,070 | (670,045) | (667,975) | Taxation & Non-Specific Grant Income                                       |    | 2,413 | (692,529) | (690,116) |
|       |           | 32,247    | (Surplus)/Deficit on Provision of Services                                 |    |       |           | 41,081    |
|       |           | (2,262)   | Revaluation Gains  | 29 |       |           | (45,320)  |
|       |           | 2,128     | Revaluation Losses   | 29 |       |           | 21,306    |
|       |           | 361       | Impairment losses on non-current assets charged to the Revaluation Reserve | 29 |       |           | 2,399     |
|       |           | (305)     | (Surplus)/Deficit on Financial Instrument Revaluation Reserve              | 29 |       |           | 3,172     |
|       |           | 33,581    | Actuarial (gains)/losses on pension assets/liabilities*                    | 17 |       |           | (21,536)  |
|       |           | 33,503    | Other Comprehensive Income & Expenditure                                   |    |       |           | (39,979)  |
|       |           | 65,750    | Total Comprehensive Income & Expenditure                                   |    |       |           | 1,102     |

\*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures



## Movement in Reserves

The statement is split into both Usable and Unusable Reserves. Usable Reserves are those that the Council can use to provide services such as the General Fund and Capital Receipts Reserve whereas Unusable Reserves such as the Pension Fund and Capital Adjustment Account cannot be used.

|   | Council Fund Balance<br>£000 | Council Fund Earmarked Reserves<br>£000 | HRA Balance<br>£000 | HRA Earmarked Reserves<br>£000 | Capital Receipts Reserve<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Council Reserves<br>£000 |
|---|------------------------------|---|---------------------|--------------------------------|----------------------------------|-------------------------------|---------------------------|--------------------------------|
| <b>Balance at 31 March 2017 carried forward</b>                                 | <b>14,255</b>                | <b>59,391</b>                           | <b>8,438</b>        | <b>4,086</b>                   | <b>7,205</b>                     | <b>93,375</b>                 | <b>524,636</b>            | <b>618,011</b>                 |
| <b><u>Movement in Reserves during 2017/18</u></b>                               |                              |   |                     |                                |                                  |                               |                           |                                |
| Surplus or (deficit) on the provision of Services                               | (53,869)                     | 0                                       | 21,622              | 0                              | 0                                | (32,247)                      | 0                         | (32,247)                       |
| Other Comprehensive Income and Expenditure                                      | 0                            | 0                                       | 0                   | 0                              | 0                                | 0                             | (33,503)                  | (33,503)                       |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>(53,869)</b>              | <b>0</b>                                | <b>21,622</b>       | <b>0</b>                       | <b>0</b>                         | <b>(32,247)</b>               | <b>(33,503)</b>           | <b>(65,750)</b>                |
| Adjustments between accounting basis & funding basis under regulations (note 1) | 56,321                       | 0                                       | (21,940)            | 0                              | 14,115                           | 48,496                        | (48,496)                  | 0                              |
| <b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>    | <b>2,452</b>                 | <b>0</b>                                | <b>(318)</b>        | <b>0</b>                       | <b>14,115</b>                    | <b>16,249</b>                 | <b>(81,999)</b>           | <b>(65,750)</b>                |
| Transfers to/(from) Earmarked Reserves  | (2,452)                      | 2,452                                   | 863                 | (863)                          | 0                                | 0                             | 0                         | 0                              |
| <b>Increase/(Decrease) in 2017/18</b>   | <b>0</b>                     | <b>2,452</b>                            | <b>545</b>          | <b>(863)</b>                   | <b>14,115</b>                    | <b>16,249</b>                 | <b>(81,999)</b>           | <b>(65,750)</b>                |
| <b>Balance at 31 March 2018 carried forward</b>                                 | <b>14,255</b>                | <b>61,843</b>                           | <b>8,983</b>        | <b>3,223</b>                   | <b>21,320</b>                    | <b>109,624</b>                | <b>442,637</b>            | <b>552,261</b>                 |
| <b><u>Movement in Reserves during 2018/19</u></b>                               |                              |   |                     |                                |                                  |                               |                           |                                |
| Surplus or (deficit) on the provision of Services                               | (78,008)                     | 0                                       | 36,927              | 0                              | 0                                | (41,081)                      | 0                         | (41,081)                       |
| Other Comprehensive Income and Expenditure                                      | 0                            | 0                                       | 0                   | 0                              | 0                                | 0                             | 39,979                    | 39,979                         |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>(78,008)</b>              | <b>0</b>                                | <b>36,927</b>       | <b>0</b>                       | <b>0</b>                         | <b>(41,081)</b>               | <b>39,979</b>             | <b>(1,102)</b>                 |
| Adjustments between accounting basis & funding basis under regulations (note 1) | 69,879                       | 0                                       | (39,655)            | 0                              | (12,832)                         | 17,392                        | (17,392)                  | 0                              |
| <b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>    | <b>(8,129)</b>               | <b>0</b>                                | <b>(2,728)</b>      | <b>0</b>                       | <b>(12,832)</b>                  | <b>(23,689)</b>               | <b>22,587</b>             | <b>(1,102)</b>                 |
| Transfers to/(from) Earmarked Reserves (note 2)                                 | 8,129                        | (8,129)                                 | 2,728               | (2,728)                        | 0                                | 0                             | 0                         | 0                              |
| <b>Increase/(Decrease) in 2018/19</b>   | <b>0</b>                     | <b>(8,129)</b>                          | <b>0</b>            | <b>(2,728)</b>                 | <b>(12,832)</b>                  | <b>(23,689)</b>               | <b>22,587</b>             | <b>(1,102)</b>                 |
| <b>Balance at 31 March 2019 carried forward</b>                                 | <b>14,255</b>                | <b>53,714</b>                           | <b>8,983</b>        | <b>495</b>                     | <b>8,488</b>                     | <b>85,935</b>                 | <b>465,224</b>            | <b>551,159</b>                 |

## Balance Sheet

This statement is comprised of two balancing sections - the net assets of the Council and the total reserves held.

| 31 March<br>2017<br>restated<br>£000 | 31 March<br>2018<br>restated<br>£000 |  | Note | 31 March 2019<br>£000 |
|--------------------------------------|--------------------------------------|--|------|-----------------------|
| 1,666,989                            | 1,685,553                            | Property, Plant & Equipment                | 18   | 1,749,003             |
| 53,846                               | 54,099                               | Heritage Assets                            | 18   | 54,152                |
| 132,241                              | 103,820                              | Investment Properties                      | 18   | 118,003               |
| 3,315                                | 2,701                                | Intangible assets including AUC            | 18   | 2,222                 |
| 13,691                               | 13,996                               | Long-term Investments                      | 19   | 10,948                |
| 5,616                                | 8,087                                | Long-term Debtors                          | 19   | 10,251                |
| <b>1,875,698</b>                     | <b>1,868,256</b>                     | <b>Total Long-Term Assets</b>              |      | <b>1,944,579</b>      |
| 66,124                               | 34,033                               | Short-term Investments                     | 19   | 69,032                |
| 80                                   | 6,375                                | Held for Sale assets                       | 20   | 2,570                 |
| 2,175                                | 2,129                                | Inventories                                |      | 2,266                 |
| 83,754                               | 86,927                               | Short-term Debtors                         | 21   | 95,332                |
| 18,776                               | 54,057                               | Cash and Cash Equivalents                  | 22   | 20,873                |
| <b>170,909</b>                       | <b>183,521</b>                       | <b>Total Current Assets</b>                |      | <b>190,073</b>        |
| (14,972)                             | (13,440)                             | Short-term Borrowing                       | 19   | (13,306)              |
| (87,603)                             | (87,928)                             | Short-term Creditors                       | 23   | (106,584)             |
| (1,414)                              | (1,884)                              | Pension Strain                             | 26   | (1,769)               |
| (7,116)                              | (5,005)                              | Provisions                                 | 25   | (6,100)               |
| (2,846)                              | (3,195)                              | Deferred Liabilities                       | 27   | (1,648)               |
| <b>(113,951)</b>                     | <b>(111,452)</b>                     | <b>Total Current Liabilities</b>           |      | <b>(129,407)</b>      |
| (668,028)                            | (688,713)                            | Long-term Borrowing                        | 19   | (717,700)             |
| (27,821)                             | (24,412)                             | Provisions                                 | 25   | (24,757)              |
| (14,021)                             | (12,006)                             | Deferred Liabilities                       | 27   | (11,700)              |
| (11,843)                             | (9,961)                              | Capital Contributions Receipts in Advance  | 30   | (14,485)              |
| (2,016)                              | (6,484)                              | Revenue Grants Receipts in Advance         | 30   | (12,412)              |
| (974)                                | (412)                                | Capital Grants Receipts in Advance         | 30   | (782)                 |
| (3,219)                              | (2,794)                              | Pension Strain                             | 26   | (2,560)               |
| (586,723)                            | (643,282)                            | Net Pensions Liability**                   | 17   | (669,690)             |
| <b>(1,314,645)</b>                   | <b>(1,388,064)</b>                   | <b>Total Long-Term Liabilities</b>         |      | <b>(1,454,086)</b>    |
| <b>618,011</b>                       | <b>552,261</b>                       | <b>NET ASSETS</b>                          |      | <b>551,159</b>        |
|                                      |                                      | <b>Financed by:</b>                        |      |                       |
| 14,255                               | 14,255                               | Council Fund Balance                       |      | 14,255                |
| 59,391                               | 61,843                               | Council Fund Earmarked Reserves            | 2    | 53,714                |
| 8,438                                | 8,983                                | Housing Revenue Account Balance            |      | 8,983                 |
| 4,086                                | 3,223                                | Housing Revenue Account Earmarked Reserves | 2    | 495                   |
| 7,205                                | 21,320                               | Capital Receipts Reserve                   | 28   | 8,488                 |
| <b>93,375</b>                        | <b>109,624</b>                       | <b>Usable Reserves</b>                     |      | <b>85,935</b>         |
| 257,138                              | 253,798                              | Revaluation Reserve                        |      | 268,598               |
| 851,833                              | 828,081                              | Capital Adjustment Account                 |      | 864,171               |
| 2,038                                | 4,511                                | Deferred Capital Receipts                  |      | 5,008                 |
| 13,235                               | 13,540                               | Financial Instruments Adjustment Reserve   |      | 10,368                |
| (591,356)                            | (647,960)                            | Pensions Reserve                           |      | (674,020)             |
| (8,252)                              | (9,333)                              | Accumulated Absences Adjustment Account    |      | (8,901)               |
| <b>524,636</b>                       | <b>442,637</b>                       | <b>Unusable Reserves</b>                   | 29   | <b>465,224</b>        |
| <b>618,011</b>                       | <b>552,261</b>                       | <b>TOTAL RESERVES</b>                      |      | <b>551,159</b>        |

## Balance Sheet

2016/17 is included to reflect Prior Period Adjustment as outlined in Note 33

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

\*\*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

## Cash Flow

This statement shows how the Council generates and uses cash and cash equivalents by classifying the cash flows as arising from operating, investing and financing activities.

| 2017/18<br>£000 |   | Note      | 2018/19<br>£000 |
|-----------------|---|-----------|-----------------|
| 32,247          | Net (surplus) /deficit on the provision of services   |           | 41,082          |
| (150,438)       | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 32        | (119,732)       |
| 45,934          | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 32        | 59,214          |
| <b>(72,257)</b> | <b>Net cash flows from operating activities</b>   |           | <b>(19,436)</b> |
| 126,518         | Purchase of property, plant and equipment, investment property and intangible assets  |           | 133,361         |
| 0               | Purchase of short-term and long-term Investments  |           | 35,000          |
| 936             | Other payments for investing activities   |           | (4,808)         |
| (24,818)        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                                    |           | (9,232)         |
| (45,621)        | Capital Grants and Contributions  |           | (68,618)        |
| <b>57,015</b>   | <b>Net cash flows from investing activities</b>   |           | <b>85,703</b>   |
| (25,004)        | Cash receipts from short-term and long-term borrowing   |           | (32,934)        |
| (2,826)         | Other receipts from financing activities  |           | (4,437)         |
| 7,791           | Repayments of short-term and long-term borrowing  |           | 4,288           |
| <b>(20,039)</b> | <b>Net cash flows from financing activities</b>   |           | <b>(33,083)</b> |
| <b>(35,281)</b> | <b>Net (increase)/ decrease in cash and cash equivalents</b>  |           | <b>33,184</b>   |
| 18,776          | Cash and cash equivalents at the beginning of the reporting period  |           | 54,057          |
| <b>54,057</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>22</b> | <b>20,873</b>   |

## Notes to the Financial Statements

### 1. Adjustments between Accounting Basis and Funding Basis under Regulation

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

| Usable Reserves 2017/18 |                         |                           |                               | Adjustments between Accounting and Funding Basis  | Usable Reserves 2018/19 |                         |                           |                               |
|-------------------------|-------------------------|---------------------------|-------------------------------|---|-------------------------|-------------------------|---------------------------|-------------------------------|
| Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves | Movement in Unusable Reserves |   | Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves | Movement in Unusable Reserves |
| £000                    | £000                    | £000                      | £000                          |   | £000                    | £000                    | £000                      | £000                          |
|                         |                         |                           |                               | <b>Adjustments primarily involving the Capital Adjustment Account:</b>  |                         |                         |                           |                               |
|                         |                         |                           |                               | <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>   |                         |                         |                           |                               |
| 51,244                  | 9,699                   | 0                         | (60,943)                      | Charges for depreciation and impairment of Non-Current assets   | 46,809                  | 10,560                  | 0                         | (57,369)                      |
| 41,333                  | 268                     | 0                         | (41,601)                      | Revaluation losses of Non-Current Assets  | 51,314                  | (16,523)                | 0                         | (34,791)                      |
| (6,864)                 | (12)                    | 0                         | 6,876                         | Reverse previous impairment on revaluation  | (19,961)                | (35)                    | 0                         | 19,996                        |
| 741                     | 208                     | 0                         | (949)                         | Amortisation of Intangible Assets   | 798                     | 163                     | 0                         | (961)                         |
| 2,464                   | 0                       | 0                         | (2,464)                       | Movements in the market value of Investment Properties  | (566)                   | (23)                    | 0                         | 589                           |
| 0                       | 0                       | 0                         | 0                             | Movement in the value of Held for Sale Assets   | 0                       | 0                       | 0                         | 0                             |
| (38,879)                | (11,855)                | 0                         | 50,734                        | Capital grants and contributions applied  | (36,700)                | (12,318)                | 0                         | 49,018                        |
| 5,737                   | 55                      | 0                         | (5,792)                       | Revenue expenditure funded from capital under statute   | 9,295                   | 0                       | 0                         | (9,295)                       |
| 26,854                  | 1,526                   | 0                         | (28,380)                      | 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 | 2,422                   | 605                     | 0                         | (3,027)                       |
|                         |                         |                           |                               | <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>  |                         |                         |                           |                               |
| (24,253)                | (11,112)                | 0                         | 35,365                        | Statutory provision for the financing of capital investment   | (26,635)                | (11,413)                | 0                         | 38,048                        |
| (2,774)                 | (7,633)                 | 0                         | 10,407                        | Capital expenditure charged against the Council Fund and HRA balances   | (1,651)                 | (9,469)                 | 0                         | 11,120                        |
| 0                       | 0                       | (10,682)                  | 10,682                        | Use of the Capital Receipts Reserves to finance new capital expenditure   | 0                       | 0                       | (22,037)                  | 22,037                        |
| 0                       | 51                      | (51)                      | 0                             | Credit for disposal costs that qualify to be met from the resulting capital receipts  | 0                       | 20                      | (20)                      | 0                             |



## Notes to the Financial Statements

|          |          |        |          |  |          |          |          |          |
|----------|----------|--------|----------|--|----------|----------|----------|----------|
| 45       | 0        | 0      | (45)     | Capital receipts set aside for the repayment of debt   | 0        | 0        | 11       | (11)     |
|          |          |        |          | <b>Adjustments involving the Revaluation Reserve</b>   |          |          |          |          |
| (20,079) | (4,010)  | 24,845 | (756)    | 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/Recoupment of Grant/Other  | (1,757)  | (1,876)  | 9,212    | (5,579)  |
|          |          |        |          | <b>Adjustments involving the Pensions Reserve:</b>   |          |          |          |          |
| 62,972   | 4,038    | 0      | (67,010) | Net retirement benefits as per IAS19   | 91,338   | 4,497    | 0        | (95,835) |
| (40,759) | (3,273)  | 0      | 44,032   | Employer's contributions to the Pension Scheme   | (44,107) | (3,784)  | 0        | 47,891   |
| (75)     | 119      | 0      | (44)     | Pension Strain Future Years  | (148)    | (199)    | 0        | 347      |
|          |          |        |          | <b>Adjustments involving the Accumulated Absences Adjustment Account</b>   |          |          |          |          |
| 1,090    | (9)      | 0      | (1,081)  | 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. | (572)    | 140      | 0        | 432      |
|          |          |        |          | <b>Adjustments involving the Deferred Capital Receipts Reserve</b>   |          |          |          |          |
| (4,500)  | 0        | 0      | 4,500    | Transfers to the Capital Receipts Reserve upon receipt of cash   | 0        | 0        | 2        | (2)      |
| 2,024    | 0        | 3      | (2,027)  | Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal  | 0        | 0        | 0        | 0        |
| 56,321   | (21,940) | 14,115 | (48,496) | <b>Total Adjustments</b>   | 69,879   | (39,655) | (12,832) | (17,392) |

## Notes to the Financial Statements

### 2. Earmarked Reserves

This note sets out the contributions to and from earmarked reserves during the year to fund current and future expenditure plans.

|  | Balance<br>31 March<br>2018<br>£000 | Contributions           |                       | Balance<br>31 March<br>2019<br>£000 |
|--|-------------------------------------|-------------------------|-----------------------|-------------------------------------|
|  |                                     | From<br>Revenue<br>£000 | To<br>Revenue<br>£000 |                                     |
| <b>SCHOOLS BALANCES</b>                        |                                     |                         |                       |                                     |
| Schools Reserves                               | 6,023                               | 1,486                   | (2,647)               | 4,862                               |
| Cathays HS – Maintenance of Playing Field      | 3                                   | 0                       | 0                     | 3                                   |
| Primary/Special Schools Repairs                | 362                                 | 130                     | 0                     | 492                                 |
|  | 6,388                               | 1,616                   | (2,647)               | 5,357                               |
| <b>SCHOOLS RESERVES</b>                        |                                     |                         |                       |                                     |
| Out of School Childcare                        | 68                                  | 20                      | (11)                  | 77                                  |
| Schools Catering                               | 320                                 | 0                       | (142)                 | 178                                 |
| Schools Formula Funding                        | 1,437                               | 179                     | (1,039)               | 577                                 |
| Schools Organisational Plan                    | 3,448                               | 6,662                   | (8,877)               | 1,233                               |
|  | 5,273                               | 6,861                   | (10,069)              | 2,065                               |
| <b>OTHER COUNCIL RESERVES</b>                  |                                     |                         |                       |                                     |
| Apprenticeships and Trainees                   | 1,251                               | 0                       | (369)                 | 882                                 |
| Bereavement Services                           | 199                                 | 462                     | (253)                 | 408                                 |
| Building Control Regulations                   | 502                                 | 0                       | (183)                 | 319                                 |
| Bute Park Match Funding                        | 131                                 | 0                       | (44)                  | 87                                  |
| Capital Ambition Delivery                      | 1,164                               | 0                       | (523)                 | 641                                 |
| Cardiff Academy Training                       | 129                                 | 0                       | (27)                  | 102                                 |
| Cardiff Capital Region City Deal               | 325                                 | 0                       | (110)                 | 215                                 |
| Cardiff Dogs Home Legacy                       | 125                                 | 81                      | (35)                  | 171                                 |
| Cardiff Enterprise Zone                        | 4,242                               | 452                     | (1,016)               | 3,678                               |
| Central Market Works                           | 340                                 | 0                       | (51)                  | 289                                 |
| Central Transport Service                      | 301                                 | 0                       | (164)                 | 137                                 |
| City Wide Management and Initiatives           | 716                                 | 260                     | (612)                 | 364                                 |
| Community Based Services Transition            | 287                                 | 0                       | (53)                  | 234                                 |
| Community Initiatives                          | 242                                 | 193                     | (77)                  | 358                                 |
| Connect to Cardiff Refurbishment               | 10                                  | 0                       | 0                     | 10                                  |
| Corporate Events and Cultural Services         | 592                                 | 291                     | (159)                 | 724                                 |
| Corporate Landlord Function                    | 441                                 | 0                       | (252)                 | 189                                 |
| Discretionary Rate Relief                      | 100                                 | 0                       | 0                     | 100                                 |
| Emergency Management, Safeguarding & Prevent   | 159                                 | 0                       | (20)                  | 139                                 |
| Employee Changes                               | 7,655                               | 0                       | (1,204)               | 6,451                               |
| Energy Conservation                            | 234                                 | 0                       | (17)                  | 217                                 |
| Energy Market Volatility                       | 586                                 | 0                       | 0                     | 586                                 |
| Flatholm                                       | 0                                   | 27                      | 0                     | 27                                  |
| Fraud Detection                                | 140                                 | 0                       | (43)                  | 97                                  |
| Governance and Legal Services                  | 355                                 | 0                       | (147)                 | 208                                 |
| Harbour Authority Project and Contingency Fund | 382                                 | 2                       | (342)                 | 42                                  |
| Highways Section 278                           | 566                                 | 0                       | (58)                  | 508                                 |
| Homelessness                                   | 1,594                               | 474                     | (332)                 | 1,736                               |
| Houses in Multiple Occupation Licensing        | 25                                  | 0                       | (13)                  | 12                                  |
| Housing Options Centre                         | 803                                 | 0                       | (118)                 | 685                                 |
| Housing Support                                | 1,108                               | 0                       | (143)                 | 965                                 |

## Notes to the Financial Statements

|  |               |               |                 |               |
|--|---------------|---------------|-----------------|---------------|
| ICT Holding Account                          | 863           | 0             | (118)           | 745           |
| Inspectorate Support                         | 283           | 0             | (75)            | 208           |
| Insurance                                    | 6,509         | 38            | (877)           | 5,670         |
| Integrated Partnership Strategy              | 31            | 0             | (31)            | 0             |
| Invest to Save                               | 350           | 0             | (89)            | 261           |
| Joint Equipment Store                        | 262           | 0             | (41)            | 221           |
| Libraries Book Fund                          | 19            | 0             | 0               | 19            |
| Local Lend a Hand Mortgage Scheme            | 222           | 0             | (222)           | 0             |
| Local Development Plan                       | 99            | 0             | 0               | 99            |
| Major Projects                               | 935           | 0             | (455)           | 480           |
| Members Development                          | 61            | 0             | 0               | 61            |
| Municipal Election                           | 337           | 96            | (12)            | 421           |
| Municipal Mutual Insurance                   | 1,357         | 0             | (571)           | 786           |
| Non-Domestic Rates Due Diligence             | 60            | 0             | 0               | 60            |
| Parking and Enforcement                      | 701           | 7,692         | (6,902)         | 1,491         |
| Projects, Design and Development             | 137           | 0             | (105)           | 32            |
| Property Asset Management                    | 363           | 81            | (361)           | 83            |
| Public Service Board Initiative              | 23            | 0             | (23)            | 0             |
| Registration Service Improvement             | 18            | 0             | (18)            | 0             |
| Rentsmart                                    | 675           | 0             | (107)           | 568           |
| Resources                                    | 1,788         | 260           | (539)           | 1,509         |
| Schools Catering and Kitchen Improvements    | 333           | 0             | (308)           | 25            |
| Scrutiny Development and Training            | 124           | 0             | 0               | 124           |
| South East Wales Construction Framework      | 318           | 301           | (63)            | 556           |
| Shared Regulatory Service                    | 98            | 106           | (18)            | 186           |
| Social Care Technology                       | 709           | 0             | 0               | 709           |
| Strategic Budget                             | 4,032         | 2,594         | (1,000)         | 5,626         |
| Waste Management                             | 877           | 300           | (465)           | 712           |
| Welfare Reform                               | 2,692         | 1,003         | (769)           | 2,926         |
| Wales Interpretation and Translation Service | 135           | 48            | 0               | 183           |
| Workshops Asset Maintenance                  | 140           | 0             | (33)            | 107           |
| Youth and Community Education                | 281           | 0             | (103)           | 178           |
|  | 49,536        | 14,761        | (19,670)        | 44,627        |
| <b>SHARE OF JOINT COMMITTEE RESERVES</b>     |               |               |                 |               |
| Cardiff Capital Region City Deal (CCRCD)*    | (97)          | 1,072         | (10)            | 965           |
| Central South Consortium                     | 240           | 0             | (81)            | 159           |
| Glamorgan Archives                           | 75            | 0             | (19)            | 56            |
| Prosiect Gwyrdd                              | 69            | 0             | (3)             | 66            |
| Regional Adoption Service                    | 0             | 5             | 0               | 5             |
| Shared Regulatory Service                    | 361           | 53            | 0               | 414           |
|  | 648           | 1,130         | (113)           | 1,665         |
| <b>Total Council Fund Reserves</b>           | <b>61,845</b> | <b>24,368</b> | <b>(32,499)</b> | <b>53,714</b> |
| <b>HRA RESERVES</b>                          |               |               |                 |               |
| Housing Development and Acquisition          | 1,719         | 0             | (1,719)         | 0             |
| Housing Repairs and Building Maintenance     | 1,016         | 0             | (800)           | 216           |
| Modernising ICT                              | 238           | 0             | (238)           | 0             |
| Welfare Reform                               | 250           | 238           | (209)           | 279           |
| <b>Total HRA Reserves</b>                    | <b>3,223</b>  | <b>238</b>    | <b>(2,966)</b>  | <b>495</b>    |
| <b>TOTAL EARMARKED RESERVES</b>              | <b>65,068</b> | <b>24,606</b> | <b>(35,465)</b> | <b>54,209</b> |

\*This balance primarily arises due to the consolidation of CCRCD including its subsidiary CSC Foundry Ltd.

## Notes to the Financial Statements

Details are given below for reserves in excess of £500,000:

**Schools** - 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. Details of individual school balances will be available from 30 September 2019 on the Council's Schools Budget Forum website. As well as individual school balances, a deficit balance of £796,000 offsets the total net balance (£1.296 million 2017/18). This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount is in the process of being repaid via school budgets.

**Schools Formula Funding** - to meet unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools' budgets.

**Schools Organisational Plan** - to manage the cash flow implications of the Schools Organisational Plan financial model.

**Apprenticeships and Trainees** – to support the Council's commitment to young people through funding for apprenticeships and trainees.

**Capital Ambition Delivery** – to fund additional advice/support for the delivery of Capital Ambition projects. Requests for funding are presented to the Investment Review Board for approval.

**Cardiff Enterprise Zone** - to fund expenditure on the Cardiff Enterprise Zone in future years.

**Corporate Events and Cultural Services** – to support feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services.

**Employee Changes** - to meet the costs associated with voluntary redundancy and other employee costs.

**Energy Market Volatility** - to provide funding for unexpected fluctuations in the cost of energy.

**Highway Section 278** – to support highway investment.

**Homelessness** - to meet increase in homelessness pressures.

**Housing Options Centre** - to meet the capital financing costs of the Housing Options Centre.

**Housing Support** - to improve sustainability by maintaining people's independence in their own homes.

**ICT Holding Account** – to fund future business process improvement and ICT initiatives.

**Insurance** - to protect the Council from future potential insurance claims.

**Municipal Mutual Insurance Scheme (MMI)** – to protect the Council from a scheme that was triggered on 13 November 2012 and will involve the claw back of a percentage of previously paid claims, as well as a percentage of future claims.

### **Parking & Enforcement**

This 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 Regulations 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 and environmental maintenance and improvements.

## Notes to the Financial Statements

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| (4,575)         | On-street pay car parking fees                         | (5,059)         |
| (1,087)         | Off-Street car parking fees                            | (1,088)         |
| (346)           | Residents parking permits                              | (368)           |
| (1,973)         | Penalty charge notices                                 | (2,385)         |
| (3,792)         | Moving Traffic Offences                                | (5,039)         |
| (200)           | Camera Car   | (290)           |
| 0               | Traffic Enforcement Centre                             | (212)           |
| (55)            | Other income   | (7)             |
| (12,028)        | <b>Total Income</b>                                    | <b>(14,448)</b> |
| 698             | Operational costs / Parking and Permits                | 914             |
| 5,276           | Enforcement service                                    | 5,843           |
| 5,974           | <b>Total Expenditure</b>                               | <b>6,757</b>    |
| (6,054)         | <b>Civil Parking Enforcement Net (Surplus)/Deficit</b> | <b>(7,691)</b>  |
|                 | Appropriations to Parking Reserve:                     |                 |
| 351             | <b>Balance 1 April</b>                                 | <b>701</b>      |
| 6,054           | Contributions from CPE                                 | 7,692           |
| (5,704)         | Contributions to revenue*                              | (6,902)         |
| 701             | <b>Balance 31 March</b>                                | <b>1,491</b>    |

\* Eligible expenditure totalling £6.902 million was drawn down from the reserve leaving a balance of £1.491 million at the 31 March 2019. This included a budgeted drawdown of £5.085 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns for various improvement schemes and initiatives approved by the Director of Planning, Transport & Environment in consultation with the Cabinet Member for Strategic Planning & Transport.

**Rentsmart** – the Council is the single licensing authority across Wales, processing landlord registrations and grant licenses to landlords and agents who need to comply with the Housing (Wales) Act 2014. Further details can be found on the website <https://www.rentsmart.gov.wales/en/>. The purpose of the reserve is to reinvest in training and service delivery.

**Resources** – to provide funding to a number of areas within the Resources Directorate particularly where transition to new methods of operation are required.

**South East Wales Construction Framework** – ring-fenced levy payments to fund the administration of the South East Wales Construction Framework.

**Social Care Technology** – to support Social Care ICT developments.

**Strategic Budget** – to support financial resilience and the future budget requirements of the Council over the Medium Term Financial Plan.

**Waste Management** - to support additional waste management initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs.

**Welfare Reform** - to fund costs arising in connection with potential future welfare reform and the Council Tax Reduction Scheme.

**Share of Reserves of Joint Committees** - the Council's percentage share of the accumulated balances and earmarked usable reserves.



## Notes to the Financial Statements

### 3. Exceptional Items

There are no exceptional items to disclose separately.

### 4. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

## Notes to the Financial Statements

| 2017/18                               |  |                      | Directorate                                   | 2018/19                               |  |                      |
|---------------------------------------|--|----------------------|---|---------------------------------------|--|----------------------|
| Net Expenditure Charged to CF and HRA | Adjustments between accounting & funding basis | Net expenditure CIES |   | Net Expenditure Charged to CF and HRA | Adjustments between accounting & funding basis | Net expenditure CIES |
| £000                                  | £000   | £000                 |   | £000                                  | £000   | £000                 |
| 25,800                                | (15,509)                                       | 10,291               | Corporate Management                          | 23,638                                | 10,338   | 33,976               |
| 9,207                                 | 24,589   | 33,796               | Economic Development                          | 7,141                                 | 28,397   | 35,538               |
| 250,385                               | 34,487   | 284,872              | Education & Lifelong Learning                 | 256,308                               | 17,341   | 273,649              |
| 5,589                                 | 908  | 6,497                | Governance & Legal Services                   | 5,612                                 | 260  | 5,872                |
| 0                                     | 2,650  | 2,650                | Harbour Authority                             | 0                                     | 2,903  | 2,903                |
| 0                                     | (19,060)                                       | (19,060)             | Housing Revenue Account                       | 0                                     | (35,030)                                       | (35,030)             |
| 42,105                                | 6,039  | 48,144               | Housing and Communities                       | 43,860                                | 2,530  | 46,390               |
| 40,583                                | 16,677   | 57,260               | Planning Transport and Environment            | 46,260                                | 29,127   | 75,387               |
| 20,856                                | 1,590  | 22,446               | Resources                                     | 20,001                                | 3,824  | 23,825               |
| 156,319                               | 1,254  | 157,573              | Social Services                               | 171,110                               | 1,880  | 172,990              |
| 36,140                                | (39,252)                                       | (3,112)              | Summary Revenue Account                       | 34,983                                | (36,809)                                       | (1,826)              |
| 586,984                               | 14,373   | 601,357              | Net Cost of Services                          | 608,913                               | 24,761   | 633,674              |
| (537,519)                             | (31,591)                                       | (569,110)            | Other Income and Expenditure                  | (558,589)                             | (34,004)                                       | (592,593)            |
| 49,465                                | (17,218)                                       | 32,247               | (Surplus) or Deficit on Provision of Services | 50,324                                | (9,243)  | 41,081               |
| Council Fund                          |  | HRA Balance          | Council Fund                                  |                                       |  | HRA Balance          |
|                                       | 14,255   | 8,438                | Opening Balance as at 1 April                 |                                       |  | 14,255               |
|                                       | 0  | 545                  | Surplus/(Deficit)                             |                                       |  | 0                    |
|                                       | 14,255   | 8,983                | Closing Balance as at 31 March                |                                       |  | 14,255               |

## Notes to the Financial Statements

### 4.1. Note to the Expenditure and Funding Analysis

The adjustments between Accounting and Funding basis are analysed further in the following table.

| 2017/18                          |                                     |                   |                   | Directorate  | 2018/19                          |                                     |                   |                   |
|----------------------------------|-------------------------------------|-------------------|-------------------|--|----------------------------------|-------------------------------------|-------------------|-------------------|
| Adjustments for capital purposes | Net change for Pensions Adjustments | Other Adjustments | Total Adjustments |  | Adjustments for capital purposes | Net change for Pensions Adjustments | Other Adjustments | Total Adjustments |
| £000                             | £000                                | £000              | £000              |  | £000                             | £000                                | £000              | £000              |
| 10,760                           | 854                                 | (27,123)          | (15,509)          | Corporate Management   | 2,698                            | 22,823                              | (15,183)          | 10,338            |
| 22,755                           | 1,043                               | 790               | 24,588            | Economic Development   | 24,749                           | 1,137                               | 2,511             | 28,397            |
| 31,271                           | 822                                 | 2,613             | 34,706            | Education & Lifelong Learning  | 19,191                           | 1,285                               | (3,135)           | 17,341            |
| 5                                | 267                                 | 636               | 908               | Governance & Legal Services  | 5                                | 157                                 | 98                | 260               |
| 2,736                            | 99                                  | (185)             | 2,650             | Harbour Authority  | 2,744                            | 157                                 | 2                 | 2,903             |
| 10,270                           | 885                                 | (30,215)          | (19,060)          | Housing Revenue Account  | (5,793)                          | 514                                 | (29,751)          | (35,030)          |
| 5,005                            | 743                                 | 62                | 5,810             | Housing and Communities  | 1,330                            | 1,010                               | 190               | 2,530             |
| 16,622                           | 942                                 | (887)             | 16,677            | Planning Transport and Environment                                   | 28,628                           | 1,196                               | (697)             | 29,127            |
| 1,264                            | 1,121                               | (795)             | 1,590             | Resources  | 1,383                            | 1,408                               | 1,033             | 3,824             |
| 314                              | 1,068                               | (117)             | 1,265             | Social Services  | 335                              | 1,343                               | 202               | 1,880             |
| 0                                | 6                                   | (39,258)          | (39,252)          | Summary Revenue Account  | 0                                | 0                                   | (36,809)          | (36,809)          |
| 101,002                          | 7,850                               | (94,479)          | 14,373            | Net Cost of Services   | 75,270                           | 31,030                              | (81,539)          | 24,761            |
| (46,281)                         | 14,690                              | 0                 | (31,591)          | Other Income and Expenditure from the Expenditure & Funding Analysis | (50,091)                         | 16,087                              | 0                 | (34,004)          |
| 54,721                           | 22,540                              | (94,479)          | (17,218)          | (Surplus) or Deficit on Provision of Services                        | 25,179                           | 47,117                              | (81,539)          | (9,243)           |

## Notes to the Financial Statements

### i. Adjustments for capital purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition;

- other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- financing and investment income – the statutory charges for capital financing i.e. prudent revenue provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices (GAAP).
- taxation and non-specific income and expenditure - capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

### ii. Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS19 Employee Benefits pension related expenditure and income are reflected as follows;

- for the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- for financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### iii. Other Adjustments

The amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are as follows;

- for financing and investment income and expenditure – the other differences column recognises adjustments to the Council Fund for the timing differences of premiums and discounts.
- the charge for taxation and non-specific grant income represents the difference between what is chargeable under statute for council tax and NDR that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the collection fund.

## 4.2. Expenditure and Income Analysed by Nature

As well as by Directorate, the Council's expenditure and income analysed by type is shown below.

|   | 2017/18<br>£000    | 2018/19<br>£000    |
|---|--------------------|--------------------|
| Employee Benefits Expenses                                | 445,984            | 489,988            |
| Other Service Expenses                                    | 574,135            | 581,804            |
| Depreciation, Amortisation, Impairment & Revaluation      | 111,832            | 89,808             |
| Change in Fair Value of Investment Properties             | 2,502              | 5,066              |
| Interest Payments   | 31,781             | 32,176             |
| Precepts & Levies   | 48,641             | 51,305             |
| Transfer to Council Tax Bad Debt Provision                | 2,070              | 2,282              |
| Loss on Sale of Non-Current Assets                        | 29,136             | 9,106              |
| <b>Total Expenditure</b>                                  | <b>1,246,081</b>   | <b>1,261,535</b>   |
| Fees, Charges & Other Service Income                      | (205,283)          | (192,605)          |
| Depreciation, Amortisation, Impairment & Revaluation      | (9,531)            | (7,388)            |
| Change in Fair Value of Investment Properties             | (38)               | (5,655)            |
| Interest and Investment Income                            | (700)              | (972)              |
| Income from Council Tax and Non-Domestic Rates            | (619,311)          | (643,511)          |
| Grants and Contributions                                  | (351,825)          | (360,733)          |
| Gain on Sale of Non-Current Assets                        | (27,146)           | (9,590)            |
| <b>Total Income</b>                                       | <b>(1,213,834)</b> | <b>(1,220,454)</b> |
| <b>Surplus &amp; Deficit on the Provision of Services</b> | <b>32,247</b>      | <b>41,081</b>      |

## Notes to the Financial Statements

### 5. Precepts and Levies

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Precepts</b>                               |                 |                 |
| Police and Crime Commissioner for South Wales | 31,216          | 33,499          |
| <b>Community Councils:</b>                    |                 |                 |
| Lisvane                                       | 34              | 34              |
| Pentyrch                                      | 91              | 143             |
| Radyr   | 120             | 122             |
| St Fagans                                     | 18              | 18              |
| Old St Mellons                                | 28              | 30              |
| Tongwynlais                                   | 19              | 20              |
|   | <b>31,526</b>   | <b>33,866</b>   |
| <b>Levies &amp; Contributions</b>             |                 |                 |
| South Wales Fire and Rescue Service           | 16,857          | 17,181          |
| Natural Resources Wales                       | 139             | 139             |
| Cardiff Port Health Authority                 | 114             | 114             |
| Newport Health Authority                      | 5               | 5               |
|   | <b>17,115</b>   | <b>17,439</b>   |

### 6. Participation in Joint Committees

During 2018/19 the Council was lead Authority (\*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees. The Statement of Accounts for each Joint Committee are available on the lead authority's website.

| Committee  | Purpose   | Lead Authority            | 2017/18<br>£000 | 2018/19<br>£000 |
|--|---|---------------------------|-----------------|-----------------|
| Cardiff Capital Region City Deal* (CCRCD)        | To co-ordinate and discharge Councils' obligations in relation to the City Deal | Cardiff Council           | 183             | 239             |
| Central South Consortium Joint Education Service | To provide a regional approach to improvement in schools                        | Rhondda Cynon Taf Council | 1,436           | 1,523           |
| Glamorgan Archives*                              | Management and administration of the Glamorgan Records Office                   | Cardiff Council           | 209             | 209             |
| Prosiect Gwyrdd*                                 | To manage residual waste treatment  | Cardiff Council           | 32              | 27              |
| Regional Adoption Service                        | To share best practice, develop and improve adoption services                   | Vale of Glamorgan Council | 488             | 576             |
| Shared Regulatory Service                        | To provide environmental health services  | Vale of Glamorgan Council | 5,002           | 5,110           |
| <b>Total</b>                                     |   |                           | <b>7,350</b>    | <b>7,684</b>    |

The Council has included its share of the transactions and balances of each Joint Committee in its accounting statements.

In relation to CCRCD, capital contributions of £2.920 million are included in the accounting statements.



## Notes to the Financial Statements

### 7. 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 and Crime Commissioner 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 2018/19 was 143,453 (143,032 for 2017/18).

The amounts for a band D property in Cardiff during 2018/19 were as follows:

| Band D Council Tax:                           | 2017/18<br>£ | 2018/19<br>£ |
|---|--------------|--------------|
| Cardiff Council                               | 1,100        | 1,155        |
| Police and Crime Commissioner for South Wales | 218          | 234          |
| <b>Total</b>                                  | <b>1,318</b> | <b>1,389</b> |

The above amount (£1,389) 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:

|   | 2017/18<br>£000  | 2018/19<br>£000  |
|---|------------------|------------------|
| Council Tax collectable                   | (191,095)        | (202,564)        |
| Impairment for non-payment of Council Tax | 2,070            | 2,282            |
| <b>Net proceeds</b>                       | <b>(189,025)</b> | <b>(200,282)</b> |
| Represented by:                           |                  |                  |
| Precepts                                  | 31,526           | 33,866           |
| Council Tax attributable to the Council   | 157,499          | 166,416          |

The cumulative impairment for non-payment of Council Tax held at the 31 March 2019 is £8.730 million (£7.183 million at 31 March 2018).

Council Tax that is past due but not impaired:

|   | 31 March 2019<br>'£000 |
|---|------------------------|
| Debts less than one year                      | 272                    |
| Debts between two and 5 years                 | 288                    |
| Debts over five years                         | 30                     |
| <b>Total Council Tax due but not impaired</b> | <b>590</b>             |

### 8. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (51.4p in 2018/19 and 49.9p in 2017/18) 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 Councils on the basis of a fixed amount per head of population. The

## Notes to the Financial Statements

rateable value was £458.132 million for 2018/19 (£457.936 million 2017/18). An analysis of the net proceeds from non-domestic rates is shown below:

|  | 2017/18<br>£000  | 2018/19<br>£000  |
|--|------------------|------------------|
| Non-Domestic Rates collectable           | 184,953          | 194,593          |
| Cost of collection allowance             | (893)            | (903)            |
| Impairment for non-payment               | (1,459)          | (2,658)          |
| <b>Payment into national pool</b>        | <b>182,601</b>   | <b>191,032</b>   |
|  |                  |                  |
| <b>Redistribution from national pool</b> | <b>(115,480)</b> | <b>(115,383)</b> |

### 9. Agency Income and Expenditure

The Council acts as an agent on behalf of the following in the provision of goods and services:

#### Welsh Government

- Non Domestic Rates collection. A net debtor of £9.452 million at 31 March 2019 (£13.323 million at 31 March 2018) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2019 the Welsh Government had provided £2.736 million of funding, of which £859,000 is outstanding as loans provided. The balance available for new loans was £1.877 million (£1.935 million at 31 March 2018).
- Home Improvement loans – provide loans for home improvements. At 31 March 2019 the Welsh Government had provided £1.062 million of funding, of which £484,000 is outstanding as loans provided leaving a balance available for new loans of £578,000.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £393,000 in 2018/19 (£595,000 in 2017/18).

#### FOR Cardiff (formerly known as Business Improvement District (BID) Company)

This is a partnership between the local business community and the Council. The BID is a defined area within the city centre in which a levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. This is used to develop projects benefitting the local area. Further information is available on their website <https://www.forcardiff.com>. The Council collects the income and pays this over to the BID Company. This totalled £1.620 million in 2018/19 (£1.518 million in 2017/18). At 31 March 2019 the Council owed the company £0 (£81,000 at 31 March 2018).

#### Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to commercial and industrial waste. The Council made payments of £9.476 million in 2018/19 (£10.662 million in 2017/18) on behalf of all the partners.

### 10. Remuneration

**10.1** The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2018/19 was 1:7 (1:7 in 2017/18). The median full time equivalent earnings for 2018/19 was £25,105 (£24,373 in 2017/18). These figures include staff directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed by the Council.

**10.2** The Accounts and Audit (Wales) Regulations 2014 also 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 that fall within this category including teaching staff.

## Notes to the Financial Statements

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

The table separately identifies individuals directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, as well as those employed by the Council. The employee costs relating to these individuals are included with the Council's Net Cost of Services and, therefore, these individuals are included in the following table.

| Remuneration band<br>£ | Number of Employees |            |             |            |
|------------------------|---------------------|------------|-------------|------------|
|                        | 2017/18             |            | 2018/19     |            |
|                        | Non Schools         | Schools    | Non Schools | Schools    |
| 60,000-64,999          | 9                   | 51         | 9           | 65         |
| 65,000-69,999          | 19                  | 27         | 19          | 31         |
| 70,000-74,999          | 1                   | 11         | 1           | 12         |
| 75,000-79,999          | 0                   | 8          | 3           | 8          |
| 80,000-84,999          | 9                   | 8          | 6           | 9          |
| 85,000-89,999          | 1                   | 4          | 0           | 6          |
| 90,000-94,999          | 0                   | 2          | 2           | 1          |
| 95,000-99,999          | 0                   | 2          | 1           | 3          |
| 100,000-104,999        | 0                   | 2          | 1           | 2          |
| 105,000-109,999        | 0                   | 2          | 0           | 1          |
| 110,000-114,999        | 0                   | 1          | 0           | 1          |
| 115,000-119,999        | 0                   | 2          | 0           | 0          |
| 120,000-124,999        | 6                   | 0          | 4           | 2          |
| 125,000-129,999        | 0                   | 1          | 0           | 1          |
| 130,000-134,999        | 1                   | 0          | 0           | 0          |
| 135,000-139,999        | 0                   | 1          | 2           | 1          |
| 140,000-144,999        | 0                   | 0          | 0           | 0          |
| 145,000-149,999        | 0                   | 1          | 0           | 0          |
| 150,000-154,999        | 0                   | 0          | 0           | 1          |
| 155,000-159,999        | 0                   | 0          | 0           | 0          |
| 160,000-164,999        | 0                   | 0          | 0           | 0          |
| 165,000-169,999        | 0                   | 0          | 0           | 0          |
| 170,000-174,999        | 1                   | 0          | 0           | 0          |
| 175,000-179,999        | 0                   | 0          | 1           | 0          |
| <b>Total</b>           | <b>47</b>           | <b>123</b> | <b>49</b>   | <b>144</b> |

## Notes to the Financial Statements

**10.3.** Shown in the tables below are remuneration details as required by regulation:

- Senior employees who form part of the Council's Senior Management Team (Directors, Assistant Directors and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- Senior employees whose salary is £150,000 or more on an annualised basis are identified by name
- The table does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions that the Council is required to make to the Pension Fund in respect of the individuals who are leaving the Council i.e. Enhancement of Retirement Benefits (Pension Strain costs). No bonuses have been paid during 2018/19 (£0 in 2017/18)

| 2017/18<br>Total remuneration<br>including pension<br>contributions<br>£ | 2018/19<br><br>Post title                          | Note | Salary, fees and<br>allowances received<br>£ | Taxable benefits<br>£ | Compensation for<br>loss of<br>employment |  | Employers pension<br>contribution (23.3% of<br>salary)<br>£ | Total remuneration<br>including pension<br>contributions<br>£ | Explanatory notes   |
|--|--|------|--|-----------------------|---|--|---|---|---|
|  |  |      |  |                       | Received via<br>payroll (taxable)<br>£    | Received via<br>payroll (non-<br>taxable)<br>£ |   |   |   |
| 213,823  | Chief Executive - Paul Orders                      |      | 176,885                                      | 0                     | 0   | 0  | 41,568  | 218,453   |   |
| 132,613  | Corporate Director Resources & Section 151 Officer | (a)  | 135,265                                      | 0                     | 0   | 0  | 0   | 135,265   | Relinquished S151 duties 10/03/2019. Due to leave the Council 02/04/2019. |
| 0  | Corporate Director Resources & Section 151 Officer |      | 7,636  | 0                     | 0   | 0  | 1,794   | 9,430   | Commenced 11/03/2019. Annualised salary £135,265.                         |
| 24,363   | Corporate Director People and Communities          |      | 135,265                                      | 0                     | 0   | 0  | 31,787  | 167,052   | Post commenced 07/02/2018. Annualised salary £135,265.                    |
| 128,442  | Director Communities, Housing & Customer Services  |      | 0  | 0                     | 0   | 0  | 0   | 0   | Post deleted 06/02/2018.  |

## Notes to the Financial Statements

| 2017/18<br><br>Total remuneration<br>including pension<br>contributions<br><br>£ | 2018/19<br><br>Post title                                 | Note | Salary, fees and<br>allowances received<br><br>£ | Taxable benefits<br><br>£ | Compensation for<br>loss of<br>employment  |  | Employers pension<br>contribution (23.3% of<br>salary)<br><br>£ | Total remuneration<br>including pension<br>contributions<br><br>£ | Explanatory notes  |
|--|---|------|--|---------------------------|--|--|---|---|--|
|  |   |      |  |                           | Received via<br>payroll (taxable)<br><br>£ | Received via<br>payroll (non-<br>taxable)<br><br>£ |   |   |  |
| 150,934  | Director Planning, Transport & Environment                |      | 124,860  | 0                         | 0  | 0  | 29,342  | 154,202   | Formerly Director City Operations in 2017/18             |
| 150,934  | Director Economic Development                             |      | 124,860  | 0                         | 0  | 0  | 29,342  | 154,202   |  |
| 150,947  | Director Education & Lifelong Learning                    |      | 124,860  | 163                       | 0  | 0  | 29,342  | 154,365   |  |
| 150,580  | Director Governance & Legal Services & Monitoring Officer |      | 124,860  | 0                         | 0  | 0  | 29,012  | 153,872   |  |
| 0  | Director Social Services                                  |      | 90,960   | 0                         | 0  | 0  | 21,376  | 112,336   | Commenced 09/07/2018. Annualised salary £124,860.        |
| 150,934  | Director Social Services                                  |      | 10,201   | 36                        | 0  | 0  | 2,397   | 12,634  | Left the Council 30/04/2018. Annualised salary £124,860. |
| 0  | Chief Digital Officer                                     |      | 100,235  | 0                         | 0  | 0  | 23,555  | 123,790   | Post commenced 01/04/2018.                               |
| 102,635  | Assistant Director Customer Services & Communities        |      | 0  | 0                         | 0  | 0  | 0   | 0   | Post deleted 31/03/2018.                                 |
| 102,635  | Assistant Director Adult Services                         |      | 8,279  | 0                         | 0  | 0  | 1,946   | 10,225  | Left the Council 06/05/2018. Annualised salary £84,905.  |
| 0  | Assistant Director Adult Services                         |      | 15,977   | 0                         | 0  | 0  | 3,755   | 19,732  | Commenced 24/01/2019. Annualised salary £84,905.         |

## Notes to the Financial Statements

| 2017/18<br><br>Total remuneration including pension contributions<br>£ | 2018/19<br><br>Post title                        | Note | Salary, fees and allowances received<br>£ | Taxable benefits<br>£ | Compensation for loss of employment |   | Employers pension contribution (23.3% of salary)<br>£ | Total remuneration including pension contributions<br>£ | Explanatory notes                                       |
|--|--|------|---|-----------------------|-------------------------------------|---|---|---|---|
|  |  |      |   |                       | Received via payroll (taxable)<br>£ | Received via payroll (non-taxable)<br>£ |   |   |   |
| 128,115  | Assistant Director Children's Services           | (b)  | 73,704                                    | 0                     | 0                                   | 0                                       | 0   | 73,704  | Left the Council 12/10/2018. Annualised salary £84,905. |
| 0  | Assistant Director Children's Services           | (b)  | 82,123                                    | 0                     | 0                                   | 0                                       | 0   | 82,123  | Commenced 13/09/2018. Annualised salary £84,905.        |
| 102,635  | Assistant Director Commercial Services           |      | 49,292                                    | 0                     | 20,810                              | 26,647                                  | 9,976   | 106,725   | Post deleted 30/09/2018. Annualised salary £84,905.     |
| 102,635  | Assistant Director Education & Lifelong Learning |      | 78,514                                    | 0                     | 0                                   | 0                                       | 18,451  | 96,965  | Left the Council 03/03/2019. Annualised salary £84,905. |
| 102,635  | Assistant Director Housing & Communities         |      | 84,905                                    | 0                     | 0                                   | 0                                       | 19,953  | 104,858   |   |
| 0  | Assistant Director Street Scene                  |      | 66,273                                    | 134                   | 0                                   | 0                                       | 16,469  | 82,876  | Post commenced 20/06/2018. Annualised salary £84,905.   |
| 102,635  | Chief HR Officer                                 |      | 84,905                                    | 0                     | 0                                   | 0                                       | 19,953  | 104,858   |   |
| 102,635  | Head of Finance                                  |      | 84,905                                    | 0                     | 0                                   | 0                                       | 19,953  | 104,858   |   |
| 102,635  | Head of Performance & Partnerships               |      | 75,050                                    | 0                     | 0                                   | 0                                       | 17,637  | 92,687  | Left the Council 17/02/2019. Annualised salary £84,905. |

(a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £652.41 in 2018/19 (£31,785 in 2017/18).

(b) During 2018/19 agency invoices of £155,827 (£128,115 in 2017/18) were received for services as Assistant Director Children's Services.



## Notes to the Financial Statements

### 10.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the following tables. The total costs of the exit packages identified 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 or compulsory redundancy. The second element is the pension strain cost which is paid by the Council to the Pension Fund over a five year period.

| 2017/18                           |                                   |  |   | Exit package cost band<br>(including special payments) | 2018/19                           |                                   |  |   |
|-----------------------------------|-----------------------------------|--|---|--|-----------------------------------|-----------------------------------|--|---|
| 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<br>£ |  | 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<br>£ |
| 14                                | 42                                | 56   | 585,070                                       | £0 - £20,000   | 44                                | 102                               | 146  | 1,204,141                                     |
| 2                                 | 15                                | 17   | 480,481                                       | £20,001 – £40,000                                      | 5                                 | 57                                | 62   | 1,522,036                                     |
| 1                                 | 7                                 | 8  | 405,989                                       | £40,001 – £60,000                                      | 1                                 | 7                                 | 8  | 418,560                                       |
| 1                                 | 5                                 | 6  | 414,321                                       | £60,001 – £80,000                                      | 1                                 | 3                                 | 4  | 267,582                                       |
| 0                                 | 2                                 | 2  | 166,285                                       | £80,001 – £100,000                                     | 0                                 | 5                                 | 5  | 470,239                                       |
| 0                                 | 3                                 | 3  | 331,498                                       | £100,001 – £150,000                                    | 0                                 | 4                                 | 4  | 482,765                                       |
| 0                                 | 1                                 | 1  | 166,519                                       | £150,001 – £200,000                                    | 0                                 | 0                                 | 0  | 0   |
| 18                                | 75                                | 93   | 2,550,163                                     | Total  | 51                                | 178                               | 229  | 4,365,323                                     |

### 10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2018/19 was £1.320 million (£1.290 million in 2017/18). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

### 11. 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 University Health Board for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Council's transactions are included in the Housing & Communities line of the Comprehensive Income and Expenditure Statement.

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018. Cardiff Council is acting as host authority during the initial term of the agreement (2018/19 financial year). The transactions are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2019 are as follows:

## Notes to the Financial Statements

| 2017/18<br>£000    |                                      |   | 2018/19<br>£000        |                                      |
|--------------------|--------------------------------------|---|------------------------|--------------------------------------|
| Joint<br>Equipment | Care<br>Homes<br>for older<br>people |   | Joint<br>Equipmen<br>t | Care<br>Homes for<br>older<br>people |
|                    |                                      | <b>Expenditure</b>                              |                        |                                      |
| 1,598              | 0                                    | Equipment                                       | 1,832                  | 0                                    |
| 102                | 0                                    | Contribution to Overheads                       | 102                    | 0                                    |
| 0                  | 0                                    | Care Home costs                                 | 0                      | 60,844                               |
| <b>1,700</b>       | <b>0</b>                             | <b>Total Expenditure</b>                        | <b>1,934</b>           | <b>60,844</b>                        |
|                    |                                      | <b>Funding</b>                                  |                        |                                      |
| (1,267)            | 0                                    | Cardiff and Vale University Health Board        | (1,289)                | (27,408)                             |
| (283)              | 0                                    | Cardiff Council                                 | (391)                  | (24,099)                             |
| (217)              | 0                                    | Vale of Glamorgan Council                       | (212)                  | (9,337)                              |
| <b>(1,767)</b>     | <b>0</b>                             | <b>Total Funding</b>                            | <b>(1,892)</b>         | <b>(60,844)</b>                      |
| <b>(67)</b>        | <b>0</b>                             | <b>(Surplus)/Deficit transferred to Reserve</b> | <b>42</b>              | <b>0</b>                             |

### 12. 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, providing the majority of its funding in the form of grants and prescribing 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 note 30 including grant receipts outstanding at 31 March 2019.

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2018/19 is shown in note 10. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2018/19, goods and services totalling £28.954 million were commissioned from organisations including public bodies in which members had an interest (£15.120 million in 2017/18) and income was received of £41.167 million (£15.990 million in 2017/18). Grants totalling £2.240 million (£3.678 million in 2017/18) were paid to organisations in which members had an interest.

**Officer's** emoluments are shown in note 10. In 2018/19, for organisations in which Senior Officers had an interest there were £20,000 of goods and services commissioned (£0 in 2017/18). For goods and services provided, income of £245,000 was received in 2018/19 (£64,000 in 2017/18). This figure is also included in the income for members' as there are representatives for officers and members on the board.

**Subsidiary Companies** include Cardiff City Transport Services (Cardiff Bus) and its subsidiary Vale Busline Limited, Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

**Pension Fund** contributions paid to the Fund are shown in note 17.

**Precepts and Levies** collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 5 to the Core Financial Statements. Separate to the

## Notes to the Financial Statements

precept, the Council made payments of £41,000 to Police and Crime Commissioner for South Wales during 2018/19 (£125,286 in 2017/18).

### Related Party Balances

The following balances were held in respect of related parties including public bodies:

| 31 March 2018   |                   |  | 31 March 2019   |                   |
|-----------------|-------------------|--|-----------------|-------------------|
| Debtors<br>£000 | Creditors<br>£000 |  | Debtors<br>£000 | Creditors<br>£000 |
| 33,540          | (1,220)           | Central Government Grants                            | 27,056          | (1,732)           |
| 28              | (133)             | Cardiff City Transport Services Ltd                  | 43              | (10)              |
| 2,001           | (25)              | Companies in which members' interests declared/other | 7,370           | (26)              |
| 35,569          | (1,378)           | Total  | 34,469          | (1,768)           |

### 13. External Audit Costs

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 383             | Fees payable to Wales Audit Office for external audit services           | 382             |
| 65              | Fees payable to Wales Audit Office for the certification of grant claims | 65              |
| 23              | Fees payable to Wales Audit Office for other financial audit work        | 20              |
| 471             | Total  | 467             |

### 14. Leasing

#### Council 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 2018/19:

| 2017/18<br>£000 |                 | 2018/19<br>£000 |
|-----------------|-----------------|-----------------|
| 1,330           | Property Leases | 1,275           |
| 3,127           | Other Leases    | 2,316           |
| 4,457           |                 | 3,591           |

The Council was committed at 31 March 2019 to making payments of £12.228 million under operating leases (£13.879 million at 31 March 2018) comprising the following elements:

| 31 March 2018           |                      |  | 31 March 2019           |                      |
|-------------------------|----------------------|--|-------------------------|----------------------|
| Property Leases<br>£000 | Other Leases<br>£000 |  | Property Leases<br>£000 | Other Leases<br>£000 |
| 1,144                   | 2,946                | Minimum lease payments not later than one year                           | 1,217                   | 2,003                |
| 2,319                   | 3,124                | Minimum lease payments later than one year but not later than five years | 1,529                   | 3,355                |
| 4,260                   | 86                   | Minimum lease payments later than five years                             | 4,119                   | 5                    |
| 7,723                   | 6,156                |  | 6,865                   | 5,363                |

## Notes to the Financial Statements

### Finance Leases

There were no finance leases at 31 March 2019 (none in 2017/18) and there are no future obligations under finance leases.

### Council as Lessor

#### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.608 million in 2018/19 (£5.618 million in 2017/18).

The Council was committed as at 31 March 2019 to receiving income of £420.966 million (£418.902 million as at 31 March 2018) under operating leases for Land & Buildings comprising the following elements:

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| 5,166                 | Minimum income from leases no later than one year                            | 5,188                 |
| 16,830                | Minimum income from leases later than one year and not later than five years | 16,984                |
| 396,906               | Minimum income from leases later than five years                             | 398,794               |
| 418,902               |  | 420,966               |

### Finance Leases

The Council does not provide any leases of this type.

### 15. Investment Properties

The following items have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| (5,402)         | Rental income from investment property                     | (5,688)         |
| 2,173           | Direct operating expenses arising from investment property | 1,839           |
| (3,229)         | Net (gain) / loss  | (3,849)         |

Subject to the terms and conditions of individual lease arrangements, the Council does have contractual obligations to repair, maintain or enhance certain properties.

### 16. Prudent Revenue Provision

The Council is required to set aside annually from its revenue budget, a prudent amount for the repayment of borrowing historically undertaken to pay for capital expenditure. The amount is set having regard to Welsh Government Guidance and a policy agreed by Council as part of its budget proposals each year. This amount reduces the Council's underlying need to borrow, the Capital Financing Requirement (CFR).

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.

| 2017/18<br>£000 |                                   | 2018/19<br>£000 |
|-----------------|-----------------------------------|-----------------|
| 24,257          | Council Fund revenue provision    | 26,635          |
| 11,108          | Housing Revenue Account provision | 11,413          |
| 35,365          | Prudent revenue provision         | 38,048          |

### 17. Pensions

#### **Participation in Pension Schemes**

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

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

- Teachers' Pension Scheme; and
- Local Government Pension Scheme.

#### **Teachers' Pension Scheme**

Unless they opt out, 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. It is a defined benefit scheme and although it is unfunded, it is a notional fund as a basis for calculating the employer's contribution rate. However, it is not possible for the Council to identify its 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 2018/19 the Council paid £20.104 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.562 million representing 16.5% of teachers' pensionable pay in 2017/18). In addition, the Council 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 pension's liability for unfunded liabilities.

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

The Council's non-teaching employees are automatically enrolled unless they choose to opt out of joining the Cardiff and Vale of Glamorgan Pension Fund (The Fund), for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Council 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.

The disclosures below relate to 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 International Accounting Standards 19 – Employee Benefits (IAS 19) and for the Local Government Pension Scheme, include the cost to the Council 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.

## Notes to the Financial Statements

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. The following table represents Cardiff Council only.

|  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000   |
|--|-----------------------|------------------------------|----------------|-----------------------|------------------------------|-----------------|
| <b>Comprehensive Income Expenditure Statement (CI&amp;E Statement)</b> |                       |                              |                |                       |                              |                 |
| <b>Net Cost of Services:</b>   |                       |                              |                |                       |                              |                 |
| Current Service Cost   | 50,150                | 0                            | 50,150         | 55,670                | 0                            | 55,670          |
| Past Service Costs   | 1,520                 | 170                          | 1,690          | 22,348                | 1,250                        | 23,598          |
| <b>Financing &amp; Investment Income &amp; Expenditure</b>             |                       |                              |                |                       |                              |                 |
| Interest on net defined benefit liability/(asset)*                     | 13,310                | 1,200                        | 14,510         | 14,760                | 1,180                        | 15,940          |
| <b>Net charge to CI&amp;E Statement</b>                                | <b>64,980</b>         | <b>1,370</b>                 | <b>66,350</b>  | <b>92,778</b>         | <b>2,430</b>                 | <b>95,208</b>   |
| <b>Remeasurement of the net Defined Liability comprising</b>           |                       |                              |                |                       |                              |                 |
| Returns on Plan Assets excluding amounts included in net interest      | (6,030)               | 0                            | (6,030)        | (52,880)              | 0                            | (52,880)        |
| Actuarial losses arising from changes in Financial assumptions         | 30,390                | 420                          | 30,810         | 102,180               | 1,480                        | 103,660         |
| Actuarial gains arising from changes in demographic assumptions        | 0                     | 0                            | 0              | (76,170)              | (2,260)                      | (78,430)        |
| Other experience and Actuarial adjustments                             | 9,160                 | 450                          | 9,610          | 2,880                 | 3,900                        | 6,780           |
| <b>Total Remeasurements recognised in Other Comprehensive Income</b>   | <b>33,520</b>         | <b>870</b>                   | <b>34,390</b>  | <b>(23,990)</b>       | <b>3,120</b>                 | <b>(20,870)</b> |
| <b>Total charged to Comprehensive Income and Expenditure Statement</b> | <b>98,500</b>         | <b>2,240</b>                 | <b>100,740</b> | <b>68,788</b>         | <b>5,550</b>                 | <b>74,338</b>   |

|  | 2017/18               |                              |               | 2018/19               |                              |               |
|--|-----------------------|------------------------------|---------------|-----------------------|------------------------------|---------------|
|  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000 | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000 |
| <b>Movement in Reserves Statement</b>  |                       |                              |               |                       |                              |               |
| Reversal of net charges made for retirement benefits in accordance with IAS19        | (64,980)              | (1,370)                      | (66,350)      | (92,778)              | (2,430)                      | (95,208)      |
| <b>Actual amount charged against Council Tax in respect of pensions for the year</b> |                       |                              |               |                       |                              |               |
| Employers contributions payable to the scheme  | 40,820                | 0                            | 40,820        | 44,540                | 0                            | 44,540        |
| Payments in respect of unfunded pensions liabilities **                              | 0                     | 3,210                        | 3,210         | 0                     | 3,350                        | 3,350         |
| <b>Total</b>   | <b>40,820</b>         | <b>3,210</b>                 | <b>44,030</b> | <b>44,540</b>         | <b>3,350</b>                 | <b>47,890</b> |



## Notes to the Financial Statements

\*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

\*\* 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 Taf (RCT) Council on behalf of the Council.

The past service costs and subsequently the pension liabilities include an estimation for the impact of the McCloud judgement and GMP equalisation (£20.698 million). The impact will be considered by the actuary within the valuation taking place in 2019.

### Reconciliation of funded status to Balance Sheet

| 31 March 2018         |                              |               |  | 31 March 2019         |                              |               |
|-----------------------|------------------------------|---------------|--|-----------------------|------------------------------|---------------|
| Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000 |  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000 |
| (1,730,930)           | (47,490)                     | (1,778,420)   | Opening present value of liabilities               | (1,820,380)           | (46,520)                     | (1,866,900)   |
| (50,150)              | 0                            | (50,150)      | Current service cost                               | (55,670)              | 0                            | (55,670)      |
| (44,420)              | (1,200)                      | (45,620)      | Interest cost                                      | (46,800)              | (1,180)                      | (47,980)      |
| (10,470)              | 0                            | (10,470)      | Contributions by participants                      | (11,240)              | 0                            | (11,240)      |
| (39,550)              | (870)                        | (40,420)      | Remeasurements in Other Comprehensive Income (OCI) | (28,890)              | (3,120)                      | (32,010)      |
| 56,660                | 3,210                        | 59,870        | Net benefits paid out *                            | 53,350                | 3,350                        | 56,700        |
| (1,520)               | (170)                        | (1,690)       | Past service cost                                  | (22,348)              | (1,250)                      | (23,598)      |
| (1,820,380)           | (46,520)                     | (1,866,900)   | Closing present value of liabilities               | (1,931,978)           | (48,720)                     | (1,980,698)   |
| 1,198,860             | 0                            | 1,198,860     | Opening fair value of assets                       | 1,230,630             | 0                            | 1,230,630     |
| 31,110                | 0                            | 31,110        | Interest income on assets                          | 32,040                | 0                            | 32,040        |
| 6,030                 | 0                            | 6,030         | Remeasurement gains/(losses) on assets             | 52,880                | 0                            | 52,880        |
| 40,820                | 0                            | 40,820        | Contributions by employer                          | 44,540                | 0                            | 44,540        |
| 10,470                | 0                            | 10,470        | Contributions by participants                      | 11,240                | 0                            | 11,240        |
| (56,660)              | 0                            | (56,660)      | Net benefits paid out **                           | (53,350)              | 0                            | (53,350)      |
| 1,230,630             | 0                            | 1,230,630     | Closing fair value of assets                       | 1,317,980             | 0                            | 1,317,980     |
| (589,750)             | (46,520)                     | (636,270)     | Net pension asset /(liability)*                    | (613,998)             | (48,720)                     | (662,718)     |

\*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

\*\*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.

### Contributions for year ending 31 March 2020

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2020 are estimated to be £43.832 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.

## Notes to the Financial Statements

Unfunded liabilities - in the accounting period ending 31 March 2020 the Council expects to pay £3.546 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities including the unfunded benefits in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2016.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation, as at 31 March 2019, for IAS19 purposes are shown in the following table:

| 31 March 2018 | Assumptions   | 31 March 2019 |
|---------------|---|---------------|
|               | <b>Longevity at 45 for Current Pensioners (years)</b> |               |
| 24.2          | Men   | 23.0          |
| 27.2          | Women   | 25.9          |
|               | <b>Longevity at 65 for Current Pensioners (years)</b> |               |
| 23.1          | Men   | 22.4          |
| 25.8          | Women   | 24.8          |
|               | <b>Rates</b>  |               |
| 3.2%          | Rate of Inflation - Retail Price Index (RPI)          | 3.3%          |
| 2.1%          | Rate of Inflation - Consumer Price Index (CPI)        | 2.2%          |
| 3.1%          | Rate of general increase in salaries*                 | 3.2%          |
| 2.1%          | Rate of increase to pensions in payment**             | 2.2%          |
| 2.1%          | Rate of increase to deferred pensions                 | 2.2%          |
| 2.6%          | Discount rate for scheme liabilities                  | 2.4%          |

\*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2016 valuation.

### Asset Allocation

The approximate split of assets for the Fund as a whole is shown in the following table. 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 Council 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 2018 |            |         |                  | 31 March 2019 |            |         |
|---------------|------------|---------|------------------|---------------|------------|---------|
| Quoted %      | Unquoted % | Total % | Assets           | Quoted %      | Unquoted % | Total % |
| 62.6          | 3.9        | 66.5    | Equities         | 59.7          | 4.0        | 63.7    |
| 6.3           | 0.0        | 6.3     | Property         | 7.7           | 0.0        | 7.7     |
| 15.4          | 0.0        | 15.4    | Government Bonds | 10.7          | 0.0        | 10.7    |
| 10.4          | 0.0        | 10.4    | Corporate Bonds  | 11.0          | 0.0        | 11.0    |
| 1.4           | 0.0        | 1.4     | Cash             | 1.5           | 0.0        | 1.5     |
| 0.0           | 0.0        | 0.0     | Other*           | 5.4           | 0.0        | 5.4     |
| 96.1          | 3.9        | 100     | Total            | 96.0          | 4.0        | 100     |

\*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments.

## Notes to the Financial Statements

### History of Asset Values, Present Value of Liabilities and Surplus/(Deficit)

|                                       | 31 March<br>2015<br>£000 | 31 March<br>2016<br>£000 | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Fair value of assets                  | 1,027,052                | 1,014,120                | 1,198,860                | 1,230,630                | 1,317,980                |
| Present value of funded liabilities   | (1,528,588)              | (1,513,150)              | (1,730,930)              | (1,820,380)              | (1,931,978)              |
| Present value of unfunded liabilities | (38,250)                 | (46,650)                 | (47,490)                 | (46,520)                 | (48,720)                 |
| Surplus/(deficit)                     | (539,786)                | (545,680)                | (579,560)                | (636,270)                | (662,718)                |

### Sensitivity Analysis of Present Value of Funded Liabilities

Results of sensitivity are shown below, in each case, only the assumption mentioned is altered and all other assumptions remain the same. Sensitivity of unfunded benefits is not included on materiality grounds.

| Funded Defined Benefit Obligation £1,911,280 *                                   | +0.1% p.a |  | -0.1% p.a |
|--|-----------|--|-----------|
| Change in Assumptions on Present value of the funded defined benefit obligations | £000      | % Increase /Decrease to Employee Liability | £000      |
| Adjustment to Discount rate  | 1,876     | -1.8%                                      | 1.9%      |
| Adjustment to Salary Increase rate   | 1,920     | 0.5%                                       | -0.5%     |
| Adjustment to Pension Increase rate  | 1,398     | 1.4%                                       | -1.4%     |
| Adjustment to Mortality rate   | 1,973     | 3.2%                                       | -3.2%     |

\*Excluding estimated impact for McCloud judgement and GMP equalisation

## Notes to the Financial Statements

### 18. Non-Current Assets

| Property, Plant and Equipment                                     | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | P, P & E under construction | Total Property, Plant & Equipment |
|---|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|-----------------------------|-----------------------------------|
| Movements in Cost or Values                                       | £000              | £000                   | £000                        | £000                  | £000             | £000           | £000                        | £000                              |
| <b>1 April 2017</b>   | <b>554,803</b>    | <b>741,919</b>         | <b>36,684</b>               | <b>605,525</b>        | <b>19,652</b>    | <b>40,992</b>  | <b>42,555</b>               | <b>2,042,130</b>                  |
| Additions   | 17,633            | 32,934                 | 4,587                       | 14,943                | 84               | 14             | 54,899                      | 125,094                           |
| Revaluations<br>Increases/(Decreases)<br>recognised in the RR*    | 0                 | 27                     | 0                           | 0                     | 0                | (844)          | 0                           | (817)                             |
| Revaluations<br>Increases/(Decreases)<br>recognised in the SDPS** | 0                 | (20,209)               | 0                           | 0                     | 0                | (16,396)       | 0                           | (36,605)                          |
| Impairment Losses/Reversals<br>to RR                              | 0                 | (361)                  | 0                           | 0                     | 0                | 0              | 0                           | (361)                             |
| Impairment Losses/Reversals<br>to SDPS                            | (25)              | (7,130)                | 0                           | 0                     | 0                | 0              | (1,458)                     | (8,613)                           |
| Derecognition - Disposals   | (1,479)           | (1,000)                | (3,401)                     | 0                     | 0                | (567)          | 0                           | (6,447)                           |
| Reclassified (to)/from Held for Sale                              | 0                 | (582)                  | 0                           | 0                     | 0                | (5,975)        | 0                           | (6,557)                           |
| Other Reclassifications - Transfers                               | 3,243             | (864)                  | 17                          | 3,746                 | 0                | 22,348         | (28,271)                    | 219                               |
| <b>31 March 2018</b>  | <b>574,175</b>    | <b>744,734</b>         | <b>37,887</b>               | <b>624,214</b>        | <b>19,736</b>    | <b>39,572</b>  | <b>67,725</b>               | <b>2,108,043</b>                  |
| Additions   | 22,682            | 45,396                 | 6,462                       | 18,396                | 10               | 3,844          | 23,270                      | 120,060                           |
| Revaluations<br>Increases/(Decreases)<br>recognised in the RR     | 17,507            | (1,854)                | 0                           | 0                     | 0                | (1,833)        | 0                           | 13,820                            |
| Revaluations<br>Increases/(Decreases)<br>recognised in the SDPS   | (9,008)           | (46,606)               | 0                           | 0                     | 0                | 130            | 156                         | (55,328)                          |
| Impairment Losses/Reversals<br>to RR                              | 0                 | (174)                  | 0                           | 0                     | 0                | (2,225)        | 0                           | (2,399)                           |
| Impairment Losses/Reversals<br>to SDPS                            | (133)             | (756)                  | 0                           | 0                     | 0                | (2,784)        | (78)                        | (3,751)                           |
| Derecognition - Disposals   | (711)             | (2,608)                | (3,932)                     | 0                     | 0                | (81)           | 0                           | (7,332)                           |
| Reclassified (to)/from Held for Sale                              | 0                 | 0                      | 0                           | 0                     | 0                | (1,695)        | 0                           | (1,695)                           |
| Other Reclassifications - Transfers                               | 277               | 42,387                 | 795                         | 6,748                 | 60               | 3,271          | (54,772)                    | (1,234)                           |
| <b>31 March 2019</b>  | <b>604,789</b>    | <b>780,519</b>         | <b>41,212</b>               | <b>649,358</b>        | <b>19,806</b>    | <b>38,199</b>  | <b>36,301</b>               | <b>2,170,184</b>                  |
| <b>Movements in Depreciation/Impairment</b>                       |                   |                        |                             |                       |                  |                |                             |                                   |
| <b>1 April 2017</b>   | <b>16,941</b>     | <b>26,169</b>          | <b>21,127</b>               | <b>310,904</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>375,141</b>                    |
| Depreciation Charge   | 9,072             | 16,571                 | 4,927                       | 22,135                | 0                | 0              | 0                           | 52,705                            |
| Depreciation written out on<br>Impairment                         | 0                 | (262)                  | 0                           | 0                     | 0                | 0              | 0                           | (262)                             |
| Depreciation written out to the<br>RR                             | 0                 | (804)                  | 0                           | 0                     | 0                | 0              | 0                           | (804)                             |
| Depreciation written out to the<br>SDPS                           | 0                 | (97)                   | 0                           | 0                     | 0                | (27)           | 0                           | (124)                             |
| Derecognition - Disposals   | (42)              | (723)                  | (3,401)                     | 0                     | 0                | 0              | 0                           | (4,166)                           |
| Reclassifications - Transfers                                     | 0                 | (27)                   | 0                           | 0                     | 0                | 27             | 0                           | 0                                 |
| <b>31 March 2018</b>  | <b>25,971</b>     | <b>40,827</b>          | <b>22,653</b>               | <b>333,039</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>422,490</b>                    |
| Depreciation Charge   | 9,908             | 17,307                 | 5,422                       | 21,217                | 0                | 0              | 0                           | 53,854                            |

## Notes to the Financial Statements

|  |                |                |               |                |               |               |               |                  |
|--|----------------|----------------|---------------|----------------|---------------|---------------|---------------|------------------|
| Depreciation written out on Impairment | 0              | (130)          | 0             | 0              | 0             | 0             | 0             | (130)            |
| Depreciation written out to the RR     | 0              | (10,192)       | 0             | 0              | 0             | 0             | 0             | (10,192)         |
| Depreciation written out to the SDPS   | (25,971)       | (14,759)       | 0             | 0              | 0             | 0             | 0             | (40,730)         |
| Derecognition - Disposals              | 0              | (147)          | (3,897)       | 0              | 0             | 0             | 0             | (4,044)          |
| Reclassifications - Transfers          | 0              | (67)           | 0             | 0              | 0             | 0             | 0             | (67)             |
| <b>31 March 2019</b>                   | <b>9,908</b>   | <b>32,839</b>  | <b>24,178</b> | <b>354,256</b> | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>421,181</b>   |
| Net Book Value                         |                |                |               |                |               |               |               |                  |
| <b>At 31 March 2018</b>                | <b>548,204</b> | <b>703,907</b> | <b>15,234</b> | <b>291,175</b> | <b>19,736</b> | <b>39,572</b> | <b>67,725</b> | <b>1,685,553</b> |
| <b>At 31 March 2019</b>                | <b>594,881</b> | <b>747,680</b> | <b>17,034</b> | <b>295,102</b> | <b>19,806</b> | <b>38,199</b> | <b>36,301</b> | <b>1,749,003</b> |

\* RR = Revaluation Reserve

\*\* SDPS = Surplus or deficit on Provision of Services

### Heritage Assets

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>53,846</b>   | <b>Balance at 1 April</b>                | <b>54,099</b>   |
| 53              | Additions                                | 53              |
| 200             | Revaluation increases /(decreases) to RR | 0               |
| <b>54,099</b>   | <b>Balance at 31 March</b>               | <b>54,152</b>   |

The Council has tangible heritage assets which consist mainly of the following three categories:-

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

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

**Public Art** - there are over 100 pieces of public art owned by the Council across the city, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as conventional valuation approaches lack sufficient reliability. In addition 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](http://www.cardiff.gov.uk) under the Resident, Planning, City Design and Public Art section.

**Scheduled Ancient Monuments** - the Council is responsible or part responsible for 17 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, conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these monuments are held within the Scheduled Ancient Monuments in Cardiff information leaflet which is available on [www.cardiff.gov.uk](http://www.cardiff.gov.uk) under Resident, Planning and Conservation of the Built Environment section.

**Paintings, artefacts and civic regalia** - the Council 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 balance sheet at an insurance valuation of £38.421 million undertaken externally as at 1 April 2016, by Mr A.N. Schoon, Antiques and Fine Art Valuer.

## Notes to the Financial Statements

**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.

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.

### Investment Properties

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

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| <b>132,241</b>  | <b>Balance at 1 April</b>                     | <b>103,820</b>  |
| 1,036           | Additions                                     | 12,679          |
| (2,502)         | Impairment                                    | (185)           |
| (26,774)        | Disposals                                     | (318)           |
| 0               | Reclassified (to) / from Held for Sale        | 0               |
| (219)           | Other Reclassifications                       | 1,234           |
| 32              | Revaluation increases / (decreases) to RR*    | 0               |
| 6               | Revaluation increases / (decreases) to SDPS** | 774             |
| <b>103,820</b>  | <b>Balance at 31 March</b>                    | <b>118,003</b>  |

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in intangible assets during 2018/19 are summarised as follows:

| 2017/18<br>Total<br>£000 |                            | 2018/19                               |                           |               |
|--------------------------|----------------------------|---------------------------------------|---------------------------|---------------|
|                          |                            | Other<br>Intangible<br>Assets<br>£000 | Intangible<br>AUC<br>£000 | Total<br>£000 |
|                          | <b>Cost or Valuation</b>   |                                       |                           |               |
| <b>8,500</b>             | <b>Balance at 1 April</b>  | <b>8,675</b>                          | <b>160</b>                | <b>8,835</b>  |
| 335                      | Additions                  | 482                                   | 0                         | 482           |
| 0                        | Other reclassifications    | 160                                   | (160)                     | 0             |
| <b>8,835</b>             | <b>Balance at 31 March</b> | <b>9,317</b>                          | <b>0</b>                  | <b>9,317</b>  |
|                          | <b>Amortisation</b>        |                                       |                           |               |
| <b>5,185</b>             | <b>Balance at 1 April</b>  | <b>6,134</b>                          | <b>0</b>                  | <b>6,134</b>  |
| 949                      | Amortisation               | 961                                   | 0                         | 961           |
| <b>6,134</b>             | <b>Balance at 31 March</b> | <b>7,095</b>                          | <b>0</b>                  | <b>7,095</b>  |
|                          | <b>Net Book Value:</b>     |                                       |                           |               |
| <b>2,701</b>             | <b>Balance at 31 March</b> | <b>2,222</b>                          | <b>0</b>                  | <b>2,222</b>  |

### Capital Expenditure and Capital Financing

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,



## Notes to the Financial Statements

it results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

| 2017/18<br>£000 |   | 2018/19                      |                         |                   |
|-----------------|---|------------------------------|-------------------------|-------------------|
|                 |   | CFR exc.<br>landfill<br>£000 | Landfill<br>CFR<br>£000 | Total CFR<br>£000 |
| 747,864         | Opening Capital Financing Requirement   | <b>750,755</b>               | <b>22,409</b>           | <b>773,164</b>    |
|                 | <b>Capital Expenditure:</b>   |                              |                         |                   |
| 120,366         | Property, Plant and Equipment*  | 120,060                      | 0                       | 120,060           |
| 53              | Heritage Assets   | 53                           | 0                       | 53                |
| 0               | Assets Held for Sale  | 0                            | 0                       | 0                 |
| 1,036           | Investment Properties   | 12,679                       | 0                       | 12,679            |
| 335             | Intangible Assets   | 482                          | 0                       | 482               |
| 200             | Loans / Equity  | 1,661                        | 0                       | 1,661             |
| 15,148          | Expenditure on REFCUS   | 8,098                        | 0                       | 8,098             |
|                 | <b>Sources of Finance:</b>  |                              |                         |                   |
| (10,682)        | Capital Receipts  | (22,037)                     | 0                       | (22,037)          |
| (55,363)        | Government grants and other contributions   | (56,406)                     | 0                       | (56,406)          |
| (10,407)        | Direct revenue contributions and reserves   | (11,120)                     | 0                       | (11,120)          |
| (35,386)        | Prudent revenue and capital provision for loan repayment  | (37,056)                     | (1,020)                 | (38,076)          |
| <b>773,164</b>  | <b>Closing Capital Financing Requirement</b>  | <b>767,169</b>               | <b>21,389</b>           | <b>788,558</b>    |
|                 | <b>Explanation of movements in year:</b>  |                              |                         |                   |
| (2,427)         | Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)   | (2,254)                      | 0                       | (2,254)           |
| 27,728          | Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance) | 18,668                       | (1,020)                 | 17,648            |
| <b>25,301</b>   | <b>Increase in Capital Financing Requirement</b>  | <b>16,414</b>                | <b>(1,020)</b>          | <b>15,394</b>     |

### Revenue Expenditure funded from Capital under Statute (REFCUS)

The following amounts were treated as capital expenditure to be paid for from capital resources. The table includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from capital resources.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Expenditure:</b>                                |                 |
| 4,254           | Housing Improvement Grants                         | 5,055           |
| 10,853          | Buildings not owned by Cardiff Council             | 3,033           |
| 41              | Grants awarded (not Housing Grants)                | 10              |
| <b>15,148</b>   | <b>Charged to Income and Expenditure Statement</b> | <b>8,098</b>    |
|                 | <b>Funded by:</b>                                  |                 |
| (9,356)         | Grants and Contributions                           | (7,388)         |
| (5,792)         | Borrowing, Receipts and Other Capital Resources    | (710)           |
| <b>(15,148)</b> |  | <b>(8,098)</b>  |

## Notes to the Financial Statements

### Significant capital expenditure contractual commitments

At 31 March 2019, the significant capital expenditure commitments scheduled for completion in 2019/20 and future years is shown below (£53.211 million 2017/18)

|                                    | £000          |
|------------------------------------|---------------|
| Cardiff Living - New Housing       | 8,855         |
| Courtney Road - New Housing        | 2,942         |
| Senghenydd Road Cycle Superhighway | 1,090         |
| Cardiff Royal Infirmary Hub        | 615           |
| Oakfield Primary School            | 532           |
| <b>Total</b>                       | <b>14,034</b> |

### 19. Financial Instruments

#### Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. 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, including the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities, and consideration of the Business Model for holding investments. Creditors are shown separately in the respective notes rather than as financial instruments:

| 31 March 2018     |                    |               |  | 31 March 2019     |                    |               |
|-------------------|--------------------|---------------|--|-------------------|--------------------|---------------|
| Long Term<br>£000 | Short Term<br>£000 | Total<br>£000 |  | Long Term<br>£000 | Short Term<br>£000 | Total<br>£000 |
| 0                 | 34,000             | 34,000        | Amortised Cost - Investments - Principal                           | 0                 | 69,000             | 69,000        |
| 0                 | 33                 | 33            | Amortised Cost - Investments Accrued Interest                      | 0                 | 32                 | 32            |
| 0                 | 54,046             | 54,046        | Amortised Cost - Cash and Cash Equivalents                         | 0                 | 20,852             | 20,852        |
| 0                 | 11                 | 11            | Amortised Cost - Cash and Cash Equivalents Accrued Interest        | 0                 | 21                 | 21            |
| 0                 | 88,090             | 88,090        | <b>Total Investments at Amortised Cost Included in Investments</b> | 0                 | 89,905             | 89,905        |
| 13,996            | 0                  | 13,996        | Investments at Fair Value through Other Comprehensive Income       | 10,948            | 0                  | 10,948        |
| 640               | 243                | 883           | Loans  | 1,188             | 1,189              | 2,377         |
| 7,447             | 86,684             | 94,131        | Other Debtors  | 8,595             | 95,322             | 103,917       |
| 8,087             | 86,927             | 95,014        | <b>Total Debtors</b>   | 9,783             | 96,511             | 106,294       |
| 22,083            | 175,017            | 197,100       | <b>Total Financial Assets</b>                                      | 20,731            | 186,416            | 207,147       |
| (688,713)         | (4,562)            | (693,275)     | Financial liabilities at amortised cost - Loans (Principal)        | (717,700)         | (4,221)            | (721,921)     |
| 0                 | (8,878)            | (8,878)       | Financial liabilities at amortised cost - Loans Accrued Interest   | 0                 | (9,085)            | (9,085)       |
| (688,713)         | (13,440)           | (702,153)     | <b>Total Borrowings</b>  | (717,700)         | (13,306)           | (731,006)     |

Investments at amortised cost include:

## Notes to the Financial Statements

- temporary investments deposited for various maturities with financial institutions. The fair value is deemed to be the carrying value (Level 2)

### Investments at Fair Value through Other Comprehensive Income include:

- the Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The valuation estimate is based on the net worth of the company as per its latest set of financial accounts (Level 3). This is a change in valuation method, following a review of the validity and variability of the previous approach which considered market multipliers of earnings. Any valuation basis can fluctuate dependent on the company's performance and economic climate and so any accounting valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Financial Instruments Revaluation Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2019 is estimated to be £10.470 million (£13.630 million in 2017/18).
- various minority equity holdings in companies are included either at cost or at quoted prices where available.

The above are held or acquired for Council policy purposes and have been elected to be accounted for as Fair Value through Other Comprehensive Income.

### Debtors include:

- loans to small to medium enterprises including those for town centre regeneration and car loans to eligible Council staff.
- grants, income due from service users, partners, deferred capital receipts to be received, offset by an impairment for credit losses, where applicable.

### Borrowings Liabilities include:

- external borrowing undertaken to fund the long term capital expenditure and short term cash flow requirements. It includes Lender Option Borrower Option Loans (LOBO) 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 change in the rate. Where possible and viable, opportunities for early repayment are considered. The carrying amounts below also include accrued interest payable at 31 March 2019.

| 31 March 2018           |                    |  | Valuation Method - Level | 31 March 2019           |                    |
|-------------------------|--------------------|--|--------------------------|-------------------------|--------------------|
| Carrying amount<br>£000 | Fair value<br>£000 |  |                          | Carrying amount<br>£000 | Fair value<br>£000 |
| (640,000)               | (922,218)          | Public Works Loan Board Loans (PWLBS)                          | Level 2                  | (669,314)               | (969,502)          |
| (51,638)                | (73,508)           | Lender Option Borrower Option Loans                            | Level 2                  | (51,637)                | (74,647)           |
| (10,515)                | (8,919)            | Welsh Government and other Loans, Bonds and Temporary Balances | Level 2                  | (10,055)                | (8,881)            |
| <b>(702,153)</b>        | <b>(1,004,645)</b> | <b>Financial Liabilities</b>                                   |                          | <b>(731,006)</b>        | <b>(1,053,030)</b> |

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.

Fair value calculations use the following assumptions:

## Notes to the Financial Statements

- For PWLB debt, the transfer or fair value shown in the table is based on new borrowing rates from the PWLB for equivalent loans at 31 March 2019. An exit price fair value of £1.142 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- 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.
- No early repayment or impairment is recognised.

### Financial Instrument Gains/Losses

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

|  | Financial Liabilities         |                 | Financial Assets |                 |  |                 | Total           |                 |
|--|-------------------------------|-----------------|------------------|-----------------|--|-----------------|-----------------|-----------------|
|  | Liabilities at Amortised Cost |                 | Amortised Cost   |                 | Investments at Fair Value through Other Comprehensive Income |                 |                 |                 |
|  | 2017/18<br>£000               | 2018/19<br>£000 | 2017/18<br>£000  | 2018/19<br>£000 | 2017/18<br>£000  | 2018/19<br>£000 | 2017/18<br>£000 | 2018/19<br>£000 |
| Interest Payable & Similar Charges                                 | 31,781                        | 32,176          | 0                | 0               | 0  | 0               | 31,781          | 32,176          |
| Interest and Investment Income                                     | 0                             | 0               | (471)            | (706)           | 0  | 0               | (471)           | (706)           |
| (Gain)/loss arising on Revaluation or Disposal of Financial Assets | 0                             | 0               | 0                | 0               | (305)  | 3,172           | (305)           | 3,172           |
| <b>Net (gain) / loss for the year</b>                              | <b>31,781</b>                 | <b>32,176</b>   | <b>(471)</b>     | <b>(706)</b>    | <b>(305)</b>   | <b>3,172</b>    | <b>31,005</b>   | <b>34,642</b>   |

Gains and losses include interest payable on borrowing, amounts receivable on investments, gains on disposal of investments and also movements from estimating changes in value of investments at fair value. No dividend was received in 2018/19 from Cardiff Bus (£0 in 2017/18).

### Nature and Extent of Risks arising from Financial Instruments

The Council's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks. 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.

Treasury management 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.

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

## Notes to the Financial Statements

### Credit Risk

Risk that other parties may fail to pay amounts due to the Council. It arises from lending of temporary cash balances as part of the Council's Treasury Management Activities, from exposure to the Council's customers and from organisations to whom a loan has been provided.

An impairment for bad debt is made where there is deemed to be a risk of expected credit losses. The following table summarises the Council's main exposures to credit risk.

| Credit Risk                           | Likelihood of Default   | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
|---------------------------------------|---|--------------------------|--------------------------|---------|--|------|------|------------------|--------|--------|-------------|-----|-----|-------------|-----|-----|-------------|----|-----|-------------|----|----|--------------|-----|-----|--------------|---------------|---------------|--------|--------|
| Deposits – banks, buildings societies | Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. A risk of non-recoverability applies to all of the Council's deposits, requiring rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in this process. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2019, the expected credit loss calculated on a historic risk of default basis is 0.02% or £14,000. This is minimal, so no provision for expected credit loss is recognised.   | 88,090                   | 89,905                   |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Car Loans                             | Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.   | 493                      | 469                      |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Loans to External Bodies              | Includes loans to SME's. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.   | 390                      | 1,908                    |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Customers                             | <p>The Council 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 collectable.</p> <p>The impairment for bad debt in 2018/19 was based on the adjusted age profile disclosed in the following table.</p> <table><tr><td></td><td>2017/18</td><td>2018/19</td></tr><tr><td></td><td>£000</td><td>£000</td></tr><tr><td>Less than 1 year</td><td>20,197</td><td>15,998</td></tr><tr><td>1 – 2 years</td><td>798</td><td>559</td></tr><tr><td>2 – 3 years</td><td>296</td><td>430</td></tr><tr><td>3 – 4 years</td><td>90</td><td>220</td></tr><tr><td>4 – 5 years</td><td>98</td><td>69</td></tr><tr><td>Over 5 years</td><td>353</td><td>277</td></tr><tr><td><b>Total</b></td><td><b>21,832</b></td><td><b>17,553</b></td></tr></table> <p>Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and impairment for non-payment is not usually considered necessary.</p> |                          | 2017/18                  | 2018/19 |  | £000 | £000 | Less than 1 year | 20,197 | 15,998 | 1 – 2 years | 798 | 559 | 2 – 3 years | 296 | 430 | 3 – 4 years | 90 | 220 | 4 – 5 years | 98 | 69 | Over 5 years | 353 | 277 | <b>Total</b> | <b>21,832</b> | <b>17,553</b> | 21,832 | 17,553 |
|                                       | 2017/18   | 2018/19                  |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
|                                       | £000  | £000                     |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Less than 1 year                      | 20,197  | 15,998                   |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| 1 – 2 years                           | 798   | 559                      |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| 2 – 3 years                           | 296   | 430                      |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| 3 – 4 years                           | 90  | 220                      |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| 4 – 5 years                           | 98  | 69                       |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Over 5 years                          | 353   | 277                      |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| <b>Total</b>                          | <b>21,832</b>   | <b>17,553</b>            |                          |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |
| Total                                 |   | 110,805                  | 109,835                  |         |  |      |      |                  |        |        |             |     |     |             |     |     |             |    |     |             |    |    |              |     |     |              |               |               |        |        |

### Liquidity and Refinancing Risk

## Notes to the Financial Statements

This is the possibility that the Council may not have funds available to make payments or have to refinance a financial liability at disadvantageous interest rate or terms. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. The amounts of fixed rate debt maturing in any period are disclosed in the following table:

| 31 March 2018<br>£000 | Loans Outstanding                         | 31 March 2019<br>£000 |
|-----------------------|---|-----------------------|
| 631,760               | Public Works Loans Board                  | 660,866               |
| 51,000                | Market Lender Option Borrow Option (LOBO) | 51,000                |
| 10,515                | Welsh Government / Salix                  | 10,055                |
| <b>693,275</b>        | <b>Total</b>                              | <b>721,921</b>        |
| 4,562                 | Under 12 months                           | 4,221                 |
| 3,286                 | 12 months and within 24 months            | 1,207                 |
| 12,870                | 24 months and within 5 years              | 15,500                |
| 35,412                | 5 years and within 10 years               | 41,980                |
| 155,500               | 10 years and within 20 years              | 161,000               |
| 166,000               | 20 years and within 30 years              | 168,000               |
| 210,689               | 30 years and within 40 years              | 212,689               |
| 99,956                | 40 years and within 50 years              | 112,324               |
| 5,000                 | 50 years and within 60 years              | 5,000                 |
| <b>693,275</b>        | <b>Total</b>                              | <b>721,921</b>        |

Currently, £24.000 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the following table:

| £m | Potential Repayment Date | Option Frequency | Full Term Maturity |
|----|--------------------------|------------------|--------------------|
| 6  | 21/05/2019               | 6 months         | 21/11/2041         |
| 6  | 21/05/2019               | 6 months         | 21/11/2041         |
| 6  | 21/05/2019               | 6 months         | 23/05/2067         |
| 6  | 21/05/2019               | 6 months         | 23/05/2067         |
| 22 | 21/11/2020               | 5 years          | 23/11/2065         |
| 5  | 16/01/2023               | 5 years          | 17/01/2078         |

### Interest Rate Risk

The possibility that financial loss might arise for the Council 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. | 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 the 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. | Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.  |
| Fair value of fixed rate financial assets       | Interest rate rises will have no material effect on fair value, hence fair value is not disclosed.   | By borrowing and investing 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 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.            |   |

To give an indication of the Council's sensitivity to interest rate change, the table below indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2018/19 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                      | (162)      |
| Increase in interest receivable on investments                  | 449        |
| <b>Impact on Income and Expenditure Account</b>                 | <b>287</b> |
| Increase in interest transferred to other balances and accounts | (168)      |
| <b>Net Income / (Expenditure)</b>                               | <b>119</b> |

| Changes in Fair Value                            | £000    |
|--|---------|
| Decrease in Fair Value of Fixed Rate Investments | 0       |
| Decrease in Fair Value of Fixed Rate Borrowings  | 161,361 |

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 Council'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. Whilst the Council's approved Treasury Management policy allows investments in financial instruments such as bank certificates of deposit and Government bonds. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. For service investment purposes, the Council has equity holdings of £17,000 (£30,000 in 2017/18) which are quoted on a recognised stock exchange at 31 March 2019.

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%

## Notes to the Financial Statements

in the fair value (positive or negative) would result in a £505,000 gain or loss being recognised in the Movement in Reserves Statement.

### 20. Held for Sale Assets

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| <b>80</b>             | <b>Balance at 1 April</b>                    | <b>6,375</b>          |
| (80)                  | De-recognition                               | (5,500)               |
| 6,557                 | Reclassified to/(from) Held for Sale         | 1,695                 |
| (84)                  | Revaluation increases /(decreases) to RR*    | 0                     |
| (98)                  | Revaluation increases /(decreases) to SDPS** | 0                     |
| <b>6,375</b>          | <b>Balance at 31 March</b>                   | <b>2,570</b>          |

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### 21. Short Term Debtors

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| 45,592                | Central Government Bodies                                    | 44,485                |
| 16,939                | Other Local Authorities & NHS Bodies                         | 27,052                |
| 24,396                | Other Entities and Individuals including Public Corporations | 23,795                |
| <b>86,927</b>         | <b>Total Short Term Debtors</b>                              | <b>95,332</b>         |

### 22. Cash and Cash Equivalents

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| 207                   | Cash   | 880                   |
| 28,788                | Bank (including cheque book schools)                 | (4,327)               |
| 25,062                | Short-term deposit with banks and building societies | 24,320                |
| <b>54,057</b>         | <b>Total Cash and Cash Equivalents</b>               | <b>20,873</b>         |

In addition to the above, at 31 March 2019 the Council held £679,000 (£622,000 at 31 March 2018) 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.

### 23. Short Term Creditors

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| (12,608)              | Central Government Bodies                                    | (11,667)              |
| (11,155)              | Other Local Authorities & NHS Bodies                         | (19,641)              |
| (64,165)              | Other Entities and Individuals including Public Corporations | (75,277)              |
| <b>(87,928)</b>       | <b>Total Short Term Creditors</b>                            | <b>(106,584)</b>      |

## Notes to the Financial Statements

### 24. Interests in Other Companies and Other Organisations

The Council had three wholly owned subsidiary companies which traded during 2018/19. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2018/19. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk.

#### **Cardiff City Transport Services Ltd. (Cardiff Bus) (company number 02001229)**

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. The company's draft operating results, which include any subsidiaries, are summarised below:

| 31 March 2018 |  | 31 March 2019 |
|---------------|--|---------------|
| £000          |  | £000          |
| (30,398)      | Turnover and other income                  | (32,925)      |
| 32,750        | Operating and other expenditure            | 33,036        |
| 2,352         | <b>Net (Profit) / Loss before Taxation</b> | <b>111</b>    |
| (439)         | Taxation                                   | 0             |
| 1,913         | <b>(Profit) / Loss after Taxation</b>      | <b>111</b>    |

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

| 31 March 2018 |   | 31 March 2019 |
|---------------|---|---------------|
| £000          |   | £000          |
| 23,014        | Bus and other operating assets                          | 20,102        |
| 3,678         | Current Assets  | 2,378         |
| (6,677)       | Less Current Liabilities                                | (2,854)       |
|               | Creditors: Amounts falling due after more than one year |               |
| (6,335)       | Provisions & Long term liabilities                      | (7,284)       |
| (1,044)       | Deferred Taxation                                       | (604)         |
| (3,584)       | Pension Liability                                       | (1,268)       |
| 9,052         | <b>Total Assets less Liabilities</b>                    | <b>10,470</b> |
|               | Represented by:   |               |
| 4,618         | Share Capital   | 4,618         |
| 1,293         | Retained Earnings                                       | 2,711         |
| 3,141         | Revaluation Reserve                                     | 3,141         |
| 9,052         | <b>Net Worth</b>  | <b>10,470</b> |

In 2018/19 the Council made payments totalling £10.366 million to Cardiff Bus (£8.773 million in 2017/18), of which £8.958 million related to concessionary fares payments (£8.263 million in 2017/18). The Council also received income of £69,000 (£62,000 in 2017/18). During 2017/18 and 2018/19 no dividend was paid to the Council.

At 31 March 2019, Cardiff Bus had inter-company balances with the Council as follows: debtors £144,000 (£133,000 in 2017/18) and creditors £45,000 (£28,000 in 2017/18).

## Notes to the Financial Statements

The accounts for year ended 31 March 2019 are in draft status and are pending audit, prior to submission to Companies House at the end of December 2019. The company's auditors are Deloitte. The 2017/18 figures have been updated for Cardiff Bus final accounts, as these were not available at 30 September 2018.

### Cardiff Business Technology Centre Ltd. (CBTC) (company number 02074331)

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. The Council's guarantee to CBTC is to pay costs not exceeding £10 in the event of the company being wound up. The most recent operating results are shown as follows:

| 31 March 2018<br>£000 |                                     | 31 March 2019<br>£000 |
|-----------------------|-------------------------------------|-----------------------|
| 68                    | Net (Profit) / Loss before Taxation | 8                     |
| (64)                  | Less: Taxation                      | (1)                   |
| 4                     | (Profit) / Loss after Taxation      | 7                     |

| 31 March 2018<br>£000 |                                       | 31 March 2019<br>£000 |
|-----------------------|---------------------------------------|-----------------------|
| 775                   | Total assets less current liabilities | 759                   |
| (51)                  | Provision for taxation                | (46)                  |
| 724                   | Total Assets less Liabilities         | 713                   |
|                       | Represented by:                       |                       |
| 274                   | Retained Profit                       | 293                   |
| 450                   | Revaluation Reserve                   | 420                   |
| 724                   | Net Worth                             | 713                   |

During 2018/19, the Council received income of £0 (£0 in 2017/18) from CBTC. At 31 March 2019 CBTC owed the Council £0 (£0 at 31 March 2018) and was owed £0 (£0 at 31 March 2018).

The company's auditors are Gerald Thomas. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2019.

### Atebion Solutions Ltd. (company number 10411758)

Atebion Solutions Ltd. is wholly owned by the Council to deliver procurement and commercial services to the public sector and it commenced trading on 1 March 2018.

| 31 March 2018<br>£000 |                                     | 31 March 2019<br>£000 |
|-----------------------|-------------------------------------|-----------------------|
| (38)                  | Net (Profit) / Loss before Taxation | 29                    |
| 7                     | Less: Taxation                      | (5)                   |
| (31)                  | (Profit) / Loss after Taxation      | 24                    |

| 31 March 2018<br>£000 |   | 31 March 2019<br>£000 |
|-----------------------|---|-----------------------|
| 31                    | Total assets less current liabilities           | 23                    |
| 0                     | Creditors: falling due after more than one year | (16)                  |
| 31                    | Total Assets less Liabilities                   | 7                     |
|                       | Represented by:                                 |                       |
| 31                    | Retained Profit                                 | 7                     |
| 31                    | Net Worth                                       | 7                     |

## Notes to the Financial Statements

During the year the Council made payments of £19,967 (£0 in 2017/18) to Atebion Solutions Ltd. and received £112,666 of income from the company (£0 in 2017/18). The Council accrued income in connection with Atebion Solutions Ltd. totalling £60,000 (£113,687 in 2017/18).

The company's auditors are Baldwins. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2019.

### Cardiff Business Council Ltd. (company number 08650575)

Cardiff Business Council was a company set up in 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. This company was closed in December 2017 and was dissolved at Companies House in July 2019.

## 25. Provisions

|                        | Balance<br>1 April<br>2018 | Utilised/<br>Released<br>in year | Transfers<br>to<br>Provisions | Balance<br>31<br>March<br>2019 | Not<br>later<br>than<br>one<br>year | Later<br>than<br>one<br>year |
|------------------------|----------------------------|----------------------------------|-------------------------------|--------------------------------|-------------------------------------|------------------------------|
|                        | £000                       | £000                             | £000                          | £000                           | £000                                | £000                         |
| Insurance & MMI Scheme | (8,468)                    | 2,874                            | (5,071)                       | (10,665)                       | (4,798)                             | (5,867)                      |
| Ferry Road Landfill    | (8,462)                    | 185                              | 0                             | (8,277)                        | (195)                               | (8,082)                      |
| Lamby Way Landfill     | (11,230)                   | 391                              | 0                             | (10,839)                       | (507)                               | (10,332)                     |
| City Deal              | (427)                      | 343                              | (145)                         | (229)                          | 0                                   | (229)                        |
| Other                  | (830)                      | 657                              | (674)                         | (847)                          | (600)                               | (247)                        |
| <b>Total</b>           | <b>(29,417)</b>            | <b>4,450</b>                     | <b>(5,890)</b>                | <b>(30,857)</b>                | <b>(6,100)</b>                      | <b>(24,757)</b>              |

**Insurance** - represents sums set aside to meet the cost of claims received, but not yet settled. The 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'.

**Municipal Mutual Insurance (MMI) Scheme of arrangement levy** - represents a scheme that 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 future claims. Further details are provided in note 31.

**Landfill aftercare** - reflects the financial obligations to address restoration and aftercare for Lamby Way and Ferry Road sites in accordance with initial permits for the disposal of waste. These obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure.

**Cardiff Capital Region City Deal (CCRCD)** – primarily represents timing differences in relation to corporation tax.

**Other** – includes a Family Guarantor provision to aid the transfer of families from temporary accommodation into permanent homes. The provision included in previous years for the Friary building has been removed as it was no longer required following the Council relinquishing the lease.

## 26. Pension Strain

In addition to the costs of redundancy payments made to leavers, in some cases the Council 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.

## Notes to the Financial Statements

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 Council. The pension strain cost to the Council is the amount it has to pay over to the Pension Fund to compensate for the lost pension contributions for these staff.

The Council has an arrangement in place with the Cardiff and Vale of Glamorgan 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.

| 31 March 2018<br>£000 | Pension Strain                       | 31 March 2019<br>£000 |
|-----------------------|--------------------------------------|-----------------------|
| (1,884)               | Pension Strain due within 1 year     | (1,769)               |
| (2,794)               | Pension Strain due later than 1 year | (2,560)               |
| (4,678)               | <b>Total Pension Strain</b>          | <b>(4,329)</b>        |

### 27. Deferred Liabilities

These are amounts paid in advance by external bodies towards expenditure in future years.

|                                    | Balance<br>1 April<br>2018<br>£000 | Utilised/<br>Released<br>in year<br>£000 | Transfers<br>to<br>Deferred<br>Liabilities<br>£000 | Balance<br>31 March<br>2019<br>£000 | Not later<br>than one<br>year<br>£000 | Later<br>than one<br>year<br>£000 |
|------------------------------------|------------------------------------|--|--|-------------------------------------|---------------------------------------|-----------------------------------|
| Commuted Maintenance Sums          | (9,039)                            | 1,170                                    | (349)  | (8,218)                             | (523)                                 | (7,695)                           |
| Rent Smart Wales Income in Advance | (6,162)                            | 1,032                                    | 0  | (5,130)                             | (1,125)                               | (4,005)                           |
| <b>Total Deferred Liabilities</b>  | <b>(15,201)</b>                    | <b>2,202</b>                             | <b>(349)</b>                                       | <b>(13,348)</b>                     | <b>(1,648)</b>                        | <b>(11,700)</b>                   |

### 28. Usable Reserves

Movements in the Council'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 future capital expenditure or to repay historical capital incurred.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>7,205</b>    | <b>Balance as at 1 April</b>             | <b>21,320</b>   |
|                 | Movements during Year:                   |                 |
| 20,857          | Sale of Land, Buildings and other assets | 7,246           |
| 3,765           | Sale of Council Dwellings                | 1,838           |
| 196             | Recoupments of grant/other               | 148             |
| <b>24,818</b>   |  | <b>9,232</b>    |
| (10,682)        | Finance Capital Expenditure              | (22,037)        |
| (21)            | Provide for Repayment of External Loans  | (27)            |
| <b>(10,703)</b> |  | <b>(22,064)</b> |
| <b>21,320</b>   | <b>Balance as at 31 March</b>            | <b>8,488</b>    |



## Notes to the Financial Statements

### 29. Unusable Reserves

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>257,138</b>  | <b>Balance as at 1 April</b>   | <b>253,798</b>  |
| 2,262           | Upward revaluation of assets   | 45,320          |
| (2,489)         | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services             | (23,705)        |
| (227)           | <b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b> | <b>21,615</b>   |
| (2,357)         | Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)              | (1,236)         |
| (756)           | Accumulated gains on assets sold or scrapped   | (5,579)         |
| (3,113)         | <b>Amount written off to the Capital Adjustment Account</b>  | <b>(6,815)</b>  |
| <b>253,798</b>  | <b>Balance as at 31 March</b>  | <b>268,598</b>  |

#### 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.

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| <b>851,833</b>  | <b>Balance as at 1 April</b>  | <b>828,081</b>  |
|                 | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b> |                 |
| (60,943)        | Charges for depreciation and impairment of non-current assets   | (57,369)        |
| 6,876           | Reverse previous impairment on revaluation  | 19,996          |
| (41,601)        | Revaluation losses on Property, Plant and Equipment   | (34,791)        |
| (949)           | Amortisation of intangible assets   | (961)           |
| (5,792)         | Expenditure on REFCUS   | (9,295)         |

## Notes to the Financial Statements

|           |  |                 |
|-----------|--|-----------------|
| (28,380)  | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (3,527)         |
| (130,789) |  | (85,947)        |
| 2,357     | Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)  | 1,236           |
| (128,432) | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>(84,711)</b> |
|           | <b>Capital financing applied in the year:</b>  |                 |
| 10,682    | Capital Receipts   | 22,037          |
| 10,407    | Direct Revenue Financing   | 11,120          |
| 50,734    | Grants and contributions   | 49,018          |
| 35,365    | Prudent Revenue Provision  | 38,048          |
| 21        | Capital receipts to provide for repayment of external loans  | 28              |
| (65)      | Reduction in loan debtors  | (39)            |
| 107,144   |  | 120,212         |
| (2,464)   | Movements in the value of Investment Properties  | 589             |
| 0         | Movement in the value of Held for Sale assets  | 0               |
| 828,081   | <b>Balance as at 31 March</b>  | <b>864,171</b>  |

### 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. The Council does not treat these gains as usable for financing new capital expenditure until they are realised.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>2,038</b>    | <b>Balance as at 1 April</b>   | <b>4,511</b>    |
| 4,500           | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 500             |
| (2,027)         | Transfers to the Capital Receipts Reserve upon receipt of cash   | (3)             |
| 4,511           | <b>Balance as at 31 March</b>  | <b>5,008</b>    |

The balance in 2018/19 relates primarily to the deferred payment from disposal of land at Central Square.

### Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments held as Financial Instruments that are elected to be classified as Fair Value through other Comprehensive Income i.e. those held for service objectives or policy purposes. 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.

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>13,235</b>   | <b>Balance as at 1 April</b>   | <b>13,540</b>   |
| 305             | (Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | (3,172)         |

## Notes to the Financial Statements

|        |                        |        |
|--------|------------------------|--------|
| 13,540 | Balance as at 31 March | 10,368 |
|--------|------------------------|--------|

The majority of the balance relates to the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is 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 offset in this reserve. Any valuation should be treated with care as it is for accounting purposes only.

### 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 Council 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 Council 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 Council 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.

| 2017/18<br>£000  |  | 2018/19<br>£000  |
|------------------|--|------------------|
| <b>(591,356)</b> | <b>Balance as at 1 April</b>   | <b>(647,960)</b> |
| (33,582)         | Actuarial gains or losses on pensions assets and liabilities   | 21,551           |
| (67,010)         | 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 | (95,835)         |
| (44)             | Reversal of amounts accrual in respect of pension strain for future years  | 347              |
| 44,032           | Employer's pensions contributions and direct payments to pensioners payable in the year  | 47,891           |
| 0                | Adjustment re. Joint Committee   | (14)             |
| <b>(647,960)</b> | <b>Balance as at 31 March</b>  | <b>(674,020)</b> |

### 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.

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| <b>(8,252)</b>  | <b>Balance as at 1 April</b>  | <b>(9,333)</b>  |
| (1,081)         | 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 | 432             |
| <b>(9,333)</b>  | <b>Balance as at 31 March</b>   | <b>(8,901)</b>  |

## Notes to the Financial Statements

### 30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2018/19:

| 2017/18<br>£000  |  | 2018/19<br>£000  |
|------------------|--|------------------|
|                  | <b>Credited to Taxation and Non Specific Grant Income</b>        |                  |
| (312,736)        | Revenue Support Grant  | (325,564)        |
| (115,480)        | Non-Domestic Rates   | (115,383)        |
| (42,913)         | Capital Grants   | (45,431)         |
| (7,821)          | Developers' Contributions  | (3,587)          |
| <b>(478,950)</b> | <b>Total</b>   | <b>(489,965)</b> |
|                  | <b>Credited to Services (Revenue Grants &amp; Contributions)</b> |                  |
| (272,330)        | Central Government Bodies  | (260,905)        |
| (18,377)         | Other Local Authorities & NHS Bodies                             | (18,490)         |
| (3,288)          | Other Entities and Individuals including Public Corporations     | (4,020)          |
| <b>(293,995)</b> | <b>Total</b>   | <b>(283,415)</b> |

The Council 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 2018<br>£000 | Revenue Grants and Contributions Receipts in Advance         | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| (5,599)               | Central Government Bodies                                    | (11,110)              |
| (35)                  | Other Local Authorities & NHS Bodies                         | 0                     |
| (850)                 | Other Entities and Individuals including Public Corporations | (1,302)               |
| <b>(6,484)</b>        | <b>Total</b>   | <b>(12,412)</b>       |

| 31 March 2018<br>£000 | Capital Grants Receipts in Advance                           | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| (412)                 | Central Government Bodies                                    | (782)                 |
| 0                     | Other Local Authorities & NHS Bodies                         | 0                     |
| 0                     | Other Entities and Individuals including Public Corporations | 0                     |
| <b>(412)</b>          | <b>Total</b>   | <b>(782)</b>          |

#### Capital Expenditure and other Contributions Receipts in Advance:

| 31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|-----------------------|--|-----------------------|
| <b>(11,843)</b>       | <b>Balance as at 1 April</b>                         | <b>(9,961)</b>        |
| (9,290)               | Contributions received during the year               | (8,630)               |
| 10,862                | Contributions applied to expenditure during the year | 3,781                 |
| 310                   | Reclassification                                     | 325                   |
| <b>(9,961)</b>        | <b>Balance as at 31 March</b>                        | <b>(14,485)</b>       |

## Notes to the Financial Statements

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure.

### 31. Contingent Assets and 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 at 31 March 2019 is £4.562 million (£4.739 million at 31 March 2018).

In March 2015, the Council approved a request from Glamorgan County Cricket Club to write off 70% of a £6.534 million loan balance due to the Council and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015. A review during 2018/19 identified positive indications of additional income to the Club in 2019/20 and beyond as a result of changes in tournaments and in the national game. However until then, the risks of recovery of sums due still remain and the balance due of 30% (£1.960 million) remains 100% impaired. Any balances due are not shown in the financial statements but are identified as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are to begin in July 2019.

A VAT claim submitted to HMRC for cultural exemption at the castle, if successful, will result in income of £589,000.

In respect to an assessment received from HMRC for purportedly under-declared landfill tax assessment, associated penalties and interest, the Council has made a payment on account of £2.452 million to HMRC during 2018/19. This is not an admission of liability and if the assessment is changed or cleared, then this will be refunded by HMRC.

#### Liabilities

As at 31 March 2019 five claims existed in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £195,000 (£160,000 at 31 March 2018) and the Council is resisting liability.

The former Authorities of South Glamorgan County Council, Cardiff City Council, Mid Glamorgan County Council and Taff Ely Borough 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. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims. The Council's share of residual exposure is £2.440 million. The accounts reflect a provision of £139,150 with £786,777 held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

The Council has entered into a number of contracts for services involving the transfer of Council employees to the new service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Admission agreements with the new employers allow transferred employees to remain in membership of the Cardiff and Vale of Glamorgan Pension Fund. In the event that a contractor fails to meet its obligations to the Pension Fund as set out in the admission agreement, the Council acts as guarantor for the accrued pension liabilities.

The Council and HMRC are continuing discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill

## Notes to the Financial Statements

site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged PricewaterhouseCoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the technical nature of the assessment, it is not possible to quantify or provide a reliable estimate of any liability at this stage and so no provision is created in the accounts as at 31 March 2019.

### 32. Notes to Cash Flow Statement

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

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| (96,682)        | Depreciation, impairment & amortisation  | (73,162)        |
| (23,022)        | Charges made for retirement benefits (IAS19) less employers contributions      | (26,899)        |
| (28,380)        | Carrying amount of non-current assets sold or derecognised                     | (3,527)         |
| (46)            | Increase/(decrease) in stock   | 137             |
| 386             | Increase/(decrease) in debtors   | 19,947          |
| (5,750)         | (Increase)/decrease in creditors   | (18,015)        |
| 3,056           | Other non-cash items affecting net surplus or deficit on provision of services | (18,213)        |
| (150,438)       |  | (119,732)       |

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

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| (4,800)         | Net gain/(loss) on sale of non-current assets                   | 9,728           |
| 50,734          | Capital grants/contributions recognised in CI&E                 | 49,018          |
| 0               | Other cash items which effect investing or financing activities | 468             |
| 45,934          |   | 59,214          |

### 33. Prior Period Adjustment

During 2018/19, the Council became aware that a previous decision taken in 2014/15 to recognise a voluntary aided school, St Teilo's Church in Wales School, on the asset register was incorrect due to misinterpretation of information received at the time. The removal of the asset totalling £26.026 million (£1.784 million Revaluation Reserve and £24.242 million Capital Adjustment Account) has been recognised as a prior period adjustment for Cardiff Council and its Group. A Balance Sheet as at 31 March 2017 is included within the Core Financial Statements, in addition to the restated Balance Sheet as at 31 March 2018. The brought forward balances within the Capital Adjustment Account, Revaluation Reserve (note 29) and Non-Current Assets (note 18) have been restated to reflect this disposal. The treatment of other voluntary aided schools has been reviewed to ensure correctness.

### 34. Events After the Reporting Period

There are no events after the reporting period to report.



### 35. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 12 September 2019 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

# Housing Revenue Account

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## Notes to Housing Revenue Account

The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate account for the costs associated with the management and maintenance of Council dwellings. This is termed the Housing Revenue Account (HRA).

A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling homes, estate regeneration and fire safety works.

With over 7,900 people currently on the combined housing waiting list, the plan includes delivery of 1,000 new affordable Council homes in the city by 2022 and a further 1,000 over the longer term. Other objectives include support for people in vulnerable situations, including homelessness and an integrated approach to locality based care to enable people to continue to live independently at home.

Key expenditure and income items include:

### Expenditure

Repairs and Maintenance  
£22.434 million

Supervision and  
Management  
£24.499 million

Capital Financing Costs  
£30.640 million

### Income

Dwelling Rents  
£70.248 million

Charges for Services and  
Facilities  
£7.355 million

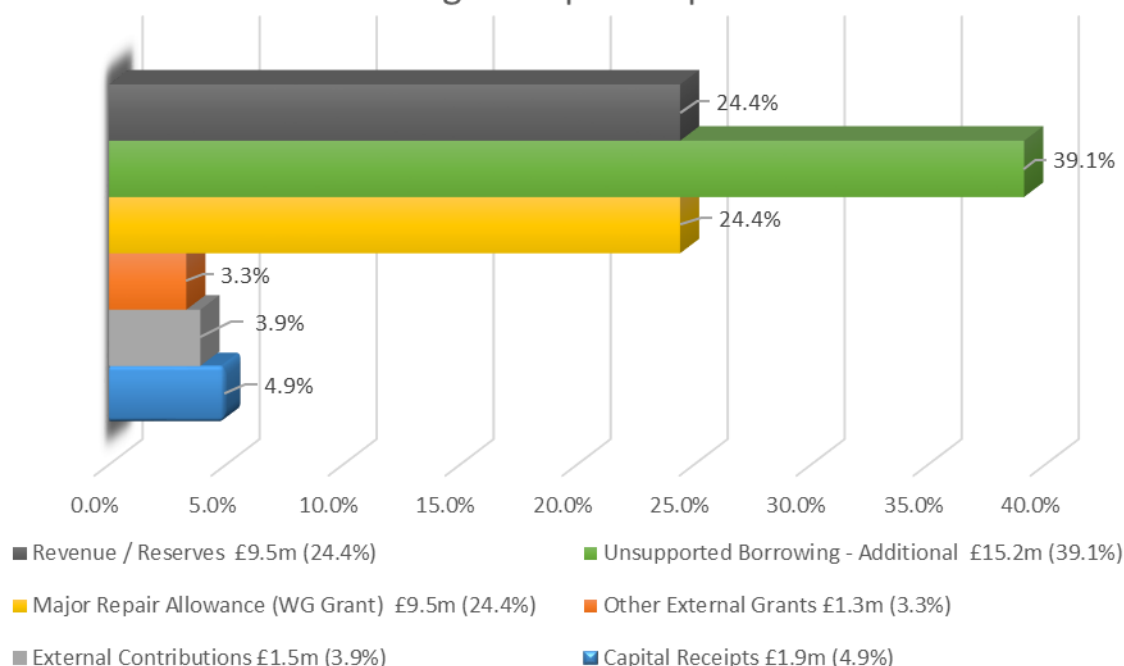
Average Weekly Net Rent  
£101.68

Our housing stock is valued in the accounts at £594.881 million. Dwellings were revalued in 2018/19 with the vacant possession value deemed to be £1.574 billion. In accordance with the valuation requirements, this was adjusted downwards by an adjustment factor of 37% in order to show the economic cost of providing social housing at less than market rent. Valuations are updated at least every three years.

The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2019, this stands at £279.245 million. All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £38.877 million on estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and on the development of new Council Housing to meet new build targets.

### Funding of Capital Expenditure



During 2018/19, some key performance indicators included:

- Void property levels were 1.7% as a percentage of overall stock (1% 2017/18)
- 99% of reported graffiti cleared in line with targets (100% 2017/18)
- 99% of over 6,000 clean and clear jobs completed within 10 working days (99% 2017/18)
- 98% of urgent antisocial behaviour cases contacted within 1 working day (99% 2017/18)
- 98% of emergency repairs completed on time (98% 2017/18)
- 93% of responsive repairs carried out by the in-house workforce. (94% 2017/18)

Tenant participation in shaping and delivering services is welcome and encouraged in numerous ways including a dedicated Tenant Participation team, conferences, tenants' voice meetings, community action days, information provision at the Citizen Hubs, the Tenants' Times publication and other social media.

A recent tenant satisfaction survey showed that:

- 89% of tenants were satisfied with the way we deal with repairs (92% 2017/18)
- 89% of tenants were satisfied with their neighbourhood as a place to live (90% 2017/18)
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants. (95% 2017/18)



## Notes to Housing Revenue Account

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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

| 2017/18<br>£000 |  | Note | 2018/19<br>£000 |
|-----------------|--|------|-----------------|
| 20,027          | Repairs and maintenance  |      | 22,434          |
| 22,751          | Supervision and management   |      | 24,499          |
| 93              | Rents, rates, taxes and other charges  |      | 156             |
| 701             | Provision for bad and doubtful debts   |      | 1,327           |
| 10,164          | Depreciation, impairment and revaluation losses of non-current assets  | 8    | (5,835)         |
| 55              | Sums directed by the Welsh Government that are expenditure in accordance with the Code                                     | 9    | 0               |
| 45              | Debt management costs  |      | 42              |
| <b>53,836</b>   | <b>Total Expenditure</b>   |      | <b>42,623</b>   |
| (66,107)        | Dwelling rents   | 2    | (70,248)        |
| (80)            | Non-dwelling rents   |      | (50)            |
| (6,709)         | Charges for services and facilities  |      | (7,355)         |
| <b>(72,896)</b> | <b>Total Income</b>  |      | <b>(77,653)</b> |
|                 | <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                          |      |                 |
| (19,060)        |  |      | (35,030)        |
|                 | <b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b> |      |                 |
| (2,485)         | (Gain)/loss on sale of HRA non-current assets  |      | (1,271)         |
| 11,779          | Interest payable and similar charges   |      | 11,716          |
| 0               | Changes in fair value of investment properties   |      | (23)            |
| (1)             | Interest and Investment income   |      | (1)             |
| (11,855)        | Capital grants and contributions applied   |      | (12,318)        |
| <b>(21,622)</b> | <b>(Surplus)/Deficit for year on HRA Services</b>  |      | <b>(36,927)</b> |

### Movement on HRA Balance

| 2017/18<br>£000 |   | Note | 2018/19<br>£000 |
|-----------------|---|------|-----------------|
| <b>(8,438)</b>  | <b>Balance on the HRA at the end of the previous year</b>                     |      | <b>(8,983)</b>  |
| (21,622)        | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement |      | (36,927)        |
| 21,940          | Adjustments between accounting basis and funding basis under regulations      | 1    | 39,655          |
| <b>318</b>      | <b>Net (increase)/decrease before transfers to or from reserves</b>           |      | <b>2,728</b>    |
| (863)           | Transfers to/(from) earmarked reserves  |      | (2,728)         |
| <b>(545)</b>    | <b>Increase or decrease in the year on the HRA</b>                            |      | <b>0</b>        |
| <b>(8,983)</b>  | <b>Balance on the HRA at the end of the current year</b>                      |      | <b>(8,983)</b>  |

## Notes to Housing Revenue Account

### 1. Adjustments between Accounting Basis and Funding Basis Under Regulations

| 2017/18<br>£000 |   | Note | 2018/19<br>£000 |
|-----------------|---|------|-----------------|
|                 | <b>Adjustments primarily involving the Capital Adjustment Account:</b>  |      |                 |
|                 | <u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>   |      |                 |
| 9,699           | Charges for depreciation and impairment of non-current assets   | 8    | 10,560          |
| 268             | Revaluation losses of non-current assets  | 8    | (16,523)        |
| (12)            | Reverse previous impairment on revaluation  | 8    | (35)            |
| 208             | Amortisation of intangible assets   | 8    | 163             |
| 0               | Movement in the market value of investment properties   |      | (23)            |
| (11,855)        | Capital grants and contributions applied  |      | (12,318)        |
| 55              | Sums directed by Welsh Government   | 9    | 0               |
| 1,526           | Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement   |      | 605             |
| (11,112)        | Prudent Provision for the financing of capital investment   |      | (11,413)        |
| (7,633)         | Capital expenditure charged against the HRA   |      | (9,469)         |
| 51              | Credit for disposal costs that qualify to be met from the resulting capital receipts  |      | 20              |
|                 | <b>Adjustments involving the Revaluation Reserve:</b>   |      |                 |
| (4,010)         | Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account   |      | (1,876)         |
|                 | <b>Adjustments involving the Pensions Reserve:</b>  |      |                 |
| 4,038           | Net Retirement Benefits per IAS19   |      | 4,496           |
| (3,273)         | Employers Contributions to pension schemes  |      | (3,783)         |
| 119             | Pension Strain Accrual – future years   |      | (199)           |
|                 | <b>Adjustments involving the Accumulated Absences Account:</b>  |      |                 |
| (9)             | 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 |      | 140             |
| (21,940)        | <b>Total Adjustments</b>  |      | <b>(39,655)</b> |

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.58% of the total potential rental income (1.20% in 2017/18). Average rents were £101.68 per week (£95.27 in 2017/18) based on a 52 week year.

### 3. Rent Arrears, Service Charge Arrears and Bad Debt Provision

The following sums were due from tenants:



## Notes to Housing Revenue Account

| 31 March 2018   |                               |                            | 31 March 2019   |                               |
|-----------------|-------------------------------|----------------------------|-----------------|-------------------------------|
| Arrears<br>£000 | Bad debt<br>provision<br>£000 |                            | Arrears<br>£000 | Bad debt<br>provision<br>£000 |
|                 |                               | <b>Rent Arrears</b>        |                 |                               |
| 3,588           | 2,753                         | Dwellings                  | 4,618           | 3,465                         |
| 40              | 40                            | Leasehold properties       | 36              | 36                            |
| 253             | 253                           | Hostels                    | 345             | 345                           |
| <b>3,881</b>    | <b>3,046</b>                  | <b>Total Rent Arrears</b>  | <b>4,999</b>    | <b>3,846</b>                  |
|                 |                               | <b>Other</b>               |                 |                               |
| 100             | 60                            | Service charges            | 116             | 70                            |
| 441             | 441                           | Tenants recoverables       | 479             | 479                           |
| <b>541</b>      | <b>501</b>                    | <b>Total Other Arrears</b> | <b>595</b>      | <b>549</b>                    |
| <b>4,422</b>    | <b>3,547</b>                  | <b>Total</b>               | <b>5,594</b>    | <b>4,395</b>                  |

During 2018/19 a number of old debts totalling £424,533 were written off as irrecoverable (£298,905 in 2017/18).

#### 4. Pension Costs

In accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) 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:

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 4,038           | Current service cost   | 4,496           |
| (3,273)         | Cost of employer's contributions plus discretionary benefits | (3,783)         |
| 119             | Pension Strain Accrual - Future Years                        | (199)           |
| <b>884</b>      | <b>Net transfer to Pensions Reserve</b>                      | <b>514</b>      |

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.

#### 5. Housing Stock

The Council's housing stock is shown below:

| 31 March 2018 |                      | 31 March 2019 |
|---------------|----------------------|---------------|
| 7,205         | Houses               | 7,231         |
| 628           | Bungalows            | 629           |
| 5,082         | Flats/Bedsits        | 5,085         |
| 169           | Maisonettes          | 169           |
| 352           | Retirement complexes | 352           |
| <b>13,436</b> | <b>Total</b>         | <b>13,466</b> |

The Council also owns two hostels, providing the following accommodation:

| 31 March 2018 |                       | 31 March 2019 |
|---------------|-----------------------|---------------|
| 9             | Bed spaces in hostels | 36            |
| 49            | Flats in hostels      | 49            |
| <b>58</b>     | <b>Total</b>          | <b>85</b>     |

## Notes to Housing Revenue Account

### 6. Capital Expenditure and Capital Financing

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| <b>273,882</b>  | <b>Opening Capital Financing Requirement</b>   | <b>266,709</b>  |
|                 | <u>Capital Expenditure:</u>  |                 |
| 24,729          | Property , Plant and Equipment   | 38,859          |
| 38              | Intangible assets including intangible AUC   | 0               |
| 0               | Investment Properties  | 18              |
| 55              | Expenditure on REFCUS  | 0               |
| 2,159           | Appropriation of land  | 8,780           |
|                 | <u>Sources of Finance:</u>   |                 |
| (3,558)         | Capital Receipts   | (1,920)         |
| (11,855)        | Government grants and other contributions *  | (12,319)        |
| (7,633)         | Direct revenue contributions and reserves  | (9,469)         |
| (11,108)        | Prudent revenue and capital provision for loan repayment   | (11,413)        |
| <b>266,709</b>  | <b>Closing Capital Financing Requirement</b>   | <b>279,245</b>  |
| 316,554         | Debt Cap at 31 March   | 0               |
| <b>49,845</b>   | <b>Headroom</b>  | <b>N/A</b>      |
|                 | <b>Explanation of Movements in Year:</b>   |                 |
| (7,171)         | Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years) | 12,536          |
| <b>(7,171)</b>  | <b>Movement in Capital Financing Requirement</b>   | <b>12,536</b>   |

\* £9.514 million (£9.532 million in 2017/18) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council was required to adhere to a debt cap set by Welsh Government. This was based on the Housing Capital Financing Requirement (CFR) calculation. The cap was removed by Welsh Government during 2018/19.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2018/19 were as follows:

- Council Dwellings and Home Purchase Contributions £1.838 million (£3.766 million in 2017/18)
- Land £0.366 million (£0.108 million in 2017/18)

### 8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment were charged on HRA assets as shown in the table below. 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.

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 9,071           | Council dwellings                                       | 10,040          |
| 203             | Land and buildings                                      | 202             |
| 486             | Vehicles, plant & equipment, intangibles and AUC        | 481             |
| <b>9,760</b>    | <b>Total Depreciation , Amortisation and Impairment</b> | <b>10,723</b>   |
| 26              | Council dwellings                                       | (16,962)        |
| 257             | Land and buildings                                      | 404             |
| 121             | Vehicles, plant & equipment, intangibles and AUC        | 0               |
| <b>404</b>      | <b>Total Revaluation</b>                                | <b>(16,558)</b> |
| <b>10,164</b>   | <b>Total</b>  | <b>(5,835)</b>  |

## Notes to Housing Revenue Account

### 9. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
|                 | <b>Expenditure:</b>                              |                 |
| 55              | Buildings not owned by the Council               | 0               |
| 55              | <b>Charged to Income and Expenditure Account</b> | <b>0</b>        |
|                 | <b>Funded by:</b>                                |                 |
| 0               | Grants and Contributions                         | 0               |
| (55)            | Borrowing, Receipts and other Capital Resources  | 0               |
| (55)            |  | 0               |

# Group Accounts

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## Introduction

The group accounts that follow comply with the requirement of the 2018/19 Code, which states that a local authority with material 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 the County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus) which is a wholly owned subsidiary with limited liability. At the point of drafting these accounts, the accounts for Cardiff Bus had been audited but not certified.

The Council has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. 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 Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2018/19. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

## 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 and its subsidiaries. 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 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 FRS102. 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 Non-Current 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 non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

### 5. Prior Period Adjustments

The 2017/18 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2017/18 Cardiff Bus final accounts, as these were not available at 30 September 2018.

## Group Comprehensive Income and Expenditure

| 2017/18                   |                      |                         |   | Note | 2018/19                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|------|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   |      | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 13,455                    | (3,164)              | 10,291                  | Corporate Management                          |      | 35,392                    | (1,416)              | 33,976                  |
| 71,446                    | (37,654)             | 33,792                  | Economic Development                          |      | 75,934                    | (40,445)             | 35,489                  |
| 375,118                   | (90,253)             | 284,865                 | Education & Lifelong Learning                 |      | 366,473                   | (92,894)             | 273,579                 |
| 8,186                     | (1,690)              | 6,496                   | Governance & Legal Services                   |      | 6,938                     | (1,067)              | 5,871                   |
| 9,134                     | (6,484)              | 2,650                   | Harbour Authority                             |      | 8,977                     | (6,074)              | 2,903                   |
| 53,836                    | (72,896)             | (19,060)                | Housing Revenue Account                       |      | 42,624                    | (77,654)             | (35,030)                |
| 248,468                   | (200,324)            | 48,144                  | Housing and Communities                       |      | 240,878                   | (194,488)            | 46,390                  |
| 137,238                   | (77,869)             | 59,369                  | Planning , Transport and Environment          |      | 151,371                   | (74,742)             | 76,629                  |
| 37,300                    | (14,854)             | 22,446                  | Resources                                     |      | 39,103                    | (15,278)             | 23,825                  |
| 184,095                   | (26,541)             | 157,554                 | Social Services                               |      | 196,129                   | (24,084)             | 172,045                 |
| 2,701                     | (5,813)              | (3,112)                 | Summary Revenue Account                       |      | 3,688                     | (5,514)              | (1,826)                 |
| <b>1,140,977</b>          | <b>(537,542)</b>     | <b>603,435</b>          | <b>Net Cost of Services</b>                   |      | <b>1,167,507</b>          | <b>(533,656)</b>     | <b>633,851</b>          |
| 31,216                    | 0                    | 31,216                  | Police and Crime Commissioner for South Wales |      | 33,499                    | 0                    | 33,499                  |
| 310                       | 0                    | 310                     | Community Council Precepts                    |      | 367                       | 0                    | 367                     |
| 17,115                    | 0                    | 17,115                  | Levies & Contributions                        |      | 17,439                    | 0                    | 17,439                  |
| 29,135                    | (27,165)             | 1,970                   | (Gain)/loss on sale of non-current assets     |      | 9,106                     | (9,949)              | (843)                   |
| <b>77,776</b>             | <b>(27,165)</b>      | <b>50,611</b>           | <b>Other Operating Expenditure</b>            |      | <b>60,411</b>             | <b>(9,949)</b>       | <b>50,462</b>           |
| 31,781                    | 0                    | 31,781                  | Interest Payable on debt                      |      | 32,176                    | 0                    | 32,176                  |
| 209                       | 0                    | 209                     | Interest element of finance leases            | 4    | 215                       | 0                    | 215                     |
| 16,535                    | (1,761)              | 14,774                  | Interest on net defined liability/(asset)     |      | 16,176                    | (11)                 | 16,165                  |
| 0                         | (700)                | (700)                   | Interest & Investment Income                  |      | 0                         | (972)                | (972)                   |
| 2,502                     | (38)                 | 2,464                   | Change in fair value of Investment Properties |      | 5,066                     | (5,655)              | (589)                   |



## Group Comprehensive Income and Expenditure

|           |             |           |  |  |           |             |           |
|-----------|-------------|-----------|--|--|-----------|-------------|-----------|
| 51,027    | (2,499)     | 48,528    | Financing and Investment Income & Expenditure                              |  | 53,633    | (6,638)     | 46,995    |
| 0         | (50,734)    | (50,734)  | Recognised Capital Grants & Contributions                                  |  | 0         | (49,018)    | (49,018)  |
| 0         | (312,736)   | (312,736) | Revenue Support Grant  |  | 0         | (325,564)   | (325,564) |
| 0         | (115,480)   | (115,480) | Non-Domestic Rates   |  | 0         | (115,383)   | (115,383) |
| 2,070     | (191,095)   | (189,025) | Council Tax Income   |  | 2,282     | (202,564)   | (200,282) |
| 2,070     | (670,045)   | (667,975) | Taxation & Non-Specific Grant Income                                       |  | 2,282     | (692,529)   | (690,247) |
| (439)     | 0           | (439)     | Tax expenses - Corporation Tax payable/(owing)                             |  | 131       | 0           | 131       |
| 1,271,411 | (1,237,251) | 34,160    | (Surplus)/Deficit on Provision of Services                                 |  | 1,283,964 | (1,242,772) | 41,192    |
|           |             | (2,262)   | Revaluation Gains  |  |           |             | (45,320)  |
|           |             | 2,128     | Revaluation Losses   |  |           |             | 21,306    |
|           |             | 361       | Impairment losses on non-current assets charged to the Revaluation Reserve |  |           |             | 2,399     |
|           |             | 45        | (Surplus)/Deficit on Financial Instrument Revaluation Reserve              |  |           |             | 13        |
|           |             | 33,581    | Actuarial gains/losses on pension assets/liabilities                       |  |           |             | (23,066)  |
|           |             | 135       | Share of other comprehensive income & expenditure of subsidiaries          |  |           |             | 0         |
|           |             | 33,988    | Other Comprehensive Income & Expenditure                                   |  |           |             | (44,668)  |
|           |             | 68,148    | Total Comprehensive Income & Expenditure                                   |  |           |             | (3,476)   |

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

## Group Movement In Reserves

|  | Council Fund<br>Balance | Council Fund<br>Earmarked<br>Reserves | HRA Balance    | HRA Earmarked<br>Reserves | Capital Receipts<br>Reserve | Total Usable<br>Reserves | Unusable<br>Reserves Council | Unusable<br>Reserves - Group<br>Entities | Total Authority<br>Reserves |
|--|-------------------------|---------------------------------------|----------------|---------------------------|-----------------------------|--------------------------|------------------------------|--|-----------------------------|
|  | £000                    | £000                                  | £000           | £000                      | £000                        | £000                     | £000                         | £000                                     | £000                        |
| <b>Balance at 31 March 2017 carried forward</b>                                | <b>14,255</b>           | <b>59,391</b>                         | <b>8,438</b>   | <b>4,086</b>              | <b>7,205</b>                | <b>93,375</b>            | <b>515,975</b>               | <b>6,481</b>                             | <b>615,831</b>              |
| <b><u>Movement in Reserves during 2017/18</u></b>                              |                         |                                       |                |                           |                             |                          |                              |  |                             |
| Surplus or (deficit) on the provision of Services                              | (53,869)                | 0                                     | 21,622         | 0                         | 0                           | (32,247)                 | 0                            | (1,913)                                  | (34,160)                    |
| Other Comprehensive Income and Expenditure                                     | 0                       | 0                                     | 0              | 0                         | 0                           | 0                        | (33,503)                     | (485)                                    | (33,988)                    |
| <b>Total Comprehensive Income and Expenditure</b>                              | <b>(53,869)</b>         | <b>0</b>                              | <b>21,622</b>  | <b>0</b>                  | <b>0</b>                    | <b>(32,247)</b>          | <b>(33,503)</b>              | <b>(2,398)</b>                           | <b>(68,148)</b>             |
| Adjustments between accounting basis & funding basis under regulations         | 56,321                  | 0                                     | (21,940)       | 0                         | 14,115                      | 48,496                   | (48,496)                     | 0  | 0                           |
| <b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b> | <b>2,452</b>            | <b>0</b>                              | <b>(318)</b>   | <b>0</b>                  | <b>14,115</b>               | <b>16,249</b>            | <b>(81,999)</b>              | <b>(2,398)</b>                           | <b>(68,148)</b>             |
| Transfers to/(from) Earmarked Reserves   | (2,452)                 | 2,452                                 | 863            | (863)                     | 0                           | 0                        | 0                            | 0  | 0                           |
| <b>Increase / (Decrease) in 2017/18</b>  | <b>0</b>                | <b>2,452</b>                          | <b>545</b>     | <b>(863)</b>              | <b>14,115</b>               | <b>16,249</b>            | <b>(81,999)</b>              | <b>(2,398)</b>                           | <b>(68,148)</b>             |
| <b>Balance at 31 March 2018 carried forward</b>                                | <b>14,255</b>           | <b>61,843</b>                         | <b>8,983</b>   | <b>3,223</b>              | <b>21,320</b>               | <b>109,624</b>           | <b>433,976</b>               | <b>4,083</b>                             | <b>547,683</b>              |
| <b><u>Movement in Reserves during 2018/19</u></b>                              |                         |                                       |                |                           |                             |                          |                              |  |                             |
| Surplus or (deficit) on the provision of Services                              | (78,008)                | 0                                     | 36,927         | 0                         | 0                           | (41,081)                 | 0                            | (111)                                    | (41,192)                    |
| Other Comprehensive Income and Expenditure                                     | 0                       | 0                                     | 0              | 0                         | 0                           | 0                        | 43,138                       | 1,530                                    | 44,668                      |
| <b>Total Comprehensive Income and Expenditure</b>                              | <b>(78,008)</b>         | <b>0</b>                              | <b>36,927</b>  | <b>0</b>                  | <b>0</b>                    | <b>(41,081)</b>          | <b>43,138</b>                | <b>1,419</b>                             | <b>3,476</b>                |
| Adjustments between accounting basis & funding basis under regulations         | 69,879                  | 0                                     | (39,655)       | 0                         | (12,832)                    | 17,392                   | (17,392)                     | 0  | 0                           |
| <b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b> | <b>(8,129)</b>          | <b>0</b>                              | <b>(2,728)</b> | <b>0</b>                  | <b>(12,832)</b>             | <b>(23,689)</b>          | <b>25,746</b>                | <b>1,419</b>                             | <b>3,476</b>                |
| Transfers to/(from) Earmarked Reserves   | 8,129                   | (8,129)                               | 2,728          | (2,728)                   | 0                           | 0                        | 0                            | 0  | 0                           |
| <b>Increase / (Decrease) in 2018/19</b>  | <b>0</b>                | <b>(8,129)</b>                        | <b>0</b>       | <b>(2,728)</b>            | <b>(12,832)</b>             | <b>(23,689)</b>          | <b>25,746</b>                | <b>1,419</b>                             | <b>3,476</b>                |
| <b>Balance at 31 March 2019 carried forward</b>                                | <b>14,255</b>           | <b>53,714</b>                         | <b>8,983</b>   | <b>495</b>                | <b>8,488</b>                | <b>85,935</b>            | <b>459,722</b>               | <b>5,502</b>                             | <b>551,159</b>              |

## Group Balance Sheet

| 31 March<br>2017<br>restated<br>£000 | 31 March<br>2018<br>restated<br>£000 |   | Note | 31 March<br>2019<br>£000 |
|--------------------------------------|--------------------------------------|---|------|--------------------------|
| 1,688,105                            | 1,707,366                            | Property, Plant & Equipment:                | 7    | 1,768,343                |
| 53,846                               | 54,099                               | Heritage Assets                             |      | 54,152                   |
| 132,241                              | 103,820                              | Investment Properties                       |      | 118,003                  |
| 3,315                                | 2,701                                | Intangible Non-Current Assets including AUC |      | 2,222                    |
| 412                                  | 366                                  | Long-term Investments                       |      | 478                      |
| 5,616                                | 8,087                                | Long-term Debtors                           |      | 10,251                   |
| 856                                  | 1,201                                | Deferred tax asset                          |      | 762                      |
| <b>1,884,391</b>                     | <b>1,877,640</b>                     | <b>Total Long-Term Assets</b>               |      | <b>1,954,211</b>         |
| 66,124                               | 34,033                               | Short-term Investments                      |      | 69,032                   |
| 80                                   | 6,375                                | Assets held for Sale                        |      | 2,570                    |
| 2,466                                | 2,377                                | Inventories                                 |      | 2,594                    |
| 84,844                               | 87,850                               | Short-term Debtors                          | 9    | 96,267                   |
| 22,336                               | 55,804                               | Cash and Cash Equivalents                   | 10   | 21,799                   |
| <b>175,850</b>                       | <b>186,439</b>                       | <b>Total Current Assets</b>                 |      | <b>192,262</b>           |
| (14,972)                             | (13,440)                             | Short-term Borrowing                        |      | (13,306)                 |
| (89,867)                             | (91,316)                             | Short-term Creditors                        | 11   | (109,249)                |
| (1,414)                              | (1,884)                              | Pension Strain                              |      | (1,769)                  |
| (8,031)                              | (5,640)                              | Provisions                                  | 12   | (6,876)                  |
| (4,311)                              | (5,090)                              | Deferred Liabilities                        | 13   | (3,596)                  |
| (66)                                 | 0                                    | Deferred tax liability                      |      | 0                        |
| <b>(118,661)</b>                     | <b>(117,370)</b>                     | <b>Total Current Liabilities</b>            |      | <b>(134,796)</b>         |
| (668,028)                            | (688,713)                            | Long Term Borrowing                         |      | (717,700)                |
| (28,938)                             | (25,188)                             | Provisions                                  | 12   | (25,706)                 |
| (19,018)                             | (17,565)                             | Deferred Liabilities                        | 13   | (15,311)                 |
| (11,843)                             | (9,961)                              | Capital Contributions Receipts in Advance   |      | (14,485)                 |
| (2,016)                              | (6,484)                              | Revenue Grants Receipts in Advance          |      | (12,412)                 |
| (974)                                | (412)                                | Capital Grants Receipts in Advance          |      | (782)                    |
| (3,219)                              | (2,794)                              | Pension Strain                              |      | (2,560)                  |
| (590,544)                            | (646,865)                            | Net Pensions Liability                      |      | (670,958)                |
| (1,169)                              | (1,044)                              | Deferred tax liability                      |      | (604)                    |
| <b>(1,325,749)</b>                   | <b>(1,399,026)</b>                   | <b>Total Long-Term Liabilities</b>          |      | <b>(1,460,518)</b>       |
| <b>615,831</b>                       | <b>547,683</b>                       | <b>NET ASSETS</b>                           |      | <b>551,159</b>           |
|                                      |                                      | <b>Financed by:</b>                         |      |                          |
| 14,255                               | 14,255                               | Council Fund Balance                        |      | 14,255                   |
| 59,391                               | 61,843                               | Council Fund Earmarked Reserves             |      | 53,714                   |
| 8,438                                | 8,983                                | Housing Revenue Account Balance             |      | 8,983                    |
| 4,086                                | 3,223                                | Housing Revenue Account Earmarked Reserves  |      | 495                      |
| 7,205                                | 21,320                               | Capital Receipts Reserve                    |      | 8,488                    |
| <b>93,375</b>                        | <b>109,624</b>                       | <b>Usable Reserves</b>                      |      | <b>85,935</b>            |
| 260,300                              | 256,961                              | Revaluation Reserve                         |      | 271,739                  |
| 851,833                              | 828,081                              | Capital Adjustment Account                  |      | 864,171                  |
| 2,038                                | 4,511                                | Deferred Capital Receipts                   |      | 5,008                    |
| 4,574                                | 4,528                                | Financial Instruments Adjustments Reserve   |      | 4,516                    |
| (597,671)                            | (654,441)                            | Pensions Reserve                            |      | (678,942)                |

## Group Balance Sheet

|         |         |   |  |         |
|---------|---------|---|--|---------|
| (8,252) | (9,333) | Accumulated Absences Adjustment Account |  | (8,901) |
| 9,634   | 7,752   | Reserves (Group Entities)               |  | 7,633   |
| 522,456 | 438,059 | Unusable Reserves                       |  | 465,224 |
| 615,831 | 547,683 | TOTAL RESERVES                          |  | 551,159 |

\*The opening balance has not been amended for changes to Joint Committees after 30 September 2018

## Group Cash Flow

| 2017/18         |   | Note | 2018/19         |
|-----------------|---|------|-----------------|
| £000            |   |      | £000            |
| 34,160          | Net (Surplus) /Deficit on the provision of services   |      | 41,192          |
| (152,883)       | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 14   | (121,080)       |
| 45,725          | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 14   | 59,214          |
| <b>(72,998)</b> | <b>Net cash flows from operating activities</b>   |      | <b>(20,674)</b> |
| 126,943         | Purchase of property, plant and equipment, investment property and intangible assets  |      | 133,361         |
| 0               | Purchase of short-term and long-term Investments  |      | 35,000          |
| 936             | Other payments for investing activities   |      | (4,936)         |
| (24,889)        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                                    |      | (9,232)         |
| (45,621)        | Capital Grants and Contributions  |      | (68,618)        |
| <b>57,369</b>   | <b>Net cash flows from investing activities</b>   |      | <b>85,575</b>   |
| (25,004)        | Cash receipts from short-term and long-term borrowing   |      | (32,934)        |
| (2,826)         | Other receipts from financing activities  |      | (4,145)         |
| 1,907           | Cash payments for the reduction of outstanding liabilities relating to finance leases   |      | 1,895           |
| 7,791           | Repayments of short-term and long-term borrowing  |      | 4,288           |
| 293             | Other payments for financing activities   |      | 0               |
| <b>(17,839)</b> | <b>Net cash flows from financing activities</b>   |      | <b>(30,896)</b> |
| <b>(33,468)</b> | <b>Net (increase)/ decrease in cash and cash equivalents</b>  |      | <b>34,005</b>   |
| 22,336          | Cash and cash equivalents at the beginning of the reporting period  |      | 55,804          |
| <b>55,804</b>   | <b>Cash and cash equivalents at the end of the reporting period</b>   |      | <b>21,799</b>   |

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements also apply to the Group Accounts with the following additions and exceptions:

#### 1. Remuneration

The number of employees of the group whose remuneration is over £60,000 per annum is disclosed below.

| Remuneration band<br>£ | Number of Employees |            |             |            |
|------------------------|---------------------|------------|-------------|------------|
|                        | 2017/18             |            | 2018/19     |            |
|                        | Non Schools         | Schools    | Non Schools | Schools    |
| 60,000-64,999          | 9                   | 51         | 9           | 65         |
| 65,000-69,999          | 19                  | 27         | 19          | 31         |
| 70,000-74,999          | 1                   | 11         | 1           | 12         |
| 75,000-79,999          | 2                   | 8          | 3           | 8          |
| 80,000-84,999          | 9                   | 8          | 8           | 9          |
| 85,000-89,999          | 1                   | 4          | 0           | 6          |
| 90,000-94,999          | 0                   | 2          | 2           | 1          |
| 95,000-99,999          | 0                   | 2          | 1           | 3          |
| 100,000-104,999        | 0                   | 2          | 1           | 2          |
| 105,000-109,999        | 1                   | 2          | 1           | 1          |
| 110,000-114,999        | 0                   | 1          | 0           | 1          |
| 115,000-119,999        | 0                   | 2          | 0           | 0          |
| 120,000-124,999        | 6                   | 0          | 4           | 2          |
| 125,000-129,999        | 0                   | 1          | 0           | 1          |
| 130,000-134,999        | 1                   | 0          | 0           | 0          |
| 135,000-139,999        | 0                   | 1          | 2           | 1          |
| 140,000-144,999        | 0                   | 0          | 0           | 0          |
| 145,000-149,999        | 0                   | 1          | 0           | 0          |
| 150,000-154,999        | 0                   | 0          | 0           | 1          |
| 155,000-169,999        | 0                   | 0          | 0           | 0          |
| 170,000-174,999        | 1                   | 0          | 0           | 0          |
| 175,000-179,999        | 0                   | 0          | 1           | 0          |
| <b>Total</b>           | <b>50</b>           | <b>123</b> | <b>52</b>   | <b>144</b> |

#### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 12 to the single entity financial statements. Cardiff City Transport Services Ltd have separately recognised related party transactions between itself and the Council, and also between itself and its own subsidiary, but not between itself and any other organisations.

#### 3. External Audit Costs

In 2018/19 the following fees were paid by the group in respect of audit and inspection:

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 383             | Fees payable to Wales Audit Office for external audit services                      | 382             |
| 30              | Fees payable to other external auditors for external audit services                 | 45              |
| 65              | Fees payable to external auditors for the certification of grant claims and returns | 65              |
| 40              | Fees payable to other external auditors for other services                          | 54              |



## Notes to Group Accounts

518 Total

546

### 4. Leasing

#### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2018/19 were as follows

| 2017/18<br>£000 |                 | 2018/19<br>£000 |
|-----------------|-----------------|-----------------|
| 1,346           | Property Leases | 1,291           |
| 3,127           | Other leases    | 2,316           |
| 4,473           |                 | 3,607           |

The group was committed at 31 March 2019 to making payments of £12.843 million under operating leases (£13.895 million at 31 March 2018) comprising the following elements:

|  | Property<br>Leases<br>£000 | Other<br>Leases<br>£000 |
|--|----------------------------|-------------------------|
| Minimum lease payments not later than one year                           | 1,217                      | 2,003                   |
| Minimum lease payments later than one year but not later than five years | 1,594                      | 3,355                   |
| Minimum lease payments later than five years                             | 4,669                      | 5                       |
|  | 7,480                      | 5,363                   |

#### Finance Leases

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

| 2017/18<br>£000 |  | 2018/19<br>£000 |
|-----------------|--|-----------------|
| 13,257          | Vehicles, Plant, furniture & Equipment | 11,664          |

Obligations under finance leases:

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| 1,895           | Obligations payable within 1 year         | 1,948           |
| 5,128           | Obligations payable between 2 and 5 years | 3,611           |
| 431             | Obligations payable after 5 years         | 0               |
| 7,454           | Total liabilities as at 31 March          | 5,559           |

The aggregate finance charges made during 2018/19 were as follows:

| 2017/18<br>£000 |                             | 2018/19<br>£000 |
|-----------------|-----------------------------|-----------------|
| 209             | Vehicles, Plant & Equipment | 198             |

## Notes to Group Accounts

### 5. Pensions

The following sums were charged to the Group Comprehensive Income and Expenditure Statement in the year in respect of pensions:

|   | 2017/18<br>£000 | 2018/19<br>£000 |
|---|-----------------|-----------------|
| <b>Net Cost of Services</b>   |                 |                 |
| Past and current service cost and operating charge  | 52,668          | 79,984          |
| <b>Net Operating Expenditure</b>  |                 |                 |
| Interest on net defined benefit liability/(asset)   | 14,510          | 15,940          |
| <b>Net charge to Group Income &amp; Expenditure Account</b>   | <b>67,178</b>   | <b>95,924</b>   |
| Appropriation to/(from) Pensions Reserve to Council Fund Balance  | (22,320)        | (50,668)        |
| Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries                            | 582             | 442             |
| <b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b> | <b>45,440</b>   | <b>45,698</b>   |
| <b>Presented by:</b>  |                 |                 |
| Employers Contributions Payable to the Scheme   | (40,820)        | 0               |
| Payments in Respect of Unfunded Pensions Liabilities  | (3,210)         | (44,540)        |
| <b>Total Employers Contributions Charged to Council Tax</b>   | <b>(44,030)</b> | <b>(44,540)</b> |
| Employers Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year                             | (1,410)         | (1,158)         |
| <b>Total Contributions</b>  | <b>(45,440)</b> | <b>(45,698)</b> |

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pension arrangements of Cardiff City Transport Services Ltd. and have been taken directly from their 2018/19 financial statements.

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 City of Cardiff 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.

### Cardiff City Transport Services Limited Pension Scheme

Since 30 June 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members. The defined contribution section closed to new entrants from 9 April 2013, from which date a money purchase section was introduced. This closed to new members in July 2013.

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 2014, was carried out as at 1 April 2015. 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 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

The defined benefit schemes are administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of

## Notes to Group Accounts

all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1 million and that this value represented 95% 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, but allowing for Pension Protection Fund (PPF) levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.5% of pensionable pay from 1 April 2019. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are 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 sections are payable in accordance with the scheme rules.

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2019 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit method.

The principal assumptions used by the actuary were:

|                              | 31 March<br>2017 | 31 March<br>2018 | 31 March<br>2019 |
|------------------------------|------------------|------------------|------------------|
| Rate of increase in salaries | 3.3% pa          | 3.2% pa          | n/a              |
| Discount rate                | 2.6% pa          | 2.6% pa          | 2.3% pa          |
| Inflation Assumption (RPI)   | 3.3% pa          | 3.2% pa          | 3.2% pa          |
| Inflation Assumption (CPI)   | 2.3% pa          | 2.2% pa          | 2.2% pa          |
| Pension Increases (CPIS)     | 2.3% pa          | 2.2% pa          | 2.2% pa          |

Mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2017 projection model with a long-term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure date will live on average for a further 20.1 years (2018: 20.3) if they are male and for a further 22.0 years (2018: 22.1) if they are female. For a member who is 45 at the disclosure date and retires at age 65 the assumptions are that they will live on average for a further 21.2 years after retirement (2018: 21.4) if they are male and for a further 23.2 years after retirement (2018: 23.3) if they are female.

The assets in the fund and expected rates of return were:

|                    | 2016/17               | 2017/18               | 2018/19               |
|--------------------|-----------------------|-----------------------|-----------------------|
|                    | Fair<br>Value<br>£000 | Fair<br>Value<br>£000 | Fair<br>Value<br>£000 |
| Equities           | 14,679                | 12,980                | 6,184                 |
| Diversified Growth | 16,724                | 13,758                | 12,081                |
| Convertible Bonds  | 4,001                 | 6,931                 | 3,763                 |
| Cash and LDI       | 2,414                 | 4,391                 | 8,688                 |
| Bonds              | 0                     | 0                     | 10,128                |
|                    | 37,818                | 38,060                | 40,844                |

## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

|                                     | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Total market value of assets        | 37,818                   | 38,060                   | 40,844                   |
| Present value of scheme liabilities | (38,459)                 | (38,444)                 | (38,375)                 |
| <b>Net IAS19 Scheme Deficit</b>     | <b>(641)</b>             | <b>(384)</b>             | <b>2,469</b>             |

|   | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
|---|--------------------------|--------------------------|--------------------------|
| <b>Analysis of amount charged to operating profit</b>                       |                          |                          |                          |
| Current service cost and administration                                     | (885)                    | (914)                    | (556)                    |
| <b>Analysis of amount credited/(charged) to interest receivable/payable</b> |                          |                          |                          |
| Expected return on pension scheme assets                                    | 1,142                    | 981                      | 617                      |
| Interest on pension scheme liabilities                                      | (1,110)                  | (995)                    | (974)                    |
| <b>Net finance income/(charge)</b>  | <b>32</b>                | <b>(14)</b>              | <b>(357)</b>             |

### Analysis of amount recognised in the primary statements

|  | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
|--|--------------------------|--------------------------|--------------------------|
| Actual return less expected return on pension assets                 | 4,348                    | (528)                    | 2,882                    |
| Changes in financial assumptions underlying the scheme/(liabilities) | (5,985)                  | 612                      | (161)                    |
| <b>Actuarial gain/(loss) recognised in the primary statements</b>    | <b>(1,637)</b>           | <b>84</b>                | <b>2,721</b>             |

### Movements in scheme deficit during the year

|   | 31 March<br>2017<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 |
|---|--------------------------|--------------------------|--------------------------|
| <b>Balance as at 1 April</b>                    | <b>878</b>               | <b>(641)</b>             | <b>(384)</b>             |
| Movement in year:                               |                          |                          |                          |
| Total operating charge                          | (589)                    | (618)                    | (556)                    |
| Contributions                                   | 971                      | 1,072                    | 1,045                    |
| Net finance income/(charge)                     | (264)                    | (281)                    | (357)                    |
| Actuarial gain/(loss) in the primary statements | (1,637)                  | 84                       | 2,721                    |
| <b>Balance as at 31 March</b>                   | <b>(641)</b>             | <b>(384)</b>             | <b>2,469</b>             |

## Notes to Group Accounts

### 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 most recent completed valuation was carried out as at 31 March 2016, 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 IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value. 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 25.4% of pensionable pay from 1 April 2017 continuing into 2019/20. 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 principle assumptions used by the actuary were:

|   | 31 March 2017 | 31 March 2018 | 31 March 2019 |
|---|---------------|---------------|---------------|
| Rate of increase in salaries            | 3.3% pa       | 3.3% pa       | 2.2% pa       |
| Discount rate                           | 2.6% pa       | 2.6% pa       | 2.6% pa       |
| Rate of increase in pensions in payment | 2.3% pa       | 2.3% pa       | 2.2% pa       |
| Rate of increase in deferred pensions   | 2.3% pa       | 2.3% pa       | 2.2% pa       |
| Rate of inflation (RPI)                 | 3.3% pa       | 3.3% pa       | 3.2% pa       |
| Rate of inflation (CPI)                 | 2.3% pa       | 2.3% pa       | 2.2% pa       |

Mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 22.2 years (2018: 20.6) if they are male and for a further 24.1 years (2018: 22.4) 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 23.2 years after retirement (2018: 21.7) if they are male and for a further 25.3 years after retirement (2018: 23.6) if they are female.

The assets in the fund and expected rates of return were:

|                  | 2016/17    | 2017/18    | 2018/19    |
|------------------|------------|------------|------------|
|                  | Fair Value | Fair Value | Fair Value |
|                  | £000       | £000       | £000       |
| Equities         | 23,640     | 20,130     | 19,832     |
| Government bonds | 2,573      | 4,661      | 2,397      |
| Corporate bonds  | 1,756      | 3,148      | 3,331      |
| Property         | 1,907      | 1,907      | 3,425      |
| Cash             | 454        | 424        | 467        |
| Other assets     | (60)       | 0          | 1,681      |
|                  | 30,270     | 30,270     | 31,133     |

The net pension liability measured under IAS19 comprised the following:

|   | 31 March 2017 | 31 March 2018 | 31 March 2019 |
|---|---------------|---------------|---------------|
|   | £000          | £000          | £000          |
| <b>Analysis of amount charged to operating profit</b> |               |               |               |
| Current service cost and administration               | (210)         | (210)         | (160)         |

## Notes to Group Accounts

### Analysis of amount credited/(charged) to interest receivable/payable

|  |              |             |             |
|--|--------------|-------------|-------------|
| Expected return on pension scheme assets | 920          | 780         | 770         |
| Interest on pension scheme liabilities   | (1,030)      | (850)       | (850)       |
| <b>Net Finance Income / (Charge)</b>     | <b>(110)</b> | <b>(70)</b> | <b>(80)</b> |

|                                     | 31 March 2017<br>£000 | 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| Total market value share of assets  | 30,270                | 30,270                | 31,133                |
| Present value of scheme liabilities | (33,450)              | (33,470)              | (34,870)              |
| <b>Net IAS19 Scheme Deficit</b>     | <b>(3,180)</b>        | <b>(3,200)</b>        | <b>(3,737)</b>        |

### Analysis of amount recognised in the primary statements:

|  | 31 March 2017<br>£000 | 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|--|-----------------------|-----------------------|-----------------------|
| Actual return less expected return on pension assets                 | 3,580                 | 140                   | 1,300                 |
| Changes in financial assumptions underlying the scheme/(liabilities) | (3,430)               | (390)                 | (1,710)               |
| <b>Actuarial gain/(loss) recognised in the primary statements</b>    | <b>150</b>            | <b>(250)</b>          | <b>(410)</b>          |

### Movements in scheme deficit during the year:

|   | 31 March 2017<br>£000 | 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|---|-----------------------|-----------------------|-----------------------|
| <b>Balance as at 1 April</b>                    | <b>(3,670)</b>        | <b>(3,180)</b>        | <b>(3,200)</b>        |
| <b>Movement in year:</b>                        |                       |                       |                       |
| Total operating charge                          | (210)                 | (210)                 | (160)                 |
| Contributions                                   | 660                   | 510                   | 113                   |
| Net finance income/(charge)                     | (110)                 | (70)                  | (80)                  |
| Actuarial gain/(loss) in the primary statements | 150                   | (250)                 | (410)                 |
| <b>Balance as at 31 March</b>                   | <b>(3,180)</b>        | <b>(3,200)</b>        | <b>(3,737)</b>        |

The total net pension liability measured under IAS19 for both schemes is as follows:

|  | 31 March 2018<br>£000 | 31 March 2019<br>£000 |
|--|-----------------------|-----------------------|
| Cardiff City Transport Scheme              | 383                   | (2,469)               |
| Cardiff & Vale of Glamorgan Pension Scheme | 3,200                 | 3,737                 |
| Deferred Tax Asset                         | (681)                 | (241)                 |
| <b>Total</b>                               | <b>2,902</b>          | <b>1,027</b>          |

## 6. Exceptional Items

There are no exceptional items reported in the 2018/19 Cardiff Bus Accounts.



# Notes to Group Accounts

## 7. Non-Current Assets Note

| Property, Plant and Equipment                             | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | P, P & E under construction | Total Property, Plant & Equipment |
|---|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|-----------------------------|-----------------------------------|
| Movements in Cost or Values                               | £000              | £000                   | £000                        | £000                  | £000             | £000           | £000                        | £000                              |
| <b>1 April 2017</b>                                       | <b>554,803</b>    | <b>747,469</b>         | <b>76,496</b>               | <b>605,525</b>        | <b>19,652</b>    | <b>40,992</b>  | <b>42,555</b>               | <b>2,087,492</b>                  |
| Additions   | 17,633            | 32,934                 | 7,905                       | 14,943                | 84               | 14             | 54,899                      | 128,412                           |
| Revaluations Increases/(Decreases) recognised in the RR   | 0                 | 27                     | 0                           | 0                     | 0                | (844)          | 0                           | (817)                             |
| Revaluations Increases/(Decreases) recognised in the SDPS | 0                 | (20,209)               | 0                           | 0                     | 0                | (16,396)       | 0                           | (36,605)                          |
| Impairment Losses/Reversals to RR                         | 0                 | (361)                  | 0                           | 0                     | 0                | 0              | 0                           | (361)                             |
| Impairment Losses/Reversals to SDPS                       | (25)              | (7,130)                | 0                           | 0                     | 0                | 0              | (1,458)                     | (8,613)                           |
| Derecognition - Disposals                                 | (1,479)           | (1,000)                | (5,214)                     | 0                     | 0                | (567)          | 0                           | (8,260)                           |
| Reclassified (to)/from Held for Sale                      | 0                 | (582)                  | 0                           | 0                     | 0                | (5,975)        | 0                           | (6,557)                           |
| Other Reclassifications - Transfers                       | 3,243             | (864)                  | 17                          | 3,746                 | 0                | 22,348         | (28,271)                    | 219                               |
| <b>31 March 2018</b>                                      | <b>574,175</b>    | <b>750,284</b>         | <b>79,204</b>               | <b>624,214</b>        | <b>19,736</b>    | <b>39,572</b>  | <b>67,725</b>               | <b>2,154,910</b>                  |
| Additions   | 22,682            | 45,396                 | 6,716                       | 18,396                | 10               | 3,844          | 23,270                      | 120,314                           |
| Revaluations Increases/(Decreases) recognised in the RR   | 17,507            | (1,854)                | 0                           | 0                     | 0                | (1,833)        | 0                           | 13,820                            |
| Revaluations Increases/(Decreases) recognised in the SDPS | (9,008)           | (46,606)               | 0                           | 0                     | 0                | 130            | 156                         | (55,328)                          |
| Impairment Losses/Reversals to RR                         | 0                 | (174)                  | 0                           | 0                     | 0                | (2,225)        | 0                           | (2,399)                           |
| Impairment Losses/Reversals to SDPS                       | (133)             | (756)                  | 0                           | 0                     | 0                | (2,784)        | (78)                        | (3,751)                           |
| Derecognition - Disposals                                 | (711)             | (3,008)                | (3,945)                     | 0                     | 0                | (81)           | 0                           | (7,745)                           |
| Reclassified (to)/from Held for Sale                      | 0                 | 0                      | 0                           | 0                     | 0                | (1,695)        | 0                           | (1,695)                           |
| Other Reclassifications - Transfers                       | 277               | 42,387                 | 795                         | 6,748                 | 60               | 3,271          | (54,772)                    | (1,234)                           |
| <b>31 March 2019</b>                                      | <b>604,789</b>    | <b>785,669</b>         | <b>82,770</b>               | <b>649,358</b>        | <b>19,806</b>    | <b>38,199</b>  | <b>36,301</b>               | <b>2,216,892</b>                  |
| <b>Movements in Depreciation/Impairment</b>               |                   |                        |                             |                       |                  |                |                             |                                   |
| <b>1 April 2017</b>                                       | <b>16,941</b>     | <b>26,487</b>          | <b>45,054</b>               | <b>310,904</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>399,386</b>                    |
| Depreciation Charge                                       | 9,072             | 16,679                 | 7,375                       | 22,135                | 0                | 0              | 0                           | 55,261                            |

## Notes to Group Accounts

|  |                |                |               |                |               |               |               |                  |
|--|----------------|----------------|---------------|----------------|---------------|---------------|---------------|------------------|
| Depreciation written out on Impairment | 0              | (262)          | 0             | 0              | 0             | 0             | 0             | (262)            |
| Depreciation written out to the RR     | 0              | (804)          | 0             | 0              | 0             | 0             | 0             | (804)            |
| Depreciation written out to the SDPS   | 0              | (97)           | 0             | 0              | 0             | (27)          | 0             | (124)            |
| Derecognition - Disposals              | (42)           | (723)          | (5,148)       | 0              | 0             | 0             | 0             | (5,913)          |
| Reclassifications - Transfers          | 0              | (27)           | 0             | 0              | 0             | 27            | 0             | 0                |
| <b>31 March 2018</b>                   | <b>25,971</b>  | <b>41,253</b>  | <b>47,281</b> | <b>333,039</b> | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>447,544</b>   |
| Depreciation Charge                    | 9,908          | 17,412         | 7,661         | 21,217         | 0             | 0             | 0             | 56,198           |
| Depreciation written out on Impairment | 0              | (130)          | 0             | 0              | 0             | 0             | 0             | (130)            |
| Depreciation written out to the RR     | 0              | (10,192)       | 0             | 0              | 0             | 0             | 0             | (10,192)         |
| Depreciation written out to the SDPS   | (25,971)       | (14,759)       | 0             | 0              | 0             | 0             | 0             | (40,730)         |
| Derecognition - Disposals              | 0              | (173)          | (3,901)       | 0              | 0             | 0             | 0             | (4,074)          |
| Reclassifications - Transfers          | 0              | (67)           | 0             | 0              | 0             | 0             | 0             | (67)             |
| <b>31 March 2019</b>                   | <b>9,908</b>   | <b>33,344</b>  | <b>51,041</b> | <b>354,256</b> | <b>0</b>      | <b>0</b>      | <b>0</b>      | <b>448,549</b>   |
| <b>Net Book Value</b>                  |                |                |               |                |               |               |               |                  |
| <b>At 31 March 2018</b>                | <b>548,204</b> | <b>709,031</b> | <b>31,923</b> | <b>291,175</b> | <b>19,736</b> | <b>39,572</b> | <b>67,725</b> | <b>1,707,366</b> |
| <b>At 31 March 2019</b>                | <b>594,881</b> | <b>752,325</b> | <b>31,729</b> | <b>295,102</b> | <b>19,806</b> | <b>38,199</b> | <b>36,301</b> | <b>1,768,343</b> |

\* RR = Revaluation Reserve

\*\*SDPS = Surplus or deficit on Provision of Services

## Notes to Group Accounts

### 8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted that the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the group balance sheet includes the net assets of the subsidiary and their corresponding net worth.

### 9. Short Term Debtors

| 31 March<br>2018 |  | 31 March<br>2019 |
|------------------|--|------------------|
| £000             |  | £000             |
| 45,784           | Central Government Bodies                                    | 44,634           |
| 17,259           | Other Local Authorities & NHS Bodies                         | 27,164           |
| 24,807           | Other Entities and Individuals including Public Corporations | 24,469           |
| 87,850           | <b>Total Short Term Debtors</b>                              | <b>96,267</b>    |

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.098 million (£2.398 million in 2017/18) held in money market funds that are not instant access and a bank overdraft of £1.172 million (£651,000 in 2017/18) resulting in a total cash and cash equivalents figure of £926,000 (£1.747 million in 2017/18).

### 11. Short Term Creditors

| 31 March<br>2018 |  | 31 March<br>2019 |
|------------------|--|------------------|
| £000             |  | £000             |
| (12,608)         | Central Government Bodies                                    | (11,667)         |
| (11,183)         | Other Local Authorities & NHS Bodies                         | (19,496)         |
| (67,525)         | Other Entities and Individuals including Public Corporations | (78,086)         |
| (91,316)         | <b>Total Short Term Creditors</b>                            | <b>(109,249)</b> |

### 12. Provisions

|                                 | Balance<br>1 April<br>2018<br>£000 | Utilised/<br>Released in<br>year<br>£000 | Transfers<br>to<br>Provisions<br>£000 | Balance<br>31<br>March<br>2019<br>£000 | Not<br>later<br>than<br>one<br>year<br>£000 | Later<br>than<br>one<br>year<br>£000 |
|---------------------------------|------------------------------------|--|---------------------------------------|--|---|--------------------------------------|
| Insurance & MMI Scheme          | (8,468)                            | 2,874                                    | (5,071)                               | (10,665)                               | (4,798)                                     | (5,867)                              |
| Ferry Road Landfill             | (8,462)                            | 185                                      | 0                                     | (8,277)                                | (195)                                       | (8,082)                              |
| Lamby Way Landfill              | (11,230)                           | 391                                      | 0                                     | (10,839)                               | (507)                                       | (10,332)                             |
| Cardiff Bus Insurance Provision | (1,411)                            | 1,701                                    | (2,015)                               | (1,725)                                | (776)                                       | (949)                                |
| City Deal                       | (427)                              | 343                                      | (145)                                 | (229)                                  | 0   | (229)                                |
| Other                           | (830)                              | 657                                      | (674)                                 | (847)                                  | (600)                                       | (247)                                |
| <b>Total Provisions</b>         | <b>(30,828)</b>                    | <b>6,151</b>                             | <b>(7,905)</b>                        | <b>(32,582)</b>                        | <b>(6,876)</b>                              | <b>(25,706)</b>                      |

Cardiff Bus insurance provision represents the provision for insurance claims payable by the company in respect of outstanding claims.

## Notes to Group Accounts

### 13. Deferred Liabilities

|                                     | Balance<br>1 April<br>2018<br>£000 | Utilised/<br>Released<br>in year<br>£000 | Transfers<br>to<br>Deferred<br>Liabilities<br>£000 | Balance<br>31<br>March<br>2019<br>£000 | Not later<br>than one<br>year<br>£000 | Later than<br>one year<br>£000 |
|-------------------------------------|------------------------------------|--|--|--|---------------------------------------|--------------------------------|
| Commuted Maintenance Sums           | (9,039)                            | 1,170                                    | (349)  | (8,218)                                | (523)                                 | (7,695)                        |
| Rent Smart Wales Income in Advance  | (6,162)                            | 1,032                                    | 0  | (5,130)                                | (1,125)                               | (4,005)                        |
| Cardiff Bus Finance Lease Liability | (7,454)                            | 1,895                                    | 0  | (5,559)                                | (1,948)                               | (3,611)                        |
| <b>Total Deferred Liabilities</b>   | <b>(22,655)</b>                    | <b>4,097</b>                             | <b>(349)</b>                                       | <b>(18,907)</b>                        | <b>(3,596)</b>                        | <b>(15,311)</b>                |

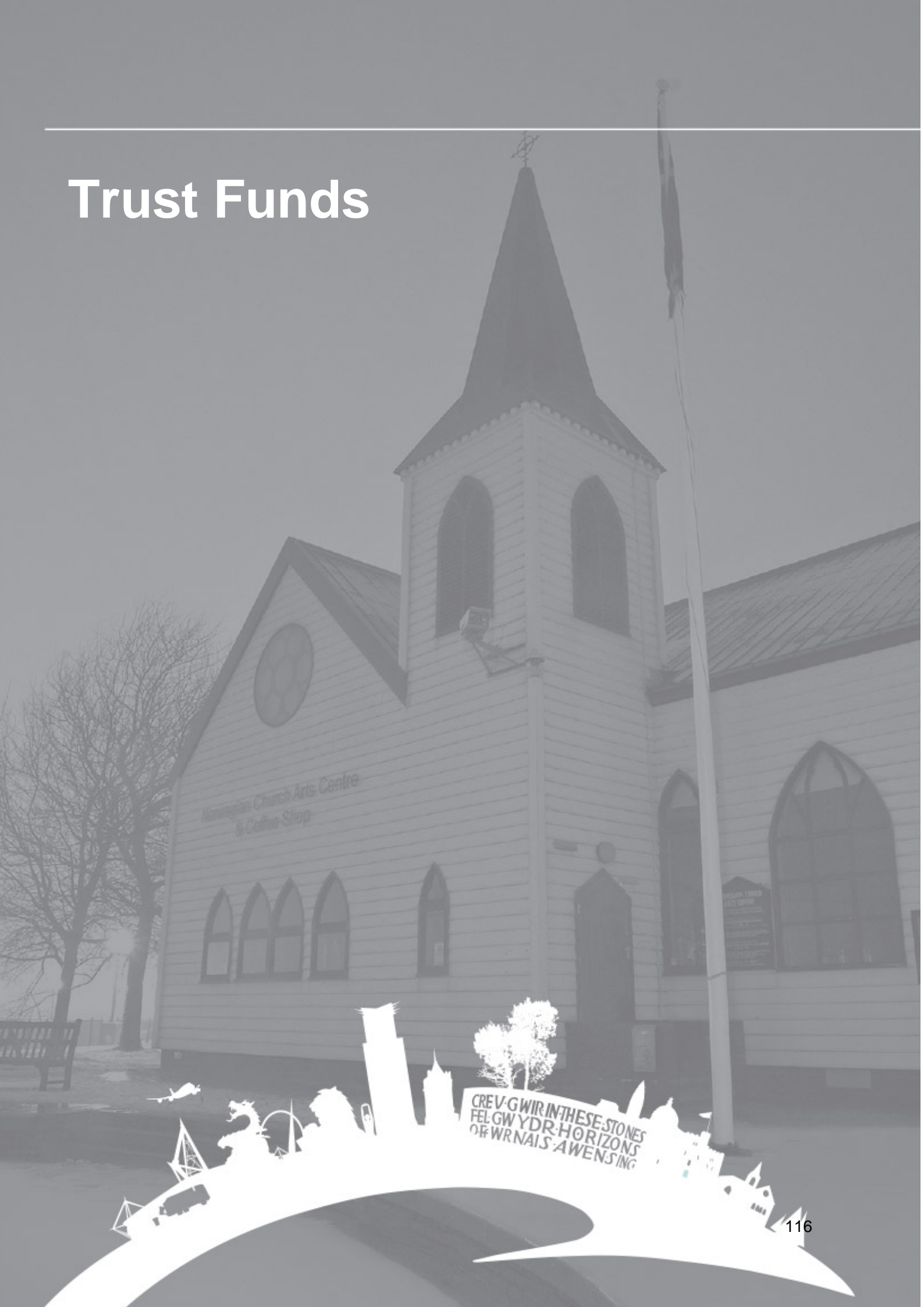
### 14. Adjust net surplus or deficit on the provision of services for non-cash movements

| 2017/18<br>£000  |  | 2018/19<br>£000  |
|------------------|--|------------------|
| (99,237)         | Depreciation and impairment  | (75,505)         |
| (22,618)         | Charges made for retirement benefits (IAS19) less employers contributions      | (26,886)         |
| (30,862)         | Carrying amount of non-current assets sold or derecognised                     | (3,527)          |
| 439              | Cardiff Bus Taxation   | 0                |
| (89)             | Increase/(decrease) in stock   | 216              |
| 265              | Increase/(decrease) in debtors (exc capital)                                   | 19,965           |
| (6,301)          | (Increase)/decrease in creditors (exc capital creditors)                       | (17,611)         |
| 3,056            | Other non-cash items affecting net surplus or deficit on provision of services | (17,732)         |
| <b>(155,347)</b> |  | <b>(121,080)</b> |

### Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

| 2017/18<br>£000 |   | 2018/19<br>£000 |
|-----------------|---|-----------------|
| (4,800)         | Net gain/(loss) on sale of non-current assets                   | 9,728           |
| (209)           | Repayments of liabilities under finance leases                  | 0               |
| 50,734          | Capital grants/contributions recognised in I&E                  | 49,018          |
| 0               | Other cash items which affect investing or financing activities | 468             |
| <b>45,725</b>   |   | <b>59,214</b>   |

# Trust Funds



## Trust Funds

During 2018/19, 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. Separate financial statements are produced for each, 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) – 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.

**Norwegian Church Preservation Trust** (519831) - 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 attraction on the Cardiff Bay Waterfront for future generations.

**Cardiff Further Education Trust Fund/Craddock Wells Trust** (525512) – Provision of premises for educational purposes and grants to eligible students. The property provided by the trust is used by the Council as the site for Cardiff High School.

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 the year ended 31 March 2019 have yet to be examined. This is to be undertaken in January 2020 which is within the statutory deadlines set.

The Council **administers** the following charities, their purpose being:-

**R Fice Memorial Trust** (702695) – Provide financial assistance to those playing brass instruments

**The Howardian Trust** (1019801) – Provide financial support to young people in the former catchment area of Howardian High School.

A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christopher Lee  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW



## Trust Funds

|  | Balance<br>as at<br>31 March<br>2018<br>£ | Income<br>£    | Expenditure<br>£ | Asset<br>Revaluation<br>£ | Balance<br>as at<br>31 March<br>2019<br>£ |
|--|---|----------------|------------------|---------------------------|---|
| <b>General Funds</b>   |   |                |                  |                           |   |
| Llandaff War Memorial Fund                                     | 1,428                                     | 11             | (11)             | 0                         | 1,428                                     |
| Maindy Park Foundation   | 78,633                                    | 374            | (11)             | 0                         | 78,996                                    |
| Norwegian Church Preservation Trust                            | (93,564)                                  | 107,572        | (124,904)        | 0                         | (110,896)                                 |
| <b>Further Education</b>                                       |   |                |                  |                           |   |
| Cardiff Further Education Trust/<br>Craddock Wells             | 24,557,920                                | 146,678        | (59,153)         | 31,897                    | 24,677,342                                |
| <b>Total funds for which the Council is Sole Trustee</b>       | <b>24,544,417</b>                         | <b>254,635</b> | <b>(184,079)</b> | <b>31,897</b>             | <b>24,646,870</b>                         |
| <b>Other funds administered by the Council</b>                 |   |                |                  |                           |   |
| R Fice Memorial Trust  | 65,549                                    | 2,481          | (4,173)          | 189                       | 64,046                                    |
| The Howardian Trust  | 32,950                                    | 955            | 0                | 1,228                     | 35,133                                    |
| <b>Total other funds which are administered by the Council</b> | <b>98,499</b>                             | <b>3,436</b>   | <b>(4,173)</b>   | <b>1,417</b>              | <b>99,179</b>                             |
| <b>Total</b>   | <b>24,642,916</b>                         | <b>258,071</b> | <b>(188,252)</b> | <b>33,314</b>             | <b>24,746,049</b>                         |

# Cardiff Harbour Authority

CREV GWIR IN THESE STONES  
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## **Narrative Report**

### **Introduction**

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared in line with International Financial Reporting Standards as well as the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is therefore not a company or separate legal entity. This narrative report replaces the Director's report required by the Companies Act 2006.

### **Agreement**

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1993.

The Agreement has since been varied by the Deeds of Variation between the Welsh Ministers and the Council, with the latest dated 17 April 2018.

### **Review of the Financial Year**

Welsh Government funding for Cardiff Harbour Authority is subject to three-year funding agreements, the latest of which expired on 31 March 2017. The Welsh Government advised they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018. However, the review, originally planned for the autumn of 2017 was delayed until the latter stages of the 2018/19 financial year. Subsequently, agreement was reached between the two parties for the 2018/19 budget to be set at £5.400 million, representing a reduction of £491,000 or 8.33% on 2017/18.

The financial deficit after accounting adjustments for the year ended 31 March 2019 was £2.791 million (£1.876 million in 2017/18).

Total Capital Expenditure incurred during the year was £201,000 and of this, £104,000 was funded by Harbour Grant. This was a single year programme in 2018/19 for works at the harbour, barrage and surrounding environmental infrastructure, including works on the bascule bridges, replacement of pump out facility barrage south and additional submersible pumps.

### **Key Achievements**

During 2018/19 Cardiff Harbour Authority continued to meet its statutory obligations. Achievements against a Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Operated within a budget reduction and delivered the business plan within budget at year end
- The Volvo Ocean Race Atlantic stopover was delivered successfully in May 2018, with expectations of significant visitor engagement, conferences and sustainability outputs met
- Extreme sailing series returned to Cardiff for its final year of a three year contract in August 2018, supported by the Cardiff Harbour Festival
- The community liaison team won the Arts & Business Environment category award for their water safety campaign 'would you jump?' This partnership with Theatre Na Nog and Milford Haven Port Authority took a thought provoking play and drama workshops into schools to raise awareness of the dangers of swimming and jumping in the Bay
- Maintained statutory water quality standards comprising over 400,000 readings
- Litter weighing 465 tonnes was removed from the rivers and bay

- Successful accreditation of the ISO14001 Standard for Environmental Management
- Café facility on the barrage leased to Royal Society for the Protection of Birds Cymru and opened in April 2018
- Excellent attendance and feedback on courses, activities and events at Cardiff International White Water, Cardiff Bay Water Activity Centre and Cardiff Sailing Centre including successful Sailability and All Aboard programmes and the largest entry to date for the Welsh Indoor Rowing Championships & Schools Championships
- Cardiff International White Water was a key venue in the United Kingdom Rescue Organisation challenge 2018 and hosted GB Standup Paddleboarding race, part of the national series
- Retained Green Flag Status for the Barrage, Cardiff Bay Wetlands and Flat Holm
- Allocated Regional Tourism Enhancement Fund grant from WG to deliver 'Sanctuary in the Sea', a series of Holistic weekends on Flat Holm with links to supporting local Cardiff businesses and partnering with local hotels to extend stays in Cardiff Bay.

### **Guide to the Financial Statements**

The main statements provided are shown in the pages that follow along with supporting notes. A Cash Flow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Cash flows of the Harbour Authority are integrated with those of the Council.

#### **Comprehensive Income and Expenditure Statement**

Provides information on how the Harbour Authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit. The Harbour Authority has operated within budget but statutory adjustments including capital charges are the reason the Comprehensive Income and Expenditure Statement is showing a deficit.

#### **Balance Sheet**

Provides a snapshot of the financial position at 31 March, showing what the Harbour Authority owns and owes.

### **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are not recognised by International Financial Reporting Standards.

## **Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate**

### **The Corporate Director Resources Responsibilities**

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

In preparing these financial statements, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources 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 Corporate Director Resources Certificate**

The financial statements for the Cardiff Harbour Authority give a true and fair view of its income and expenditure for the financial year 2018/19 and financial position of the Authority at 31 March 2019.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 12 September 2019**

## **Audit Report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority**

### **Opinion**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2019 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as applied by the European Union.

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2019 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and International Financial Reporting Standards (IFRSs) as applied by the European Union.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

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

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



## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Narrative Report to the accounts is consistent with the accounting statements and related notes

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

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

### Certificate of completion of audit

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

### Responsibilities

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

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

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

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

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

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

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff  
CF11 9LJ

## **Accounting Policies**

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2018/19 financial year and its financial position at 31 March 2019. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:

### **Accounting policies used when formulating the accounts**

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

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. Where income 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.

#### **2. Employee Benefits Payable during Employment**

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

#### **3. Grants and Contributions**

Grants and other contributions are accounted for on an accruals basis and recognised when:

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

### **Revenue**

Grants, for which conditions have not 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 longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

### **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.

#### **4. 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 expenditure.

#### **5. 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.

#### **6. Overheads and Support Services Costs**

The Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority. The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

#### **7. 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.

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.

## 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, excluding borrowing costs which are not capitalised. These assets are then carried in the Balance Sheet using the following measurement bases:

| Asset Type                             | Measurement   | Range of Remaining Useful Lives |
|--|---|---------------------------------|
| Assets under Construction              | Depreciated Historical Cost   | n/a                             |
| Buildings                              | Existing Use or Depreciated Replacement Cost  | 14-57                           |
| Community Assets                       | Depreciated Historical Cost   | n/a                             |
| Heritage Assets                        | Historic Cost and only measured at fair value where the benefits of doing so outweigh the costs | n/a                             |
| Infrastructure **                      | Depreciated Historical Cost   | 7-120                           |
| Investment Properties                  | Fair Value  | n/a                             |
| Surplus Assets                         | Fair Value  | n/a                             |
| Vehicles, Plant, Furniture & Equipment | Depreciated Historical Cost   | 7                               |

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

## Revaluation:

Buildings, Investment properties and Surplus Assets are revalued as part of a three year rolling programme.

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 expenditure.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only; the date of its formal implementation.

## 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
- impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Harbour Authority does not receive grant for depreciation or any other accounting adjustments for non-current assets.

## Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is as follows:

- 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.
- thereafter, or if there is no balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **Depreciation:**

Depreciation is provided for on all Property, Plant and Equipment assets by 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).

### **8. Reserves**

The Harbour Authority holds one usable reserve - the general reserve for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. The Harbour Authority only holds one unusable reserve - the revaluation reserve. Unusable reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

### **9. Value Added Tax**

The Harbour Authority does not have a separate VAT registration to the Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have been prepared exclusive of this tax.

**Comprehensive Income and Expenditure Statement for the year ended 31 March 2019**

| 2017/18<br>£000 |                                     | 2018/19<br>£000 |
|-----------------|-------------------------------------|-----------------|
|                 | <b>Income</b>                       |                 |
| (5,598)         | Government Grants                   | (5,202)         |
| (774)           | Capital Grants Applied              | (104)           |
| (886)           | Fees and Charges                    | (958)           |
| <b>(7,258)</b>  | <b>Total Income</b>                 | <b>(6,264)</b>  |
|                 | <b>Expenditure</b>                  |                 |
| 2,864           | Employees                           | 2,867           |
| 1,364           | Premises                            | 1,171           |
| 76              | Transport                           | 57              |
| 1,559           | Supplies and Services               | 1,647           |
| 536             | Support Services                    | 481             |
| 2,735           | Capital Charges                     | 2,832           |
| <b>9,134</b>    | <b>Total Expenditure</b>            | <b>9,055</b>    |
| <b>1,876</b>    | <b>Net Expenditure for the Year</b> | <b>2,791</b>    |

**Balance Sheet as at 31 March 2019**

| 31 March 2018<br>£000 |                                  | Note | 31 March 2019<br>£000 |
|-----------------------|----------------------------------|------|-----------------------|
| 165,540               | Property, Plant and Equipment    | 2    | 162,811               |
| 56                    | Heritage Assets                  | 2    | 56                    |
| <b>165,596</b>        | <b>Total Long Term Assets</b>    |      | <b>162,867</b>        |
| 362                   | Inventories                      | 3    | 352                   |
| 56                    | Debtors                          | 4    | 40                    |
| 312                   | Cash                             |      | 633                   |
| <b>730</b>            | <b>Total Current Assets</b>      |      | <b>1,025</b>          |
| (397)                 | Creditors                        | 5    | (853)                 |
| <b>(397)</b>          | <b>Total Current Liabilities</b> |      | <b>(853)</b>          |
| <b>165,929</b>        | <b>Net Assets</b>                |      | <b>163,039</b>        |
|                       | <b>Funded by:</b>                |      |                       |
| 161,341               | General Reserve                  | 1    | 158,550               |
| 4,588                 | Revaluation Reserve              | 1    | 4,489                 |
| <b>165,929</b>        | <b>Total Reserves</b>            |      | <b>163,039</b>        |

**Notes to the Financial Statements****1. Reserves**

| 2017/18         |                     |                               | 2018/19         |                     |
|-----------------|---------------------|-------------------------------|-----------------|---------------------|
| General Reserve | Revaluation Reserve |                               | General Reserve | Revaluation Reserve |
| £000            | £000                |                               | £000            | £000                |
| <b>163,217</b>  | <b>4,588</b>        | <b>Balance as at 1 April</b>  | <b>161,341</b>  | <b>4,588</b>        |
| (1,876)         | 0                   | Movements in Reserves         | (2,791)         | (99)                |
| <b>161,341</b>  | <b>4,588</b>        | <b>Balance as at 31 March</b> | <b>158,550</b>  | <b>4,489</b>        |

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £42,000 as at 31 March 2019 (£382,000 as at 31 March 2018).



## 2. Movements in Property, Plant, Equipment & Other Long Term Assets

Long term assets are primarily Property, Plant and Equipment, with movements analysed in the table that follows.

| Property, Plant and Equipment                                   | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus   | Investment Assets | PP&E under construction | Total Property, Plant & Equipment | Heritage Assets |
|---|------------------------|-----------------------------|-----------------------|------------------|-----------|-------------------|-------------------------|-----------------------------------|-----------------|
| Movements in Cost or Value                                      | £000                   | £000                        | £000                  | £000             | £000      | £000              | £000                    | £000                              | £000            |
| <b>1 April 2017</b>   | <b>6,749</b>           | <b>996</b>                  | <b>218,658</b>        | <b>1,103</b>     | <b>0</b>  | <b>333</b>        | <b>176</b>              | <b>228,015</b>                    | <b>56</b>       |
| Additions   | 0                      | 361                         | 591                   | 0                | 0         | 0                 | 46                      | 998                               | 0               |
| Revaluations<br>Increases/(Decreases)<br>recognised in the RR   | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Revaluations<br>Increases/(Decreases)<br>recognised in the SDPS | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Impairment Losses/Reversals<br>to RR                            | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Impairment Losses/Reversals<br>to SDPS                          | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Derecognition - Disposals                                       | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Reclassified (to)/from Held for Sale                            | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Other Reclassifications - Transfers                             | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| <b>At 31 March 2018</b>   | <b>6,749</b>           | <b>1,357</b>                | <b>219,249</b>        | <b>1,103</b>     | <b>0</b>  | <b>333</b>        | <b>222</b>              | <b>229,013</b>                    | <b>56</b>       |
| Additions   | 0                      | 72                          | 129                   | 0                | 0         | 0                 | 0                       | 201                               | 0               |
| Revaluations<br>Increases/(Decreases)<br>recognised in the RR   | (235)                  | 0                           | 0                     | 0                | 0         | 0                 | 0                       | (235)                             | 0               |
| Revaluations<br>Increases/(Decreases)<br>recognised in the SDPS | (126)                  | 0                           | 0                     | 0                | 10        | 0                 | 0                       | (116)                             | 0               |
| Impairment Losses/Reversals<br>to RR                            | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Impairment Losses/Reversals<br>to SDPS                          | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Derecognition - Disposals                                       | 0                      | (156)                       | 0                     | 0                | 0         | 0                 | 0                       | (156)                             | 0               |
| Reclassified (to)/from Held for Sale                            | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Other Reclassifications - Transfers                             | 189                    | 0                           | 0                     | 0                | 33        | 0                 | (222)                   | 0                                 | 0               |
| <b>At 31 March 2019</b>   | <b>6,577</b>           | <b>1,273</b>                | <b>219,378</b>        | <b>1,103</b>     | <b>43</b> | <b>333</b>        | <b>0</b>                | <b>228,707</b>                    | <b>56</b>       |
| <b>Movements in Depreciation/Impairment</b>                     |                        |                             |                       |                  |           |                   |                         |                                   |                 |
| <b>1 April 2017</b>   | <b>115</b>             | <b>403</b>                  | <b>60,219</b>         | <b>0</b>         | <b>0</b>  | <b>0</b>          | <b>0</b>                | <b>60,737</b>                     | <b>0</b>        |
| Depreciation Charge   | 57                     | 194                         | 2,485                 | 0                | 0         | 0                 | 0                       | 2,736                             | 0               |
| Depreciation written out on Impairment                          | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Depreciation written out to the RR                              | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Depreciation written out to the SDPS                            | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |
| Derecognition - Disposals                                       | 0                      | 0                           | 0                     | 0                | 0         | 0                 | 0                       | 0                                 | 0               |

## Cardiff Harbour Authority

|  |              |            |                |              |           |            |            |                |           |
|--|--------------|------------|----------------|--------------|-----------|------------|------------|----------------|-----------|
| Reclassifications - Transfers          | 0            | 0          | 0              | 0            | 0         | 0          | 0          | 0              | 0         |
| <b>At 31 March 2018</b>                | <b>172</b>   | <b>597</b> | <b>62,704</b>  | <b>0</b>     | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>63,473</b>  | <b>0</b>  |
| Depreciation Charge                    | 72           | 182        | 2,496          | 0            | 0         | 0          | 0          | 2,750          | 0         |
| Depreciation written out on Impairment | 0            | 0          | 0              | 0            | 0         | 0          | 0          | 0              | 0         |
| Depreciation written out to the RR     | (136)        | 0          | 0              | 0            | 0         | 0          | 0          | (136)          | 0         |
| Depreciation written out to the SDPS   | (35)         | 0          | 0              | 0            | 0         | 0          | 0          | (35)           | 0         |
| Derecognition - Disposals              | 0            | (156)      | 0              | 0            | 0         | 0          | 0          | (156)          | 0         |
| Reclassifications - Transfers          | 0            | 0          | 0              | 0            | 0         | 0          | 0          | 0              | 0         |
| <b>At 31 March 2019</b>                | <b>73</b>    | <b>623</b> | <b>65,200</b>  | <b>0</b>     | <b>0</b>  | <b>0</b>   | <b>0</b>   | <b>65,896</b>  | <b>0</b>  |
| <b>Net Book Value:</b>                 |              |            |                |              |           |            |            |                |           |
| <b>At 31 March 2018</b>                | <b>6,577</b> | <b>760</b> | <b>156,545</b> | <b>1,103</b> | <b>0</b>  | <b>333</b> | <b>222</b> | <b>165,540</b> | <b>56</b> |
| <b>At 31 March 2019</b>                | <b>6,504</b> | <b>650</b> | <b>154,178</b> | <b>1,103</b> | <b>43</b> | <b>333</b> | <b>0</b>   | <b>162,811</b> | <b>56</b> |

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

### 3. Inventory

| 2017/18<br>£000 |                                   | 2018/19<br>£000 |
|-----------------|-----------------------------------|-----------------|
| <b>343</b>      | <b>Balance as at 1 April</b>      | <b>362</b>      |
| 19              | Inventory written off to the CIES | (10)            |
| <b>362</b>      | <b>Balance as at 31 March</b>     | <b>352</b>      |

### 4. Debtors

| 31 March<br>2018<br>£000 |                           | 31 March<br>2019<br>£000 |
|--------------------------|---------------------------|--------------------------|
| 56                       | Central Government Bodies | 0                        |
| 0                        | Trade Receivables         | 40                       |
| <b>56</b>                | <b>Total Debtors</b>      | <b>40</b>                |

### 5. Creditors

| 31 March<br>2018<br>£000 |                           | 31 March<br>2019<br>£000 |
|--------------------------|---------------------------|--------------------------|
| (30)                     | Central Government Bodies | (93)                     |
| (367)                    | Trade Payables            | (760)                    |
| <b>(397)</b>             | <b>Total Creditors</b>    | <b>(853)</b>             |

# Cardiff Port Health Authority



## Narrative Report

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 Environmental Service of the Shared Regulatory Service, 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 the County Council of the City and County of Cardiff 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.

In the absence of a delegation to another body, full Council of the County Council of the City and County of Cardiff are the body that approves the accounts of the Port Health Authority.

## 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 2014.

### 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.

## Accounting statements for Cardiff Port Health Authority:

|  | Year Ending        |                    |
|--|--------------------|--------------------|
|  | 31 March 2018<br>£ | 31 March 2019<br>£ |
| <b>Statement of Income and Expenditure</b> |                    |                    |
| Balances brought forward                   | (136,479)          | (120,421)          |
| Income from local taxation and/or levy     | (126,596)          | (126,600)          |
| Other receipts                             | (1,505)            | (1,996)            |
| Staff costs                                | 124,721            | 131,159            |
| Other payments                             | 19,438             | 19,692             |
| <b>Total</b>                               | <b>(120,421)</b>   | <b>(98,166)</b>    |
| <b>Statement of Balances</b>               |                    |                    |
| Debtors                                    | 0                  | (12,827)           |
| Cash and investments                       | (123,230)          | (89,641)           |
| Creditors                                  | 2,809              | 4,302              |
| <b>Balance carried forward</b>             | <b>(120,421)</b>   | <b>(98,166)</b>    |

## Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2019, that:

|  | Agreed? |    |
|--|---------|----|
|  | Yes     | No |
| 1. We have put in place arrangements for: <ul style="list-style-type: none"> <li>effective financial management during the year; and</li> <li>the preparation and approval of the accounting statements.</li> </ul>  | Yes     |    |
| 2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.  | Yes     |    |
| 3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances. | Yes     |    |
| 4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.  | Yes     |    |
| 5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.   | Yes     |    |
| 6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.   | Yes     |    |
| 7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.                                | Yes     |    |
| 8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.  | Yes     |    |

## Body Certification and approval

### **Approval and certification of the accounts and annual governance statement**

The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return:

|   |  |
|---|--|
| <b>Certification by the Corporate Director Resources (RFO)</b><br><br>I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body and its income and expenditure for the year ended 31 March 2019 | <b>Approval by the Body</b><br><br>I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference: |
|---|--|

## Cardiff Port Health Authority

|                              |   |
|------------------------------|---|
| <b>RFO signature:</b>        | <b>Lord Mayor signature:</b>                      |
| <b>Name: Christopher Lee</b> | <b>Name: Councillor Daniel De'Ath, Lord Mayor</b> |
| <b>Date:</b>                 | <b>Date:</b>                                      |

### External Audit Certificate

The external auditor, being the Wales Audit Office, conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

### External Auditor's Report

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2019 of Cardiff Port Health Authority.

On the basis of our review, in our opinion;

- the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met
- there are no matters or recommendations to draw to the attention of the body.

**External Auditor's name:**

**External Auditor's signature**

**Date:**

**For and on behalf of the Auditor General for Wales**



# Glossary of Accounting Terms



## Glossary of Accounting Terms

**Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:**

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Actuarial Gains and Losses**

For a defined benefit pension's scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### **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.

### **Assets Held for Sale**

Assets meeting all the criteria of: - immediately available for sale, where the sale is highly probable, actively marketed and expected to be sold within 12 months.

### **Asset under Construction**

An asset that is not yet complete.

### **Borrowing**

Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **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**

A Council'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 or where a ministerial permission allows.

### **Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

### **Cash and Cash Equivalents**

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

### **Chartered Institute of Public Finance & Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body which determines 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.

### **Community Assets**

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

### **Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council’s accounts.

### **Council Dwellings**

Flats and Houses owned by the Council as part of its Housing Revenue Account and provided at an affordable level of rent which is lower than market rent.

### **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.

### **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.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

### **Current Service Cost (Pensions)**

Current Service Cost is the increase in the present value of a defined benefit pension scheme’s liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits “earned” by employees in the current year’s employment.

## Glossary of Accounting Terms

### **Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Curtailment (Pensions)**

For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

### **Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

### **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place.

### **Defined Benefit Scheme (Pensions)**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme (Pensions)**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **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.

### **De-recognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **Direct Revenue Financing**

The amount of revenue funding in the year used to pay for capital expenditure incurred.

### **Earmarked Reserves**

Amounts set aside to be used to meet specific, known or predicted future expenditure.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade



## Glossary of Accounting Terms

receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Revenue Account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **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.

### **Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

### **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.

### **Levy**

An amount of money which a Local Authority is required to collect on behalf of another organisation.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

**Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

**Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**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.

**Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

**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.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Projected Unit Method (Pensions)**

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service

**Property, Plant and Equipment (PPE)**

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

**Provisions**

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.

**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 expenditure. 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.

### **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### **Reserves**

Reserves are also amounts set aside for future use. 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 Council must maintain as a matter of prudence.

### **Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

### **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 Council 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.

### **Settlement (Pensions)**

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

### **Surplus Assets**

Assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Assets Held for Sale.

### **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.

### **Treasury Management**

The process by which the Council controls its cash flow and its borrowing and lending activities.

### **Trust Funds**

Funds held in trust which are administered by the Council.