

# Statement of Accounts DRAFT

› 2016/17



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



# Contents

<b>1.0 Preface</b>	
1.1 Narrative Report	5
<b>2.0 Statements to the Accounts</b>	
2.1 Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate	16
2.2 Audit Report	17
<b>3.0 Core Financial Statements and Explanatory Notes</b>	
3.1 Accounting Policies, Critical Judgements and Assumptions	19
3.2 Comprehensive Income & Expenditure for the year ended 31 March 2017	35
3.3 Movement in Reserves Statement for the year ended 31 March 2017	37
3.4 Balance Sheet as at 31 March 2017	39
3.5 Cash Flow Statement	41
3.6 Notes to the Core Financial Statements	42
<b>4.0 Supplementary Financial Statements and Explanatory Notes</b>	
4.1 Housing Revenue Account	96
4.2 Cardiff and Vale of Glamorgan Pension Fund Accounts	103
4.3 Group Accounts	126
4.4 Trust Funds	147
<b>5.0 Other Statements</b>	
5.1 The Annual Governance Statement	149
5.2 Glossary of Local Government Accountancy Terms	171
<b>6.0 Port Health Authority and Cardiff Harbour Authority Accounts</b>	
6.1 Port Health Authority	178
6.2 Cardiff Harbour Authority	183



**STATEMENT OF ACCOUNTS**

**2016/17**

**OF**

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



## 1.1 Narrative Report

### Introduction

This document presents the Statement of Accounts for The County Council of the City and County of Cardiff. These are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

### The Financial Statements

The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 19 to 148 and comprise:

#### **Accounting Policies, Critical Judgements and Assumptions (page 19)**

The accounting policies applied by the Council, critical judgements made in their application and areas of the accounts where significant estimates or assumptions are made.

#### **Comprehensive Income and Expenditure Statement (page 35)**

This statement provides information on how the Council has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

#### **Movement in Reserves Statement (page 37)**

This statement shows the changes to the Council's reserves over the course of the year and therefore the movements in the financial position of the Council.

#### **Balance Sheet (page 39)**

This statement provides a 'snapshot' of the financial position at 31<sup>st</sup> March, showing what the Council owns and owes.

#### **Cash Flow Statement (page 41)**

This statement shows the reason for changes in the cash and cash equivalents of the Council during the reporting period.

#### **Notes to the Core Financial Statements (page 42)**

These are the notes that accompany the main financial statements.

#### **Housing Revenue Account (HRA) (page 96)**

This separate account must be maintained to record income and expenditure arising from the provision of Council Housing.

#### **Cardiff & Vale of Glamorgan Pension Fund Accounts (page 103)**

This account shows the contributions received from fund members, payments to pensioners, investment incomes and the value of net assets of the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers.

#### **Group Accounts (page 126)**

These accounts are prepared in addition to the single entity accounts where Local Authorities have material interests in subsidiary and associated companies and joint ventures. Due to materiality, the Council only consolidates the accounts of Cardiff Bus Ltd.

#### **Trust Funds (page 147)**

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

# Narrative Report

## The County Council of the City and County of Cardiff (the Council)

Cardiff is the Capital City of Wales. With a population of 357,200 it is not only the largest local authority in Wales, it has also experienced the largest population growth in Wales over the last decade.

The Council works with public service partners to meet collective objectives for improving the well-being of the city and its residents and works together towards a series of outcomes that matter most to its' people.



Everyone in Cardiff uses public services and it is sometimes easy to forget about all the important services that the Council delivers - every day - to people across the city. Over 700 services to residents in 151,000 households, helping to support local communities and improve the lives of local people.

The Council is responsible for collecting bins, cutting grass and cleaning streets, but it also provides support for older people and people with disabilities. It runs schools and manages a high quality housing stock, ensures that public and consumer safety is upheld to the highest standards as well as looking after children who are in care.

## Narrative Report

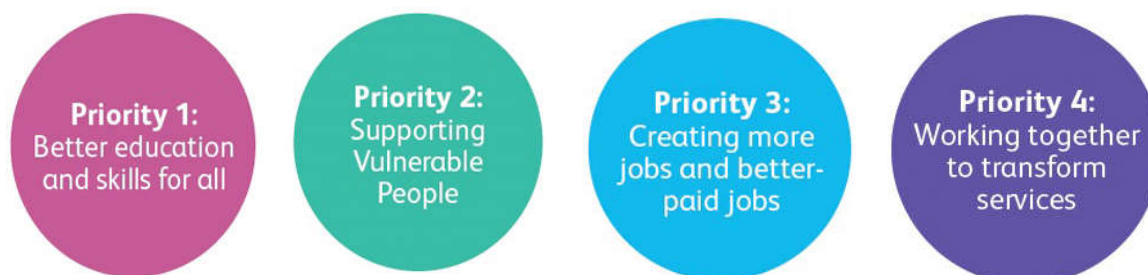
The Council also ensures delivery of leisure facilities across the city, making a positive impact on the health and well-being of communities with parks and green spaces also a huge part of the city's appeal. On 1<sup>st</sup> December 2016, 8 leisure and community facilities were transferred to be operated by Greenwich Leisure Limited under a 15 year contract. Cardiff has a long and successful track record of delivering major sporting events and has a strong cultural offer. As well as those living in the city, over 80,000 people commute into Cardiff every day from across the city-region. This represents over one third of the city's workforce. Keeping the city and the city-region moving is therefore a top priority and requires planning and delivering with our neighbours across the Cardiff Capital Region. The Council plays a crucial role as it maintains roads and highways as part of a wider strategy for dealing with traffic and congestion including encouraging a shift towards more sustainable modes of travel, to get around Cardiff in a convenient, safe and more environmentally friendly way.

On 1 March 2017 the £1.2 billion Cardiff Capital Region City Deal (CCRCD) between the UK Government, the Welsh Government and 10 councils in South East Wales, was formally ratified. This proposes investment over a 20 year period with the key aims to create 25,000 new jobs by 2036 and secure an additional £4 billion of private sector investment.

The CCRCD Investment Fund comprises two distinct elements:-

- £734 million – METRO transportation schemes to be delivered by Welsh Government.
- £495 million – Regional Investment Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period together with £375 million grant from the UK Government. This is to be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. The Council will make a 23.7% contribution to the £120 million based on its proportion of the regional population and will be the accountable body for the Joint Committee.

The Council's Corporate Plan sets out what we will do, how we will do it, and how our progress is monitored. Pressures being faced by the Council need to be taken into account when developing this plan. For instance, Cardiff is projected to have the fastest growing population of any city in the UK. This means an increasing demand for key services and additional financial pressures. Accordingly, our energy and scarce resources are focused on four priority areas:



In each priority area the Corporate Plan sets out demanding targets and performance indicators which have been subject to a thorough target setting exercise between Cabinet Members and Directors.

### **Medium Term Financial Plan**

The 2017/18 budget was approved by Council on 23 February 2017 and addressed a funding gap of £25 million. The gap was bridged by a combination of savings, use of earmarked reserves, a cap on schools growth and a 3.7% Council Tax increase.

The economic climate and need to continue to demonstrate value for money will mean that cost pressures, increased demand for services and reductions in funding for Local Government will continue for a number of years as highlighted in the Council's Medium Term Financial Plan (MTFP) assumptions.



## Narrative Report

The budget report of February 2017 identifies, as a best case scenario, a budget gap of £80.9 million over the three year period 2018/19 – 2020/21.



Closing this gap will be extremely challenging, especially bearing in mind that the Council has already made savings of £213 million over 10 years. The Council also plans significant investment in new school buildings, regeneration of Central Square and creation of a new transport interchange. These schemes rely on the disposal of land to help meet the costs. The Council's successful bid along with its partners for the City Deal will also require investment to be paid for by borrowing. Accordingly borrowing represents an ongoing risk in terms of increasing the Council's requirement for any such expenditure to be paid back from future revenue resources.

### Council Expenditure and Funding in 2016/17

#### Revenue Expenditure and Funding

The final revenue outturn position indicates that the Council has maintained its spending within its overall 2016/17 net revenue budget set in February 2016 of £578 million. This also enabled contributions to be made in the year to new strategic reserves that will benefit the Council in the medium term.

#### Directorate Outturn 2016/17

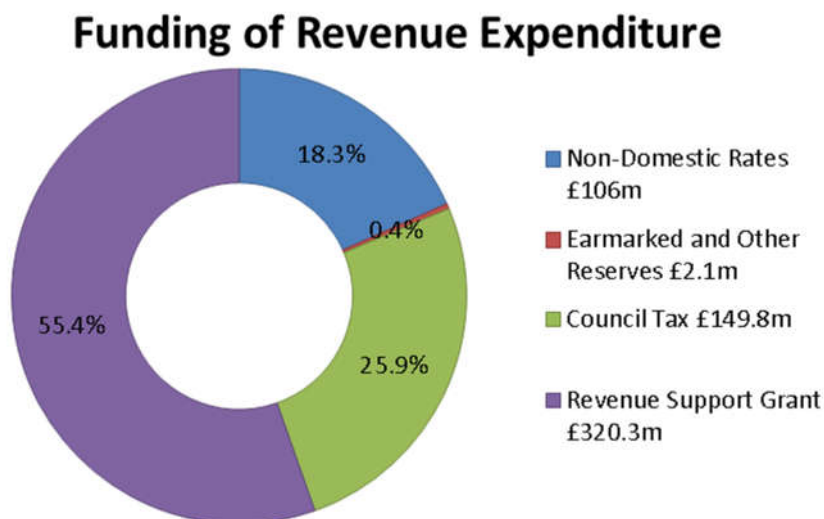
Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	32,905	34,078	1,173
Communities, Housing & Customer Services	43,783	43,408	(375)
Corporate Management	24,336	24,665	329
Economic Development	13,120	13,095	(25)
Education & Lifelong Learning	244,019	244,197	178
Governance & Legal Services	4,771	4,541	(230)
Resources	19,845	19,680	(165)
Social Services	146,286	153,031	6,745
<b>Directorate Outturn Subtotal</b>	<b>529,065</b>	<b>536,695</b>	<b>7,630</b>
Capital Financing	35,310	34,790	(520)
General Contingency	4,000	0	(4,000)
Summary Revenue Account	9,486	6,371	(3,115)
Discretionary Rate Relief	300	305	5
<b>Total Council Outturn</b>	<b>578,161</b>	<b>578,161</b>	<b>0</b>

During 2016/17, the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services for adults and children, City Operations, Corporate Management 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 2016/17 budget. This is reflected in the overall directorate outturn position which shows an overspend

## Narrative Report

of £7.630 million. Directorate overspends were partially offset by a £4.0 million contingency budget which was maintained as part of the 2016/17 budget in order to reflect the quantum, risk and planning status of the proposed savings in 2016/17. Favourable variances were also realised in other areas including Capital Financing, Council Tax collection, Non Domestic Rate refunds on Council properties and the Council's Summary Revenue Account.

The chart that follows shows how revenue monies spent during the year were paid for:-



#### Council Tax:

Council Tax is collected by the Council and includes precepts for the police and community councils where applicable. These precepts are then passed onto the relevant bodies.

- Total Council Tax income funds just over a quarter of the Council's net expenditure
- At the end of March 2017 the provision for bad debt relating to Council Tax was £5.9m
- The Council Tax collection rate for 2016/17 was 97.5%.

#### Non-Domestic Rates and Revenue Support Grant:

Non-Domestic Rates (NDR) are levied based on the value of buildings used in business or for non-domestic purposes. The rates are set by the Welsh Government but collected by the Council. The funds are collected in one pool and redistributed to Councils on the basis of adult population. Revenue Support Grant from Welsh Government is provided as a contribution towards the cost of running services.

- The Welsh Government 2016/17 NDR rate is 48.6p per pound of the business' rateable value
- The net NDR collected by Cardiff for 16/17 totalled £186m - Cardiff received £106m after redistribution
- The majority 55% of total funding for the year 2016/17 is received through Revenue Support Grant.

# Narrative Report

## Housing Revenue Account (HRA)

Income including rent and charges for services totalled £69.418 million. Expenditure included £19.959 million on repairs and maintenance, £19.239 on supervision and management and £26.588 million on capital financing including a contribution to capital works. The Housing Revenue Account (HRA) shows a balanced position after transfers to earmarked reserves of £3.132 million, which includes a reserve for housing development and acquisitions.

The Council revalued Council Dwellings in 2015/16 with the vacant possession value of Council Dwellings deemed to be £1.3 billion. In accordance with valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% in order to show the economic cost of providing social housing to tenants at less than market rents.

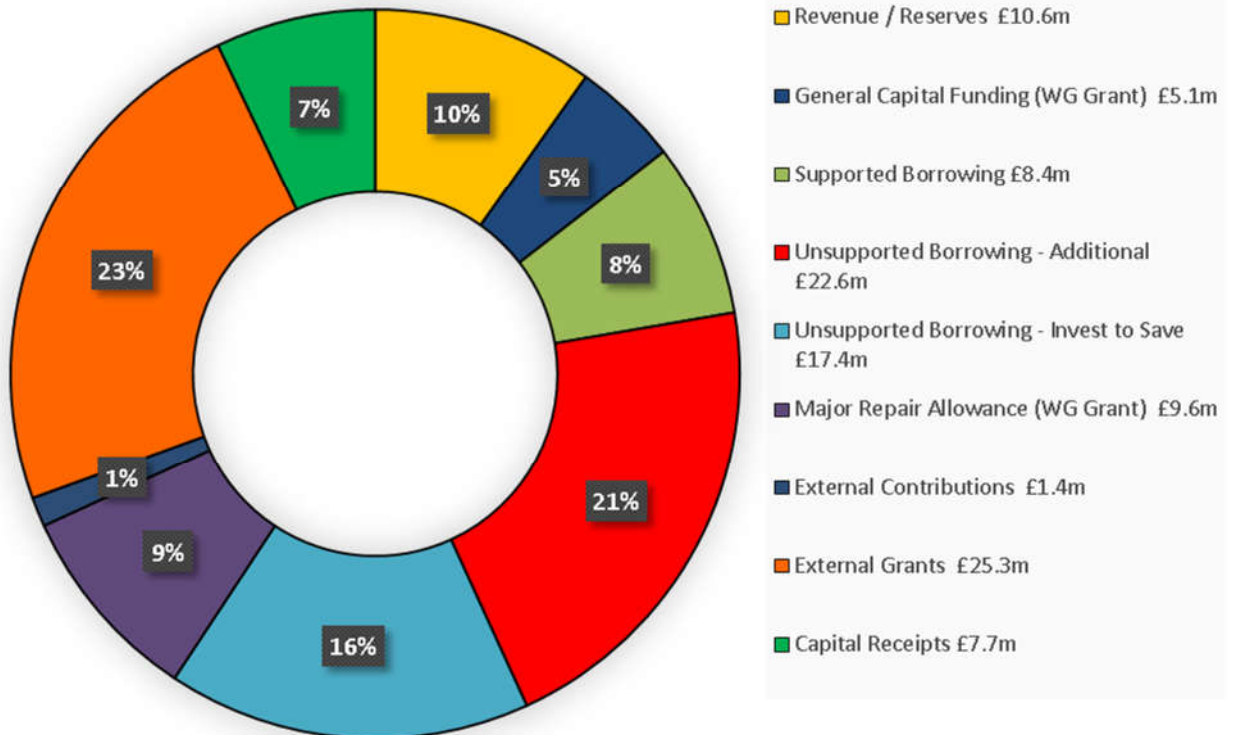
## Capital Expenditure and Funding

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services or specified by legislation. Expenditure totalled £108.1 million. The main items of capital expenditure are described in the following table.

Schemes	Detail	£m
Housing & Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes, environmental improvements including shop fronts in Grangetown and the start of a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn.	7.0
Education & Lifelong Learning	Continued investment in a number of schools as part of the 21st Century Schools Plan including the new Eastern High School, a new high school in the West, three new primary schools and extensions of facilities at a number of schools. Additional investment in the condition of properties to address electrical compliance works.	32.7
Highways & Transportation	Road and footpath resurfacing, road safety improvements, LED street lighting energy efficiency, public transport and telematics. Also Windsor Road bridge replacement, cycling strategy implementation, investment in safe routes in communities, bus priority improvements on A469 and A470 and moving traffic offences expansion as well as other pedestrian and junction improvements.	14.1
Leisure Facilities and Citizen Hubs	Completion of refurbishment of Eastern Leisure Centre, Insole Court and the development of hubs in areas of need including the new STAR hub and pool, Llanedeyrn, Llandaff North and Gabalfa hubs.	7.1
City Development	Land acquisition at Dumballs Road, waste removal at International Sports Village and public realm design to allow regeneration of Central Square.	14.0
Parks and Energy Projects	New 3G football pitches, completion of the wet play area at Victoria Park and Hydro energy generation measures at Radyr Weir.	1.9
Waste Management	Development of Lamby Way household waste recycling facility.	1.9
Housing Revenue Account – Public Housing	Estate regeneration, garage site improvements, investment in stock condition and remodelling, Disabled adaptations, development costs of new build housing and contribution to Citizen Hubs.	24.2
Other	Modernising ICT to improve business process, business investment grants, investment in arts venues, relinquishment of Global Link offices, day centre opportunities strategy and purchase of investment property.	5.2

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

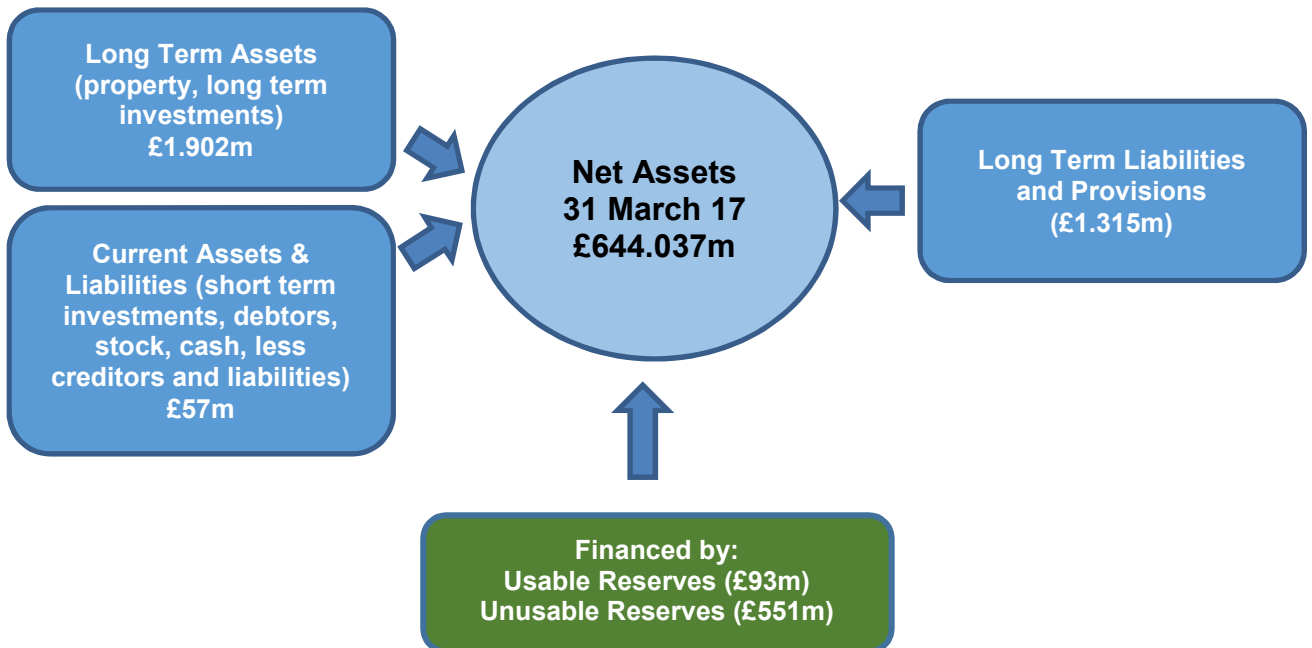
## Funding of Capital Expenditure



The impact of the low level of support from Welsh Government for capital resources has been that the Council has to find a greater share of its requirement to meet essential investment via unsupported borrowing. Unsupported borrowing was used to pay for £40 million of expenditure during 2016/17 with additional commitments set out in future capital expenditure plans approved in the Budget report of February 2017.

### Financial Position

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



# Narrative Report

## Movements in 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 resulting such as depreciation have no impact on the council tax or rent payable as they are required to be reversed from unusable reserves. Note 19 details movements in assets, capital expenditure and its financing, the main changes were;

- The purchase of land at Dumballs Road.
- Investment properties, schools, assets classified as surplus and the Councils art and civic regalia were re-valued during 2016/17 as part of a rolling programme of revaluation.
- Capital receipts from the disposal of property assets and similar income was £10.7 million. The most significant property disposals generating a receipt included the sale of a former youth hostel at Wedal Road, Land and former Council administrative offices at Bessemer Close, former trading standards office at Bridge Street, Suffolk House and Council dwellings sold as under the Right to Buy scheme for eligible tenants.
- Legal ownership of Whitchurch High school and associated properties were transferred to the Governors during the year, following the statutory vesting by Welsh Government. In accordance with accounting practice relating to recognition of schools on the Balance Sheet, this transfer is shown as a loss on disposal of assets during the year.

## Investments

Investments for treasury management purposes are £68.6 million at 31 March 2017 and are represented by temporary cash balances deposited with financial institutions. Note 20 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved.

Whilst the Council's 100% shareholding in Cardiff Bus is not quoted on a recognised stock exchange, for accounting purposes, the Council is required to make an estimate of its value. This is done using the Company's Earnings before Interest Tax Depreciation and Amortisation (EBITDA) for the year, a multiplier of enterprise value and the pension fund deficit. The value in the balance sheet at 31 March 2017 reduced by £3.5 million to £13.3 million. This is due to lower earnings and an increased pension deficit.

## Borrowing

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. The Council continues to use some of its temporary cash balances to pay for capital expenditure. All loans are in the name of the Council and not separated for Housing Revenue Account or Council Fund purposes.

The Council has fixed interest loans of £674 million at the end of the year, of which £617.2 million is owed to the Public Works Loan Board (PWLB) and £56.8 million is owed to other bodies, primarily financial institutions.

During the year external loans totalling £6.8 million were repaid and £14.6 million of new loans were raised, with the overall interest rate on the Council's borrowing being an average of 4.74% at 31 March 2017. Interest payable on borrowing was £32.2 million during 2016/17, of which £12.5 million was payable by the Housing Revenue Account.

## 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. During 2016/17, total provisions decreased by £3.3 million to £34.9 million. These include a net decrease in insurance provisions of £1.1 million and a

## Narrative Report

decrease in Landfill site provisions of £1.4 million. Details of the movement of individual provisions are shown in note 26 to the Core Statements.

### Pensions Liabilities

- The Council's future liability in respect of pension benefits payable, compared to assets held, is £586.723 million at 31 March 2017.
- The Council is a member of the Cardiff and Vale Pension Fund. The cost to the Council during the year for pension liabilities is £43 million.
- The fund's assets at 31 March 2016 cover 85% of future liabilities
- A 20 year recovery plan has been in place to restore the value of assets to 100% of the liability in respect of service prior to the most recent valuation date.

Further details are given in note 18 to the Core Financial Statements.

### Balances and Reserves

Balances represent accumulated surpluses retained by the Council and Reserves are sums of money put aside for specific uses. Earmarked reserves are detailed in note 2 to the core statements whilst other usable and unusable reserves are shown in notes 29 and 30 to the core statements respectively. Total usable reserves increased by £11 million to £93.3 million at 31 March 2017. Of this balance £14.255 million related to the Council Fund Balance which is held for contingencies and is retained at a level after consideration of financial resilience and risks by the Section 151 Officer.

Usable Reserves	£000	£000
<b>Balance on 1 April 2016</b>		<b>82,296</b>
Movements to/(from) reserves:		
Council Fund Balance	(1,000)	
Council Fund Earmarked Reserve	7,165	
Housing Revenue Account Balance	0	
Housing Revenue Account Earmarked Reserves	3,132	
Capital Receipts Reserve	1,782	
		<b>11,079</b>
<b>Balance on 31 March 2017</b>		<b>93,375</b>

### Prior Period Adjustments

In relation to the single entity core statements restatements have been made to the 2015/16 balances as follows -

- The Municipal Mutual Insurance (MMI) provision that was shown in 2015/16 has been split between provisions and earmarked reserves.
- Assets previously classified as assets under construction (AUC) were moved to intangible assets including AUC. These changes have been made to improve the accuracy of the comparators in the accounts.
- A restatement in relation to the pensions information was required as two joint committees; Regional Adoption Service and Shared Regulatory Service, which had previously not disclosed separate pension information included this in the 2016/17 accounts and this required the 2015/16 balances to be restated.
- The Comprehensive Income & Expenditure Account was restated for the prescribed change in the Code in relation to the format of reporting the net cost of services. This was previously presented based on SERCOP classifications but a change in 2016/17 means this is now reported on the basis of the internal management reporting structure.

## Narrative Report

- The Economic Development line was also restated to reflect the agency arrangement in relation to the treatment of the Prosiect Gwyrdd contract costs. This involved both the income and expenditure being stripped out but as these amounts were the same, this had no impact on the bottom line.

These changes were reflected in the group accounts along with the figures from Cardiff Bus 2015/16 final accounts, as these were not available at 30 September 2016.

### **Cardiff and Vale of Glamorgan Pension Fund**

The Council administers the Fund on behalf of the two Local Authorities and other contributing bodies. In 2016/17 pension benefits payable by the Fund totalled £79.1 million and the contributions receivable from employers and employees totalled £82.0 million. Fund's assets increased by £349 million, from £1.653 billion to £2.002 billion. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date covering 82% of the pension liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay. The next valuation is due to take place during 2019.

### **Corporate Governance**

The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution represents its code of governance, setting out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

The Framework comprises two core principles and five supporting principles:-

#### **Core principles**

- a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b) Ensuring openness and comprehensive stakeholder engagement.

#### **Supporting Principles**

- c) Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e) Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f) Managing risks and performance through robust internal control and strong public financial management;
- g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Annual Governance Statement (AGS) on pages 149 to 170 summarises the assessment of governance against the governance framework and comprises three elements:

## Narrative Report

- 1) Statements from Senior Management, the Audit Manager and the Audit Committee;
- 2) Supporting information and evidence mapped to the core and supporting good governance principles;
- 3) A Senior Management review of the Council's significant governance issues.

### Acknowledgements

Finally, I wish to thank staff within Finance, and their colleagues throughout the Council, who have worked on the preparation of these statements as well as Directors, Assistant Directors and all senior managers for their assistance and co-operation throughout this process.

**Christine Salter**  
**Corporate Director Resources**  
**June 2017**



## 2.1 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 2016/17 that officer was Christine Salter, 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 Bob Derbyshire**  
**Lord Mayor**

**Date: 28 September 2017**

### 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 2016-17 (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 County Council of the City and County of Cardiff give a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

**Christine Salter**  
**Corporate Director Resources**

**Date: 28 September 2017**

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

I have audited the accounting statements and related notes of:

- The County Council of the City and County of Cardiff;
  - The County Council of the City and County of Cardiff Group; and
  - The Cardiff and Vale of Glamorgan Pension Fund
- for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

### Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

### Scope of the audit of the accounting statements

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

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

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2017 and of its income and expenditure for the year then ended; and

# Audit Report

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

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

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

- give a true and fair view of the financial transactions of Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

## **Opinion on other matters**

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

## **Matters on which I report by exception**

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance.

## **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.

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
[Date]

24 Cathedral Road  
Cardiff  
CF11 9LJ

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

# Accounting Policies

## 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 2017 and its financial position at 31 March 2017. 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 2016/17 (the Code).

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

There are no new accounting standards in the 2017/18 Code that are likely to have a material impact in the accounts.

### 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 and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council
- supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet
- expenses in relation to services received are recorded as expenditure when the services are received rather than when the payments are made
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

### 3. 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 and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### 4. Contingent assets and liabilities

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

### 5. 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 maintenance of the asset takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 19.

## Accounting Policies

### 6. Disposals and Capital Receipts

When assets are disposed of or decommissioned, proceeds from disposals are credited and the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement in order to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used to pay for capital expenditure or to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). Where sums are due but not yet received they are treated as deferred capital receipts.

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

### 7. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that there is no impact upon Council Tax.

#### Termination Benefits

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

#### Post-Employment Benefits

Employees of the County Council of the City and County of Cardiff are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, administered by the County Council of the City and County of Cardiff.

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

#### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Local Government Pension Scheme is a defined benefit scheme. The liabilities for the Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis. The basis of the calculation is the projected unit method i.e. as assessment of the future payments that will be made in relation to retirement benefits earned to date

## Accounting Policies

by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections earnings for current employees.

Liabilities are discounted to their value at current prices, determined in reference to market yields of high quality corporate bonds.

The assets of Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2016/17 are the full costs relating to early retirements granted in the year, which have been calculated as the special contributions payable into the fund, adjusted for the financial assumptions used under IAS19, to represent the approximate cost of the increase in benefits granted to members under IAS19
- gains and losses on settlements and curtailments
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.

Re-measurements comprising the following, are charged to the Pensions Reserve as Other Income and Expenditure:

- the return on the plan assets – excluding amounts included in net interest on the defined benefit liability
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

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

### Defined Contribution Schemes

The Teachers' Pension Scheme is a defined benefit scheme but as the Council cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis; this scheme is to be accounted for as if it were a defined contribution scheme under IAS19.

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

## 8. Events After the Balance Sheet Date

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

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

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

## 9. Exceptional Items

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

## 10. Financial Assets

Financial assets are classified into three types:

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

Where a fair value price that would be received to sell an asset, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:-

Level 1 – quoted prices in active markets for identical assets that the Council can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the asset

Level 3 – unobservable inputs for the asset

**Loans and Receivables:** Initially measured at fair value and carried at their amortised cost. Where assets are identified as impaired, because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

Credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Interest that is due but unpaid at the end of the year is recognised in the Balance Sheet as a current asset.

**Investments at Fair Value:** available-for-sale assets are initially measured and carried at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

## Accounting Policies

Where assets are identified as impaired because of a likelihood arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

Where the asset has fixed or determinable payments (e.g. interest), income is credited to the Comprehensive Income and Expenditure Statement for interest receivable based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

### 11. Financial Liabilities

Financial liabilities 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, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:-

Level 1 – quoted prices in active markets for identical liabilities that the Council can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the liability

Level 3 – unobservable inputs for the liability

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.

### 12. Grants - Revenue

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

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



## Accounting Policies

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

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.

### 13. Grants and Contributions – Capital

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

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition in that the unused element could be returned to the funder.

Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as Capital Grants Receipts in Advance.

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

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

### 14. 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 to reflect the pattern of consumption of benefits.

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

### 15. Interests in Companies and Other Entities

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

### 16. Inventories

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

### 17. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuations are undertaken by officers of the Council's Strategic Estates department and Jones Lang Lasalle who fall within the competence demands set out by the Royal Institution of Chartered Surveyors and who are valuers registered in accordance with the RICS Valuer Registration Scheme.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best use, echoing market conditions at the balance sheet date. The valuation method is term and reversion, with passing rents capitalised at appropriate yields and estimated reversionary rental values based on prevailing rents for similar properties. Local comparable rental evidence and market yields have been utilised for comparison purposes.

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.

### 18. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet on a line by line basis. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 19. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards, incidental to ownership, of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

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

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

#### The Council as Lessee

##### Finance Leases

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

Lease payments are apportioned between:

## Accounting Policies

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

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

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

### Operating Leases

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

### The Council as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is transferred out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is transferred out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### Operating Leases

Where the 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

## Accounting Policies

Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

### 20. Non-Current Assets Held for Sale

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

### 21. Overhead and Support Services Costs

The costs of overheads and support services are allocated to directorates in accordance with the Council's arrangements for accountability and financial performance.

### 22. Prior Period Adjustments

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

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

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

### 23. Property, Plant, Equipment, Community and Heritage Assets

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. This, together with a 3-year rolling programme of revaluations, ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

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

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

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.

The Council recognises Voluntary Aided, Voluntary Controlled and Foundation Schools on the Council's Balance Sheet if it owns the land and can accordingly direct the use of the assets.

# Accounting Policies

## Measurement:

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

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

- Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- The unique nature of Heritage Assets makes reliable valuation complex. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 40% to adjust beacon values to existing use value.
- Surplus Assets are valued at Fair Value, based on highest and best use.

All other assets are measured at current value. Where there is an active market for assets, Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For schools land and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets. Non-property assets, such as plant and equipment, have short useful lives or low values (or both), and, therefore, depreciated historical cost basis is used as a proxy for current value.

## Revaluation:

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 valuation services to ensure financial services are made aware of all property issues affecting the Council
- having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

Revaluations of the Council's property assets are undertaken on a 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.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service line.

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.

## Accounting Policies

### Charges to Revenue for Non-Current Assets:

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

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

The Council is not required to raise Council Tax or rent to fund depreciation, impairment losses or amortisations. However, it is required to make a prudent provision from revenue towards the reduction in its overall requirement to borrow. Depreciation, impairment losses and amortisations are, therefore, replaced by this prudent provision in the Council Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential, e.g. service delivery from that asset ceasing, or significant permanent market value reductions (downward revaluation). Where either type of loss is identified, they are accounted for by:

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

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). For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

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

Depreciation is calculated on the following range of useful lives:

Asset category	Initial Useful Life in years
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

## Component Accounting:

Where a single asset may have a number of different components, each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation. 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 £1.5 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc.), or items of fixed equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that 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.

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

- plant, equipment and engineering services.
- structure.

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

## 24. Provisions

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

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

## 25. 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.

## 26. Reserves

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

### **27. Value Added Tax**

Value Added Tax payable is included as an expense only to the extent that is not recoverable from HMRC. VAT receivable is excluded from income.



## Critical Judgements and Assumptions

### Critical judgements in applying accounting policies

Accounting policies are only applied to material transactions of the Council. 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 their 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.
- The Council has recognised £132 million of investment properties, valued at fair value, in its balance sheet as at 31 March 2017. This includes ground leases to generate income, land purchased for regeneration to be paid for from their disposal proceeds, as well as land and buildings leased to external bodies to provide their services. The Code requires only those assets solely held for income generation or capital appreciation to be shown as investment properties. All other assets are required to be treated as operational assets and valued on a basis recognising their use by the Council in delivering Council services. Initial testing has shown that there are likely to be some properties included in investment properties that may not meet the current definition of the code and may need to be reclassified to and valued as operational assets even though the Council does not operate services from them. However, the Council needs to undertake a full and comprehensive review to determine that its classification is appropriate. This is to be done in 2017/18 to ensure a considered approach in agreement with the Council's external auditors and valuation professionals.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant disclosures are already made in the accounts in relation to the assumptions about financial instruments. However the other items in the Council's Balance Sheet for which, by their nature, there is a significant risk of material adjustment in the forthcoming financial year are as follows:

## Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 40% to adjust vacant possession values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non-current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve.
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities; this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.
Provisions in relation to arrears	At 31 March 2017, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet date may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample	The level of creditor accrual may be under or over estimated. This will have

## Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries 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.

## Comprehensive Income and Expenditure Statement

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).

2015/16 Restated			Note	2016/17			
Gross Expenditure	Gross Income	2015/16 Net Expenditure		Gross Expenditure	Gross Income	2016/17 Net Expenditure	
£000	£000	£000		£000	£000	£000	
156,257	(74,425)	<b>81,832</b>	City Operations	108,517	(52,402)	<b>56,115</b>	
238,155	(186,010)	<b>52,145</b>	Communities, Housing & Customer Services	239,620	(189,528)	<b>50,092</b>	
11,210	(1,432)	<b>9,778</b>	Corporate Management	6,762	(469)	<b>6,293</b>	
31,026	(27,258)	<b>3,768</b>	Economic Development	64,316	(44,397)	<b>19,919</b>	
333,268	(97,674)	<b>235,594</b>	Education & Lifelong Learning	348,120	(100,654)	<b>247,466</b>	
6,388	(1,822)	<b>4,566</b>	Governance & Legal Services	6,912	(2,556)	<b>4,356</b>	
9,836	(6,816)	<b>3,020</b>	Harbour Authority	9,085	(6,537)	<b>2,548</b>	
161,726	(67,729)	<b>93,997</b>	Housing Revenue Account	50,009	(69,938)	<b>(19,929)</b>	
36,850	(16,316)	<b>20,534</b>	Resources	28,636	(9,195)	<b>19,441</b>	
163,552	(19,303)	<b>144,249</b>	Social Services	180,319	(26,432)	<b>153,887</b>	
1,027	(2,026)	<b>(999)</b>	Summary Revenue Account	1,547	(5,078)	<b>(3,531)</b>	
187,392	0	<b>187,392</b>	Exceptional Item	3	0	<b>0</b>	
<b>1,336,687</b>	<b>(500,811)</b>	<b>835,876</b>	<b>Net Cost of Services</b>	<b>4</b>	<b>1,043,843</b>	<b>(507,186)</b>	<b>536,657</b>
27,880	0	<b>27,880</b>	Police and Crime Commissioner for South Wales	6	29,367	0	<b>29,367</b>
290	0	<b>290</b>	Community Council Precepts	6	296	0	<b>296</b>
16,798	0	<b>16,798</b>	Levies & Contributions	6	17,034	0	<b>17,034</b>
10,618	(11,814)	<b>(1,196)</b>	(Gain)/loss on sale of non-current assets		32,221	(9,009)	<b>23,212</b>
<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>	<b>Other Operating Expenditure</b>		<b>78,918</b>	<b>(9,009)</b>	<b>69,909</b>
32,152	0	<b>32,152</b>	Interest Payable on debt	20	32,250	0	<b>32,250</b>
16,618	0	<b>16,618</b>	Interest on net defined benefit liability/(asset)	18	18,035	0	<b>18,035</b>
0	(1,272)	<b>(1,272)</b>	Interest & Investment Income		0	(979)	<b>(979)</b>
488	0	<b>488</b>	Change in fair value of Investment Properties		9,105	(18,805)	<b>(9,700)</b>
1,092	(1,282)	<b>(190)</b>	Other Investment Income		0	0	<b>0</b>
<b>50,350</b>	<b>(2,554)</b>	<b>47,796</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>59,390</b>	<b>(19,784)</b>	<b>39,606</b>
0	(25,304)	<b>(25,304)</b>	Recognised Capital Grants & Contributions		0	(41,191)	<b>(41,191)</b>
0	(322,851)	<b>(322,851)</b>	Revenue Support Grant	31	0	(320,309)	<b>(320,309)</b>
0	(101,253)	<b>(101,253)</b>	Non-Domestic Rates	9	0	(105,994)	<b>(105,994)</b>

## Comprehensive Income and Expenditure Statement

1,834	(175,121)	<b>(173,287)</b>	Council Tax Income	8	2,063	(182,502)	<b>(180,439)</b>
0	(3,344)	<b>(3,344)</b>	Other Central Grants		0	0	<b>0</b>
<b>1,834</b>	<b>(627,873)</b>	<b>(626,039)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>2,063</b>	<b>(649,996)</b>	<b>(647,933)</b>
		<b>301,405</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(1,761)</b>
		<b>(134,348)</b>	Revaluation Gains	30			<b>(26,098)</b>
		<b>73,310</b>	Revaluation Losses	30			<b>10,169</b>
		<b>591</b>	Impairment losses on non-current assets charged to the Revaluation Reserve				<b>784</b>
		<b>1,484</b>	(Surplus)/Deficit on revaluation of available for sale financial assets	30			<b>3,576</b>
		<b>(12,346)</b>	Actuarial (gains)/losses on pension assets/liabilities	18			<b>16,049</b>
		<b>(71,309)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>4,480</b>
		<b>230,096</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>2,719</b>

## Movement in Reserves Statement

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	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2015 carried forward</b>	<b>13,154</b>	<b>34,413</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>57,579</b>	<b>819,273</b>	<b>876,852</b>
<b>Movement in Reserves during 2015/16</b>								
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	<b>(301,405)</b>	0	<b>(301,405)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	71,309	<b>71,309</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,108)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(301,405)</b>	<b>71,309</b>	<b>(230,096)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	39,022	0	283,013	0	4,087	<b>326,122</b>	(326,122)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,813)</b>	<b>(230,096)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(17,813)	17,813	(716)	716	0	<b>0</b>	0	<b>0</b>
Other Movements in Reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2015/16</b>	<b>2,101</b>	<b>17,813</b>	<b>0</b>	<b>716</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,813)</b>	<b>(230,096)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>52,226</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>82,296</b>	<b>564,460</b>	<b>646,756</b>
<b>Movement in Reserves during 2016/17</b>								
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	<b>1,761</b>	0	<b>1,761</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	(4,480)	<b>(4,480)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,268)</b>	<b>0</b>	<b>19,029</b>	<b>0</b>	<b>0</b>	<b>1,761</b>	<b>(4,480)</b>	<b>(2,719)</b>

## Movement in Reserves Statement

Adjustments between accounting basis & funding basis under regulations (note 1)	23,433	0	(15,897)	0	1,782	<b>9,318</b>	(9,318)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>6,165</b>	<b>0</b>	<b>3,132</b>	<b>0</b>	<b>1,782</b>	<b>11,079</b>	<b>(13,798)</b>	<b>(2,719)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(7,165)	7,165	(3,132)	3,132	0	<b>0</b>	<b>0</b>	<b>0</b>
<b>Increase/(Decrease) in 2016/17</b>	<b>(1,000)</b>	<b>7,165</b>	<b>0</b>	<b>3,132</b>	<b>1,782</b>	<b>11,079</b>	<b>(13,798)</b>	<b>(2,719)</b>
<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>550,662</b>	<b>644,037</b>

## Balance Sheet

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

31 March 2016 Restated		Note	31 March 2017
£000			£000
	<b>Property Plant &amp; Equipment:</b>	19	
529,464	Council Dwellings		537,862
744,171	Other Land and Buildings		741,776
15,446	Vehicles, Plant, Furniture & Equipment		15,557
298,598	Infrastructure		294,621
19,620	Community Assets		19,652
30,800	Assets under construction (AUC)		42,555
36,299	Surplus assets not held for sale		40,992
	<b>Heritage Assets:</b>	19	
51,278	Heritage Assets		53,846
	<b>Investment Property:</b>	19	
110,471	Investment Properties		132,241
	<b>Intangible Assets:</b>		
3,426	Intangible assets including AUC	19	3,315
18,214	Long-term Investments		13,691
6,081	Long-term Debtors		5,616
<b>1,863,868</b>	<b>Total Long-Term Assets</b>		<b>1,901,724</b>
54,216	Short-term Investments		66,124
2,819	Held for Sale assets	21	80
2,139	Inventories		2,175
86,498	Short-term Debtors	22	83,754
17,352	Cash and Cash Equivalents	23	18,776
<b>163,024</b>	<b>Total Current Assets</b>		<b>170,909</b>
(16,148)	Short-term Borrowing	20	(14,972)
(85,297)	Short-term Creditors	24	(87,603)
(2,354)	Pension Strain	27	(1,414)
(10,466)	Provisions	26	(7,116)
(986)	Deferred Liabilities	28	(2,846)
<b>(115,251)</b>	<b>Total Current Liabilities</b>		<b>(113,951)</b>
(659,408)	Long-term Borrowing	20	(668,028)
(27,756)	Provisions	26	(27,821)
(6,617)	Deferred Liabilities	28	(14,021)



## Balance Sheet

(9,933)	Capital Contributions Receipts in Advance	31	(11,843)
(2,526)	Revenue Grants Receipts in Advance	31	(2,016)
(1,791)	Capital Grants Receipts in Advance	31	(974)
(4,891)	Pensions Strain	27	(3,219)
(551,963)	Net Pensions Liability	18	(586,723)
<b>(1,264,885)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,314,645)</b>
<b>646,756</b>	<b>NET ASSETS</b>		<b>644,037</b>
	<b>Financed by:</b>		
15,255	Council Fund Balance		14,255
52,226	Council Fund Earmarked Reserves		59,391
8,438	Housing Revenue Account Balance		8,438
954	Housing Revenue Account Earmarked Reserves		4,086
5,423	Capital Receipts Reserve	29	7,205
<b>82,296</b>	<b>Usable Reserves</b>		<b>93,375</b>
254,122	Revaluation Reserve		258,922
856,975	Capital Adjustment Account		876,075
2,049	Deferred Capital Receipts		2,038
16,811	Available for Sale Financial Instruments Reserve		13,235
0	Financial Instruments Adjustment Account		0
(559,208)	Pensions Reserve		(591,356)
(6,289)	Accumulated Absences Adjustment Account		(8,252)
<b>564,460</b>	<b>Unusable Reserves</b>	30	<b>550,662</b>
<b>646,756</b>	<b>TOTAL RESERVES</b>		<b>644,037</b>

## Cash Flow Statement

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.

2015/16 £000		Note	2016/17 £000
<b>301,405</b>	<b>Net (Surplus) /Deficit on the provision of services</b>		<b>(1,761)</b>
(185,014)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	33	(97,213)
(178,481)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	33	48,392
<b>(62,090)</b>	<b>Net cash flows from operating activities</b>		<b>(50,582)</b>
(1,196)	Interest Received		(644)
30,034	Interest Paid		32,220
(90,928)	Net cash flow from other operating activities		(82,158)
<b>276,948</b>	<b>Investing activities</b>		<b>62,792</b>
89,521	Purchase of property, plant and equipment, investment property and intangible assets		99,661
31,146	Purchase of short-term and long-term Investments		9,093
200,875	Other payments for investing activities		7,579
(9,814)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,009)
(31,744)	Capital Grants		(40,942)
(1,504)	Capital Contributions		(3,590)
(1,282)	Proceeds from short-term and long-term investments		0
(250)	Other receipts from investing activities		0
<b>(209,073)</b>	<b>Financing activities</b>		<b>(13,634)</b>
(201,611)	Cash receipts from short-term and long-term borrowing		(14,645)
(13,454)	Other receipts from financing activities		(6,220)
0	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
5,992	Repayments of short-term and long-term borrowing		7,231
0	Other payments for financing activities		0
<b>5,785</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(1,424)</b>
<b>23,137</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>17,352</b>
<b>17,352</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>18,776</b>
233	Cash		223
13,108	Bank (including cheque book schools)		15,992
4,011	Short-term deposits with banks and building societies		2,561

# Notes to the Core Financial Statements

## INDEX OF NOTES TO THE CORE FINANCIAL STATEMENTS

Note No.	Note	Page
1	Adjustments between Accounting Basis and Funding Basis Under Regulations	43
2	Earmarked Reserves	45
3	Exceptional Items	50
4	Expenditure & Funding Analysis	50
5	Harbour Authority and Associated Activities	53
6	Precepts and Levies	53
7	Participation in Joint Committees	53
8	Council Tax	54
9	Non-Domestic Rates	54
10	Agency Income and Expenditure	55
11	Remuneration	55
12	Health Act 1999 Pooled Funds and Similar Arrangements	61
13	Related Parties	62
14	External Audit Costs	63
15	Leasing	63
16	Investment Properties	64
17	Prudent Revenue Provision	64
18	Pensions	64
19	Non-Current Assets	72
20	Financial Instruments	77
21	Held for Sale Assets	84
22	Debtors	84
23	Cash and Cash Equivalents	84
24	Creditors	85
25	Interests in Other Companies and Other Organisations	85
26	Provisions	87
27	Pension Strain	88
28	Deferred Liabilities	88
29	Usable Reserves	88
30	Unusable Reserves	89
31	Grant Income	92
32	Contingent Assets & Liabilities	93
33	Notes to the Cash Flow Statement	94
34	Events After the Reporting Period	95
35	Date of Authorisation of the Accounts for Issue	95

## Notes to the Core 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.

2016/17	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£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>				
Charges for depreciation and impairment of Non-Current assets	44,539	9,285	0	(53,824)
Revaluation losses of Non-Current Assets	38,118	0	0	(38,118)
Reverse previous impairment on revaluation	(36,062)	0	0	36,062
Amortisation of Intangible Assets	550	122	0	(672)
Movements in the market value of Investment Properties	(9,908)	208	0	9,700
Movement in the value of Held for Sale Assets	0	0	0	0
Capital grants and contributions applied	(31,546)	(9,645)	0	41,191
Revenue expenditure funded from capital under statute	4,097	25	0	(4,122)
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	17,605	(2,483)	9,138	(24,260)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(24,624)	(8,043)	0	32,667
Capital expenditure charged against the Council Fund and HRA balances	(4,820)	(6,009)	0	10,829
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(7,675)	7,675
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	42	(42)	0
Capital receipts set aside for the repayment of debt	125	0	350	(475)
<b>Adjustments involving the Revaluation Reserve</b>				
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	7,502	395	0	(7,897)
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	58,603	2,976	0	(61,579)
Employer's contributions to the Pension Scheme	(40,016)	(2,851)	0	42,867

## Notes to the Core Financial Statements

Pension Strain Future Years	(2,665)	53	0	2,612
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
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.	1,935	28	0	(1,963)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	11	(11)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0
<b>Total Adjustments</b>	<b>23,433</b>	<b>(15,897)</b>	<b>1,782</b>	<b>(9,318)</b>

### Comparative Movements in 2015/16

2015/16	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£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>				
Charges for depreciation and impairment of non-current assets	44,012	12,134	0	(56,146)
Revaluation losses of non-current assets	21,688	108,260	0	(129,948)
Reverse previous impairment on revaluation	(6,843)	(345)	0	7,188
Amortisation of intangible assets	1,104	120	0	(1,224)
Movements in the market value of Investment properties	488	0	0	(488)
Movement in the value of Held for Sale Assets	904	0	0	(904)
Capital grants and contributions applied	(15,122)	(10,181)	0	25,303
Revenue expenditure funded from capital under statute	4,879	187,392	0	(192,271)
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	5,938	522	0	(6,460)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(23,664)	(7,912)	0	31,576
Capital expenditure charged against the General Fund and HRA balances	(1,136)	(4,818)	0	5,954
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(5,857)	5,857
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	32	(32)	0

## Notes to the Core Financial Statements

Capital Receipts set aside for the repayment of debt	48	0	(1,433)	1,385
<b>Adjustments involving the Revaluation Reserve</b>				
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	(3,741)	(2,380)	11,371	(5,250)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(2,400)	33	0	2,367
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	57,077	2,814	0	(59,891)
Employer's contributions to the Pension Scheme	(39,020)	(2,630)	0	41,650
Pension Strain Future Years	(1,781)	(56)	0	1,837
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
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.	(1,409)	28	0	1,381
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	38	(38)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	(2,000)	0	0	2,000
<b>Total Adjustments</b>	<b>39,022</b>	<b>283,013</b>	<b>4,087</b>	<b>(326,122)</b>

### 2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to fund future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2016/17.

	Balance	Contributions		Balance
	31 March 2016 Restated £000	From Revenue £000	To Revenue £000	31 March 2017 £000
<b>SCHOOLS BALANCES</b>				
Schools Reserves	1,727	3,936	(1,421)	4,242
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	(53)	320	(57)	210
	<b>1,677</b>	<b>4,256</b>	<b>(1,478)</b>	<b>4,455</b>
<b>SCHOOLS RESERVES</b>				
Out of School Childcare	119	9	(30)	98
Special Educational Needs Unit	102	0	(102)	0
Schools Catering	704	0	(242)	462
Schools Formula Funding	1,928	747	(1,104)	1,571
Schools Organisational Plan	8,123	6,813	(8,522)	6,414
	<b>10,976</b>	<b>7,569</b>	<b>(10,000)</b>	<b>8,545</b>

## Notes to the Core Financial Statements

<b>OTHER EARMARKED RESERVES</b>				
Apprenticeship	427	772	(126)	1,073
Bereavement Services	43	257	(138)	162
Building Control Fee Earning	594	7	0	601
Bute Park Match Funding	203	0	(33)	170
Cardiff Academy Training	145	0	(48)	97
Cardiff Dogs' Home Legacy	118	0	(10)	108
Cardiff Enterprise Zone	3,515	1,421	(328)	4,608
Cardiff Insurance	5,784	560	0	6,344
Central Market Minor Works	42	1	0	43
Central Transport Service Vehicle	568	0	(202)	366
City Deal	113	243	(199)	157
City Wide Management and Initiatives	479	350	(379)	450
Community Based Transitional	474	0	(126)	348
Community Safety	81	0	(51)	30
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	680	201	(232)	649
Corporate Landlord Function	175	800	0	975
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	212	23	(130)	105
Employee Changes	1,632	5,020	(1,097)	5,555
Energy Conservation	518	0	(284)	234
Energy/Carbon Reduction	450	0	0	450
Equal Pay	282	0	0	282
Flatholm	24	0	(24)	0
Fraud Detection	193	0	(53)	140
Harbour Authority	644	21	(186)	479
Highways Local Government Borrowing Initiative	1,047	0	(1,047)	0
Homes in Multiple Occupation - Licensing	63	0	(25)	38
Homelessness	1,552	0	(19)	1,533
House Mortgage	29	0	0	29
Housing Options Centre	1,059	0	(136)	923
Housing Support	1,404	0	(99)	1,305
ICT Holding Account	784	128	(50)	862
Inspectorate Support	308	0	(13)	295
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	195	0	0	195
Kitchen Improvement	457	0	(125)	332
Legal Services	460	347	(200)	607
Libraries Book Fund	0	19	0	19
Local Lend a Hand Mortgage Scheme	177	45	0	222
Local Plan	98	1	0	99
Major Projects	1,221	150	(20)	1,351
Members Development	81	31	0	112
MMI Insurance	589	578	0	1,167
Municipal Election	599	133	(38)	694
Non-Domestic Rates Due Diligence	60	0	0	60
Organisational Development Programme	1,277	524	(759)	1,042

## Notes to the Core Financial Statements

Parking & Enforcement	370	5,469	(5,489)	350
Projects, Design & Development	137	0	0	137
Public Service Board Initiative	46		(23)	23
Property Asset Management	129	116	(89)	156
Registration Service Improvement	46	0	0	46
Resources	1,480	783	(396)	1,867
Scrutiny Development & Training	82	0	0	82
Shared Regulatory Service	0	243	(128)	115
Social Care Technology	761	0	(52)	709
Strategic Budget	0	2,532	0	2,532
Waste Management/Prosiect Gwyrdd	2,570	522	(1,267)	1,825
Welfare Reform	3,407	276	(889)	2,794
Workshops Asset Maintenance	12	127	0	139
Youth and Community Education	449	53	(138)	364
	<b>38,836</b>	<b>21,753</b>	<b>(14,648)</b>	<b>45,941</b>
<b>CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES</b>				
Central South Consortium	142	12	0	154
Cardiff Capital Region City Deal*	0	54	0	54
Glamorgan Archives	97	0	(13)	84
Prosiect Gwyrdd	61	5	0	66
Regional Adoption Service	50	0	(22)	28
Shared Regulatory Service	387	0	(323)	64
	<b>737</b>	<b>71</b>	<b>(358)</b>	<b>450</b>
<b>Total Council Fund Reserves</b>	<b>52,226</b>	<b>33,649</b>	<b>(26,484)</b>	<b>59,391</b>
<b>HRA RESERVES</b>				
Repairs & Building Maintenance Services	516	500	0	1,016
Development & Acquisition	0	2,582	0	2,582
IT Reserve	238	0	0	238
Tackling Overcrowding	200	0	0	200
Welfare Reform Reserve	0	50	0	50
<b>Total HRA Reserves</b>	<b>954</b>	<b>3,132</b>	<b>0</b>	<b>4,086</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>53,180</b>	<b>36,781</b>	<b>(26,484)</b>	<b>63,477</b>

\*Cardiff Capital Region City Deal Joint Committee was formally ratified on the 1 March 2017

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 2017 on the Council's Schools Budget Forum website.

**Schools Formula Funding** - to deal with costs arising from schools that are unable to be met from the funding formula budget.

**Schools Organisational Plan** - to fund borrowing and other costs associated with schools reorganisation resulting from investment in the Schools Organisation Plan and 21<sup>st</sup> Century Schools.

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

**Building Control Fee Earning** – represents historic surpluses relating to the ringfenced building control account which will be used to smooth the effects of any future deficits.



## Notes to the Core Financial Statements

**Cardiff Enterprise Zone** - to support economic regeneration in the vicinity of Cardiff Central Station and to create a new capital city gateway based around a modern public transport interchange.

**Cardiff Insurance** - to protect the Council from potential future liabilities based on current insurance policies.

**Corporate Events & Cultural Services** – to fund costs associated with events within Cardiff and any cultural initiatives.

**Corporate Landlord Function** - to support the corporate landlord functions across the Council in order to provide a cohesive and commercial operating model.

**Employee Changes** - to meet the costs associated with Voluntary Severance and other employee costs.

**Homelessness** - to deal with pressures on homelessness in the city. Further pressures are predicted due to the effects of welfare reforms and the introduction of universal credits.

**Housing Options Centre** - to fund the capital financing loan charges incurred in building the new Housing Options Centre.

**Housing Support** - to support initiatives and projects aimed at maintaining people's independence in their own homes.

**ICT Holding Account** – to fund initiatives and costs in connection with the Council's use of technology.

**Legal Services** - to fund future Legal Services initiatives, including projects in connection with ICT upgrades and procurement of additional resource on a temporary basis.

**Major Projects** - to support the costs of major projects.

**Municipal Mutual Scheme (MMI)** - 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 33.

**Municipal Election** – to fund costs associated with future Council elections.

**Organisational Development Programme** - to review the shape and scope of the organisation, the way in which services are delivered, and to implement a new organisational model in order to respond to the current financial challenges. The Organisational Development Programme Reserve provides support to the projects within this programme through the funding of any additional resources, expertise or professional advice that may be required.

### **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 Core Financial Statements

2015/16 Restated £000		2016/17 £000
	<b>Income</b>	
(4,271)	On-street pay car parking fees	(4,362)
(805)	Off-Street car parking fees	(1,042)
(309)	Residents parking permits	(330)
(2,022)	Penalty charge notices	(2,019)
(2,840)	Moving Traffic Offences	(3,256)
(63)	Camera Car	(104)
(2)	Other income	0
<b>(10,312)</b>	<b>Total Income</b>	<b>(11,113)</b>
	<b>Expenditure</b>	
978	Operational costs / Parking and Permits	1,037
4,377	Enforcement service	4,607
<b>5,355</b>	<b>Total Expenditure</b>	<b>5,644</b>
<b>(4,957)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(5,469)</b>
	Appropriations to Parking Reserve:	
<b>69</b>	<b>Balance 1 April 2016</b>	<b>370</b>
4,957	Contributions from CPE	5,469
(4,656)	Contributions to revenue*	(5,489)
<b>370</b>	<b>Balance 31 March 2017</b>	<b>350</b>

\* Eligible expenditure totalling £5.489 million was drawn down from the reserve leaving a balance of £350,000 at the 31 March 2017. This included a budgeted drawdown of £5.025 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included a specific drawdown for various improvement schemes and initiatives. These were approved by the Director of Operations in consultation with the Cabinet Member for Transport, Planning and Sustainability.

**Resources** - brings together existing earmarked reserves across the Directorate and includes various initiatives such as Office Rationalisation, Human Resources and Enterprise Architecture. It will also be used to enable future flexibility and support in respect of financial resilience.

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

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

**Waste Management/Prosiect Gwyrd** - to mitigate the financial impact associated with the volatility of waste tonnages.

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

**Cardiff's Share of Reserves of Joint Committees** - represents the Council's percentage share of the accumulated balances and reserves of the Joint Committees of which it is a member.

**Repairs & Building Maintenance (HRA)** - to fund costs arising in connection with repairs to Council dwellings.

## Notes to the Core Financial Statements

**Housing Development & Acquisition (HRA)** – to fund the development of the additional build programme, other land and property acquisitions and to support the Housing Partnership Programme.

### 3. Exceptional Items

The exceptional item in 2015/16 of £187.392 million related to the Council's settlement payment to Welsh Government to facilitate the exit of the HRA Subsidy System. Whilst this means that the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council pays additional costs for interest. It also sets aside from any income, additional amounts for reducing the amount borrowed and outstanding.

### 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).

2015/16			Directorate	2016/17		
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
49,902	31,930	81,832	City Operations	34,078	22,037	56,115
46,089	6,056	52,145	Communities, Housing & Customer Services	43,408	6,684	50,092
29,727	(19,949)	9,778	Corporate Management	24,665	(18,372)	6,293
2,119	1,649	3,768	Economic Development	13,095	6,824	19,919
234,480	1,114	235,594	Education & Lifelong Learning	244,197	3,269	247,466
4,411	155	4,566	Governance & Legal Services	4,541	(185)	4,356
0	3,020	3,020	Harbour Authority	0	2,548	2,548
0	93,997	93,997	Housing Revenue Account	0	(19,929)	(19,929)
15,600	4,934	20,534	Resources	19,680	(239)	19,441
142,625	1,624	144,249	Social Services	153,031	856	153,887
43,520	(44,519)	(999)	Summary Revenue Account	41,466	(44,997)	(3,531)
0	187,392	187,392	Exceptional Item	0	0	0
<b>568,473</b>	<b>267,403</b>	<b>835,876</b>	<b>Net Cost of Services</b>		<b>(41,504)</b>	<b>536,657</b>
(555,767)	21,296	(534,471)	Other Income and Expenditure	(560,044)	21,626	(538,418)
<b>12,706</b>	<b>288,699</b>	<b>301,405</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>18,117</b>	<b>(19,878)</b>	<b>(1,761)</b>
		(13,154)	Opening Council Fund balance as at 31 March	(15,255)		
		(1,696)	Surplus/Deficit on the Council Fund	0		
		(405)	Adjust for transfers (to)/from reserve	1,000		
		<b>(15,255)</b>	<b>Closing Council Fund balance as at 31 March</b>	<b>(14,255)</b>		

## Notes to the Core Financial Statements

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

Directorate	2016/17			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
City Operations	23,408	(1,842)	471	22,037
Communities, Housing & Customer Services	5,907	(169)	946	6,684
Corporate Management	32	2,398	(20,802)	(18,372)
Economic Development	5,506	(304)	1,622	6,824
Education & Lifelong Learning	3,755	(57)	(429)	3,269
Governance & Legal Services	5	(32)	(158)	(185)
Harbour Authority	2,703	89	(244)	2,548
Housing Revenue Account	8,169	178	(28,276)	(19,929)
Resources	835	(704)	(370)	(239)
Social Services	574	(77)	359	856
Summary Revenue Account	0	4	(45,001)	(44,997)
Exceptional Item	0	0	0	0
<b>Net Cost of Services</b>	<b>50,894</b>	<b>(516)</b>	<b>(91,882)</b>	<b>(41,504)</b>
Other Income and Expenditure from the Expenditure & Funding Analysis	(27,680)	18,035	31,271	21,626
<b>(Surplus) or Deficit on Provision of Services</b>	<b>23,214</b>	<b>17,519</b>	<b>(60,611)</b>	<b>(19,878)</b>

Directorate	2015/16			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments
	£000	£000	£000	£000
City Operations	32,848	(761)	(157)	31,930
Communities, Housing & Customer Services	5,394	(90)	752	6,056
Corporate Management	41	2,482	(22,472)	(19,949)
Economic Development	3,867	(506)	(1,712)	1,649
Education & Lifelong Learning	10,808	(1,496)	(8,198)	1,114
Governance & Legal Services	7	(27)	175	155
Harbour Authority	3,114	(133)	39	3,020
Housing Revenue Account	107,471	128	(13,602)	93,997
Resources	7,871	(177)	(2,760)	4,934
Social Services	936	252	436	1,624
Summary Revenue Account	0	0	(44,519)	(44,519)
Exceptional Item	187,392	0	0	187,392
<b>Net Cost of Services</b>	<b>359,749</b>	<b>(328)</b>	<b>(92,018)</b>	<b>267,403</b>
Other Income and Expenditure from the Expenditure & Funding Analysis	(26,012)	16,618	30,690	21,296
<b>(Surplus) or Deficit on Provision of Services</b>	<b>333,737</b>	<b>16,290</b>	<b>(61,328)</b>	<b>288,699</b>

## Notes to the Core 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 GAPP. 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 differences between 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

	2015/16 £000	2016/17 £000
<b>Expenditure</b>		
Employee Benefits Expenses	410,954	430,055
Other Service Expenses	561,242	568,272
Depreciation, Amortisation & Impairment	373,137	57,231
Change in Fair Value of Investment Properties	488	(9,700)
Interest Payments	32,152	32,250
Precepts & Levies	44,968	46,698
Loss on Sale of Non-Current Assets	0	23,212
<b>Total Expenditure</b>	<b>1,422,941</b>	<b>1,148,018</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(225,690)	(236,267)
Interest and Investment Income	(1,272)	(979)
Income from Council Tax and Non-Domestic Rates	(597,392)	(606,742)
Government Grants and Contributions	(295,795)	(305,791)
Gain on Sale of Non-Current Assets	(1,387)	0
<b>Total Income</b>	<b>(1,121,536)</b>	<b>(1,149,779)</b>
<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>301,405</b>	<b>(1,761)</b>

## Notes to the Core Financial Statements

### 5. Harbour Authority and Associated Activities

Income, expenditure and assets relating to functions transferred to the Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000 are included within the Council's overall accounts. However a separate set of accounts are required to be prepared in accordance with the Harbours Act 1964 and can be seen from page 183. It should be noted that the Harbour Authority accounts have been prepared on a Companies Act 2006 basis and not in accordance with the Code.

### 6. Precepts and Levies

	2015/16 £000	2016/17 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	27,880	29,367
Community Councils:		
Lisvane	34	34
Pentyrch	85	85
Radyr	108	112
St Fagans	18	18
Old St Mellons	26	28
Tongwynlais	19	19
	<b>28,170</b>	<b>29,663</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire & Rescue Service	16,507	16,775
Natural Resources Wales	141	139
Cardiff Port Health Authority	144	115
Newport Health Authority	6	5
	<b>16,798</b>	<b>17,034</b>

### 7. Participation in Joint Committees

During 2016/17 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:

Committee	Purpose	2015/16 £000	2016/17 £000
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	218	212
Prosiect Gwyrdd*	To manage residual waste treatment	49	32
Cardiff Capital Region City Deal*	To co-ordinate and discharge the member Councils' obligations in relation to the City Deal"	0	42
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	1,571	1,505
Regional Adoption Service	To develop and improve adoption services and share best practice	393	472
Shared Regulatory Service	To provide environmental health services	5,100	5,231
Total		<b>7,331</b>	<b>7,494</b>

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

## Notes to the Core Financial Statements

### 8. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police 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 2016/17 was £141,288 (£139,500 for 2015/16).

The amounts for a band D property in Cardiff during 2016/17 were as follows:

<b>Band D Council Tax:</b>	<b>2015/16</b>	<b>2016/17</b>
	<b>£</b>	<b>£</b>
Cardiff Council	1,022	1,060
Police and Crime Commissioner for South Wales	200	208
<b>TOTAL</b>	<b>1,222</b>	<b>1,268</b>

The above amount (£1,268) 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.

<b>Band</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>	<b>I</b>
<b>Multiplier</b>	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:

	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Council Tax collectable	(175,121)	(182,502)
Provision for non-payment of Council Tax	1,834	2,063
	<b>(173,287)</b>	<b>(180,439)</b>

The net proceeds from Council Tax figure of £180.439 million includes precepts of £29.663 million and a transfer to the bad debt provision of £900,000. This remaining balance of £149.8 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2016/17.

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

<b>31 March</b>		<b>31 March</b>
<b>2016</b>		<b>2017</b>
<b>£000</b>		<b>£000</b>
(4,915)	Council Tax Bad Debt Provision	(5,858)

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

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.6p in 2016/17 and 48.2p in 2015/16) and, subject to the effects of transitory arrangements; local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to Local Authorities on the basis of a fixed amount per head of population.

The NDR income of £189.057 million for 2016/17 (£193.334 million for 2015/16) was based on a total rateable value of £475.602 million for 2016/17 (£476.309 million for the year 2015/16).

## Notes to the Core Financial Statements

Analysis of the net proceeds from non-domestic rates:

	2015/16 £000	2016/17 £000
Non-Domestic Rates collectable	193,334	189,057
Cost of collection allowance	(886)	(896)
Provision for non-payment of NDR	(3,774)	(1,696)
Payment into national pool	<b>188,674</b>	<b>186,465</b>
<b>Redistribution from national pool</b>	<b>(101,253)</b>	<b>(105,994)</b>

### 10. 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 £14.993 million at 31 March 2017 (£8.773 million at 31 March 2016) 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 2017 the Welsh Government had provided £3.236 million of funding, £500,000 was repaid giving a new balance available of £2,736 million of which £1.516 million is outstanding as loans provided. The balance available for new loans was £1.220 million (£1.196 million at 31 March 2016).
- Home Improvement loans - provide loans for home improvements. At 31 March 2017 the Welsh Government had provided £1.062 million of funding. £183,000 of new loans were approved in 2016/17 (nil in 2015/16) leaving a balance available for new loans of £879,000.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £394,000 in 2016/17 (£445,000 in 2015/16).

#### Business Improvement District (BID) Company

In 2016/17, a BID was set-up which 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. The Council collects the income and pays this over to the BID Company. At 31 March 2017 the Council owed the company £85,393.

#### Prosiect Gwyrdd

The Council is responsible for the costs in relation to the contract with Viridor to provide waste treatment in relation to commercial and industrial waste. The total income and expenditure of £10.995 million is not included in the Council's CIES and there are not entries in the Balance Sheet. This was £5.282 million in 2015/16 – this amount has been restated in the accounts to take it out of the Council's CIES in the Commercial Services line in both the expenditure and income.

### 11. Remuneration

**11.1** 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 2016/17 was 1:8 (1:8 in 2015/16). The median full time equivalent earnings for 2016/17 was £21,164 (£20,849 in 2015/16).

**11.2** 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 and those whose remuneration is disclosed in more detail in note 11.3.



## Notes to the Core Financial Statements

The figures 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 figures also include individuals directly employed by the governing bodies of several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, rather than 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 table below.

Remuneration band £	Number of Employees	
	2015/16	2016/17
60,000-64,999	46	43
65,000-69,999	44	43
70,000-74,999	14	8
75,000-79,999	4	9
80,000-84,999	10	13
85,000-89,999	3	1
90,000-94,999	3	4
95,000-99,999	3	1
100,000-104,999	0	1
105,000-109,999	2	1
110,000-114,999	1	2
115,000-119,999	1	2
120,000-124,999	8	5
125,000-129,999	1	0
130,000-134,999	0	2
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	2*	1
175,000-179,999	0	0
180,000-184,999	0	0

\*The remuneration of one of the employees identified included severance payments, further details are available on page 57 reference (e), this does not include the pension contribution.

**11.3.** Shown in the table below are remuneration details of:

- Senior employees (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.
- Employees whose salary is £150,000 or more on an annualised basis. These are identified by name.

## Notes to the Core Financial Statements

Remuneration also includes the cost of any additional contributions 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 2016/17 (2015/16 - £nil)

2016/17  Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits		
Paul Orders, Chief Executive	171,700	0	0	0	0	39,319	211,019
Corporate Director Resources & Section 151 Officer (a)	131,300	0	0	0	0	7,517	138,817
Assistant Director Children's Services (b)	130,519	0	0	0	0	0	130,519
Director Education & Lifelong Learning	121,200	0	0	0	0	27,755	148,955
Director Social Services	121,200	0	0	0	0	27,755	148,955
Director Communities, Housing & Customer Services	121,200	0	0	0	0	27,755	148,955
Director Economic Development	121,200	0	0	0	0	27,755	148,955
Director City Operations	121,200	0	0	0	0	27,755	148,955
Assistant Director Adult Services	82,416	0	0	0	0	18,873	101,289
Assistant Director Housing & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director Customer Services & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director of Commercial Services	82,416	0	0	0	0	18,873	101,289

## Notes to the Core Financial Statements

Chief HR Officer	82,416	0	0	0	0	18,873	101,289
Head of Service, Finance	82,416	0	0	0	0	18,873	101,289
Head of Performance & Partnerships	82,416	0	0	0	0	18,873	101,289
Director Governance & Legal Services & Monitoring Officer (Commenced 19/09/2016) (c)	64,640	0	0	0	0	14,803	79,443
Assistant Director Education & Lifelong Learning (Commenced 01/10/2016) (d)	41,208	0	0	0	0	9,437	50,645
Interim Monitoring Officer (Leaving Date 18/09/2016) (e)	38,461	0	0	0	0	8,732	47,193
Assistant Director Education & Lifelong Learning (Leaving Date 19/06/2016) (f)	18,086	25	0	0	0	4,142	22,253

- a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £57,196, (£16,437 in 2015/16) a breakdown is provided below:
- £21,860 National Assembly for Wales Election
  - £22,920 Police and Crime Commissioner Election
  - £11,111 European Union Referendum
  - £1,305 Grangetown & Plasnewydd By-Election
- b) During 2016/17 agency invoices of £130,519 (£129,800 in 2015/16) were received for services as Assistant Director Children Services. Payments made were £135,458.
- c) Director Governance & Legal Services commenced 19/09/2016. Annualised salary of £121,200.
- d) Assistant Director Education & Lifelong Learning commenced 01/10/2016. Annualised salary £82,416.
- e) Operational Manager Legal Manager Litigation was appointed Interim Monitoring Officer until 18/09/2016. Annualised salary of £82,416.
- f) Assistant Director Education & Lifelong Learning left the Council on 19/06/2016. Annualised salary of £82,416.

## Notes to the Core Financial Statements

### Comparative Data for 2015/16

2015/16  Post title	Salary, fees and allowances €	Taxable benefits €	Compensation for loss of employment			Employers pension contribution (22.9% of salary) €	Total €
			Received via payroll (taxable) (a) €	Received via creditors (non taxable) €	Enhancement of Retirement Benefits		
Paul Orders, Chief Executive	170,000	0	0	0	0	38,930	208,930
Corporate Director Resources & Section 151 Officer (a)	130,000	0	0	0	0	29,770	159,770
Assistant Director Children's Services (Commenced 27/04/2015) (b)	129,800	0	0	0	0	0	129,800
Director Education & Lifelong Learning	120,000	55	0	0	0	27,480	147,535
Director Social Services, Director Children's Services (c)	120,000	47	0	0	0	27,480	147,527
Director Communities, Housing & Customer Services	120,000	0	0	0	0	27,480	147,480
Director Economic Development	120,000	0	0	0	0	27,480	147,480
Director City Operations, Director Strategic Planning, Highways, Traffic & Transport (d)	120,000	0	0	0	0	27,480	147,480
Director Governance & Legal Services, County Clerk & Monitoring Officer (e)	110,000	0	31,000	30,000	0	24,287	195,287
Assistant Director Education & Lifelong Learning	81,989	64	0	0	0	18,776	100,829
Assistant Director Housing & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Customer Services & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Environment	81,989	0	0	0	0	18,776	100,765
Chief HR Officer	81,989	0	0	0	0	18,417	100,406
County Solicitor (Leaving Date 12/09/2015) (f)	60,129	0	0	2,138	0	12,366	74,633

## Notes to the Core Financial Statements

Interim Assistant Director Adult Services (Commenced 05/08/2015) (g)	53,523	0	0	0	0	12,257	65,780
Head of Service, Finance (Commenced 10/08/2015) (h)	52,426	0	0	0	0	12,087	64,513
Chief Officer Change & Improvement (Leaving Date 20/09/2015) (i)	38,922	0	0	0	0	8,913	47,835
Director Sport, Leisure & Culture (Leaving Date 24/07/2015) (j)	37,742	2	0	19,594	169,553	8,643	235,534
Director Environment (Leaving Date 24/07/2015) (k)	36,361	4	0	7,125	0	8,643	52,133
Director Health & Social Care (Leaving Date 24/07/2015) (l)	36,135	40	0	10,688	82,861	8,643	138,366
Head of Performance & Partnerships (Commenced 15/02/2016) (m)	10,317	0	0	0	0	2,363	12,680
Interim Monitoring Officer (Commenced 01/03/2016) (n)	6,800	0	0	0	0	1,557	8,357

- a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £16,437 (£13,080 in 2014/15).
- b) During 2015/16 agency invoices of £129,800 (Nil in 2014/15) were received for service as Assistant Director Children Services, payments made were £119,900.
- c) Director Social Services from 16/06/2015. Annualised salary of £120,000. Director Children's Services until 15/06/2015. Annualised salary of £120,000.
- d) Director City Operations from 16/06/2015. Annualised salary of £120,000. Director Strategic Planning, Highways, Traffic & Transport until 15/06/2015. Annualised salary of £120,000.
- e) Director Governance & Legal Services from 16/06/2015 until 29/02/2016. Annualised salary of £120,000. Clerk & Monitoring Officer until 15/06/2015. Annualised salary of £120,000.
- f) County Solicitor left the Council on 12/09/2015. Annualised salary of £120,000.
- g) Operational Manager Learning Disabilities was appointed Interim Assistant Director Adult Services commencing 05/08/2015. Annualised salary of £81,600.
- h) Head of Service, Finance commenced 10/08/2015. Annualised salary of £81,600.
- i) Chief Officer Change & Improvement left the Council on 20/09/2015. Annualised salary of £81,600.
- j) Director Sport, Leisure & Culture left the Council on 24/07/2015. Annualised salary of £120,000.
- k) Director Environment left the Council on 24/07/2015. Annualised salary of £120,000.
- l) Director Health & Social Care left the Council on 24/07/2015. Annualised salary of £120,000.
- m) Head of Performance & Partnerships commenced 15/02/2016. Annualised salary of £81,600.
- n) Operational Manager Legal Manager Litigation was appointed Interim Monitoring Officer commencing 01/03/2016. Annualised salary of £81,600.

### 11.4 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

## Notes to the Core Financial Statements

loss of employment through either Voluntary or Compulsory Redundancy, the second element is the pension strain cost in comparing year-on-year figures.

2016/17 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	9	64	73	617,394
£20,001 – £40,000	0	16	16	403,619
£40,001 – £60,000	1	4	5	228,575
£60,001 – £80,000	0	3	3	214,224
£80,001 – £100,000	0	1	1	87,320
£100,001 – £150,000	0	1	1	130,276
£150,001 – £200,000	1	0	1	172,584
<b>Total</b>	<b>11</b>	<b>89</b>	<b>100</b>	<b>1,853,992</b>

2015/16 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	27	100	127	857,681
£20,001 – £40,000	2	28	30	824,167
£40,001 – £60,000	2	7	9	445,424
£60,001 – £80,000	0	3	3	187,296
£80,001 – £100,000	1	1	2	190,626
£100,001 – £150,000	0	0	0	0
£150,001 – £200,000	1	0	1	189,147
<b>Total</b>	<b>33</b>	<b>139</b>	<b>172</b>	<b>2,694,341</b>

### 11.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2016/17 was £1,284,685 (£1,293,164 in 2015/16). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances and expenses directly reimbursed.

### 12. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store (JES) is a Section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale 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 Adult Social Care line of the Comprehensive Income and Expenditure Statement. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2017 is as follows:

## Notes to the Core Financial Statements

2015/16 £000		2016/17 £000
	<b>Expenditure</b>	
1,685	Equipment	1,742
124	Contribution to Overheads	124
<b>1,809</b>	<b>Total Expenditure</b>	<b>1,866</b>
	<b>Funding</b>	
(1,214)	Cardiff and Vale University Health Board	(1,161)
(405)	Cardiff Council	(518)
(259)	Vale of Glamorgan Council	(187)
<b>(1,878)</b>	<b>Total Funding</b>	<b>(1,866)</b>
<b>69</b>	<b>Surplus transferred to JES Partnership Reserve</b>	<b>0</b>

### 13. Related Parties

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

**Central Government** has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, 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 31](#) including grant receipts outstanding at 31 March 2017.

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2016/17 is shown in [note 11](#). Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2016/17, goods and services totalling £15,776,620 were commissioned from companies in which members had an interest (£7,054,814 in 2015/16). Grants totalling £790,960 (£1,798,344 in 2015/16) were paid to voluntary organisations in which members had an interest.

**Officer's emoluments** are shown in [note 11](#) to the Core Financial Statements. In 2016/17, for companies in which Chief Officers had an interest there were no goods and services commissioned (£1,423 in 2015/16). For goods and services provided, income of £9,040 was received in 2016/17 (£0 in 2015/16).

**Subsidiary Companies** include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. Details of transactions with these companies are shown in [note 25](#) to the Core Financial Statements.

**Cardiff Medicentre** was a joint venture between the Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. The Council disposed of its interest in the Medicentre on 31 March 2016.

**Pension Fund** contributions paid to the Pension Fund are shown in [note 18](#) to the Core Statements.

**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 6](#) to the Core Financial Statements. Separate to the precept, the Council made payments of £46,168 to Police and Crime Commissioner for South Wales during 2016/17 (£135,000 in 2015/16).

#### Related Party Balances

The following balances were held in respect of related parties:

## Notes to the Core Financial Statements

31 March 2016			31 March 2017	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
18,415	(5,484)	Central Government Grants	24,114	(2,117)
0	(87)	Cardiff City Transport Services Ltd	109	(13)
1	0	Medicentre/CBTC/Cardiff Business Council	0	0
1	0	Senior Officers – outstanding car loan balances	0	0
204	(5)	Companies in which members' interests declared/other	5,019	(9)

### 14. External Audit Costs

	2015/16 £000	2016/17 £000
Fees payable to Wales Audit Office for external audit services	400	389
Fees payable to Wales Audit Office for the certification of grant claims and returns	84	88
<b>Total</b>	<b>484</b>	<b>477</b>

### 15. 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 2016/17:

	2015/16 £000	2016/17 £000
Property Leases	1,553	1,829
Other Leases	2,365	2,705

The Council was committed at 31 March 2017 to making payments of £3.939 million under operating leases in 2017/18 (£3.700 million at 31 March 2016 for 2016/17) comprising the following elements:

	31st March 2016		31st March 2017	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	0	131	38	1,847
Leases expiring between 2 and 5 years	518	1,979	1,066	857
Leases expiring after 5 years	905	167	131	0

##### Finance Leases

There were no finance leases at 31 March 2017 (none in 2015/16) 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 £6.193 million in 2016/17 (£6.352 million in 2015/16).



## Notes to the Core Financial Statements

The Council was committed as at 31 March 2017 to receiving income of £5.547 million (£5.856 million as at 31 March 2016) under operating leases for Land & Buildings comprising the following elements:

	31 March 2016	31 March 2017
	£000	£000
Leases expiring within 1 year	221	165
Leases expiring between 2 and 5 years	1,171	1,166
Leases expiring after 5 years	4,464	4,216

### Finance Leases

The Council does not provide any leases of this type.

### 16. Investment Properties

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

	2015/16 £000	2016/17 £000
Rental income from investment property	(5,511)	(6,047)
Direct operating expenses arising from investment property	1,861	2,607
<b>Net (gain) / loss</b>	<b>(3,650)</b>	<b>(3,440)</b>

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

### 17. Prudent Revenue Provision

The Council is required to set aside in the year from its Non housing and Housing Revenue Account budgets, 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 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.

	2015/16 £000	2016/17 £000
Non-housing revenue provision	23,664	24,625
Housing Revenue Account provision	7,912	8,042
<b>Prudent revenue provision</b>	<b>31,576</b>	<b>32,667</b>

### 18. Pensions

#### Participation in Pension Schemes

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the 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:

## Notes to the Core Financial Statements

- 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, 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 2016/17 the Council paid £19.016 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£17.499 million representing 15.5% of teachers' pensionable pay in 2015/16). 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 within 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.

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 below figures represent Cardiff Council only.

## Notes to the Core Financial Statements

	2015/16			2016/17		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
<b>Comprehensive Income Expenditure Statement (CI&amp;E Statement)</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	39,800	0	<b>39,800</b>	39,800	0	<b>39,800</b>
Past Service Costs	2,640	720	<b>3,360</b>	3,410	180	<b>3,590</b>
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)*	15,430	1,180	<b>16,610</b>	16,290	1,530	<b>17,820</b>
<b>Net charge to C I&amp;E Statement</b>	<b>57,870</b>	<b>1,900</b>	<b>59,770</b>	<b>59,500</b>	<b>1,710</b>	<b>61,210</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(57,870)	(1,900)	<b>(59,770)</b>	(59,500)	(1,710)	<b>(61,210)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	38,340	0	<b>38,340</b>	39,640	0	<b>39,640</b>
Payments in respect of unfunded pensions liabilities**	0	3,310	<b>3,310</b>	0	3,230	<b>3,230</b>
	<b>38,340</b>	<b>3,310</b>	<b>41,650</b>	<b>39,640</b>	<b>3,230</b>	<b>42,870</b>

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

### Contributions for year ending 31 March 2018

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2018 are estimated to be £38.02 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2018 the Council expects to pay £3.23 million directly to beneficiaries.

### Basis for estimating assets and liabilities

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

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

- (a) Principal financial assumptions

## Notes to the Core Financial Statements

	31 March 2016	31 March 2017
	% pa	% pa
Rate of Inflation - Retail Price Index (RPI)	2.9	3.1
Rate of Inflation - Consumer Price Index (CPI)	1.8	2.0
Rate of general increase in salaries*	2.8	3.0
Rate of increase to pensions in payment**	1.8	2.0
Rate of increase to deferred pensions	1.8	2.0
Discount rate for scheme liabilities	3.4	2.6

\*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.

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

### (b) Mortality assumptions

	31 March 2016		31 March 2017	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.8	26.8	23.0	25.7
Currently age 45	25.9	29.1	24.0	27.1

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

Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum pre 2008 service) is 75% of the permitted maximum.

### 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 Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

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 2016	31 March 2017		
	Approx. split of assets %	Quoted %	Unquoted %	Total %
Equities	75.1	73.6	4.5	78.1
Property	7.3	6.3	0.0	6.3
Government Bonds	8.1	8.5	0.0	8.5
Corporate Bonds	7.2	5.8	0.0	5.8
Cash	2.3	1.5	0.0	1.5
Other*	0.0	-0.2	0.0	-0.2
<b>Total Pension Strain</b>	<b>100</b>	<b>95.5</b>	<b>4.5</b>	<b>100</b>

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

## Notes to the Core Financial Statements

### Reconciliation of funded status to Balance Sheet

	31 March 2016			31 March 2017		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,010,320	0	<b>1,010,320</b>	1,198,860	0	<b>1,198,860</b>
Present value of liabilities	(1,509,170)	(46,650)	<b>(1,555,820)</b>	(1,730,930)	(47,490)	<b>(1,778,420)</b>
<b>Net pension asset/(liability)*</b>	<b>(498,850)</b>	<b>(46,650)</b>	<b>(545,500)</b>	<b>(532,070)</b>	<b>(47,490)</b>	<b>(579,560)</b>

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

### Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2016			31 March 2017		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,524,800)	(38,250)	<b>(1,563,050)</b>	(1,509,170)	(46,650)	<b>(1,555,820)</b>
Current service cost	(39,800)	0	<b>(39,800)</b>	(39,800)		<b>(39,800)</b>
Interest cost	(48,220)	(1,180)	<b>(49,400)</b>	(50,680)	(1,530)	<b>(52,210)</b>
Contributions by participants	(9,710)	0	<b>(9,710)</b>	(9,910)	0	<b>(9,910)</b>
Remeasurements in Other Comprehensive Income (OCI)	69,690	(9,810)	<b>59,880</b>	(165,900)	(2,360)	<b>(168,260)</b>
Net benefits paid out *	46,310	3,310	<b>49,620</b>	47,940	3,230	<b>51,170</b>
Past service cost	(2,640)	(720)	<b>(3,360)</b>	(3,410)	(180)	<b>(3,590)</b>
<b>Closing present value of liabilities</b>	<b>(1,509,170)</b>	<b>(46,650)</b>	<b>(1,555,820)</b>	<b>(1,730,930)</b>	<b>(47,490)</b>	<b>(1,778,420)</b>

\* Includes changes to the actuarial assumptions.

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

	31 March 2016 £000	31 March 2017 £000
Opening fair value of assets	1,023,600	1,010,320
Interest income on assets	32,790	34,390
Remeasurement gains/(losses) on assets	(47,810)	152,540
Contributions by employer	38,340	39,640
Contributions by participants	9,710	9,910
Net benefits paid out **	(46,310)	(47,940)
<b>Closing fair value of assets</b>	<b>1,010,320</b>	<b>1,198,860</b>

\* 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.

## Notes to the Core Financial Statements

### Re-measurements in Other Comprehensive Income (OCI)

	31 March 2016		31 March 2017	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities £000
Return on plan assets (in excess of) / below that recognised in net interest	47,810	0	(152,540)	0
Actuarial (gains)/losses due to change in financial assumptions	(56,570)	(1,000)	318,150	3,300
Actuarial (gains)/losses due to changes in demographic assumptions	0	0	(119,650)	(590)
Actuarial (gains)/losses due to liability experience	(13,120)	10,810	(32,600)	(350)
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	0
<b>Total amount recognised in OCI</b>	<b>(21,880)</b>	<b>9,810</b>	<b>13,360</b>	<b>2,360</b>

### Actual return on assets

	31 March 2016 £000	31 March 2017 £000
Interest income on assets	32,790	34,390
Remeasurement gain/(loss) on assets	(47,810)	152,540
<b>Actual return on assets</b>	<b>(15,020)</b>	<b>186,930</b>

### Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

	31 March 2016			31 March 2017		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain / (loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain / (loss) in CI&E £000
<b>Total Actuarial Gain/(Loss)*</b>	21,880	(9,810)	<b>12,070</b>	(13,360)	(2,360)	<b>(15,720)</b>

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

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

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Total gain/(loss) –funded scheme	(47.19)	263.70	(49.85)	21.88	(13.36)
Total gain/(loss) –unfunded liabilities	(2.56)	2.76	(1.64)	(9.81)	(2.36)
<b>Cumulative gain/(loss)</b>	<b>(566.00)</b>	<b>(299.54)</b>	<b>(351.03)</b>	<b>(338.68)</b>	<b>(354.40)</b>

## Notes to the Core Financial Statements

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

	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000
Fair value of assets	818,465	906,610	1,027,052	1,014,120	1,198,860
Present value of funded liabilities	(1,482,889)	(1,341,187)	(1,528,588)	(1,513,150)	(1,730,930)
Present value of unfunded liabilities	(42,890)	(38,450)	(38,250)	(46,650)	(47,490)
<b>Surplus/(deficit)</b>	<b>(707,314)</b>	<b>(473,027)</b>	<b>(539,786)</b>	<b>(545,680)</b>	<b>(579,560)</b>

### History of experience gains and losses

	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m	Year ending 31.3.17 £m
Experience gains/(losses) on funded assets	67.92	47.95	78.33	(47.80)	152.54
Experience gains/(losses) on funded liabilities	1.55	34.60	8.21	13.39	32.60
Experience gains/(losses) on unfunded liabilities	0.08	0.04	(0.36)	10.81	(0.35)

### Sensitivity Analysis

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

#### Discount rate assumption

Adjustment to discount rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,699,220	1,763,230
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	47,240	50,180
Approximate % change in projected service cost	-3.0%	3.1%

#### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,738,960	1,723,000
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	48,690	48,690
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

## Notes to the Core Financial Statements

<b>Adjustment to pension increase rate</b>	<b>+0.1% p.a. £000</b>	<b>-0.1% p.a. £000</b>
Present value of total obligation	1,755,140	1,707,090
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	50,180	47,240
Approximate % change in projected service cost	3.1%	-3.0%

### Post retirement mortality assumption

<b>Adjustment to mortality age rating assumption</b>	<b>-1 year £000</b>	<b>+1 year £000</b>
Present value of total obligation	1,782,440	1,679,740
% change in present value of total obligation	3.0%	-3.0%
Projected service cost	50,450	46,940
Approximate % change in projected service cost	3.6%	-3.6%

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



## Notes to the Core Financial Statements

### 19. Non-Current Assets

#### Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 19 to 34.

2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2016</b>	<b>537,762</b>	<b>773,882</b>	<b>37,178</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>2,022,885</b>
Additions	17,980	21,954	4,821	11,093	32	351	33,876	90,107
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	(784)
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	(2,974)
Derecognition - disposals	(1,186)	(25,659)	(5,183)	0	0	(1,430)		(33,458)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088		1,074	(22,089)	(43)
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	8,200
Revaluation increases /(decreases) to SDPS**	0	(14,774)	0	0	0	(1,011)	0	(15,785)
<b>At 31 March 2017</b>	<b>554,803</b>	<b>767,945</b>	<b>36,684</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,068,156</b>
<b>Depreciation</b>								
<b>At 1 April 2016</b>	<b>8,298</b>	<b>29,711</b>	<b>21,732</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,487</b>
Depreciation charge	8,659	16,642	4,764	22,158	0	0	0	52,223
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	(1,347)
Derecognition - disposals	(16)	(12)	(5,183)	0	0	0	0	(5,211)
Depreciation written out to SDPS **	0	0	0	0	0	0	0	0
Reclassifications	0	(25)	0	0	0	0	0	(25)
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	(18,986)
<b>At 31 March 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>
<b>Net Book Value:</b>								
<b>At 31 March 2017</b>	<b>537,862</b>	<b>741,776</b>	<b>15,557</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,693,015</b>
<b>At 31 March 2016</b>	<b>529,464</b>	<b>744,171</b>	<b>15,446</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,674,398</b>

\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Comparative Movements in 2015/16

2015/16 Restated	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2015</b>	<b>604,426</b>	<b>805,389</b>	<b>41,388</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,509</b>	<b>2,094,116</b>
Additions	16,866	18,251	4,739	11,284	389	2,103	25,540	<b>79,172</b>
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(9,605)	0	0	(3,200)	0	<b>(17,820)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	<b>(2,282)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,001)	0	0	0	(415)	0	<b>49,404</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(25,998)	0	0	0	(2,452)	0	<b>(172,160)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>773,882</b>	<b>37,178</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>2,022,885</b>
<b>Depreciation</b>								
<b>At 1 April 2015</b>	<b>35,414</b>	<b>39,724</b>	<b>26,399</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368,045</b>
Depreciation charge	8,298	16,905	4,862	22,238	0	0	0	<b>52,303</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(9,529)	0	0	0	0	<b>(9,576)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,675)	0	0	0	0	0	<b>(61,089)</b>
<b>At 31 March 2016</b>	<b>8,298</b>	<b>29,711</b>	<b>21,732</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,487</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>744,171</b>	<b>15,446</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,674,398</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>765,665</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,509</b>	<b>1,726,071</b>

\* RR = Revaluation Reserve

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

# Notes to the Core Financial Statements

## Heritage Assets

2015/16 £000		2016/17 £000
50,884	<b>Balance at 1 April</b>	51,278
348	Additions	97
0	Revaluation increases /(decreases) to RR	2,471
46	Other Reclassifications	0
<b>51,278</b>	<b>Balance at 31 March</b>	<b>53,846</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 and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site [www.cardiff.gov.uk](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 £38.4 million undertaken externally as at 1 April 2016, by Mr A.N. Schoon, Antiques and Fine Art Valuer.

**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.

## Notes to the Core Financial Statements

### Investment Properties

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

2015/16 £000		2016/17 £000
100,787	<b>Balance at 1 April</b>	110,471
8,713	Additions	13,207
(617)	Disposals	(1,182)
(301)	Reclassified (to) / from Held for Sale	0
2,377	Other Reclassifications	45
(66)	Revaluation increases / (decreases) to RR*	0
(422)	Revaluation increases / (decreases) to SDPS**	9,700
<b>110,471</b>	<b>Balance at 31 March</b>	<b>132,241</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in Intangible assets during 2016/17 are summarised as follows:

	Other Intangible Assets £000	Intangible AUC £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2016	6,411	1,528	<b>7,939</b>
Additions	129	432	<b>561</b>
Other reclassifications	0	0	<b>0</b>
Impairment \ (Losses) / reversals to SDPS	0	0	<b>0</b>
<b>At 31 March 2017</b>	<b>6,540</b>	<b>1,960</b>	<b>8,500</b>
<b>Amortisation</b>			
At 1 April 2016	4,513	0	<b>4,513</b>
Amortisation	672	0	<b>672</b>
<b>At 31 March 2017</b>	<b>5,185</b>	<b>0</b>	<b>5,185</b>
<b>Net Book Value:</b>			
<b>At 31 March 2017</b>	<b>1,355</b>	<b>1,960</b>	<b>3,315</b>
<b>At 31 March 2016</b>	<b>1,898</b>	<b>1,528</b>	<b>3,426</b>

Comparative Movements in 2015/16:

Restated 2015/16	Other Intangible Assets £000	Intangible AUC Restated £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2015	4,523	3,359	<b>7,882</b>
Additions	98	377	<b>475</b>
Other reclassifications	1,790	(1,931)	<b>(141)</b>
Impairment \ (Losses) / reversals to SDPS	0	(277)	<b>(277)</b>
<b>At 31 March 2016</b>	<b>6,411</b>	<b>1,528</b>	<b>7,939</b>

## Notes to the Core Financial Statements

<b>Amortisation</b>			
At 1 April 2015	3,289	0	<b>3,289</b>
Amortisation	1,224	0	<b>1,224</b>
<b>At 31 March 2016</b>	<b>4,513</b>	<b>0</b>	<b>4,513</b>
<b>Net Book Value:</b>			
<b>At 31 March 2016</b>	<b>1,898</b>	<b>1,528</b>	<b>3,426</b>
<b>At 31 March 2015</b>	<b>1,234</b>	<b>3,112</b>	<b>4,346</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, 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.

2015/16 £000		CFR exc. landfill 2016/17 £000	Landfill CFR 2016/17 £000	Total CFR 2016/17 £000
<b>521,990</b>	<b>Opening Capital Financing Requirement</b>	<b>708,835</b>	<b>24,533</b>	<b>733,368</b>
	<u>Capital Expenditure:</u>			
78,705	Property, Plant and Equipment*	86,570	0	<b>86,570</b>
348	Heritage Assets	97	0	<b>97</b>
0	Assets Held for Sale	0	0	<b>0</b>
8,753	Investment Properties	13,207	0	<b>13,207</b>
474	Intangible Assets	561	0	<b>561</b>
590	Loans/ Equity	171	0	<b>171</b>
200,432	Expenditure on REFCUS	7,751	0	<b>7,751</b>
	<u>Sources of Finance:</u>			
(5,857)	Capital Receipts	(7,675)	0	<b>(7,675)</b>
(33,034)	Government grants and other contributions	(41,458)	0	<b>(41,458)</b>
(5,954)	Direct revenue contributions and reserves	(10,834)	0	<b>(10,834)</b>
(33,080)	Prudent revenue and capital provision for loan repayment	(32,790)	(1,104)	<b>(33,894)</b>
<b>733,367</b>	<b>Closing Capital Financing Requirement</b>	<b>724,435</b>	<b>23,429</b>	<b>747,864</b>
	<b>Explanation of movements in year:</b>			
(7,264)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(5,317)	0	<b>(5,317)</b>
218,641	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	20,917	(1,104)	<b>19,813</b>
<b>211,377</b>	<b>Increase in Capital Financing Requirement</b>	<b>15,600</b>	<b>(1,104)</b>	<b>14,496</b>

\*The difference between this figure for 2016/17 and the figure in the non-current assets note on page 72 is £3.537 million. This is due to a donated asset that is not recorded in the CFR.

Increases in the Capital Financing Requirement will need to be repaid by making prudent provision for repayment of expenditure from future years HRA and Council Fund budgets.

## Notes to the Core Financial Statements

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

The following amounts were treated as capital expenditure to be paid for from capital resources. It 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 resources that can only be used to pay for capital expenditure. The 2015/16 figures included the one off settlement payment of £187.4 million to exit the Housing Revenue Account Subsidy system, as well as a Capitalisation direction that allowed the Council to meet revenue costs of service reform from capital receipts. No directions were utilised in 2016/17.

	2015/16 £000	2016/17 £000
Expenditure:		
Housing Improvement Grants	6,645	4,792
Buildings not owned by Cardiff Council	2,293	2,745
Capitalisation Direction - Service Reform	2,435	0
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	187,392	0
Grants awarded (not Housing Grants)	1,667	214
<b>Charged to Income and Expenditure Statement</b>	<b>200,432</b>	<b>7,751</b>
Funded by:		
Grants and Contributions	(8,161)	(3,629)
Borrowing, Receipts and Other Capital Resources	(192,271)	(4,122)
	<b>(200,432)</b>	<b>(7,751)</b>

### Significant capital expenditure contractual commitments

At 31 March 2017 the figure for significant capital expenditure commitments scheduled for completion in 2017/18 and future years is £35.588 million (£26.222 million 2015/16) and includes the following:

	£000
Eastern High School	14,695
Public Realm - Central Square	6,695
St. Mellons Community Hub Phase 2	3,567
LED Lighting on Strategic Routes	3,290
Ninian Park School Extension	3,099
Communal Heating upgrades (Council Dwellings)	1,567
Roof replacements (Council Dwellings)	1,383
Greener Grangetown	1,292

## 20. 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 along with the method of determining fair value in accordance with accounting policies for Financial assets and Liabilities. Debtors and Creditors, with the exception of car loans, are shown separately in the respective notes rather than as financial instruments:-

## Notes to the Core Financial Statements

	31 March 2016 Restated			31 March 2017		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments/Financial Assets</b>						
Loans & Receivables at amortised cost	2,179	71,873	<b>74,052</b>	597	85,188	<b>85,785</b>
Investments at Fair Value	17,214	0	<b>17,214</b>	13,691	0	<b>13,691</b>
<b>Total</b>	<b>19,393</b>	<b>71,873</b>	<b>91,266</b>	<b>14,288</b>	<b>85,188</b>	<b>99,476</b>
<b>Borrowings/Financial Liabilities</b>						
Financial Liabilities at Amortised Cost	<b>(659,408)</b>	<b>(16,148)</b>	<b>(675,556)</b>	<b>(668,028)</b>	<b>(14,972)</b>	<b>(683,000)</b>

### Investments / Financial Assets

#### Loans and receivables include:

- **Cash and bank including temporary investments** is £85 million, of which £68.6 million is deposited for various maturities with financial institutions
- **Car loans** to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement
- **Loans to Organisations** includes loans for Small to Medium Enterprises. Loans of £1m and £500,000 to Cardiff Bus and for regeneration of the Tramshed respectively were repaid in 2016/17.

	Valuation Method - Level	31 March 2016 Restated		31 March 2017	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	Cost	17,352	17,352	18,776	18,768
Deposits with banks and building societies	Level 2	53,093	53,138	65,082	65,130
Local Authority Mortgage Scheme	Level 2	1,042	1,076	1,042	1,045
Assisted Car Purchase Loans	Cost	726	726	629	629
Loan to Cardiff Bus	Cost	1,000	1,000	0	0
Loans to External Organisations / Subsidiary	Cost	839	839	256	256
<b>Financial assets</b>		<b>74,052</b>	<b>74,131</b>	<b>85,785</b>	<b>85,828</b>

#### Investments at Fair value 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 is estimated using inputs other than quoted prices (Level 2), with the inputs being Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), an estimated multiplier to determine an enterprise value and the Company's pension fund deficit. These variables can fluctuate dependent on the company's performance and economic climate and so any accounting valuation may vary significantly from year to year. Accordingly, any valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Available for Sale Financial Instruments Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2017 is estimated to be £13.3 million (£16.8 million 2015/16).
- Various minority equity holdings in companies are included either at cost or at quoted prices where available.

## Notes to the Core Financial Statements

### Borrowings / Financial Liabilities include:

- Borrowing is undertaken to fund the long term capital expenditure requirements of the Council and any 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. The carrying amounts below also include accrued interest payable at 31 March 2017.

	Valuation Method - Level	31 March 2016		31 March 2017	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Public Works Loan Board Loans	Level 2	(620,098)	(839,641)	(624,514)	(915,372)
Lender Option Borrower Option Loans	Level 2	(51,634)	(63,468)	(51,637)	(74,972)
Market loans, Bonds and Temporary Balances	Level 2	(3,824)	(3,655)	(6,849)	(6,171)
Bank overdraft	Cost	0	0	0	0
<b>Financial liabilities</b>		<b>(675,556)</b>	<b>(906,764)</b>	<b>(683,000)</b>	<b>(996,515)</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:

- 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 2017. An exit price fair value of £1,079,450 million 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		Loans & Receivables		Investments at Fair Value			
	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000		
Interest Expense	32,152	32,250	0	0	0	0	32,152	32,250
Impairment Losses	0	0	0	0	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>32,152</b>	<b>32,250</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,152</b>	<b>32,250</b>
Interest / Dividend Income	0	0	(1,039)	(755)	0	0	(1,039)	(755)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(1,039)</b>	<b>(755)</b>	<b>0</b>	<b>0</b>	<b>(1,039)</b>	<b>(755)</b>
(Surplus) / Loss on Disposal	0	0	0	0	(190)		(190)	0



## Notes to the Core Financial Statements

(Surplus) / Loss on Revaluation	0	0	0	0	1,484	3,575	1,484	3,575
<b>(Surplus) / Loss arising on revaluation or Disposal of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,294</b>	<b>3,575</b>	<b>1,294</b>	<b>3,575</b>
<b>Net (gain) / loss for the year</b>	<b>32,152</b>	<b>32,250</b>	<b>(1,039)</b>	<b>(755)</b>	<b>1,294</b>	<b>3,575</b>	<b>32,407</b>	<b>35,070</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 2016/17 from Cardiff Bus (£250,000 2015/16).

### 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.

### 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.

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

Credit Risk	Likelihood of Default	31 March 2016 £000	31 March 2017 £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. Ratings are regularly reviewed. A risk of non-recoverability applies to all of the Council's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the Council has not experienced default of any institution and as the counterparty exposure following table shows this is not deemed to be a significant factor for investments held. Accordingly no provisions or losses are to be recognised.	70,334	83,900
Local Authority Mortgage Scheme (LAMS)	The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. This matures on the 24 April 2017. No mortgage defaults have occurred to date and an earmarked reserve is in place should this occur.	1,000	1,000

## Notes to the Core Financial Statements

Credit Risk	Likelihood of Default	31 March 2016 £000	31 March 2017 £000																								
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	726	629																								
Loans to External Bodies	Includes primarily loans to SME's £256,000. Loans of £1m and £500,000 to Cardiff Bus and for regeneration of the Tramshed respectively were repaid in 2016/17. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	1,910	256																								
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 bad debt provision for 2016/17 was based on the adjusted age profile disclosed in the following table.</p> <table border="1"> <thead> <tr> <th></th> <th>2015/16 £000</th> <th>2016/17 £000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td>14,180</td> <td>15,684</td> </tr> <tr> <td>1 – 2 years</td> <td>593</td> <td>413</td> </tr> <tr> <td>2 – 3 years</td> <td>426</td> <td>138</td> </tr> <tr> <td>3 – 4 years</td> <td>448</td> <td>124</td> </tr> <tr> <td>4 – 5 years</td> <td>100</td> <td>90</td> </tr> <tr> <td>Over 5 years</td> <td>372</td> <td>359</td> </tr> <tr> <td><b>Total</b></td> <td><b>16,119</b></td> <td><b>16,808</b></td> </tr> </tbody> </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 provision against non-payment is not usually considered necessary.</p>		2015/16 £000	2016/17 £000	Less than 1 year	14,180	15,684	1 – 2 years	593	413	2 – 3 years	426	138	3 – 4 years	448	124	4 – 5 years	100	90	Over 5 years	372	359	<b>Total</b>	<b>16,119</b>	<b>16,808</b>	16,119	16,808
	2015/16 £000	2016/17 £000																									
Less than 1 year	14,180	15,684																									
1 – 2 years	593	413																									
2 – 3 years	426	138																									
3 – 4 years	448	124																									
4 – 5 years	100	90																									
Over 5 years	372	359																									
<b>Total</b>	<b>16,119</b>	<b>16,808</b>																									
<b>Total</b>		<b>90,089</b>	<b>102,593</b>																								

### Counterparty Exposure at 31 March 2017

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland	UK	A	8,000
Commonwealth Bank of Australia	Australia	AA-	12,000
Development Bank Singapore	Singapore	AA-	5,000
Goldman Sachs International Bank	UK	A	10,000
Lloyds - LAMS	UK	A	1,000
Nationwide Building Society	UK	A	10,000
Oversea-Chinese Banking Corporation	Singapore	AA-	5,000
Santander UK	UK	A	10,000
Standard Chartered Bank	UK	AA-	5,000
Standard Life Investments	Domiciled in Ireland	AAA	2,550
<b>Total</b>			<b>68,550</b>

## Notes to the Core Financial Statements

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2017, the probability of any default is 0.013% or £8,912.

### Liquidity and Refinancing Risk

This is the possibility that the Council may not have funds available to meet its commitments to make payments or have to refinance a financial liability at disadvantageous interest rates or terms. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance to meet its commitments. 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 2016 £000	Loans Outstanding	31 March 2017 £000
612,826	Public Works Loans Board	617,207
51,000	Lender Option Borrower Options (LOBOs)	51,000
2,348	Market Debt / Bonds	5,839
<b>666,174</b>	<b>Total</b>	<b>674,046</b>
6,766	Under 12 months	6,019
5,594	12 months and within 24 months	3,983
5,680	24 months and within 5 years	9,948
20,276	5 years and within 10 years	24,238
144,214	10 years and within 20 years	152,214
164,000	20 years and within 30 years	165,000
178,689	30 years and within 40 years	208,689
123,955	40 years and within 50 years	86,955
12,000	50 years and within 60 years	12,000
5,000	60 years and within 70 years	5,000
<b>666,174</b>	<b>Total</b>	<b>674,046</b>

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £7.944 million and miscellaneous short term borrowing of £1.010 million.

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

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	21/05/2017	6 months	21/11/2041
6	21/05/2017	6 months	21/11/2041
6	21/05/2017	6 months	23/05/2067
6	01/09/2017	6 months	23/05/2067
5	15/01/2018	5 years	17/01/2078
22	21/11/2020	5 years	23/11/2065

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

### Interest Rate Risk

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

## Notes to the Core Financial Statements

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	<ul style="list-style-type: none"> <li>Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.</li> <li>Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.</li> <li>By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.</li> </ul>
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.	
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Council's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2016/17 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	(265)
Interest in interest receivable on investments	461
<b>Impact on Income and Expenditure Account</b>	<b>196</b>
Increase in interest transferred to HRA	(58)
Increase in interest transferred to other balances and accounts	(63)
<b>Net Income / (Expenditure)</b>	<b>75</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	233
Decrease in Fair Value of Fixed Rate Borrowings	153,656

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.

## Notes to the Core Financial Statements

### 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 £76,000 (£157,000 in 2015/16) which are quoted on a recognised stock exchange at 31 March 2017.

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5% in the fair value (positive or negative) would result in a £664,000 gain or loss being recognised in the Movement in Reserves Statement.

### 21. Held for Sale Assets

2015/16 £000		2016/17 £000
3,040	<b>Balance at 1 April</b>	2,819
(1,751)	De-recognition	(2,731)
2,553	Reclassified to/(from) Held for Sale	(8)
(119)	Revaluation increases /(decreases) to RR*	0
(904)	Revaluation increases /(decreases) to SDPS**	0
<b>2,819</b>	<b>Balance at 31 March</b>	<b>80</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### 22. Debtors

31 March 2016 £000		31 March 2017 £000
43,059	Central Government Bodies	45,251
13,242	Other Local Authorities	9,120
4,691	NHS Bodies	5,259
34	Public Corporations & Trading Funds	14
25,472	Other Entities and Individuals	24,110
<b>86,498</b>	<b>Total Debtors Net of Impairments</b>	<b>83,754</b>

### 23. Cash and Cash Equivalents

31 March 2016 £000		31 March 2017 £000
233	Cash	223
13,108	Bank (including cheque book schools)	15,992
4,011	Short-term deposit with banks and building societies	2,561
<b>17,352</b>	<b>Total Cash and Cash Equivalents</b>	<b>18,776</b>

Included within the bank figure above are bank balances of chequebook schools totalling £1.740 million (£859,000 in 2015/16).

In addition to the above, at 31 March 2017 the Council held £594,000 (£883,000 at 31 March 2016) 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.

## Notes to the Core Financial Statements

### 24. Creditors

31 March 2016 £000		31 March 2017 £000
(13,498)	Central Government Bodies	(16,155)
(11,518)	Other Local Authorities	(7,907)
(1,424)	NHS Bodies	(1,594)
(9)	Public Corporations & Trading Funds	(4)
(58,848)	Other Entities and Individuals	(61,943)
<b>(85,297)</b>	<b>Total Creditors</b>	<b>(87,603)</b>

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

The Council had three wholly owned subsidiary companies which traded during 2016/17. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 126 to 146. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. They have therefore been excluded from the consolidation in 2016/17.

#### Cardiff City Transport Services Ltd. (Cardiff Bus)

Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2016/17 are summarised below:

	Year to 31 March 2016 Restated £000	Year to 31 March 2017 Draft £000
Turnover and other income	(30,991)	(32,007)
Operating and other expenditure	30,633	31,686
<b>Net (Profit) / Loss before Taxation</b>	<b>(358)</b>	<b>(321)</b>
Less: Taxation	65	0
<b>(Profit) / Loss after Taxation</b>	<b>(293)</b>	<b>(321)</b>

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

	31 March 2016 Restated £000	31 March 2017 Draft £000
Bus and other operating assets	22,422	21,791
Current Assets	6,033	5,013
Less Current Liabilities	(5,786)	(4,715)
Creditors: Amounts falling due after more than one year	(5,252)	(4,998)
Provisions & Long term liabilities	(1,308)	(1,117)
Deferred Taxation	(1,282)	(1,282)
Pension Liability	(2,791)	(3,820)
<b>Total Assets less Liabilities</b>	<b>12,036</b>	<b>10,872</b>
Represented by:		
Share Capital	4,618	4,618
Retained Earnings	4,276	3,112
Revaluation Reserve	3,142	3,142
<b>Net Worth</b>	<b>12,036</b>	<b>10,872</b>

## Notes to the Core Financial Statements

In 2016/17 the Council made payments totalling £9.448 million to Cardiff Bus (£9.308 million in 2015/16), of which £8.527 million related to concessionary fares payments (£8.655 million in 2015/16). The Council also received income of £93,000 (£326,000 in 2015/16). During 2016/17 Cardiff Bus did not pay a dividend to the Council in 2016/17 (£250,000 was paid in 2015/16).

At 31 March 2017, Cardiff Bus had inter-company balances with the Council as follows: debtors £106,000 (£87,000 in 2015/16) and creditors £9,000 (£nil in 2015/16).

The accounts for year ended 31 March 2017 have not yet been audited. The company's auditors are Deloitte.

### Cardiff Business Technology Centre Ltd. (CBTC)

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:

	March 2016 Restated £000	March 2017 £000
Net (Profit) / Loss before Taxation	(60)	(13)
Less: Taxation	11	2
<b>(Profit) / Loss after Taxation</b>	<b>(49)</b>	<b>(11)</b>

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

	31 March 2016 Restated £000	31 March 2017 £000
Total assets less current liabilities	850	853
Creditors: falling due after more than one year	(7)	(7)
Provision for taxation	(118)	(116)
<b>Total Assets less liabilities</b>	<b>725</b>	<b>730</b>
Represented by:		
Retained Profit	269	274
Revaluation Reserve	456	456
<b>Net Worth</b>	<b>725</b>	<b>730</b>

During 2016/17 the Council received income of £0 (£36,000 in 2015/16) from CBTC. At 31 March 2017 CBTC owed the Council £0 (£792 at 31 March 2016) and was owed £0 (£nil at 31 March 2016).

The accounts for year ended 31 March 2017 have not yet been audited. The company's auditors are Gerald Thomas & Co.

### Cardiff Business Council Ltd.

Cardiff Business Council is a company set 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 is to close in 2017/18 and is not considered a going concern. The company's operating results for 2016/17 are summarised below:

## Notes to the Core Financial Statements

	Year to 31 March 2016 £000	Year to 31 March 2017 £000
Net (Profit) / Loss before Taxation	108	40
Less: Taxation	0	0
<b>(Profit) / Loss after Taxation</b>	<b>108</b>	<b>40</b>

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

	31 March 2016 £000	31 March 2017 £000
Total assets less current liabilities	42	2
<b>Total Assets less liabilities</b>	<b>42</b>	<b>2</b>
Represented by:		
Retained Profit	42	2
<b>Net Worth</b>	<b>42</b>	<b>2</b>

During the year the Council made no core funding payments (£340,000 in 2015/16) to Cardiff Business Council and received £1,244 income from the Company (£40,036 in 2015/16). The Council incurred other expenditure in connection with Cardiff Business Council totalling £2,164 (£177,092 in 2015/16).

The company's auditors are Broomfield & Alexander. An unqualified audit opinion has been issued in respect of the accounts for year ended 31 March 2017.

### Atebion Solutions Ltd

A new wholly owned company was incorporated on the 5 October 2016 to deliver procurement and commercial services in the public sector. There were no transactions in the 2016/17 financial year and the company will produce its first set of accounts as at 31 March 2018.

## 26. Provisions

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance Provisions	(10,442)	4,422	(3,539)	<b>(9,559)</b>	(4,278)	(5,281)
MMI Scheme of Arrangement Levy	(277)	304	(78)	<b>(51)</b>	(10)	(41)
Ferry Road Landfill Provision	(9,096)	144	0	<b>(8,952)</b>	(210)	(8,742)
Lamby Way Landfill Provision	(16,574)	1,288	0	<b>(15,286)</b>	(1,589)	(13,697)
Other Provisions	(1,833)	1,231	(487)	<b>(1,089)</b>	(1,029)	(60)
<b>Total Provisions</b>	<b>(38,222)</b>	<b>7,389</b>	<b>(4,104)</b>	<b>(34,937)</b>	<b>(7,116)</b>	<b>(27,821)</b>

The **Cardiff Insurance Provision** 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'.



## Notes to the Core Financial Statements

**Municipal Mutual Insurance (MMI) Scheme of arrangement levy provision** 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 32](#)

**Landfill Aftercare Provision** 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. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will be reviewed in 2017/18.

**Other provisions** include £522,000 in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

### 27. 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.

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

	31 March 2016	31 March 2017
	£000	£000
Pension Strain due within 1 year	2,354	1,414
Pension Strain due later than 1 year	4,891	3,219
<b>Total Pension Strain</b>	<b>7,245</b>	<b>4,633</b>

### 28. Deferred Liabilities

These are amounts paid in advance by external bodies towards future year's revenue costs and maintenance.

	Balance 1 April 2016	Utilised/ Released in year	Transfers to Deferred Liabilities	Balance 31 March 2017	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Commuted Maintenance Sums	(7,603)	1,250	(3,314)	<b>(9,667)</b>	(846)	(8,821)
Rent Smart Wales Income in Advance	0	0	(7,200)	<b>(7,200)</b>	(2,000)	(5,200)
<b>Total Deferred Liabilities</b>	<b>(7,603)</b>	<b>1,250</b>	<b>(10,514)</b>	<b>(16,867)</b>	<b>(2,846)</b>	<b>(14,021)</b>

### 29. 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.

## Notes to the Core Financial Statements

2015/16 £000		2016/17 £000
<b>1,336</b>	<b>Balance as at 1 April</b>	<b>5,423</b>
	Movements during Year:	
8,739	Sale of Land, Buildings and other assets	7,501
2,426	Sale of Council Dwellings	2,991
283	Recoupments of grant/other	192
<b>11,448</b>		<b>10,684</b>
(5,857)	Finance Capital Expenditure	(7,675)
(1,504)	Provide for Repayment of External Loans	(1,227)
<b>(7,361)</b>		<b>(8,902)</b>
<b>5,423</b>	<b>Balance as at 31 March</b>	<b>7,205</b>

### 30. 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.

2015/16 £000		2016/17 £000
<b>201,371</b>	<b>Balance as at 1 April</b>	<b>254,122</b>
134,348	Upward revaluation of assets	26,098
(73,901)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10,953)
<b>60,447</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>15,145</b>
(2,446)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,448)
(5,250)	Accumulated gains on assets sold or scrapped	(7,897)
<b>(7,696)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(10,345)</b>
<b>254,122</b>	<b>Balance as at 31 March</b>	<b>258,922</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.

## Notes to the Core Financial Statements

2015/16 £000		2016/17 £000
<b>1,164,708</b>	<b>Balance as at 1 April</b>	<b>856,975</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(56,146)	Charges for depreciation and impairment of non-current assets	(53,824)
7,188	Reverse previous impairment on revaluation	36,062
(129,948)	Revaluation losses on Property, Plant and Equipment	(38,118)
(1,224)	Amortisation of intangible assets	(672)
(192,271)	Expenditure on REFCUS	(4,122)
(6,460)	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	(24,260)
<b>(378,861)</b>		<b>(84,934)</b>
2,446	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,448
<b>(376,415)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(82,486)</b>
	Capital financing applied in the year:	
5,857	Capital Receipts	7,675
5,233	Direct Revenue Financing	10,829
721	Reserves and provisions	0
42	Insurance settlement	0
25,261	Grants and contributions	41,191
31,576	Prudent Revenue Provision	32,667
1,504	Capital receipts to provide for repayment of external loans	1,227
(120)	Reduction in loan debtors	(1,703)
<b>70,074</b>		<b>91,886</b>
(488)	Movements in the value of Investment Properties	9,700
(904)	Movement in the value of Held for Sale assets	0
<b>856,975</b>	<b>Balance as at 31 March</b>	<b>876,075</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 backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Useable Capital Receipts Reserve.

2015/16 £000		2016/17 £000
<b>87</b>	<b>Balance as at 1 April</b>	<b>2,049</b>
2,000	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(38)	Transfers to the Capital Receipts Reserve upon receipt of cash	(11)
<b>2,049</b>	<b>Balance as at 31 March</b>	<b>2,038</b>

The balance increased in 2015/16 due to the deferred payment from disposal of the Central Bus Station site.

## Notes to the Core Financial Statements

### Available for Sale Financial Instruments Reserve

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

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

2015/16 £000		2016/17 £000
18,295	<b>Balance as at 1 April</b>	16,811
(1,484)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(3,576)
16,811	<b>Balance as at 31 March</b>	13,235

It includes 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 reflected in the 'available for sale reserve'. Any valuation should be treated with care as it is for accounting purposes only.

### Financial Instruments Adjustment Account

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

2015/16 £000		2016/17 £000
(2,367)	<b>Balance as at 1 April</b>	0
2,367	Proportions of premiums and discounts incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	0
0	<b>Balance as at 31 March</b>	0

The balance related to premiums paid to the Public Works Loans Board in previous years for the early repayment of loans. These were charged in their entirety to the Comprehensive Income and Expenditure Statement during 2015/16.

### 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.

## Notes to the Core Financial Statements

2015/16 Restated £000		2016/17 £000
(555,151)	<b>Balance as at 1 April</b>	<b>(559,208)</b>
12,347	Actuarial gains or losses on pensions assets and liabilities	(16,049)
(60,086)	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	(61,579)
1,837	Reversal of amounts accrual in respect of pension strain for future years	2,613
41,845	Employer's pensions contributions and direct payments to pensioners payable in the year	42,867
<b>(559,208)</b>	<b>Balance as at 31 March</b>	<b>(591,356)</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.

2015/16 £000		2016/17 £000
(7,670)	<b>Balance as at 1 April</b>	<b>(6,289)</b>
1,381	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	(1,963)
<b>(6,289)</b>	<b>Balance as at 31 March</b>	<b>(8,252)</b>

### 31. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

	2015/16 £000	2016/17 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(322,851)	(320,309)
Outcome Agreement Grant	(3,344)	0
Non-Domestic Rates	(101,253)	(105,994)
Capital Grants	(23,613)	(39,778)
Developers' Contributions	(1,691)	(1,413)
<b>Total</b>	<b>(452,752)</b>	<b>(467,494)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(277,944)	(256,021)
Other Local Authorities	(3,282)	(2,033)
NHS Bodies	(9,022)	(11,799)
Public Corporations & Trading Funds	(216)	(709)
Other Entities and Individuals	(15,903)	(1,519)
<b>Total</b>	<b>(306,367)</b>	<b>(272,081)</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:

## Notes to the Core Financial Statements

31 March 2016 £000		31 March 2017 £000
	<b>Capital Grants Receipts in Advance</b>	
(1,791)	Central Government Bodies	(974)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
<b>(1,791)</b>	<b>Total</b>	<b>(974)</b>

31 March 2016 £000		31 March 2017 £000
	<b>Revenue Grants and Contributions Receipts in Advance</b>	
(2,056)	Central Government Bodies	(1,122)
0	Other Local Authorities	0
(29)	NHS Bodies	0
(199)	Public Corporations and Trading Funds	(372)
(242)	Other Entities and Individuals	(522)
<b>(2,526)</b>	<b>Total</b>	<b>(2,016)</b>

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

31 March 2016 £000		31 March 2017 £000
<b>(10,095)</b>	<b>Balance as at 1 April</b>	<b>(9,933)</b>
	Movements during Year:	
(1,504)	Contributions received during the year	(3,590)
1,284	Contributions applied to expenditure during the year	1,413
382	Reclassification	267
<b>(9,933)</b>	<b>Balance as at 31 March</b>	<b>(11,843)</b>

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

### 32. Contingent Assets & Liabilities

#### Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2017 is £4.520 million.

## Notes to the Core Financial Statements

At 21 December 2015, Glamorgan County Cricket Club owed the Council a total of £6.534 million. In March 2015, the Council approved a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015 following completion of legal agreements and confirmation of no adverse tax implications for the club. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.960 million) remains 100% impaired. Any balances due are not shown in the financial statements but are shown as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are proposed to begin in 2019.

There are a number of outstanding VAT claims that could be due to the Council in the future. This includes Cultural Exemption and Royal Mail claims. Certain claims would also be subject to due interest being added to the amount received.

### Liabilities

As at 31 March 2017 there existed 12 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, disability discrimination, council house disrepairs, personal injury claims and breach of contract. The potential liability in respect of the claims is estimated to be £523,000, although some are unknown and the Council is resisting liability.

In relation to the development of new bus interchange at Central Square, the Council has entered into a pre planning agreement whereby the developer will deal with tenant, design, planning and demolition issues as part of its proposed developed of a mixed use facility building The Pre Planning Agreement commits the Council to underwrite certain agreed costs being incurred by the developer to enable work on the full planning application, development of a business case to identify and eliminate risks and to support a funding approach for the interchange. Whilst the Council may retain some warranties over any design and other costs incurred, should the Council not proceed with the bus interchange with the developer, costs of up to £4.7 million would be payable.

The former Authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims.

Cardiff Council's share of the maximum liability in relation to the former Authorities is currently estimated at £2.394 million. However, as the Council has already paid a levy totalling £0.542 million, the maximum residual exposure has been reduced to £1.847 million. The accounts reflect the eventual payment of 65% of this sum, reflected as a provision of £51,000 with £1.167 million held in earmarked reserve. The level of 65% is considered prudent based on most recent actuarial advice however, the contingent liability relates to the potential that a sum over and above this could eventually fall due at some point in the future.

### 33. Notes to Cash Flow Statement

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

	2015/16 £000	2016/17 £000
Depreciation, impairment & amortisation	(181,572)	(46,851)
Charges made for retirement benefits (IAS19) less employers contributions	(15,023)	(18,062)
Contributions (to)/from provisions	6,272	2,005
Gain/loss on disposal of non-current assets	(11,710)	(32,158)
Increase/(decrease) in stock	(30)	36
Increase/(decrease) in debtors (exc capital)	12,863	(6,214)

## Notes to the Core Financial Statements

(Increase)/decrease in creditors (exc capital creditors) & super fund	4,186	4,031
	<b>(185,014)</b>	<b>(97,213)</b>

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

	2015/16 £000	2016/17 £000
REFCUS	(192,271)	(4,122)
Net gain/(loss) on sale of non-current assets	11,096	8,946
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	25,304	41,191
Other cash items which effect investing or financing activities	(22,610)	2,377
	<b>(178,481)</b>	<b>48,392</b>

### 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 28 September 2017 by Corporate Director Resources. Post Balance Sheet events have been considered up to this date.



## 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).

Expenditure items include repairs and maintenance (£19.959 million), supervision and management (£19.239 million), including rent collection, housing allocations and property and estate management and interest and debt repayment, including a contribution to pay for capital expenditure (£26.587 million).

During 2016/17, some key performance indicators included:

- Successful void property management evidenced by the 1% vacant stock as a percentage of overall stock.
- 100% of reported graffiti cleared in line with targets.
- 100% of 551 clean and clear jobs completed within 10 working days.
- 93% of urgent antisocial behaviour cases contacted within 1 working day.
- 98% of emergency repairs completed on time.
- 92% of responsive repairs carried out by the in-house workforce.

Tenant participation 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: -

- 83% of tenants who expressed an opinion were satisfied with the way we deal with repairs
- 90% of tenants were satisfied with their neighbourhood as a place to live
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants

The major income streams include Council house rents (£63.253 million) and charges for services and facilities (£6.067 million). The average weekly net rent charged in 2016/17 was £91.11 based on a 52 week rent year.

Our housing stock is valued in the accounts at £538 million. The Council revalued council dwellings in 2015/16 with the vacant possession value deemed to be £1.3 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% 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 2017, this stands at £274 million and is currently below the maximum limit set by Welsh Government (£316 million). The overall debt level includes the one off payment of £187.392 million paid during 2015/16 to exit the Housing Revenue Account Subsidy System (HRAS). This exceptional item is recognised as capital expenditure in the Comprehensive Income and Expenditure Statement. The HRAS was a funding mechanism whereby circa £15 million of net rental income received from dwelling rents had to be passed back to the Treasury via Welsh Government. Following the buy-out and under the new self-financing regime, the Council can now retain and reinvest all income, after additional costs of interest and provision for debt payment. All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

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.

With over 8,000 people currently on the combined housing waiting list, the plan includes 600 new affordable Council homes in the City with further targets for new build and acquisitions. In addition, the Council has applied to the Welsh Government to suspend the Right to Buy scheme to preserve current stock levels. Other objectives include support for people in vulnerable situations and an integrated approach to locality based care to enable people to continue to live independently at home.

## 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.

2015/16 Restated £000		Note	2016/17 £000
	<b>Expenditure</b>		
22,740	Repairs and maintenance		19,959
17,929	Supervision and management		19,239
133	Rents, rates, taxes and other charges		170
32	Housing Revenue Account subsidy payable		0
565	Provision for bad and doubtful debts		650
120,169	Depreciation, impairment and revaluation losses of non-current assets	8	9,407
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	25
187,392	Housing Revenue Account settlement payment		
66	Debt management costs		39
<b>349,026</b>	<b>Total Expenditure</b>		<b>49,489</b>
	<b>Income</b>	2	
(61,103)	Dwelling rents		(63,253)
(89)	Non-dwelling rents		(98)
(6,444)	Charges for services and facilities		(6,067)
<b>(67,636)</b>	<b>Total Income</b>		<b>(69,418)</b>
281,390	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		(19,929)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(1,855)	(Gain)/loss on sale of HRA non-current assets		(2,088)
13,015	Interest payable and similar charges		12,497
0	Changes in fair value of investment properties		208
(72)	Interest and Investment income		(72)
(10,181)	Capital Grants and Contributions applied		(9,645)
<b>282,297</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>(19,029)</b>

## Notes to Housing Revenue Account

### MOVEMENT ON HRA STATEMENT

2015/16 £000		Note	2016/17 £000
(8,438)	<b>Balance on the HRA at the end of the previous year</b>		(8,438)
(283,013)	Adjustments between accounting basis and funding basis under regulations	1	15,897
(716)	<b>Net (increase)/decrease before transfers to or from reserves</b>		(3,132)
716	Transfers to/(from) earmarked reserves		3,132
0	<b>Increase or decrease in the year on the HRA</b>		0
(8,438)	<b>Balance on the HRA at the end of the current year</b>		(8,438)

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

2015/16 £000		Note	2016/17 £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>		
120,169	Charges for depreciation, impairment and revaluation of non-current assets	8	9,407
0	Movement in the market value of investment properties		208
187,392	Sums directed by Welsh Government	9	25
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		0
(10,181)	Capital grants and contributions applied		(9,645)
	<u>Insertion of items not debited or credited to the HRA Income and Expenditure Statement:</u>		
(7,912)	Prudent Provision for the financing of capital investment		(8,043)
(4,818)	Capital expenditure funded by the HRA		(6,009)
	<b>Adjustments involving the Pensions Reserve:</b>		
2,758	Net Retirement Benefits per IAS19		2,976
0	Pension Strain Accrual – future years		53
(2,630)	Employers Contributions to pension schemes		(2,851)
	<b>Adjustments involving the Capital Receipts Reserve:</b>		
(2,149)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(2,483)
32	Credit for disposal costs that qualify to be met from the resulting capital receipts		42
	<b>Adjustments involving the Revaluation Reserve:</b>		
290	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		395
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		

## Notes to Housing Revenue Account

28	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		28
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>			
34	Amortisation of premiums and discounts		0
<b>283,013</b>	<b>Total Adjustments</b>		<b>(15,897)</b>

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.25% of rental income (2.03% in 2015/16). Average rents were £91.11 per week (£88.23 in 2015/16) based on a 52 week year.

### 3. Rent Arrears and Bad Debt Provision

	As at 31 March 2016		As at 31 March 2017	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
Ordinary HRA	2,795	2,189	3,166	2,465
Leasehold properties	41	41	39	39
Hostels	156	156	210	210
<b>Total</b>	<b>2,992</b>	<b>2,386</b>	<b>3,415</b>	<b>2,714</b>

In addition the following sums were also due from tenants:

	As at 31 March 2016		As at 31 March 2017	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Service Charges	81	49	91	55
Tenants recoverables	358	358	399	399
<b>Total</b>	<b>439</b>	<b>407</b>	<b>490</b>	<b>454</b>

During 2016/17 a number of old debts totalling £211,450 were written off as irrecoverable (£195,202 in 2015/16).

### 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:

	2015/16 £000	2016/17 £000
Cost of employer's contributions plus discretionary benefits	2,630	2,851
Current service cost	(2,758)	(2,976)
Pension Strain Accrual - Future Years	0	53
<b>Net transfer to Pensions Reserve</b>	<b>(128)</b>	<b>(72)</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.

## Notes to Housing Revenue Account

### 5. Housing Stock

The Council's housing stock is shown below:

	31 March 2016	31 March 2017
Houses	7,251	7,224
Bungalows	624	628
Flats/Bedsits	5,083	5,082
Maisonettes	168	169
Retirement complexes	357	352
<b>Total</b>	<b>13,483</b>	<b>13,455</b>

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

	31 March 2016	31 March 2017
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

### 6. Capital Expenditure and Capital Financing

2015/16 £000		2016/17 £000
<b>94,518</b>	<b>Opening Capital Financing Requirement</b>	<b>276,599</b>
	<u>Capital Expenditure:</u>	
16,867	Council dwellings	17,980
352	Other land & buildings	2,095
786	Vehicles, plant & equipment	115
94	Surplus assets	351
1,259	Assets under construction	3,516
118	Intangible Assets including intangible AUC	70
0	REFCUS	25
187,392	REFCUS - Housing Revenue Account settlement payment	0
0	Appropriation of Land	0
	<u>Sources of Finance:</u>	
(1,876)	Capital Receipts	(3,173)
(10,181)	Government grants and other contributions *	(9,645)
(4,818)	Direct revenue contributions and reserves	(6,009)
(7,912)	Prudent revenue and capital provision for loan repayment	(8,042)
<b>276,599</b>	<b>Closing Capital Financing Requirement</b>	<b>273,882</b>
316,554	Debt Cap at 31 March	316,554
<b>39,955</b>	<b>Headroom</b>	<b>42,672</b>
	<b>Explanation of Movements in Year:</b>	
0	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	0
182,081	Increase / (Decrease) in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	(2,715)

\*£9.590 million (£9.614 million in 2015/16) of Major Repairs Grant was received from Welsh Government and applied in the year.

## Notes to Housing Revenue Account

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 must adhere to a debt cap set by Welsh Government. This is based on the Housing Capital Financing Requirement (CFR) calculation and at 31 March 2017, the cap was £316.554 million. The table above shows the Council remained within its cap. Breach of the cap could result in financial penalties imposed on the Council by Welsh Government.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2016/17 were as follows:

- Council Dwellings and Home Purchase Contributions £2.991 million (£2.426 million in 2015/16)
- Land £0.234 million (£0.207 million in 2015/16)

### 8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment was 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.

2015/16 £000		2016/17 £000
	Depreciation	
8,299	Council Dwellings	8,659
141	Land and buildings	187
373	Vehicles, plant & equipment and Intangibles	391
<b>8,813</b>	<b>Total depreciation</b>	<b>9,237</b>
	Impairment and Revaluation	
111,543	Council dwellings	152
(221)	Land and buildings	17
34	Vehicles, plant & equipment and Intangibles	0
<b>111,356</b>	<b>Total Impairment and Revaluation</b>	<b>169</b>
<b>120,169</b>	<b>Depreciation, impairment and revaluation of non-current assets</b>	<b>9,406</b>

Council dwellings were revalued during 2015/16. The vacant possession value of Council Dwellings was deemed to be £1.3 billion as at 01/04/2015. However, in accordance with valuation requirements, the valuation is required to be adjusted downwards to show the economic cost of providing social housing to tenants at less than market rents. The valuation in the accounts is shown at 40% of the vacant possession value, adjusted by movements in accordance with the Council policies in respect to accounting for such assets.

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

Expenditure of £25,000 was incurred in 2016/17 (£187.392 million in 2015/16). The amount charged to the HRA in 2015/16 was in relation to the settlement payment made for the exit from the HRA Subsidy system.

	2015/16 £000	2016/17 £000
<b>Expenditure:</b>		
Buildings not owned by the Council	0	25
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	187,392	0
Charged to Income and Expenditure Account	<b>187,392</b>	<b>25</b>

## Notes to Housing Revenue Account

<b>Funded by:</b>		
Borrowing, receipts and other capital resources	187,392	25
	<b>187,392</b>	<b>25</b>

## Foreword

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

The Pension Fund's assets rose by 20.9% during 2016/17, from £1.653 billion to £2.002 billion. The Fund's overseas investments saw returns of over 30% in sterling terms as a consequence of the fall in the value of the pound following the Referendum on the UK's membership of the EU. Over the longer term returns on the Fund's investments have averaged over 10% per annum.

The triennial actuarial valuation of the Fund as at 31 March 2016 was completed in March 2017. The funding ratio improved from 82% to 85%, largely due to the growth in Fund assets over the three years. An increase in liabilities due to changes in financial assumptions was offset by a reduction due to revised demographic assumptions. The overall funding deficit was £299m and employer contributions have been set for the next three years with the aim of recovering deficits within 19-20 years.

The eight LGPS funds in Wales continued to develop their proposals for a Wales Investment Pool during the year following the positive response from the DCLG in March 2016 to the outline proposal submitted in February. Detailed proposals were submitted in July and approval to proceed was received in November. The Welsh funds are establishing a Joint Governance Committee to oversee the Pool and City of Cardiff Council approved the governance proposals at its Full Council meeting in February 2017. The assets of the Pool will be managed by a regulated Pool Operator. The Pool will be established during 2017/18 so that the funds can begin transferring assets by the DCLG deadline of 1 April 2018. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

In order to participate fully in the pooling arrangements, the City of Cardiff Council established its Pensions Committee in June 2016 and the Committee met four times during the year. The Committee has strategic oversight of the Fund and is responsible for reviewing the Fund's policy statements. Operational management of the Fund continues to be delegated to the Corporate Director Resources. The Chair of the Committee will be the Council's representative on the Joint Governance Committee for the Wales Pool.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 39,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

**Christine Salter**  
**Corporate Director Resources**  
**June 2017**



## Actuarial Statement

### Cardiff and Vale of Glamorgan Pension Fund

#### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

#### Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation, with the market value of the Fund's assets as at 31 March 2016 (of £1,653.0M) covering 85% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2017 was:
  - 16.6% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

#### Plus

- Contributions to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.4% of pensionable pay (or £17.4M in 2017/18, and increasing by 3.0% p.a. thereafter), before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 23.0% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 2.8% p.a.

3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt's report dated 31 March 2017 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, was agreed with the administering authority reflecting the employers' circumstances.
5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	2.5% p.a.
Rate of pay increases	3.0% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

## Cardiff and Vale of Glamorgan Pension Fund

*In addition, the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% p.a. in-service and left-service.*

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.9	25.6
Future pensioners aged 45 at the valuation date	23.9	27.0

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20valuation%20as%20at%2031%20March%202016%20%28Final%29.pdf>

**Aon Hewitt Limited**

**May 2017**

# Cardiff and Vale of Glamorgan Pension Fund

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2017

2015/16 Restated £000		2016/17 £000
	<b>CONTRIBUTIONS AND BENEFITS</b>	
	<b>Contributions receivable</b>	
60,370	from employers (note 5)	61,674
16,360	from employees (note 5)	16,862
5,034	Transfers in	3,241
2,134	Other Income (Capitalised Payments and interest on deficit funding)	1,460
<b>83,898</b>		<b>83,237</b>
	<b>Benefits Payable</b>	
(59,118)	Pensions (note 6)	(60,659)
(16,910)	Lump Sums (note 6)	(13,468)
	Payments to and on account of leavers	
(136)	Refunds of contributions	(117)
(8,220)	Transfers out	(4,807)
<b>(84,384)</b>		<b>(79,051)</b>
<b>(486)</b>	Net Additions/(Withdrawals) from dealings with Members of the Fund	<b>4,186</b>
	<b>RETURNS ON INVESTMENT</b>	
18,176	Investment Income (note 9)	19,115
(31,716)	Change in market value of investments (note 10)	338,888
(12,520)	Management expenses (note 8)	(13,370)
<b>(26,060)</b>	Net Returns on Investments	<b>344,633</b>
<b>(26,546)</b>	Net Increase/(Decrease) in the Fund During Year	<b>348,819</b>
1,679,405	Opening Net Assets of the Scheme	1,652,859
<b>1,652,859</b>	<b>Closing Net Assets of the Scheme</b>	<b>2,001,678</b>

# Cardiff and Vale of Glamorgan Pension Fund

## NET ASSET STATEMENT AS AT 31 MARCH 2017

2015/16 Restated £000		2016/17 £000
1,599,878	Investments at market value (note 10)	1,937,128
29,002	Cash & investment proceeds due (note 10)	44,861
<b>1,628,880</b>		<b>1,981,989</b>
	<b>Current assets</b>	
128	UK & Overseas Tax	147
4,533	Contributions due from Employers and deficit funding	4,588
602	Sundry Debtors (note 14)	986
2,886	Pension Strain costs due within one year	1,806
<b>8,149</b>		<b>7,527</b>
	<b>Non-current assets</b>	
13,386	Deficit funding (former employers)	11,154
4,891	Pension strain costs due after one year	3,222
<b>18,277</b>		<b>14,376</b>
	<b>Current liabilities</b>	
(1,536)	Unpaid Benefits	(1,053)
(911)	Sundry Creditors (note 14)	(1,161)
<b>(2,447)</b>		<b>(2,214)</b>
<b>1,652,859</b>	<b>Net Assets of the Scheme</b>	<b>2,001,678</b>

## NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2016/17. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2016 as £2,273.6 million, with a comparator value as at the 31 March 2013 valuation of £2,028.8 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 104 and 105. This shows that the overall funding level as at 31 March 2016 is 85%.

## 2. Accounting Policies

### (a) Basis of Preparation

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

### (b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2017 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

### (c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2017 was £88 million (£83 million at 31 March 2016).

Pension fund liability - This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 104 and 105. This estimate is based on significant variances based on changes to the underlying assumptions.

**(d) Assumptions made about the future and other major sources of estimation uncertainty.**  
The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actual present value of promised retirement benefits</b>	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
<b>Private Equity Valuations</b>	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £88 million. There is a risk that this investment may be under, or overstated in the accounts.

**(e) Acquisition costs of Investments**

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

**3. Taxation**

**(a) UK Income, Capital Gains Taxes**

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

**(b) Value Added Tax**

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

**(c) Overseas Withholding Tax**

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

**4. Titles of Ownership**

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2017 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

# Cardiff and Vale of Glamorgan Pension Fund

## 5. Employing Bodies – Contributions

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	18	27.0%	84	20	104	0
Cardiff and Vale College	415	13.6%	1,343	519	1,862	238
Cardiff City Transport	21	25.4%	661	48	709	480
City of Cardiff Council	9,271	22.9%	36,470	9,950	46,420	0
Cardiff Metropolitan University	756	13.6%	3,437	1,454	4,891	527
Cowbridge Town Council	4	27.0%	160	43	203	0
Dinas Powys Community Council	1	27.0%	7	2	9	0
Lisvane Community Council	1	27.0%	3	1	4	0
Llantwit Major Town Council	5	27.0%	20	5	25	0
Penarth Town Council	14	27.0%	101	21	122	0
Penllyn Community Council	1	27.0%	1	0	1	0
Pentyrch Community Council	3	27.0%	3	1	4	0
Public Services Ombudsman for Wales	1	32.3%	294	4	298	279
Radyr & Morganstown Community Council	0	27.0%	4	1	5	0
St Davids Sixth Form College	37	13.6%	125	52	177	14
Stanwell School	79	16.4%	178	59	237	13
Vale Of Glamorgan Council	3,702	22.7%	13,211	3,672	16,883	0
Wenvoe Community Council	1	27.0%	3	1	4	0
<b>Sub-total</b>	<b>14,330</b>		<b>56,105</b>	<b>15,853</b>	<b>71,958</b>	
<b>ADMITTED BODIES:</b>						
Adult Learning Wales (formerly Workers Education Association)	50	22.3%	268	77	345	6
APP Clean UK	3	21.5%	5	1	6	0
Cardiff Business Technology Centre	6	28.7%	32	7	39	0
Cardiff University	47	27.3%	1,637	78	1,715	1,300
Careers Wales (Cardiff & Vale)	75	18.1%	378	136	514	0
Children In Wales	33	27.3%	219	48	267	0
Colleges Wales	6	19.8%	56	23	79	0
Design Commission for Wales	4	20.3%	36	14	50	0
Glen Cleaning	3	27.0%	8	1	9	0
GLL	288	18.0%	221	75	296	0
Mirus Wales	6	23.4%	289	23	312	231
National Trust	8	20.7%	27	8	35	0
One Voice	2	19.4%	26	8	34	9

## Cardiff and Vale of Glamorgan Pension Fund

Play Wales	5	24.0%	60	14	74	13
Royal National Eisteddfod	16	25.5%	160	38	198	32
Sport Wales	137	20.2%	1,546	307	1,853	670
Supacleen	1	22.9%	1	0	1	0
Wales & West Housing	1	20.6%	137	16	153	109
Welsh Council For Voluntary Action	69	21.4%	463	135	598	42
<b>Sub-total</b>	<b>760</b>		<b>5,569</b>	<b>1,009</b>	<b>6,578</b>	
<b>Total</b>	<b>15,090</b>		<b>61,674</b>	<b>16,862</b>	<b>78,536</b>	

### Additional deficit funding

There was no additional deficit funding in 2016/17.

### Comparative note for 2015/16

2015/16	No. of contributors at 31.03.16	Contribution rates (% of pensionable pay)	Employers	Employees	Total	Additional lump sum (memo)
			£000	£000	£000	£000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	13	27.0%	75	18	93	0
Cardiff and Vale College	374	13.6%	1,293	484	1,777	260
Cardiff City Transport	27	25.4%	689	55	744	480
City of Cardiff Council	9,987	22.9%	35,625	9,714	45,339	0
Cardiff Metropolitan University	743	13.6%	3,299	1,390	4,689	527
Cowbridge Town Council	4	27.0%	18	4	22	0
Dinas Powys Community Council	1	27.0%	7	2	9	0
Lisvane Community Council	1	27.0%	3	1	4	0
Llantwit Major Town Council	4	27.0%	18	4	22	0
Penarth Town Council	14	27.0%	78	18	96	0
Penllyn Community Council	1	27.0%	1	0	1	0
Public Services Ombudsman for Wales	1	32.3%	290	6	296	266
Radyr & Morganstown Community Council	1	27.0%	7	1	8	0
St Davids Sixth Form College	39	13.6%	126	51	177	14
Stanwell School	78	16.4%	171	56	227	13
Vale Of Glamorgan Council	3,317	22.7%	13,258	3,672	16,930	0
Wenvoe Community Council	1	27.0%	2	0	2	0
<b>Sub-total</b>	<b>14,606</b>		<b>54,960</b>	<b>15,476</b>	<b>70,436</b>	
<b>ADMITTED BODIES:</b>						
APP Clean UK	5	21.5%	6	2	8	0
Cardiff Business Technology Centre	4	28.7%	22	5	27	0
Cardiff Gypsy & Traveller Project	0	23.4%	1	0	1	0



## Cardiff and Vale of Glamorgan Pension Fund

Cardiff Institute For The Blind	2	20.6%	68	3	71	59
Cardiff University	54	27.3%	1,654	82	1,736	1,300
Careers Wales (Cardiff & Vale)	78	18.1%	389	138	527	0
Children In Wales	25	27.3%	153	36	189	0
Civic Trust For Wales	0	23.4%	8	0	8	8
Colleges Wales	6	19.8%	57	19	76	9
Design Commission for Wales	4	20.3%	34	13	47	0
Mirus Wales	6	23.4%	58	22	80	0
National Trust	9	20.7%	34	10	44	0
One Voice	2	19.4%	23	7	30	6
Play Wales	6	24.0%	54	14	68	8
Royal National Eisteddfod	13	25.5%	150	36	186	32
Sport Wales	129	20.2%	1,866	281	2,147	1,050
Wales & West Housing	1	20.6%	133	15	148	105
Welsh Council For Voluntary Action	59	21.4%	455	131	586	36
Workers Education Association	52	22.3%	245	70	315	6
<b>Sub-total</b>	<b>455</b>		<b>5,410</b>	<b>884</b>	<b>6,294</b>	
<b>Total</b>	<b>15,061</b>		<b>60,370</b>	<b>16,360</b>	<b>76,730</b>	

### Additional deficit funding

There was no additional deficit funding in 2015/16.

# Cardiff and Vale of Glamorgan Pension Fund

## 6. Employing Bodies - Benefits Paid

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>SCHEDULED BODIES:</b>				
Barry Town Council	102	0	0	0
Cardiff City Transport	2,284	438	45	0
City of Cardiff Council	38,977	6,037	1,209	314
Cardiff and Vale College	622	227	0	22
Cardiff Metropolitan University	1,718	161	412	0
Cowbridge Town Council	15	0	0	0
Dinas Powys Town Council	8	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	61	16	0	0
Public Services Ombudsman for Wales	18	0	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	486	398	0	0
St Cyres School	55	10	0	0
St Davids Sixth Form Coll	70	19	0	0
Stanwell School	65	40	0	0
Vale of Glamorgan Council	11,559	2,625	607	85
<b>Sub-total</b>	<b>56,143</b>	<b>9,971</b>	<b>2,273</b>	<b>421</b>
<b>ADMITTED BODIES:</b>				
Adult Learning Wales (formerly Workers Education Association)	38	36	0	0
Barry College	3	3	0	0
Cardiff Bay Arts Trust	12	0	0	0
Cardiff Bay Devt Corp	499	5	106	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	15	0	0	0
Cardiff Gypsy & Traveller Project	13	0	0	0
Cardiff Institute for Blind	67	0	2	0
Cardiff University	1,036	158	0	0
Careers Wales (Cardiff & Vale)	351	2	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	28	43	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	0	0	0	0
Community Relations	1	0	0	0

## Cardiff and Vale of Glamorgan Pension Fund

Council For Admin In Wales	212	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Fforwm	75	0	0	0
Glam & Gwent Hsg Assoc	59	45	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	216	46	0	0
Intervol	22	0	0	0
Land Authority for Wales	332	22	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
National Eisteddfod	63	0	13	0
National Trust	19	0	0	0
New Theatre	5	0	0	0
Play Wales	20	0	0	0
Porthcawl Holiday Home	62	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	862	103	104	0
STAR	7	0	0	0
Wales & West Housing	126	50	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	201	26	39	0
<b>Sub-total</b>	<b>4,516</b>	<b>539</b>	<b>264</b>	<b>0</b>
<b>TOTAL</b>	<b>60,659</b>	<b>10,510</b>	<b>2,537</b>	<b>421</b>

# Cardiff and Vale of Glamorgan Pension Fund

## Comparative note for 2015/16

2015/16	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>SCHEDULED BODIES:</b>				
Barry Town Council	84	160	0	0
Cardiff City Transport	2,307	224	0	11
City of Cardiff Council	38,348	7,735	1,220	395
Cardiff and Vale College	640	213	55	2
Cardiff Metropolitan University	1,549	1,124	85	18
Cowbridge Town Council	11	10	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	43	114	0	0
Probation Service	39	0	0	0
Public Services Ombudsman for Wales	227	35	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	373	173	1	23
St Cyres School	48	16	56	0
St Davids Sixth Form Coll	69	23	0	0
Stanwell School	57	37	0	0
Vale of Glamorgan Council	10,979	4,028	37	99
<b>Sub-total</b>	<b>54,886</b>	<b>13,892</b>	<b>1,454</b>	<b>548</b>
<b>ADMITTED BODIES:</b>				
Cardiff Bay Arts Trust	11	3	0	0
Cardiff Bay Devt Corp	502	46	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,076	211	0	(9)
Careers Wales (Cardiff & Vale)	348	136	65	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	14	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	74	0	0	0
Community Relations	2	2	0	0
Design Commission for Wales	3	0	0	0
Dimensions	10	0	0	0
Glam & Gwent Hsg Assoc	58	0	0	0

## Cardiff and Vale of Glamorgan Pension Fund

Glamorgan Holiday Hotel	60	47	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	202	30	0	0
Intervol	22	0	0	0
Land Authority for Wales	304	0	0	0
National Eisteddfod	71	0	0	0
National Trust	10	91	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	839	64	0	23
STAR	7	0	0	0
Wales & West Housing	139	(7)	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	189	173	0	0
Workers Education Association	28	141	0	0
<b>Sub-total</b>	<b>4,232</b>	<b>937</b>	<b>65</b>	<b>14</b>
<b>TOTAL</b>	<b>59,118</b>	<b>14,829</b>	<b>1,519</b>	<b>562</b>

### 7. Membership of the Fund

Fund membership at 31 March 2017 is as follows:

	2015/16	2016/17
Contributing Employers	36	37
Contributors	15,061	15,090
Pensioners	10,626	10,846
Deferred pensioners	12,308	12,697
<b>TOTAL MEMBERSHIP</b>	<b>37,995</b>	<b>38,633</b>

### 8. Management Expenses

Management Expenses fully charged to the Fund are:

	2015/16 £000	2016/17 £000
Administration Costs	912	945
Investment Management Expenses	11,484	12,297
Oversight & Governance Costs	124	128
<b>TOTAL</b>	<b>12,520</b>	<b>13,370</b>

### 9. Investment Income

	2015/16 £000	2016/17 £000
UK Fixed Interest Securities	5,098	5,325
Overseas Fixed Interest Securities	2,663	1,546
UK Equities & Private Equity Funds	3,209	3,808
Pooled investments	1,432	1,588
Overseas Equities (net of irrecoverable tax)	3,817	4,567

## Cardiff and Vale of Glamorgan Pension Fund

Property Unit Trust Income	1,700	2,113
Interest on UK cash	132	76
Securities Lending	125	92
<b>TOTAL</b>	<b>18,176</b>	<b>19,115</b>

### 10. Investments at Market Value

2015/16 £000		2016/17 £000
	UK Fixed Interest:	
66,966	Public Sector	41,541
93,423	Other (Pooled)	140,330
<b>160,389</b>		<b>181,871</b>
	Overseas Fixed Interest:	
86,645	Public Sector (Pooled)	96,843
<b>86,645</b>		<b>96,843</b>
95,636	UK quoted Equities & Convertibles	116,358
161,746	Foreign quoted Equities	212,725
<b>257,382</b>		<b>329,083</b>
<b>118,632</b>	UK & Global Property (Pooled)	<b>126,298</b>
<b>83,101</b>	Private Equity	<b>88,328</b>
	Pooled Funds	
470,172	UK	562,509
423,557	Overseas	552,195
<b>893,729</b>		<b>1,114,704</b>
(2,273)	Derivatives: Forward Currency contracts	933
<b>(2,273)</b>		<b>933</b>
	Cash:	
24,267	UK	22,863
5,059	Overseas	19,073
1,949	Net investment proceeds due	1,993
<b>31,275</b>		<b>43,929</b>
<b>1,628,880</b>	<b>TOTAL</b>	<b>1,981,989</b>

## Cardiff and Vale of Glamorgan Pension Fund

2016/17	Value at 31/03/16	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/17
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	247,034	224,136	(210,599)	18,143	278,714
Equities	257,382	73,299	(81,827)	80,229	329,083
Pooled Funds	893,729	144,934	(243,495)	319,537	1,114,705
Property unit trusts	118,632	763	0	6,903	126,298
Private equity	83,101	2,735	(24,619)	27,111	88,328
<b>Sub total</b>	<b>1,599,878</b>	<b>445,867</b>	<b>(560,540)</b>	<b>451,923</b>	<b>1,937,128</b>
Forward Currency	(2,273)	2,573,915	(2,546,860)	(23,849)	933
Futures	0	0	0	0	0
<b>Total Derivatives</b>	<b>(2,273)</b>	<b>2,573,915</b>	<b>(2,546,860)</b>	<b>(23,849)</b>	<b>933</b>
Debtors	1,949				1,993
Creditors	0				0
Managers' Cash	5,004				11,698
Internal Cash	24,267				22,863
Currency Overlay	55				7,374
<b>Total Cash</b>	<b>31,275</b>			<b>(89,186)</b>	<b>43,928</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>29,002</b>			<b>(113,035)</b>	<b>44,861</b>
<b>Total</b>	<b>1,628,880</b>			<b>(338,888)</b>	<b>1,981,989</b>

Comparative data for 2015/16:

2015/16	Value at 31/03/15	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/16
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	245,090	101,156	(98,590)	(622)	247,034
Equities	276,564	63,341	(55,312)	(27,211)	257,382
Pooled Funds	907,792	878	0	(14,941)	893,729
Property unit trusts	99,211	10,305	0	9,116	118,632
Private equity	87,433	3,269	(24,085)	16,484	83,101
<b>Sub total</b>	<b>1,616,090</b>	<b>178,949</b>	<b>(177,987)</b>	<b>(17,174)</b>	<b>1,599,878</b>
Forward Currency	(2,209)	2,709,754	(2,695,045)	(14,773)	(2,273)
Futures	0	0	0	0	0
<b>Total Derivatives</b>	<b>(2,209)</b>	<b>2,709,754</b>	<b>(2,695,045)</b>	<b>(14,773)</b>	<b>(2,273)</b>
Debtors	1,742				1,949
Creditors	(141)				0
Managers' Cash	7,700				5,004
Internal Cash	24,110				24,267
Currency Overlay	5,859				55
<b>Total Cash</b>	<b>39,270</b>			<b>(231)</b>	<b>31,275</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>37,061</b>			<b>(14,542)</b>	<b>29,002</b>
<b>Total</b>	<b>1,653,151</b>			<b>(31,716)</b>	<b>1,628,880</b>

## Analysis of derivatives

### Objectives and policies for holding derivatives

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

### Forward foreign currency

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

## 11. Summary of Manager's Portfolio Values at 31 March 2017

	£000	% of Fund
Aberdeen Asset Management	279,696	14.1
Aberdeen Emerging Markets	74,215	3.7
Blackrock Investment Management	626,980	31.6
Invesco Perpetual	101,741	5.1
J P Morgan	81,838	4.1
Majedie	123,283	6.2
Nikko	113,335	5.7
Schroder Investment Managers	105,524	5.3
State Street Global Advisers	229,929	11.6
Property	126,298	6.4
Private Equity Managers	88,328	4.5
Mesirow currency overlay & cash with custodian	7,960	0.4
Internally managed (Cash)	22,862	1.2
<b>Total</b>	<b>1,981,989</b>	<b>100</b>



# Cardiff and Vale of Glamorgan Pension Fund

## 12. Financial Instruments

### a) Classification of financial instruments

31/03/2016				31/03/2017		
Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000		Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000
			<b>Financial assets</b>			
247,034	0	0	Fixed Interest Securities	278,714	0	0
257,382	0	0	Equities	329,083	0	0
893,729	0	0	Pooled Funds	1,114,705	0	0
118,632	0	0	Property Unit Trusts	126,298	0	0
83,101	0	0	Private Equity	88,328	0	0
168,982	0	0	Derivatives	158,033	0	0
0	29,326	0	Cash	0	41,935	0
1,949	0	0	Other Investments	1,993	0	0
0	26,426	0	Debtors	0	21,903	0
<b>1,770,809</b>	<b>55,752</b>	<b>0</b>		<b>2,097,154</b>	<b>63,838</b>	<b>0</b>
			<b>Financial liabilities</b>			
(171,255)	0	0	Derivatives	(158,033)	0	0
0	0	0	Other Investments	0	0	0
0	0	(1,812)	Creditors	0	0	(2,214)
0	0	0	Borrowings	0	0	0
<b>(171,255)</b>	<b>0</b>	<b>(1,812)</b>		<b>(158,033)</b>	<b>0</b>	<b>(2,214)</b>
<b>1,599,554</b>	<b>55,752</b>	<b>(1,812)</b>		<b>1,939,121</b>	<b>63,838</b>	<b>(2,214)</b>

### b) Net gains and losses on financial instruments

31/03/2016 £000		31/03/2017 £000
	<b>Financial Assets</b>	
(21,259)	Fair value through profit and loss	350,452
0	Loans and receivables	0
	<b>Financial liabilities</b>	
(12,630)	Fair value through profit and loss	(13,222)
2,173	Loans and receivables	(402)
<b>(31,716)</b>	<b>Total</b>	<b>338,888</b>

### c) Valuation of financial instruments carried at fair value

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

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

## Cardiff and Vale of Glamorgan Pension Fund

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

Values as at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
<b>Financial assets</b>				
Financial assets at fair value	837,726	884,776	374,652	2,097,154
Loans and receivables	63,838	0	0	63,838
<b>Total financial assets</b>	<b>901,564</b>	<b>884,776</b>	<b>374,652</b>	<b>2,160,992</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	0	0	(158,033)	(158,033)
Financial liabilities at amortised cost	(2,214)	0	0	(2,214)
<b>Total financial liabilities</b>	<b>(2,214)</b>	<b>0</b>	<b>(158,033)</b>	<b>(160,247)</b>
<b>Net financial assets</b>	<b>899,350</b>	<b>884,776</b>	<b>216,619</b>	<b>2,000,745</b>

### 13. Nature and extent of risks arising from financial instruments

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

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

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

#### Market Risk

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

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

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

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

## Cardiff and Vale of Glamorgan Pension Fund

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

Asset Type	Carrying amount as at 31.03.2017	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	44,861	449	(449)
Fixed interest securities	278,714	2,787	(2,787)
<b>Total</b>	<b>323,575</b>	<b>3,236</b>	<b>(3,236)</b>

2015/16 Comparative:

Asset Type	Carrying amount as at 31.03.2016	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	29,002	290	(290)
Fixed interest securities	247,034	2,470	(2,470)
<b>Total</b>	<b>276,036</b>	<b>2,760</b>	<b>(2,760)</b>

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

The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

### Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 6.36%. A 6.36% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31.03.2017	Change to net assets available to pay benefits	
		6.36%	6.36%
	£000	£000	£000
Overseas quoted securities	771,053	820,092	722,014
<b>Total change in assets available</b>	<b>771,053</b>	<b>820,092</b>	<b>722,014</b>

Currency exposure – asset type	Asset value as at 31.03.2016	Change to net assets available to pay benefits	
		6.35%	6.35%
	£000	£000	£000
Overseas quoted securities	602,722	640,995	564,449
<b>Total change in assets available</b>	<b>602,722</b>	<b>640,995</b>	<b>564,449</b>

## Cardiff and Vale of Glamorgan Pension Fund

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

### Price risk sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2017 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,981,989</b>	<b>7.34%</b>	<b>2,127,467</b>	<b>1,836,511</b>
UK Equities	685,792	9.99%	754,303	617,281
Overseas Equities	771,053	10.05%	848,544	693,562
Total Bonds	279,696	4.74%	292,954	266,438
Cash	30,822	0.01%	30,825	30,819
Alternatives	88,328	2.12%	90,201	86,455
Property	126,298	3.18%	130,314	122,282

Asset type	Value as at 31.03.2016 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,628,880</b>	<b>7.34%</b>	<b>1,748,440</b>	<b>1,509,320</b>
UK Equities	565,808	9.99%	622,332	509,284
Overseas Equities	585,303	10.05%	644,126	526,480
Total Bonds	247,034	4.74%	258,743	235,325
Cash	29,002	0.01%	29,005	28,999
Alternatives	83,101	3.18%	85,744	80,458
Property	118,632	2.12%	121,147	116,117

### Credit Risk

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

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2017 was £22.2 million (£24.8 million at 31.03.2016). This was held with the following institutions:

## Cardiff and Vale of Glamorgan Pension Fund

	Rating	Balance at 31.03.2016 £000	Balance at 31.03.2017 £000
<b>Money market funds</b>			
Ignis	AAA	12,000	12,000
Deutsche	AAA	920	0
Blackrock	AAA	11,950	10,170
<b>Bank current account</b>			
Lloyds Bank	A	(80)	74
<b>Total</b>		<b>24,790</b>	<b>22,244</b>

### Liquidity Risk

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

### 14. Sundry Debtors & Creditors

	2015/16 £000	2016/17 £000
<b>Debtors</b>		
Pensions Administration	0	0
Miscellaneous	602	986
	<b>602</b>	<b>986</b>
<b>Creditors</b>		
Management & Custody Fees	(911)	(1,161)
Miscellaneous	0	0
	<b>(911)</b>	<b>(1,161)</b>
<b>Total</b>	<b>(309)</b>	<b>(175)</b>

### 15. Additional Voluntary Contributions

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

The amount of AVC contributions paid during the year amounted to £508,000 and the market value of separately invested AVC's as at 31 March 2017 was £3.620 million.

### 16. Commitments

As at 31 March 2017 the Fund had outstanding private equity commitments of a maximum of £43.62 million (£38.64 million at 31 March 2016).

As at 31 March 2017 the Fund had forward currency contracts amounting to £158.968 million of purchases and £158.033 million of sales, showing an unrealised gain of £935,000.

### 17. Securities Lending

At the year end the value of quoted equities on loan was £44.66 million (£40.42 million at March 2016) in exchange for which the custodian held collateral of £48.26 million (£42.54 million at March 2016). For the year ending 31 March 2017, the Fund received income of £93,000 from the lending of stock.

## 18. Contingent Liabilities

The Fund has no contingent liabilities.

## 19. Related Party Transactions

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

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of The County Council of the City and County of Cardiff.

## 20. Post Balance Sheet Events

There are no post balance sheet events to report.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2016/17 Code that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of The County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus). At the point of drafting these accounts, the accounts for Cardiff Bus had not been audited and, therefore, the draft figures have been consolidated within the Group Accounts.

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. In addition, the Council had an interest in the Cardiff Medicentre Joint Venture during 2015/16, however this interest had been sold as at 31 March 2016. 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 2016/17. Details of the Council's interests in these organisations are included in note 25 to the Core Financial Statements.

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### Basis of Consolidation

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

### Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 19 to 34 with the following additions and exceptions:

#### 1. Retirement Benefits

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

#### 2. Value Added Tax

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

#### 3. Goodwill

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

#### 4. Charges to Income and Expenditure for 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. Derivatives Financial Instruments

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

## Group Accounts

### THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

2015/16				Note	2016/17		
Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2016/17 Net Expenditure £000
177,001	(96,094)	<b>80,907</b>	City Operations		130,583	(74,992)	<b>55,591</b>
238,155	(186,010)	<b>52,145</b>	Communities, Housing & Customer Services		239,620	(189,528)	<b>50,092</b>
11,210	(1,432)	<b>9,778</b>	Corporate Management		6,762	(469)	<b>6,293</b>
31,017	(27,258)	<b>3,759</b>	Economic Development		64,316	(44,397)	<b>19,919</b>
333,158	(97,545)	<b>235,613</b>	Education & Lifelong Learning		348,099	(100,633)	<b>247,466</b>
6,388	(1,822)	<b>4,566</b>	Governance & Legal Services		6,911	(2,555)	<b>4,356</b>
9,836	(6,816)	<b>3,020</b>	Harbour Authority		9,085	(6,537)	<b>2,548</b>
161,726	(67,729)	<b>93,997</b>	Housing Revenue Account		50,009	(69,938)	<b>(19,929)</b>
36,850	(16,316)	<b>20,534</b>	Resources		28,636	(9,195)	<b>19,441</b>
163,552	(19,303)	<b>144,249</b>	Social Services		180,301	(26,414)	<b>153,887</b>
1,027	(2,026)	<b>(999)</b>	Summary Revenue Account		1,547	(5,078)	<b>(3,531)</b>
187,392	0	<b>187,392</b>	Exceptional Item	6	0	0	<b>0</b>
<b>1,357,312</b>	<b>(522,351)</b>	<b>834,961</b>	<b>Net Cost of Services</b>		<b>1,065,869</b>	<b>(529,736)</b>	<b>536,133</b>
27,880	0	<b>27,880</b>	South Wales Police Authority Precept		29,367	0	<b>29,367</b>
290	0	<b>290</b>	Community Council Precepts		296	0	<b>296</b>
16,798	0	<b>16,798</b>	Levies & Contributions		17,034	0	<b>17,034</b>
10,618	(11,814)	<b>(1,196)</b>	(Gain)/loss on sale of non-current assets		32,221	(9,060)	<b>23,161</b>
<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>	<b>Other Operating Expenditure</b>		<b>78,918</b>	<b>(9,060)</b>	<b>69,858</b>
32,318	0	<b>32,318</b>	Interest Payable on debt		32,433	0	<b>32,433</b>
16	0	<b>16</b>	Interest element of finance leases	4	0	0	<b>0</b>
16,756	0	<b>16,756</b>	Interest on net defined liability/(asset)		18,113	0	<b>18,113</b>
0	(1,035)	<b>(1,035)</b>	Interest & Investment Income			(986)	<b>(986)</b>
1,092	(1,282)	<b>(190)</b>	Other Investment Income				<b>0</b>



## Group Accounts

488	0	<b>488</b>	Change in fair value of Investment Properties		9,105	(18,805)	<b>(9,700)</b>
<b>50,670</b>	<b>(2,317)</b>	<b>48,353</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>59,651</b>	<b>(19,791)</b>	<b>39,860</b>
0	(25,304)	<b>(25,304)</b>	Recognised Capital Grants & Contributions		0	(41,191)	<b>(41,191)</b>
0	(322,851)	<b>(322,851)</b>	Revenue Support Grant		0	(320,309)	<b>(320,309)</b>
0	(101,253)	<b>(101,253)</b>	Non-Domestic Rates		0	(105,994)	<b>(105,994)</b>
1,834	(175,121)	<b>(173,287)</b>	Council Tax Income		2,063	(182,502)	<b>(180,439)</b>
0	(3,344)	<b>(3,344)</b>	Other Central Grants		0	0	<b>0</b>
<b>1,834</b>	<b>(627,873)</b>	<b>(626,039)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>2,063</b>	<b>(649,996)</b>	<b>(647,933)</b>
<b>65</b>	<b>0</b>	<b>65</b>	Tax expenses - Corporation Tax payable			<b>0</b>	<b>0</b>
<b>1,465,467</b>	<b>(1,164,355)</b>	<b>301,112</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,206,501</b>	<b>(1,208,583)</b>	<b>(2,082)</b>
		<b>(134,348)</b>	Revaluation Gains				<b>(26,098)</b>
		<b>73,310</b>	Revaluation Losses				<b>10,169</b>
		<b>591</b>	Impairment losses on non-current assets charged to the Revaluation Reserve				<b>784</b>
		<b>(39)</b>	(Surplus)/Deficit on revaluation of available for sale financial assets				<b>81</b>
		<b>(12,346)</b>	Actuarial gains/losses on pension assets/liabilities				<b>16,050</b>
		<b>(1,000)</b>	Share of other comprehensive income & expenditure of subsidiaries				<b>1,486</b>
		<b>(73,832)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>2,472</b>
		<b>227,280</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>390</b>

## Group Accounts

### GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves Council £000	Unusable Reserves - Group Entities £000	Total Authority Reserves £000
<b>Balance at 31 March 2015 carried forward Restated</b>	13,154	34,413	8,438	238	1,336	57,579	805,595	6,125	869,299
<b><u>Movement in Reserves during 2015/16 (restated)</u></b>	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	<b>(301,405)</b>	0	293	<b>(301,112)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	72,832	1,000	<b>73,832</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,108)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(301,405)</b>	<b>72,832</b>	<b>1,293</b>	<b>(227,280)</b>
Adjustments between accounting basis & funding basis under regulations	39,022	0	283,013	0	4,087	<b>326,122</b>	(326,122)	0	<b>0</b>
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(253,290)</b>	<b>1,293</b>	<b>(227,280)</b>
Transfers to/(from) Earmarked Reserves	(17,813)	17,813	(716)	716	0	<b>0</b>	0	0	<b>0</b>

## Group Accounts

<b>Increase / (Decrease) in 2015/16</b>	2,101	17,813	0	716	4,087	24,717	(253,290)	1,293	(227,280)
<b>Balance at 31 March 2016 carried forward (restated)</b>	15,255	52,226	8,438	954	5,423	82,296	552,305	7,418	642,019
<b><u>Movement in Reserves during 2016/17</u></b>	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	1,761	0	321	2,082
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(986)	(1,486)	(2,472)
<b>Total Comprehensive Income and Expenditure</b>	(17,268)	0	19,029	0	0	1,761	(986)	(1,165)	(390)
Adjustments between accounting basis & funding basis under regulations	23,433	0	(15,897)	0	1,782	9,318	(9,318)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	6,165	0	3,132	0	1,782	11,079	(10,304)	(1,165)	(390)
Transfers to/(from) Earmarked Reserves	(7,165)	7,165	(3,132)	3,132	0	0	0	0	0
<b>Increase / (Decrease) in 2016/17</b>	(1,000)	7,165	0	3,132	1,782	11,079	(10,304)	(1,165)	(390)
<b>Balance at 31 March 2017 carried forward</b>	14,255	59,391	8,438	4,086	7,205	93,375	542,001	6,253	641,629

## Group Accounts

### GROUP BALANCE SHEET AS AT 31 MARCH 2017

31 March 2016 (Restated)		Note	31 March 2017
£000			£000
	<u>Property Plant &amp; Equipment:</u>	7	
529,464	Council Dwellings		537,862
749,507	Other Land and Buildings		747,007
31,857	Vehicles, Plant, Furniture & Equipment		31,442
298,598	Infrastructure		294,621
19,620	Community Assets		19,652
30,800	Assets under construction (AUC)		42,555
36,299	Surplus assets not held for sale		40,992
51,278	Heritage Assets		53,846
110,471	Investment Properties		132,241
3,426	Intangible Non-Current Assets including AUC		3,315
1,441	Long-term Investments		412
5,081	Long-term Debtors		5,616
675	Deferred tax asset		675
<b>1,868,517</b>	<b>Total Long Term Assets</b>		<b>1,910,236</b>
54,215	Short-term Investments		66,124
2,819	Assets held for Sale		80
2,398	Inventories		2,466
87,177	Short-term Debtors	9	84,524
22,360	Cash and Cash Equivalents		22,613
<b>168,969</b>	<b>Total Current Assets</b>		<b>175,807</b>
(17,148)	Short Term Borrowing		(14,972)
(87,623)	Short Term Creditors	11	(89,825)
(2,354)	Pension Strain		(1,414)
(11,536)	Provisions	12	(8,031)
(2,224)	Deferred Liabilities	13	(4,311)
(65)	Deferred tax liability		0
<b>(120,950)</b>	<b>Total Current Liabilities</b>		<b>(118,553)</b>
(658,408)	Long Term Borrowing		(668,028)
(29,063)	Provisions		(28,938)
(11,869)	Deferred Liabilities		(19,018)
(9,933)	Capital Contributions Receipts in Advance		(11,843)
(2,526)	Revenue Grants Receipts in Advance		(2,016)
(1,791)	Capital Grants Receipts in Advance		(974)

## Group Accounts

(4,891)	Pensions Strain		(3,219)
(554,754)	Net Pensions Liability		(590,543)
(1,282)	Deferred tax liability		(1,282)
<b>(1,274,517)</b>	<b>Total Long Term Liabilities</b>		<b>(1,325,861)</b>
<b>642,019</b>	<b>NET ASSETS</b>		<b>641,629</b>
	<b>Financed by:</b>		
15,255	Council Fund Balance		14,255
52,226	Council Fund Earmarked Reserves		59,391
8,438	Housing Revenue Account Balance		8,438
954	Housing Revenue Account Earmarked Reserves		4,086
5,423	Capital Receipts Reserve		7,205
<b>82,296</b>	<b>Usable Reserves</b>		<b>93,375</b>
257,264	Revaluation Reserve		262,063
856,975	Capital Adjustment Account		876,075
2,049	Deferred Capital Receipts		2,038
4,656	Available for Sale Financial Instruments Reserve		4,574
(559,208)	Pensions Reserve		(597,671)
(6,289)	Accumulated Absences Adjustment Account		(8,252)
4,276	Reserves (Group Entities)		9,427
<b>559,723</b>	<b>Unusable Reserves</b>		<b>548,254</b>
<b>642,019</b>	<b>TOTAL RESERVES</b>		<b>641,629</b>

## Group Accounts

### GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2017

2015/16 (Restated) £000		Note	2016/17 £000
<b>301,112</b>	Net (Surplus) /Deficit on the provision of services		<b>(2,082)</b>
(185,907)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(98,531)
(179,093)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	48,261
<b>(63,888)</b>	<b>Net cash flows from operating activities</b>		<b>(52,352)</b>
(1,209)	Interest Received		(644)
30,050	Interest Paid		32,220
166	Finance lease interest paid		0
0	Dividends received		0
234	Taxation (group only)		65
(93,129)	Net cash flow from other operating activities		(83,993)
<b>281,522</b>	<b>Investing activities</b>		<b>63,023</b>
93,760	Purchase of property, plant and equipment, investment property and intangible assets		99,892
31,231	Purchase of short-term and long-term Investments		9,093
200,875	Other payments for investing activities		7,579
(9,814)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,009)
(31,744)	Capital Grants		(40,942)
(1,504)	Capital Contributions		(3,590)
(1,282)	Proceeds from short-term and long-term investments		0
<b>(211,548)</b>	<b>Financing activities</b>		<b>(10,924)</b>
(205,399)	Cash receipts from short-term and long-term borrowing		(14,645)
(13,454)	Other receipts from financing activities		(5,966)
1,313	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,456
5,992	Repayments of short-term and long-term borrowing		8,231
0	Other payments for financing activities		0
<b>6,086</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(253)</b>
<b>28,446</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>22,360</b>
<b>22,360</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>22,613</b>
233	Cash		223
15,513	Bank (including cheque book schools)		16,970
6,614	Short-term deposits with banks and building societies		5,420

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 42 to 95 apply also to the Group Accounts with the following additions and exceptions:

#### 1. Remuneration

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

Remuneration band £	Number of Employees	
	2015/16	2016/17
60,000-64,999	46	43
65,000-69,999	44	43
70,000-74,999	14	8
75,000-79,999	5	11
80,000-84,999	10	13
85,000-89,999	3	1
90,000-94,999	3	4
95,000-99,999	3	1
100,000-104,999	1	1
105,000-109,999	2	2
110,000-114,999	1	2
115,000-119,999	1	2
120,000-124,999	8	5
125,000-129,999	1	0
130,000-134,999	0	2
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	2	1
175,000-179,999	0	0
180,000-184,999	0	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2016/17 Financial Statements.

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

#### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 13 to the single entity financial statements.

#### 3. External Audit Costs

In 2016/17 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

## Notes to Group Accounts

	2015/16 £000	2016/17 £000
Fees payable to Wales Audit Office for external audit services	400	389
Fees payable to other external auditors in respect of external audit services	32	41
Fees payable to external auditors for the certification of grant claims and returns	84	88
Fees payable in respect of other services provided by external auditors	3	5
<b>Total</b>	<b>519</b>	<b>523</b>

### 4. Leasing

#### Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2016/17 were as follows:

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

2015/16 £000		2016/17 £000
11,620	Vehicles, Plant, Furniture & Equipment	11,836

Obligations under finance leases:

2015/16 £000		2016/17 £000
1,238	Obligations payable within 1 year	1,465
4,679	Obligations payable between 2 and 5 years	4,783
573	Obligations payable after 5 years	214
<b>6,490</b>	<b>Total liabilities as at 31 March</b>	<b>6,462</b>

### 5. Pensions

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

	2015/16 £000	2016/17 £000
<i>Net Cost of Services</i>		
Past and current service cost and operating charge	44,407	44,188
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	16,993	18,195
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>61,400</b>	<b>62,383</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(18,241)	(18,340)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	340	458
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>43,499</b>	<b>44,501</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(38,535)	(39,640)
Payments in Respect of Unfunded Pensions Liabilities	(3,310)	(3,230)



## Notes to Group Accounts

<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,654)	(1,631)
	<b>(43,499)</b>	<b>(44,501)</b>

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2016/17 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced. This closed to new members in July 2013. The total cost charged in the profit and loss account for the money purchase scheme of £806,000 (£554,000 in 2015/16) represents contributions payable during the year. At 31 March 2017, contributions of £85,000 (£70,000 in 2015/16) due in respect of the current reporting period had not been paid over to the scheme.

### Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2012. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 1.4% per annum higher than the rate of future annual wage and salary growth and 1.9% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 0.9% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £30.0m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, was found to be 14.5% of members' pensionable pay from 1 April 2015. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

Company and employee contributions for members of the defined contribution section are payable in accordance with the scheme rules.

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2015	At 31 March 2016	At 31 March 2017
Rate of increase in salaries	3.5% pa	3.1% pa	3.3% pa
Discount rate	3.3% pa	3.5% pa	2.6% pa
Inflation Assumption (RPI)	3.0% pa	3.1% pa	3.3% pa
Inflation Assumption (CPI)	2.0% pa	2.1% pa	2.3% pa
Pension Increases (CPIS)	2.0% pa	2.1% pa	2.3% pa

## Notes to Group Accounts

### Mortality assumption

The mortality assumptions are based on SIPA tables, relevant to year of birth adjusted for medium cohort effects, rated up two years, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.5 years if they are male and for a further 22.5 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.8 years after retirement if they are male and for a further 24.0 years after retirement if they are female.

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

The assets in the fund and expected rates of return were:	2014/15		2015/16		2016/17	
	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000
Equities	N/A	13,036	N/A	13,734	N/A	14,679
Diversified Growth	N/A	15,744	N/A	15,348	N/A	16,724
Convertible Bonds	N/A	3,990	N/A	3,759	N/A	4,001
Cash and LDI	N/A	25	N/A	83	N/A	2,414
		<b>32,795</b>		<b>32,924</b>		<b>37,818</b>

\* Under the reporting standard FRS102, which replaces FRS17, the expected return on assets is set equal to the discount rate at the start of the year.

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value of assets	32,795	32,924	37,818
Present value of scheme liabilities	(34,276)	(32,046)	(38,459)
<b>Net IAS19 Scheme Deficit</b>	<b>(1,481)</b>	<b>878</b>	<b>(641)</b>

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(588)	(669)	(589)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	2,018	835	846
Interest on pension scheme liabilities	(1,304)	(1,120)	(1,110)
<b>Net finance income/(charge)</b>	<b>714</b>	<b>(285)</b>	<b>(264)</b>

## Notes to Group Accounts

### Analysis of amount recognised in the primary statements

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Actual return less expected return on pension assets	974	(315)	4,348
Changes in financial assumptions underlying the scheme/(liabilities)	(3,599)	2,664	(5,985)
Actuarial gain/(loss) recognised in the primary statements	(2,625)	2,349	(1,637)

### Movements in scheme deficit during the year

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
<b>At 1 April b/f</b>	172	(1,481)	878
Movement in year:			
Total operating charge	(588)	(669)	(589)
Contributions	846	964	971
<b>Net finance income/(charge)</b>	714	(285)	(264)
Actuarial gain/(loss) in the primary statements	(2,625)	2,349	(1,637)
<b>At 31 March c/f</b>	<b>(1,481)</b>	<b>878</b>	<b>(641)</b>

### Cardiff and Vale of Glamorgan Pension Fund

Cardiff Bus also participates in the Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary.

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2013.

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 2011 continuing into 2016/17. In addition to this rate, Cardiff City Transport Services Limited is required to pay £480,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS19 in order to assess the liabilities of the Fund as at 31 March 2017. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company's contribution rate over the accounting period was 25.4% of pensionable pay plus a monetary amount of £480,000. The contribution rates certified for the company at the 31 March 2013 valuation are as follows:

April 2017 to March 2018 25.4% of pensionable pay plus £480,000.

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

The scheme is now closed to the company's employees and the company's condition of continued participation is to pay contributions as required.

The main assumptions used for the purposes of IAS19 are as follows:

## Notes to Group Accounts

	At 31 March 2015	At 31 March 2016	At 31 March 2017
Rate of increase in salaries	3.5% pa	3.1% pa	3.3% pa
Discount rate	3.3% pa	3.5% pa	2.6% pa
Rate of increase in pensions in payment	2.0% pa	2.1% pa	2.3% pa
Rate of increase in deferred pensions	2.0% pa	2.1% pa	2.3% pa
Rate of inflation (RPI)	3.0% pa	3.1% pa	3.3% pa
Rate of inflation (CPI)	2.0% pa	2.1% pa	2.3% pa

### Mortality assumption

The mortality assumptions are based on SIPMA tables, for 100% of medium cohort, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 21.5 years if they are male and for a further 23.2 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 22.7 years after retirement if they are male and for a further 24.6 years after retirement if they are female.

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

The assets in the fund and expected rates of return were:	2014/15		2015/16		2016/17	
	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000
Equities	7.6% pa	21,285	N/A	19,917	N/A	23,640
Government bonds	3.4% pa	1,870	N/A	2,148	N/A	2,573
Corporate bonds	4.0% pa	2,173	N/A	1,909	N/A	1,756
Property	6.9% pa	1,622	N/A	1,936	N/A	1,907
Cash	0.9% pa	467	N/A	610	N/A	454
Other assets	7.6% pa	83	N/A	0	N/A	(60)
		<b>27,500</b>		<b>26,520</b>		<b>30,270</b>

\*Under the reporting standard FRS102, which replaces FRS17, the expected return on assets is set equal to the discount rate at the start of the year.

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value share of assets	27,500	26,520	30,270
Present value of scheme liabilities	(30,710)	(30,190)	(33,450)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,210)</b>	<b>(3,670)</b>	<b>(3,180)</b>

## Notes to Group Accounts

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value of assets	32,795	32,924	37,818
Present value of scheme liabilities	(34,276)	(32,046)	(38,459)
<b>Net IAS19 Scheme Deficit</b>	<b>(1,481)</b>	<b>878</b>	<b>(641)</b>

### Analysis of amount charged to operating profit:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Current Service Cost / Past Service Cost	(320)	(270)	(210)
<b>Total Operating Charge</b>	<b>(320)</b>	<b>(270)</b>	<b>(210)</b>

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

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Expected return on pension scheme assets	1,710	900	920
Interest on pension scheme liabilities	(1,250)	(990)	(1,030)
<b>Net Finance Income / (Charge)</b>	<b>460</b>	<b>(90)</b>	<b>(110)</b>

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

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Actual return less expected return on pension assets	1,500	(1,300)	3,580
Changes in financial assumptions underlying the scheme/(liabilities)	(1,800)	510	(3,430)
Actuarial gain/(loss) recognised in the primary statements	<b>(300)</b>	<b>(790)</b>	<b>150</b>

### Movements in scheme deficit during the year:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
<b>At 1 April</b>	<b>(3,810)</b>	<b>(3,210)</b>	<b>(3,670)</b>
Movement in year:			
Total operating charge	(320)	(270)	(210)
Contributions	760	690	660
Net finance income/(charge)	460	(90)	(110)
Actuarial gain/(loss) in the primary statements	(300)	(790)	150
<b>At 31 March</b>	<b>(3,210)</b>	<b>(3,670)</b>	<b>(3,180)</b>

## Notes to Group Accounts

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

	At 31 March 2016 £000	At 31 March 2017 £000
The Group and the Company		
Cardiff City Transport Scheme	(878)	641
Cardiff & Vale of Glamorgan Pension Scheme	3,670	3,180
Deferred Tax Asset	(558)	(938)
<b>Total</b>	<b>2,234</b>	<b>2,883</b>

### 6. Exceptional Item

There are no exceptional items reported in the 2016/17 Cardiff Bus Accounts.

## Notes to Group Accounts

### 7. Non-Current Assets Note

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2016	537,762	779,249	76,639	587,344	19,620	36,299	30,800	<b>2,067,713</b>
Additions	17,980	21,954	6,564	11,093	32	351	33,876	<b>91,850</b>
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	<b>(784)</b>
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	<b>(2,974)</b>
Derecognition - disposals	(1,186)	(25,659)	(6,575)	0	0	(1,430)	0	<b>(34,850)</b>
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	<b>8</b>
Other reclassifications	400	13,291	193	7,088		1,074	(22,090)	<b>(44)</b>
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	<b>8,200</b>
Revaluation increases /(decreases) to SDPS**	0	(14,775)	0	0	0	(1,011)	0	<b>(15,786)</b>
<b>At 31 March 2017</b>	<b>554,803</b>	<b>773,311</b>	<b>76,496</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,113,334</b>
<b>Depreciation</b>								
At 1 April 2016	8,298	29,742	44,782	288,746	0	0	0	<b>371,568</b>
Depreciation charge	8,659	16,746	6,997	22,158	0	0	0	<b>54,560</b>
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	<b>(1,347)</b>
Derecognition - disposals	(16)	(12)	(6,539)	0	0	0	0	<b>(6,567)</b>
Depreciation written out to SDPS **	0	0	0	0	0	0	0	<b>0</b>
Reclassifications	0	(25)	0	0	0	0	0	<b>(25)</b>
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	<b>(18,986)</b>
<b>At 31 March 2017</b>	<b>16,941</b>	<b>26,304</b>	<b>45,054</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>399,203</b>
<b>Net Book Value:</b>								
<b>At 31 March 2017</b>	<b>537,862</b>	<b>747,007</b>	<b>31,442</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,714,131</b>
<b>At 31 March 2016</b>	<b>529,464</b>	<b>749,507</b>	<b>31,857</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,696,145</b>

\* RR = Revaluation Reserve

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

## Notes to Group Accounts

### Comparative Information for 2015/16:

2015/16 (Restated)	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	604,426	810,949	77,813	575,174	19,206	37,024	11,509	<b>2,136,101</b>
Additions	16,866	18,251	8,948	11,284	389	2,103	25,540	<b>83,381</b>
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(10,778)	0	0	(3,200)	0	<b>(18,993)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	<b>(2,282)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,134)	0	0	0	(415)	0	<b>49,271</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(26,058)	0	0	0	(2,452)	0	<b>(172,220)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>779,249</b>	<b>76,639</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>2,067,713</b>
<b>Depreciation</b>								
At 1 April 2015	35,414	39,754	48,415	266,508	0	0	0	<b>390,091</b>
Depreciation charge	8,298	17,011	7,058	22,238	0	0	0	<b>54,605</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(10,691)	0	0	0	0	<b>(10,738)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,780)	0	0	0	0	0	<b>(61,194)</b>
<b>At 31 March 2016</b>	<b>8,298</b>	<b>29,742</b>	<b>44,782</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>371,568</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>749,507</b>	<b>31,857</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,696,145</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>771,195</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,509</b>	<b>1,746,010</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:

#### Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

#### Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2017, the company had no contracts to buy fuel.

### 9. Debtors

31 March 2016 Restated £000		31 March 2017 £000
43,210	Central Government Bodies	45,499
13,278	Other Local Authorities	9,349
4,691	NHS Bodies	5,364
34	Public Corporations & Trading Funds	14
25,964	Other Entities and Individuals	24,298
<b>87,177</b>	<b>Total Debtors Net of Impairments</b>	<b>84,524</b>

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.852 million (£2.596 million in 2015/16) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.859 million (£2.603 million in 2015/16) in money market accounts that are not instant access.

### 11. Creditors

31 March 2016 Restated £000		31 March 2017 £000
(13,498)	Central Government Bodies	(16,155)
(11,518)	Other Local Authorities	(7,916)
(1,424)	NHS Bodies	(1,594)
(9)	Public Corporations & Trading Funds	(4)
(61,174)	Other Entities and Individuals	(64,156)
<b>(87,623)</b>	<b>Total Creditors</b>	<b>(89,825)</b>

## Notes to Group Accounts

### 12. Provisions

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance Provisions	(10,441)	4,422	(3,540)	<b>(9,559)</b>	(4,277)	(5,282)
MMI Scheme of Arrangement Levy	(277)	304	(78)	<b>(51)</b>	(10)	(41)
Cardiff Bus Insurance Provision	(2,378)	(751)	1,097	<b>(2,032)</b>	(915)	(1,117)
Ferry Rd Landfill Provision	(9,096)	144	0	<b>(8,952)</b>	(210)	(8,742)
Lamby Way Landfill Provision	(16,574)	1,288	0	<b>(15,286)</b>	(1,589)	(13,697)
Other Provisions	(1,833)	1,231	(487)	<b>(1,089)</b>	(1,030)	(59)
<b>Total Provisions</b>	<b>(40,599)</b>	<b>6,638</b>	<b>(3,008)</b>	<b>(36,969)</b>	<b>(8,031)</b>	<b>(28,938)</b>

### 13. Deferred Liabilities

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(7,603)	1,250	(3,314)	<b>(9,667)</b>	(846)	(8,821)
Rent Smart Wales Income in Advance	0	0	(7,200)	<b>(7,200)</b>	(2,000)	(5,200)
Cardiff Bus Finance Lease Liability	(6,490)	1,457	(1,429)	<b>(6,462)</b>	(1,465)	(4,997)
<b>Total Deferred Liabilities</b>	<b>(14,093)</b>	<b>2,707</b>	<b>(11,943)</b>	<b>(23,329)</b>	<b>(4,311)</b>	<b>(19,018)</b>

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

	2015/16 (Restated) £000	2016/17 £000
Depreciation and impairment	(183,867)	(49,188)
Charges made for retirement benefits (IAS19) less employers contributions	(13,949)	(17,604)
Contributions (to)/from provisions	6,272	2,005
Gain/loss on disposal of fixed assets	(11,710)	(32,158)
Cardiff Bus Taxation	(65)	0
Increase/(decrease) in stock	(108)	68
Increase/(decrease) in debtors (exc capital)	12,595	(5,822)
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,925	4,168
	<b>(185,907)</b>	<b>(98,531)</b>

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

## Notes to Group Accounts

	2015/16 £000	2016/17 £000
REFCUS	(192,271)	(4,122)
Net gain/(loss) on sale of non-current assets	11,096	8,946
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	25,304	41,191
Other cash items which affect investing or financing activities	(23,222)	2,246
	<b>(179,093)</b>	<b>48,261</b>

### 15. Expenditure and Funding Analysis

Please refer to note 4 in the Notes to Core Financial Statements for the Council's segmental reporting analysis. The group report is not prepared on the basis that Cardiff Bus prepares its accounts in accordance with UK GAAP.

## Trust Funds

During 2016/17, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the sole trustee of the following charities, the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

**Llandaff War Memorial Fund (219060)** – For defraying the cost of upkeep of the war memorial at Llandaff.

**Maindy Park Foundation (524137)** – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

**Cardiff Further Education Trust Fund/Craddock Wells Trust** – Apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to the University of Wales, Cardiff.

**Norwegian Church Preservation Trust** - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor's attraction on the Cardiff Bay Waterfront for future generations.

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 2017 have yet to be examined. This is to be undertaken in January 2018 which is within the statutory deadlines set.

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

Christine Salter  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

## Trust Funds

	Balance as at 31 March 2016 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2017 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,440	4	0	(10)	<b>1,434</b>
Maindy Park Foundation	78,349	147	0	(10)	<b>78,486</b>
Norwegian Church Preservation Trust	(105)	69,161	0	(69,161)	<b>(105)</b>
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	20,854,910	458,646	3,521,854	(175,456)	<b>24,659,954</b>
R Fice Memorial Trust	59,611	7,974	0	(2,168)	<b>65,417</b>
The Howardian Trust	29,405	3,160	0	(500)	<b>32,065</b>
<b>Total</b>	<b>21,023,610</b>	<b>539,092</b>	<b>3,521,854</b>	<b>(247,305)</b>	<b>24,837,251</b>

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 2017 have yet to be examined. This is to be undertaken in January 2018 which is within the statutory deadlines set.

## Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
2. The Cardiff Harbour Authority (Harbour Authority) is subsumed in the Council and not a separate entity. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). In January 2017 the Council was also approved by Cabinet as the Accountable Body for the City Capital Region (CCR) City Deal.
3. The governance arrangements detailed in this Annual Governance Statement (AGS) apply equally to the Council's responsibilities to the Harbour Authority, Pension Fund, CPHA and CCR City Deal. Within the Statement of Accounts, the Annual Return of the CPHA includes a corresponding Annual Governance Statement with additional supporting governance information. There are further specific requirements for the Pension Fund which are:
  - The Statement of Investment Principles;
  - Funding Strategy Statement;
  - A full Actuarial Valuation to be carried out every third year.
4. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This framework was updated following a period of consultation with the financial year 2016/17 representing its first year of application.
5. This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014.
6. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2016/17, namely Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council Ltd are subject to periodic review. These were not reviewed by the Council in 2016/17.

## The purpose of the Governance Framework

7. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution represents its code of governance, setting out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.
8. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

## The Governance Framework

9. The Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the Council as a whole is committed to improving governance on a continuing basis through a process of evaluation and review.

## Core Principles

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

## Supporting Principles

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

## **Assessment Process and Summary**

10. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
  - 1) Statements from Senior Management, the Audit Manager and the Audit Committee;
  - 2) Supporting information and evidence mapped to the core and supporting good governance principles;
  - 3) A Senior Management review of the Council's significant governance issues.
11. The three elements above when taken together represent the assessment of governance, through the perspectives of the Senior Management Team (SMT) and the independent opinions of the Internal Audit Manager and Audit Committee based on their respective programmes of work and an assessment of the system of internal control.
12. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the senior management team (SMT) of the significant governance issues affecting the organisation as summary actions to take forward and address.

13. The diagram below sets out the components of this assessment.



## i) Assurance Statements

14. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

### Senior Management Statement

15. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2016/17. The assessment was based on the governance maturity which we could evidence within each Directorate Management Team against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2017, from which the Chief Executive authorised the overall position.
16. We can report an overall assessment of 'strong' application of good governance across the assurance areas. This was based on a self-assessment using a 5-point rating system ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. The greatest maturity was identified in relation to performance management, upholding internal controls, compliance, the prevention and detection of fraud and monitoring and managing a challenging budget position.
17. The maturity assessment highlighted opportunities to enhance the discipline of partnership governance and long term business decision making for resource savings, for which there was a higher incidence of mixed application and evidence than other areas. The Senior Management



Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward. All Directorates are taking ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity based on their respective assessments as we move into 2017/18.

18. The Senior Management Team collectively own the Corporate Risk Register and we have reviewed all corporate risks quarterly in 2016/17. We have also refreshed the risk escalation process at the financial year end to ensure we have systematic early identification and awareness of the most significant risks facing the organisation. A proportionate approach is taken to manage risks and allocate resources based on their assessed risk ratings.
19. The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2016/17. In recognition of the progress made to address recommendations made in the WAO Corporate Assessment Follow On report 2016, this matter has been removed as a significant governance issue from the preceding year. The action plan is included in the annual governance statement 2016/17.

### Audit Manager Statement

- 20 Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for control within the Council for 2016/17 remains satisfactory. This opinion is based with an acknowledgment of the increasing pressure on resources in both demand and budgets which is managed by a robust performance culture.

It is becoming increasingly challenging to provide a satisfactory opinion as, whilst the financial control framework remains robust, audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The impact on budgets puts pressure on those remaining resources combined with the loss of knowledge and experience as officers leave the Council. This is happening at a time where demands are steady or increasing and change is bringing with it new challenges and risks that need to be managed.

It is noted that there were 31 audits completed where a "Limited assurance" opinion was provided and three where a "No assurance" opinion was provided, which it is felt reflects, to a degree, the pressure on resources across directorates to maintain a sound control environment while struggling to retain efficient and effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.

In addition to this general pressure on resources, areas of particular concern have been highlighted in quarterly progress reports presented to the Section 151 Officer and Audit Committee, and include:

- The Control Risk Self-Assessment (CRSA) approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangement and has been well received. Although it is most widely used to support the audit of schools, it is used within the audits of most fundamental financial systems, as well as the audits of the Pension Fund, Insurance Fund and some Social Services systems. Work continues to ensure that the CRSA approach is targeting key risk areas thus retaining an extensive area of coverage but also being mindful of the resources needed to support it and provide the evidential information. The CRSA approach will be undermined if it results in significant resource from either auditors or more importantly the areas being reviewed.
- Work on contracts has continued to identify concerns over contract management skills as new ways of operating are being explored. Audits have highlighted some contract related matters and how these need addressing given the significance of the contract sums.

## Annual Governance Statement

- In some audits, it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

On a positive note, Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme; this is seen as a major step forward in raising awareness with senior managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance. The Group Auditor (Investigations) has developed and delivered a training programme for investigating officers (236 officers trained) in line with the Council's revised disciplinary policy, and has also delivered bespoke training for some groups of staff.

### Audit Committee Statement

21. Based on the evidence presented to the Audit Committee during 2016/17, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2017/18, include:

<p>Budget Prioritisation / Control</p>	<p>The Audit Committee recognises the significant sustained financial pressure that the Council is under. Budget monitoring (control) has been reported as a 'red' corporate risk in each Audit Committee meeting in 2016/17 and the Corporate Director Resources has reported the outturn position in each finance update.</p> <p>Audit Committee has raised concern that in some areas there have been significant overspends, with those in the Social Services Directorate being most notable. Audit Committee has explored the sufficiency of the budget for Social Services to meet demand and cost requirements. It is positive that both the Corporate Director Resources and the Director of Social Services have attended Audit Committee and expressed the same sentiments that there has been a need to forecast demand better, but also that there is scope to improve the accountability of delivering the required savings within the Directorate.</p> <p>It is crucial that budgets are prioritised to deliver robust and achievable savings, and assurance has been received from the Corporate Director Resources that greater continued work is ongoing to further enhance the budget setting process and its delivery.</p>
<p>Organisational Development</p>	<p>The Chief Executive has attended Audit Committee to discuss the Corporate Assessment Follow On report which was published by the Wales Audit Office (WAO) in February. Audit Committee recognises the importance of the Organisational Development Programme (ODP) in contributing to the improvements required through its programmes of work.</p> <p>Audit Committee recognises that delivery against the ODP and the Corporate Assessment are being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee). However, at a time of continued financial pressure, Audit Committee has a particular interest in the demonstration of the ODP as enabling the delivery of key savings. This need has been supported by the Corporate Assessment Follow On report, which highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.</p>

## Annual Governance Statement

	<p>The Chief Executive has provided explanation of a number of mechanisms which have been put in place to improve organisational planning and delivery. In terms of budget setting, the process for 2017/18 was brought forward to improve forward planning and engagement, a refresh of the ODP was made in June 2016, and a new Head of Performance and Partnerships post was created in 2015/16 to strengthen performance management. Audit Committee anticipates the next report from WAO to recognise the effectiveness of these improvements.</p> <p>Internal Audit has undertaken a Control Risk Self Assessment (CRSA) approach to auditing a pilot of ODP projects and an audit of OD Governance. It is positive to note overall satisfactory assurance.</p>
<p>Financial / Internal Control</p>	<p>The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired.</p> <p>Audit Committee has continued to invite those senior managers and officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions.</p> <p>Audit Committee has welcomed an external assessment of the Internal Audit Team as required in the Public Sector Internal Audit Standards (PSIAS) which is commencing at the municipal year end 2016/17. Internal audit is a key source of assurance for the Audit Committee on financial and internal control, and external validation of conformance with the PSIAS offers us assurance and enables greater promotion of the value of the Internal Audit services.</p>
<p>Contract and Procurement Matters</p>	<p>'Commissioning capability and capacity' has been carried forward as a significant governance issue from 2015/16. Audit Committee has taken an interest in the progress made to address this issue, through which management propose separating the Commissioning Strategy from the Procurement Strategy to provide clear and distinct guidance for the separate disciplines. Audit Committee is keen that this work is progressed and promptly, given the high value for money implications in a context of significant procurement and contract spend.</p> <p>The Building Maintenance Framework is a high value contract which has been of interest to Audit Committee for a number of years in respect of its cost and the quality and effectiveness of service delivery. Members have raised contract management concerns over the operation of this contract following multiple issues being raised by constituents relating to the standard of work completed on domestic Council properties as part of the framework. Last financial year, Audit Committee was presented with a briefing which summarised the findings of an independent report on the Building Maintenance Framework from Constructing Excellence Wales (CEW).</p> <p>With the knowledge that a new commissioning and procurement process is underway for the next iteration of this framework contract, Audit Committee has taken a keen interest in emphasising that the following issues in the</p>

## Annual Governance Statement

	<p>existing contract are sufficiently addressed. Audit Committee has emphasised the need:</p> <ul style="list-style-type: none"> <li>• for better communication of the policies and processes with Elected Members;</li> <li>• for a focussed single Council delivery approach to provide best use of resources and improved monitoring, customer service and satisfaction;</li> <li>• to ensure effective use of Council resources, value for money in parallel to effectiveness and efficiencies of current framework;</li> <li>• to learn from current framework contract arrangements;</li> <li>• for a robust process for complaints; their review; and consideration be given to a quality assurance report for tenants / clients to complete and return (aimed at providing the more vulnerable people with a greater opportunity to comment on work done and quality issues);</li> <li>• for the Building Maintenance Project Board to continue to monitor the implementation of the recommendations arising from the CEW report.</li> </ul> <p>At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Project Board.</p>
<p>Financial Resilience (including Treasury Management)</p>	<p>In a position of austerity the Audit Committee is focussed on ensuring that financial decisions are made which will benefit the organisation over the medium and long term in addition to meeting current service needs.</p> <p>The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2016/17. Committee has also received a report from the Wales Audit Office (WAO) of their financial resilience assessment of the Council, which took place between May – October 2015. Whilst the report provided assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control.</p> <p>Sound treasury management is recognised as vital to safeguard and provide best value from the Council's borrowing and investments. Audit Committee has continued to probe the levels and profiles of investments and borrowing throughout the year and has played a key role in reviewing the Treasury Management Strategy and Reports. This will continue to be a key area of focus going into 2017/18.</p>
<p>Schools Governance &amp; Compliance</p>	<p>Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' and 'No Assurance' audit reports in relation to schools, compared to the rest of the Council. This trend has not improved in 2016/17, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.</p> <p>The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. Although practices can only be commended, given</p>

	<p>the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.</p>
--	--

### ii) Governance Framework - Supporting Information

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

22. All Members and Officers in the Council are required to comply fully with Codes of Conduct as set out in the Constitution, which sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
- Functions and subsections delegated to officers;
  - Members' Code of Conduct;
  - Employees' Code of Conduct;
  - Protocol on Member / Officer Relations;
  - Cardiff Undertaking – signed by all Members upon election and underlines their duties to the City and its citizens.
23. The Monitoring Officer has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. An interim Monitoring officer was in place in the financial year 2016/17 until the appointment of the new Director of Governance and Legal Services and Monitoring Officer in September 2016.
24. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Council, its Members, employees and any associated providers of the Council's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures. There were 18 complaints raised against Members in 2016/17 of which 5 were from other Members, and 13 were from members of the public. The outcomes / status of each complaint is reported to the Standards and Ethics Committee each quarter.
25. A strong commitment is made to ensuring the Council's Codes of Conduct are upheld. In 2015, complaints about a Councillor's conduct were referred by the Monitoring Officer to the Public Services Ombudsmen for Wales. This resulted in the conclusion in March 2017 through a Case Tribunal by the Adjudication Panel for Wales (APW) that the Member had failed to comply with the Council's Code of Conduct. The Councillor was suspended from acting as a member of the Council for one month.
26. To learn lessons from the experiences of Councillors whilst in office, a Member Exit Survey was completed in February 2017. 61% of respondents reported that they will stand for re-election, with those standing down citing 'retirement', 'work-life balance/time pressures', 'dissatisfaction with role' and 'other' reasons as most related to their decision. Personal experience of bullying and discriminatory behaviours were reported at rates of 37% and 34% respectively. Witnessing bullying and discriminatory behaviours were reported at 68% and 79% respectively between Councillors and at 32% and 21% respectively between Councillors and Officers.
27. To address the matters raised in the Member Exit Survey, a HR counselling service for employees will be made available to all Members from the new intake. The survey findings will be taken into

account in the development of the Member support and induction programme and a new survey of Members will take place December 2017.

28. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflict with their duties to the Council and all secondary employment. The policy sets out how all Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests.
29. For Members, the 'Cardiff Undertaking' sets out expectations of conduct in accordance with the 'Principles of Public Life'. The Corporate Assessment Follow-on, issued by the Wales Audit Office (WAO) in February 2016, recognised these governance arrangements, but concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking.
30. To address this recommendation the Standards & Ethics Committee has committed to publishing biannual Member Briefings on the work of the committee, underlining the importance of the Cardiff Undertaking and member conduct and behaviour. The first briefing was authorised for publication to all members in August 2016.
31. The Council's Cabinet approved Corporate Values focus on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.
32. An Employee Survey 2017 has demonstrated an improvement in staff experiences and perceptions across all 10 response statements since last conducted in 2015. The survey which excluded school-based employees, had a response rate of 33.9% and covered matters including information, communication and engagement, learning and development, performance management, health and wellbeing, council values, priorities and the employee charter. For each best practice statement a 'high level' of agreement was the most frequent response, with an average (mean) response of 'medium level' of agreement.
33. The Workforce Strategy and Employee Charter have been in place throughout 2016/17 and are underpinned by the Council's vision and values and aligned to the Corporate Plan and the Organisational Development Programme:
  - The Employee Charter sets out the expectations of employees, managers and senior managers and has formed part of the objective setting process for personal performance and development reviews. It aims to address the issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier Welsh Local Government Association (WLGA) Peer Review.
  - The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.
34. The Council takes fraud, corruption and maladministration very seriously supported by the following policies to prevent, and manage such occurrences:
  - Financial Procedure Rules;
  - Contract Standing Order and Procurement Rules;
  - Whistleblowing Policy;
  - Fraud, Bribery & Corruption Policy;
  - Money Laundering Policy and Procedure;
  - ICT Security Policy;

- Data Protection Policy & Procedure;
  - HR policies regarding investigation and discipline of staff.
35. Induction training is undertaken by all staff to ensure awareness and understanding on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security. Induction training also ensures that all staff are aware of the corporate values and how they should be applied.
36. The Council has a Whistleblowing Policy in place through which staff and contractors are encouraged to speak out on misconduct or illegal behaviour within the organisation, which affects the public or other people (making a disclosure in the public interest). Supported by this policy there have been 3 whistleblowing cases reported to the Monitoring Officer in 2016/17.
37. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### **B. Ensuring openness and comprehensive stakeholder engagement.**

38. Through its Corporate Values, the Council outlines a commitment to being "open and honest about the difficult choices we face, and allowing people to have their say on what's important to them and their communities." Consultation, engagement and joint working with citizens are central to delivering this value and are outlined as follows.
39. To support openness, the Council is focusing on publishing increasing amounts of data through the development of an Open Data Strategy as part of the Council's Publication Scheme. It has adopted the UK government's approach to publishing data to a minimum of 3 stars out of a 5 star scale. This means data should be easily accessible and available to re-use as required (subject to terms outlined in the Open Government Licence). In 2016/17 a project group has focussed on achieving this standard.
40. There is open debate and challenge on performance and risk management with quarterly reporting and review in Senior Management Team (SMT) and further challenge and oversight in Cabinet, Scrutiny and Audit Committee meetings. A Risk Management Steering Group is in place to develop and review risk management policy and accountability frameworks and to support SMT in identifying new and emerging corporate risks. A 'Star Chamber' is used by the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges.
41. Meetings of the Council, Cabinet and Committees are generally open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees. Throughout 2016/17 the Council has webcast Council and Planning Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website via 'Modern.gov.'
42. The public and other stakeholders are given the opportunity to tell the Council what they think about the services provided through the Council's Comments, Complaints and Compliments Policy. It reflects guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.
43. Citizens, communities and partners have been engaged in a three year conversation 'The Cardiff Debate' about the future of public services in Cardiff. Consultation on the 2016/17 budget involved

3,348 people completing a 'Changes for Cardiff' questionnaire and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The consultation ran for more than four weeks and included twenty community engagement events, a youth council event, an online questionnaire, a video, social media promotion and hard copy questionnaires distributed across the city.

44. Regular meetings are held with Institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Wales Audit Office). Efforts have also been made to foster open and effective relationships between the County Council and the six Community Councils in Cardiff through a Community Councils Charter ("the Charter"). It reflects the model Charter issued by the Welsh Government in the Local Government (Wales) Measure 2011 and is based on equality of partnership between the two tiers of local government.
45. The Council participates in a single integrated partnership strategy 'What Matters' 2010-2020' which was introduced to deliver a vision of 7 shared citizen outcomes, and bring together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment. A Public Service Board was in place throughout 2016/17 and replaced a former Local Service Board to deliver the 'What Matters' outcomes and also to meet the requirements of the Wellbeing of Future Generations Act 2015. Delivery against the What Matters outcomes is subject to an annual review.
46. The Wellbeing of Future Generations Act 2015 requires decision making to encompass 7 wellbeing goals and 5 ways of working to ensure improvements to the economic, social, environmental and cultural well-being of the Local Authority area. Statutory membership includes the Local Authority, Health Board, Fire and Rescue Service and Natural Resources Wales. To help embed the wellbeing goals in the decision making process a Liveable City Policy Forum helped to develop a Liveable City Integration Tool to be piloted in assessing the impact of draft policy decisions in the next financial year.
47. Neighbourhood Partnership teams made up of multi-agency staff, collaborate and work together to redefine conventional working and bring more decision-making and resources closer to communities. This approach has shaped the work of some delivery programmes such as Families First, Communities First, Flying Start and Youth Engagement Panels to target Council resources effectively, reduce duplication and identify gaps in services. Cardiff's Community Hubs offer locality based partnership working and Neighbourhood delivery has been a consideration in alternative delivery models (ADMs).
48. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This agreement, lays the groundwork to address the difficult challenges ahead around how, irrespective of any service delivery models agreed, the Council will jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction. A Joint Partnership Board supports the reform agenda.

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

49. The Cabinet has established a vision for Cardiff to be "Europe's most liveable capital city" through achieving seven outcomes, as jointly agreed by public service and third sector partners. A 'Liveable City Report' is published annually and captures performance against a range of indicators associated with each of the following outcomes.
  - People in Cardiff are safe & feel safe
  - Cardiff has a thriving & prosperous economy
  - People in Cardiff achieve their full potential
  - Cardiff is a great place to live, work & play
  - People in Cardiff have a clean, attractive & sustainable environment
  - People in Cardiff are healthy



- Cardiff is a fair, just & inclusive society
50. The Corporate Plan sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. It was approved by Council in February 2016 for the period 2016 – 2018, informed by the consultation on budget proposals for 2016/17. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities have been maintained from last year as below:
- Better education and skills for all;
  - Supporting vulnerable people;
  - Creating more jobs and better paid jobs;
  - Working together to transform services.
51. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:
- Performance Challenge sessions of the Council's Senior Management Team;
  - Joint Cabinet and Senior Management Team Performance Challenge meetings;
  - A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan
52. The Council has committed to the Sustainable Development Charter and making decisions that produce the best long term outcomes for Cardiff and the future of Wales. A Cardiff Capital Region (CCR) City Deal aims to enhance development, infrastructure, land use, economic development and employment. Its proposals are supported by a £1.2bn fund with a target of creating 25,000 jobs by 2036, leveraging £4bn of private sector investment and securing economic growth. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise. In January 2017, an independent report of how best to support the ambitions of the CCR from the CCR Growth and Competitiveness Commission was endorsed by the 10 Council Leaders. Work has begun to include the report's recommendations as areas of work within the CCR City Deal Implementation Plan.
53. In the context of increasing demand for Council Services and ongoing reductions in budgets, a rolling three year Organisational Development Programme has continued to:
- Review the shape and scope of the organisation and the way in which services are currently delivered to meet demand;
  - Enhance citizen engagement and widen opportunities for people and communities to shape services around their needs;
  - Identify delivery models that may be established to meet demand pressures and reflect budgetary realities;
  - Strengthen performance management, workforce development and staff engagement arrangements;
  - Identify opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery and better use of assets and infrastructures.
54. The Final Local Government Settlement for 2016/17 was received in February 2016 which was later than the usual date of December. Not having a firm figure of Aggregate External Finance (AEF) for the 2016/17 financial year caused some uncertainty, but was managed through regular consultation with the Welsh Government and prudence in the budget setting process. Cardiff experienced a 0.1% reduction in AEF which in cash terms equated to a £301,000 loss of general funding compared to 2015/16.
55. The Council's Budget for 2016/17 included a budget reduction requirement of £33 million for 2016/17, building on £113 million in the previous three years with a further £73 million requirement anticipated over the next three. A deliverable Budget Strategy has been a key document for meeting

the radical changes which must continue to be made to the shape of the organisation in order for it to remain operational and resilient.

56. Consultation on the Council's 2016/17 budget proposals "Changes for Cardiff" ran from 11 December 2015 – 12 January 2016. As outlined under principle *B. Ensuring openness and comprehensive engagement* of this AGS, a number of mechanisms were used to ensure the consultation was as accessible as possible.

### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

57. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.
58. The Well-being of Future Generations Act commenced from April 2016 to improve the economic, social and environmental well-being of Wales in accordance with the detailed sustainable development principles and well-being goals that are prescribed by the Act. The Council participated in an early adopter's process in 2015/16 to facilitate understanding and preparation for the requirement of the Act. A Liveable City Policy Forum and a Performance & Governance Programme have further developed processes and performance management arrangements throughout 2016/17 to enable delivery of the Act to embed in organisational processes and decision making.
59. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The Cardiff Debate and 'Changes for Cardiff' communications with citizens have been an important means of identifying and designing services to meet the needs and expectations of service users and citizens in Cardiff in the context of budgetary constraints.
60. To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars. A Council Ambassador Network has employees at all levels from across the Council helping to take forward the four corporate commitments from the Employee Survey namely: Health and Wellbeing; Performance Management; Learning and Development; and Employee Voice.
61. To ensure robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies. Additionally, to assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model (ADM) Evaluation Methodology was developed by the Commissioning and Procurement Service in 2015/16. It has been made available for use throughout the financial year 2016/17 and was used robustly on an Infrastructure Services ADM project.
62. The Council has a performance management framework to facilitate and measure the delivery of priorities at City, Council, Directorate and officer levels. The framework includes statutory National Strategic Indicators together with local indicators to support a wide understanding of performance. The annual performance against these indicators is submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.
63. The Budget Strategy report for 2016/17 acknowledged the requirement for an updated approach to identifying budget targets given the extent of the financial challenge in the medium term. The budget

strategy used a Reshaping the Base Budget approach to establish linkages between the Reshaping Service Programme and the Council's target operating model. It looked to initially identify the shape of services and then to understand the link to strategic priorities. Savings were then identified against the four drivers of:

- Policy led savings
  - Business Process efficiency led savings
  - Discrete Directorate led savings
  - Income/commercialisation savings
64. To provide greater confidence in the delivery of savings, once the 2016/17 directorate proposals were submitted, they were subject to progressive challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.
65. The Wales Audit Office (WAO) conducted a review into the financial resilience in Cardiff Council in March 2016, to assess whether the council effectively manages budget reductions in order to ensure ongoing financial resilience. The conclusion was that

*'The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals'.*

66. The Council's financial control and governance arrangements were assessed as low risk, and financial planning as medium risk. This was consistent with the findings of the WAO follow on report published on 26 February 2016 which recognised that the Council has improved its Medium Term Financial Plan / Programme (MTFP) arrangements and had raised the profile of financial resilience but through which four specific recommendations were made to further strengthen financial planning processes.
67. The Council's risk management guidance emphasises the requirement to incorporate risk management into all levels of business, including the management of shared risks through programme, project and partnership arrangements.

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

68. The Council has put in place a commitment to effective leadership, recognised in the WAO Corporate Assessment Follow On 2016, which concluded that:

*'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'.*

69. WAO recognised a more engaged culture, with good Member and officer commitment to attending and engaging in full Council meetings. They reported a need to improve more variable Member engagement observed in Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. The requirement to clarify some roles and responsibilities within the Council's decision making framework was also reported.
70. The Council has developed a Statement of Action to respond to the Follow On Corporate Assessment and a Performance and Governance Programme to further develop and embed performance management arrangements.
71. The Council's has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2015-16 as required by the Local Government (Wales) Measure 2009. In assessing progress against Improvement Objectives, a number of

sources of information were used including reviews of inspection reports, surveys, feedback, case studies and performance measures. A WAO Annual Improvement Report of May 2016 anticipated Council compliance with the requirements of the Local Government (Wales) Measure 2009 providing arrangements to support improved outcomes and embed the pace of improvement are maintained.

72. Strategic business change is delivered through the Organisational Development Programme (ODP) via two portfolios of work; i) Enabling and Commissioning Services (Led by the Corporate Director Resources) and ii) Reshaping Services (Led by the Director of Communities, Housing and Customer Services). The ODP utilises a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Oversight is achieved via portfolio Programme Boards, an Investment Review Board and the Senior Management Team (SMT).
73. Decision making responsibilities and authority are clearly set out in the Council's Constitution. It documents the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
74. The Chief Executive (Head of Paid Service) is the most senior member of the Council's staff and has responsibility for overall management supported by seven Directors (Tier 1) and a number of Assistant Director / Chief Officer (Tier 2) posts. The structure in place throughout 2016/17 was supported by HayGroup benchmarking analysis in 2015 which aligned the management structure of Cardiff Council to other Core City Councils and a selection of other Unitary/City Councils of a similar size.
75. The Cabinet is the part of the Council which is responsible for most major decisions. The Cabinet is made up of the Leader elected by the Council, and up to nine other councillors whom he/she nominates for approval by the Council. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
76. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained, competent people. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
77. A Member Development Strategy aims to provide Members with access to a range of development opportunities to assist them in delivering their roles as Community Leaders and Council representatives. A Member Development Programme is informed by the WLGA Continuing Professional Development for Councillors Competency Framework which sets out the range of skills and knowledge required by Members. The existing programme has been in a process of review by a Member Development Steering Group during 2016/17 as part of a Member Support and Induction Project.
78. Performance is primarily evaluated through the Council's Personal Performance and Development Review (PPDR) process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Development Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy supports the PPDR through the provision of a number of learning and development programmes and courses.
79. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme is well embedded, having trained more than 400 staff in key management and finance skills since it commenced in 2014. Approximately 220 managers have completed an ILM level 3 qualification following participating in the programme.

80. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council has signed the 'Time to Change Wales' Organisational Pledge and achieved the Corporate Health Standard – Bronze Award. An Employee Health and Wellbeing Strategy 2016-19 was approved by Cabinet in June 2016 and provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing. This strategy has commenced the delivery of planned wellbeing initiatives, employee support mechanisms and joint working with employees, Trade Unions and other groups and networks. A number of measures of success include staff turnover, sickness and resolution policy data, and employee survey feedback completed in quarter four 2016/17.

### **F. Managing risks and performance through robust internal control and strong public financial management.**

81. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, programme and project considerations. A Corporate Risk Register (CRR) is maintained and reviewed by SMT each quarter to ensure it includes key risks to the corporate vision, objectives and priorities. A Corporate Risk Map has also been used throughout 2016/17 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
82. The risk management process is led by the Information Governance and Risk Management Team, and supported by a nominated Member Risk Champion, Senior Officer Risk Champion and a network of Directorate Risk Champions. This process is designed to ensure clear ownership of risks which are identified, reviewed and escalated systematically each financial quarter.
83. The risk maturity of the Council has been self-assessed in 2016/17 and benchmarked through the CIPFA network. The reviews identified that the Council has a number of the characteristics of a 'risk-defined' risk maturity level. Work has now commenced to achieve those remaining characteristics in 2017/18.
84. Service delivery is monitored through risk registers and performance information and reports. The Cardiff's Statutory Improvement Report provides an annual summary of performance against Welsh Government indicators and corporate priorities and commitments. Projects and Programmes are monitored using PQA criteria, including use of milestones, risk and issue registers and lessons learned methodologies.
85. Decisions are made based on reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.
86. The Council's five standing Scrutiny Committees are designed to support the cabinet in providing accessible, efficient and effective services for citizens. They meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. The majority of recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. The Council also has collaborative scrutiny arrangements with its partners. Examples include the Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.
87. The Audit Committee provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements through a wide ranging programme of work. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Audit Manager reports functionally to the Audit Committee and the Council's Section 151 Officer is their principal advisor.
88. As part of its quality assurance and improvement programme the Internal Audit Section has to measure conformance with the Public Sector Internal Audit Standards (PSIAS) which came into

force in April 2013. The PSIAS is a central measure of the effectiveness of the internal audit function against the mandatory elements of the International Professional Practices Framework. An essential measure of conformance is a mandatory external assessment at least every five years. Following internal preparation, an external assessment will commence in quarter one 2017/18.

89. Members and senior managers are provided with quarterly performance information on a balanced scorecard basis, with performance measured against performance indicators which are aligned to corporate plan priorities. The standard corporate risk scoring approach is used to measure performance and enable consistency of understanding. The financial element of the balanced scorecard quantifies variances between the budget and actual position for each directorate in respect of the overall budget position, savings delivery and staff costs.
90. The Council has robust arrangements for internal control. The risk management policy, strategy and methodology enables consistency in risk assessments across the Council, supported by a portfolio of policies and procedures to ensure effective stewardship of public monies, address maladministration, corruption and fraud, as summarised under Principal B *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
91. Effective arrangements are in place to safeguard personal data. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by a dedicated team who manage the overall Council approach to information management. An Information Governance Strategy contains a suite of information governance policies, procedures and guidance information to support compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, Privacy and Electronic Communication Regulations and Protection of Freedoms Act.
92. An Information Governance Training Strategy sits alongside the Information Governance Strategy to enable clear understanding of corporate and individual responsibilities. A risk assessment determines the extent of staff training, information and support required to provide the Council and the Information Commissioner's Office with the required assurance. Members are registered with the Information Commissioner's Office as individual Data Controllers.
93. As outlined in the section on *Principle D. 'Determining the interventions necessary to optimise the achievement of the intended outcomes'* significant attention has been given to financial management to support both long term and operational performance, through medium term financial planning and robust financial resilience mechanisms. This is integrated into all levels of planning and control, and is tracked both through performance monitoring of outcomes and through the corporate risk management mechanisms.

### **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

94. The Council aims for all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. This is to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.
95. The Council also aims for information to be easy for the Council and the public to find and use. It has adopted the Information Commissioner's model publication scheme, which sets out the classes of information that should be routinely available.
96. The Council's Annual Statutory Improvement Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the What Matters, equality, sustainability and scrutiny measures.
97. The AGS is an assessment of the governance of the Council applied to the 'Delivering Good Governance in Local Government' CIPFA / SOLACE framework, as outlined in the *Assessment Process and Summary*.

98. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by each Director to self-assess performance against a set of governance, risks management and internal control statements. The overall position was reviewed and authorised by the Chief Executive in May 2017, at which point the overall Senior Management Statement included within section 4) *Assessment Process and Summary*, was approved by SMT. Collectively, SMT hold an Action Plan of significant governance issues, representing an open disclosure of the most prominent issues of governance which require attention following the SMAS review. The AGS Action Plan is included in the following section.
  99. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Information Governance and Risk Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
  100. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee. A number of Committees have been appointed by Council to discharge regulatory and scrutiny services and they deliver annual reports on their performance and findings.
  101. Prior to services being delivered through third parties or via joint working arrangements, the Legal Services Team assist directorates to ensure responsibilities and accountabilities for governance and risk management are adequately documented. The risk management policy strategy and methodology requires clear risk management arrangements in whichever model of service delivery is used.
  102. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. Where these indicators and measures are relevant to the progress made against the Council's Improvement Objectives and Outcome Agreement they are included in Council's Improvement Report. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.
  103. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, such as the development of a statement of action for the Corporate Assessment Follow-on published in February 2016, and targeted governance projects to deliver the required improvements. Opportunities to learn from wider studies from the WAO are taken through the use of a tracker system to identify and summarise a range of their publications for the information and consideration of the Audit Committee.
  104. The Council has an effective Internal Audit Service, as supported by performance information and reporting. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee. Governance assessments form an element of the majority of audit engagements and the overall review of governance, risk management and control has informed the annual assurance statement from the Audit Manager. An audit recommendation follow-up process is in place to provide assurance to Audit Committee that recommendations are acted upon.
  105. Peer challenges, reviews and inspections from regulatory bodies are welcomed by Cardiff Council as a means to provide assurance over service delivery or identify opportunities for improvement.
- iii) **AGS Action Plan – Significant Governance Issues**
106. An Action Plan of Significant Governance issues is owned by the Senior Management Team, and formally reviewed and updated on a bi-annual basis. At the 2016/17 year-end, each member of the Senior Management Team contributed to an updated position against four existing significant governance issues and put forward suggestions of new significant issues.
  107. Of the four significant governance issues carried forward from 2015/16:

- The Senior Management Team agreed in May 2017 that implementation of the actions from the 'WAO Corporate Assessment Follow On Report' are sufficiently underway to enable this matter to be removed as a significant governance issue.
  - One existing governance issue has been reframed and renamed 'relevance costs and decision making'. The issue formerly focused on the 'transparency of internal market prices', but now reflects a wider issue of cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.
  - The remaining two significant governance issues carried forward were approved to remain unchanged on the action plan at the 2016/17 year-end ('Capacity and Decision Making' and 'Commissioning Capability and Capacity').
108. Fourteen suggested new issues were also discussed at the Senior Management meeting on 30<sup>th</sup> May 2017. At this meeting, having considered each and the extent of 'mixed application' in the self-assessments, it was decided that two new issues would be added to the action plan of significant governance issues as follows:
- 'Partnership / Collaborative Governance' - based on fully determining and defining the level of governance, assurance and reporting required to ensure a consistent and proportionate approach is applied.
  - 'Robust and Sustainable Savings' - based on ensuring robust business cases consistently underpin achievable savings proposals to deliver sustainable services.
109. The majority of the other issues presented were considered to be either subsets of existing governance issues from the existing action plan, or having a link to a corporate risk, through which they already being managed and reported.
110. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2017/18. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in the table below.



## Annual Governance Statement

Significant Issue	Year End Position 2016/17	Responsible Officer(s)
<p><b>1. Capacity and Decision Making</b></p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice.</p>	<p>There is a continued need for horizon scanning so new pressures and different work demands are anticipated before they are required. This relies on good communication between customer service areas and central support functions. There is a responsibility of the corporate functions to ensure that the recommendations, policies and sanctions are proportionate in order to ensure that the integrity of the Council is not called into question. There needs to be clear communication as to why processes need to be followed and the risks in respect of processes not being followed. Where intense resources are required then Council needs assurance that these controls are set at an appropriate level.</p>	<p><b>Senior Management Team</b></p>
<p><b>2. Commissioning Capability and Capacity</b></p> <p>In the new Organisational Framework it is critical that we challenge current service provision and priorities. The success of a number of programmes depends on having this capability and capacity in place e.g. Health &amp; Social Care transformation.</p>	<p>Retaining and further developing the commissioning capability and capacity remains a priority in the context of significant spend on commissioned services. Supply risks require ongoing monitoring and management, such as the risk that the marketplace may not be able to meet the social care and support needs of the population. Work is ongoing to embed Strategic Commissioning across the Council to ensure that reducing resources are clearly targeted to deliver identified and prioritised outcomes.</p>	<p><b>Senior Management Team</b></p>
<p><b>3. Relevant Costs and Decision Making</b></p> <p>Internal function activities and performance needs to be accounted for more transparently within the corporate whole. This includes ensuring greater cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.</p>	<p>Work continues to be undertaken so that awareness of costs is raised across all areas of Council. Finance staff are connected to most projects and empowered to challenge whether or not all relevant costs are taken into account of a business decision.</p>	<p><b>Senior Management Team</b></p>

## Annual Governance Statement

<p><b>4. Partnership / Collaborative Governance</b></p> <p>The level of governance, assurance and reporting required for the Council's partnership and collaborative activities needs to be more fully determined and defined to ensure a consistent and proportionate approach is applied.</p>	<p><b>New Governance Issue</b> – added at year end.</p>	<p><b>Senior Management Team</b></p>
<p><b>5. Robust and Sustainable Savings</b></p> <p>There is a need to ensure robust business cases consistently underpin achievable savings proposals. In ensuring decisions encompass future generation needs there is also a need to ensure there is documented consideration of the sustainability of services and the mitigation of risks (e.g. assets, technology, HR and service delivery).</p>	<p><b>New Governance Issue</b> – added at year end.</p>	<p><b>Senior Management Team</b></p>
<p><i>Removed Significant Governance Issue in 2016/17</i></p>		
<p><b>WAO Corporate Assessment Follow On Report</b></p> <p>The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues.</p> <p><u>Action at year end position 2016/17</u></p> <p>Remove as Significant Governance Issue</p>	<p><b>Action at year end position 2016/17</b></p> <p>The Statement of Action in response to the WAO recommendations was agreed by Cabinet on 21 March 2016. During 2016/17, progress has been monitored and subject to periodical reviews from WAO. Those interim reviews have been positive and acknowledged progress in all areas reviewed.</p> <p><b>Issue moved to business as usual for 2017/18.</b></p>	<p><b>Senior Management Team</b></p>

### Significant Issues - The Cardiff and Vale of Glamorgan Pension Fund

111. During 2016/17, the Council established a Pensions Committee to give strategic oversight of the Pension Fund. Operational management of the Fund including administration and monitoring of investments remains the responsibility of the Corporate Director Resources under the Council's Scheme of Delegations.
112. The Council has also approved the establishment of a Joint Governance Committee (JGC) for the Wales Investment Pool. The JGC will be formally established in 2017/18 and will comprise one elected member from each of the eight LGPS administering authorities in Wales. The JGC will

## Annual Governance Statement

oversee the establishment and operation of the Pool and will be supported by an Officer Working Group.

113. It is considered the following may have potential implications on future financial periods and are worthy of note in this statement.

Significant Issue	Year End Position 2016/17	Responsible Officer(s)
<p><b>Welsh Local Government Pension Funds Working Together – Wales Investment Pool.</b></p> <p>The eight Welsh LGPS Funds submitted their detailed pooling proposals to the DCLG in July 2016 and approval was received from the minister in November. The DCLG requires pools to be operational by April 2018.</p> <p>The operator of the Pool's Collective Investment Vehicle will be appointed during 2017.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the establishment of the Wales Investment Pool through the Joint Governance Committee and the Officer Working Group.</p> <p>Developments are regularly reported to the Pensions Committee, the Investment Advisory Panel and the Local Pension Board.</p>	<p><b>Corporate Director Resources</b></p>

### Significant Issues - Cardiff Port Health Authority (CPHA)

114. Shared Regulatory Services acts as a Port Health Authority through a partnership between Cardiff Council, Bridgend Council and the Vale of Glamorgan Council. The partnership is governed by a Joint Committee, which is equally represented by Cabinet Members and Public Protection Committee Chairs from each Council. There were no significant governance issues reported in 2016/17.
115. Within Cardiff Council, governance issues are discussed and reported through an officer group to the Senior Management Team where required. There were no significant governance issues reported in 2016/17 through this mechanism.

### Certification by the Leader of the Council and the Chief Executive

116. I certify the Annual Governance Statement 2016/17.
117. Actions will be taken to address the significant governance issues and matters identified as part of the Senior Management Assurance Statement assessment process.

**Paul Orders, Chief Executive**  
**Date: 28 September 2017**

**Councillor Huw Thomas, Leader of the City of Cardiff Council**  
**Date: 28 September 2017**

## Glossary of Local Government Accountancy 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 pensions 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.

### **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 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.

### **Highways Network Asset**

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

### **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.

**ANNUAL RETURN**

**2016/17**

**of**

**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 (SSCEC/SSCC).

## ACCOUNTING POLICIES

### 1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014 (as amended).

### 2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

## Accounting statements for Cardiff Port Health Authority:

	Year Ending	
	31 March 2016 (£)	31 March 2017 (£)
<b>Statement of income and expenditure/receipts and payments</b>		
1. Balances brought forward	133,210	151,221
2. (+) Income from local taxation and/or levy	159,850	127,876
3. (+) Total other receipts	1,314	1,115
4. (-) Staff costs	125,428	129,337
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	17,725	14,396
7. (=) Balances carried forward	151,221	136,479
<b>Statement of Balances</b>		
8. (+) Debtors and stock balances	0	0
9. (+) Total cash and investments	154,637	139,810
10. (-) Creditors	3,416	3,331
11. (=) Balances carried forward	151,221	136,479
12. Total non-current assets and long-term assets	0	0
13. Total borrowing	0	0

## Annual Governance Statement (Part 1)

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 2017, that:

	Agreed?	
	Yes	No
<b>1. We have put in place arrangements:</b> <ul style="list-style-type: none"> <li>• Effective financial management during the year; and</li> <li>• For the preparation and approval of the accounting statements</li> </ul>	Yes	
<b>2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.</b>	Yes	
<b>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.</b>	Yes	
<b>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.</b>	Yes	
<b>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.</b>	Yes	
<b>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.</b>	Yes	
<b>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.</b>	Yes	
<b>8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.</b>	Yes	

## Annual Governance Statement (Part 2)

	Agreed?	
	Yes	No
<b>1. We have registered as an employer with HM Revenue and Customs and properly operate Pay As You Earn as part of our payroll arrangements;</b> <b>or</b> We do not need to register for PAYE because none of our employees are paid £112 or more a week, get expenses and benefits, have another job or get a pension.	Yes	
<b>2. We have maintained proper payroll records for each of our employees including deductions of tax and national insurance.</b>	Yes	
<b>3. We have adopted a Code of Conduct setting out proper standards of behaviour expected of councillors and individually, have agreed to abide by the Code</b>	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 which:

<b>Certification by the RFO</b> I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.	<b>Approval by the Body</b> I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
<b>RFO signature:</b>	<b>Chair signature:</b>
<b>Name: Christine Salter</b>	<b>Name: Councillor Bob Derbyshire, Lord Mayor</b>
<b>Date:</b>	<b>Date: 28 September 2017</b>

The external auditor 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.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2017 of:

<b>External auditor's name:</b>	
External auditor's signature	Date: 28 September 2017
For and on behalf of the Auditor General for Wales	

### **Electronic Publication of Financial Statements**

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

**STATEMENT OF ACCOUNTS**

**2016/17**

**OF**

**CARDIFF HARBOUR AUTHORITY**



## 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 on an IFRS basis, in line with 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. As a result, this foreword is in place of 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 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25 August 2006 and made between the National Assembly for Wales and the Council.
- Dated 27 March 2007 and made between the National Assembly for Wales and the Council.
- Dated 15 September 2009 and made between the Welsh Ministers and the Council.
- Dated 5 April 2011 and made between the Welsh Ministers and the Council.
- Dated 3 April 2014 and made between the Welsh Ministers and the Council.
- Dated 19 April 2016 and made between the Welsh Ministers and the Council.

### Review of the Financial Year

The existing three year budget, which was agreed with the Welsh Ministers, covers the period 2014/15 to 2016/17. The revised budget for 2016/17 was set at £5.891 million which represented a reduction of £0.362 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement.

The financial deficit for the year ended 31 March 2017 was £2.432 million (£2.852 million in 2015/16).

Total Capital Expenditure incurred and funded by the Harbour Grant during the year was £290,000. This forms part of a three year programme to 2016/17 for works at the harbour, barrage and surrounding environmental infrastructure. Works included in the programme were: catamaran survey vessel, twin skipper barge, public realm improvements and oil pollution collection equipment.

## Key Achievements

During 2016-17 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. The achievements against the Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Successful dredging campaigns carried out in July 2016 and January 2017.
- Regional Tourism Engagement Fund funding for the installation of the Enormous Crocodile on the Barrage as part of the Roald Dahl Anniversary.
- Inner harbour improvements saw new commercial operator huts installed.
- High level compliance in maintaining statutory water quality standards comprising over 400,000 readings with excellent monitoring regime and mitigation measures in place.
- Two hundred and ninety four tonnes of litter removed from the rivers and bay.
- Cardiff International White Water (CIWW) gained Duke of Edinburgh Accredited Centre license and hosted Duke of Edinburgh Royal Diamond Jubilee visit.
- Cardiff Bay Water Activity Centre (CBWAC) continued to increase income for the 5th year.
- Following the establishment of the Cardiff & Vale Rowing Academy, the club had its first two athletes represent Wales this year.
- Record entry for the Welsh Schools and Welsh Indoor Rowing Championships with over 1,200 competitors over two days.

## **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. For reference, the Annual Governance Statement can be found with the Statement of Accounts for 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 2016/17 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 the financial position of the Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

**Christine Salter**  
Corporate Director Resources

**Date: 28 September 2017**

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

I have audited the accounting statements and related notes of Cardiff Harbour Authority for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's accounting 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 adopted by the European Union.

### **Respective responsibilities of the responsible financial officer and the Auditor General for Wales**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 187, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of Cardiff Harbour Authority**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Opinion on other matters**

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

## Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

## Certificate of completion of audit

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

For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
[Date]

24 Cathedral Road  
Cardiff  
CF11 9LJ

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

## Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 simply 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 are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to expenditure.

#### **3. Grants - Revenue**

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

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

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants for which conditions have not 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 Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

#### **4. Grants and Contributions – Capital**

Grants and contributions that are applied in the year to fund capital schemes are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement.

#### **5. Inventories**

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

#### **6. 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.

#### **7. 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.

## 8. Property, Plant, Equipment, Community and Heritage Assets

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

### Recognition:

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

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. The Council does not capitalise borrowing costs.

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

- infrastructure assets, community assets and assets under construction are included at depreciated historical cost.
- 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.

### Revaluation:

Assets included in the Balance Sheet at fair value 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 used by the relevant service
- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The 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 reduced in value, either due to a reduction in service potential (impairment) or general market fluctuations (downward revaluation). Where either type of loss is identified, they are accounted for, 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)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is charged to expenditure in the Comprehensive Income and Expenditure Statement.



Where an impairment loss is reversed subsequently, the reversal is credited to 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).

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	5
Land	n/a
Buildings	17-65
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

## 9. Reserves

The Harbour Authority holds one usable reserve. It is used to hold accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. Certain 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.

## 10. 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, therefore, been prepared exclusive of this tax.

## Guide to the Financial Statements

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

This 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.

### **Balance Sheet**

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

### **Cashflow Statement**

A Cashflow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Information in relation to the cashflows of the Harbour Authority can be found within the Council's Statement of Accounts.

### **Notes to the Core Financial Statements**

These notes provide any further analysis required to explain those figures contained in the financial statements.

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16 £000		2016/17 £000
	<b>Income</b>	
(5,930)	Government Grants	(5,533)
(312)	Capital Grants Applied	(290)
(876)	Fees and Charges	(959)
<b>(7,118)</b>	<b>Total Income</b>	<b>(6,782)</b>
	<b>Expenditure</b>	
2,616	Employees	2,736
1,461	Premises	1,317
172	Transport	92
2,049	Supplies and Services	1,652
558	Support Services	475
3,114	Capital Charges	2,942
<b>9,970</b>	<b>Total Expenditure</b>	<b>9,214</b>
<b>2,852</b>	<b>Net Expenditure for the Year</b>	<b>2,432</b>

# Cardiff Harbour Authority

## Balance Sheet as at 31 March 2017

31 March 2016 £000		Note Ref	31 March 2017 £000
	<u>Property, Plant and Equipment</u>		
6,691	Land and Buildings	2	6,634
404	Vehicles, Plant, Furniture & Equipment	2	593
160,876	Infrastructure	2	158,439
1,103	Community Assets	2	1,103
358	Investment Assets	2	333
0	Assets under Construction (AUC)	2	176
<b>169,432</b>			<b>167,278</b>
56	Heritage Assets	2	56
64	Intangible Assets	2	0
<b>169,552</b>	<b>Long-term Assets</b>		<b>167,334</b>
382	Stocks and Work in Progress	3	343
589	Debtors	4	30
2,272	Cash		497
<b>3,243</b>	<b>Current Assets</b>		<b>870</b>
(2,558)	Creditors	5	(399)
<b>(2,558)</b>	<b>Current Liabilities</b>		<b>(399)</b>
<b>170,237</b>	<b>Net Assets</b>		<b>167,805</b>
	<b>Reserves:</b>		
165,649	General Reserve	1	163,217
4,588	Revaluation Reserve	1	4,588
<b>170,237</b>	<b>Total Reserves</b>		<b>167,805</b>

## Notes to the Core Financial Statements

### 1. Reserves

2016/17	General Reserve	Revaluation Reserve
	£000	£000
<b>Balance at 1 April 2016</b>	165,649	4,588
Movements in Reserves	(2,432)	0
<b>Closing Balance at 31 March 2017</b>	163,217	4,588

Comparative movements for 2015/16:

2015/16	General Reserve	Revaluation Reserve
	£000	£000
<b>Balance at 1 April 2015</b>	168,501	4,933
Movements in Reserves	(2,852)	(345)
<b>Closing Balance at 31 March 2016</b>	165,649	4,588

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £591,000 as at 31 March 2017 (£756,000 as at 31 March 2016).

## 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.

2016/17	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	PP&E under construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
<b>At 1 April 2016</b>	<b>6,749</b>	<b>665</b>	<b>218,658</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>227,533</b>	<b>56</b>	<b>319</b>
Additions	0	331	0	0	0	176	507	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	0	0	0	0
Impairment losses / reversals to CIES **	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
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	(25)	0	(25)	0	0
<b>At 31 March 2017</b>	<b>6,749</b>	<b>996</b>	<b>218,658</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>228,015</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
<b>At 1 April 2016</b>	<b>58</b>	<b>261</b>	<b>57,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,101</b>	<b>0</b>	<b>255</b>
Depreciation charge	57	142	2,437	0	0	0	2,636	0	64
Depreciation written out on impairment	0	0	0	0	0	0	0	0	0
Derecognition -disposals	0	0	0	0	0	0	0	0	0
Depreciation written out to CIES **	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Depreciation written out on revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>115</b>	<b>403</b>	<b>60,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,737</b>	<b>0</b>	<b>319</b>
<b>Net Book Value:</b>									
<b>At 31 March 2017</b>	<b>6,634</b>	<b>593</b>	<b>158,439</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>167,278</b>	<b>56</b>	<b>0</b>
<b>At 31 March 2016</b>	<b>6,691</b>	<b>404</b>	<b>160,876</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>169,432</b>	<b>56</b>	<b>64</b>

## Cardiff Harbour Authority

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

Comparative movements for 2015/16:

2015/16 Restated	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	PP&E under construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
<b>At 1 April 2015</b>	7,774	504	218,563	1,103	475	0	<b>228,419</b>	56	319
Additions	55	161	95	0	0	0	<b>311</b>	0	0
Impairment (losses)/reversals to RR*	(445)	0	0	0	0	0	<b>(445)</b>	0	0
Impairment (losses) / reversals to CIES **	(325)	0	0	0	0	0	<b>(325)</b>	0	0
Disposals	0	0	0	0	(117)	0	<b>(117)</b>	0	0
Revaluation increases /(decreases) to RR*	(142)	0	0	0	0	0	<b>(142)</b>	0	0
Revaluation increases /(decreases) to CIES**	(168)	0	0	0	0	0	<b>(168)</b>	0	0
<b>At 31 March 2016</b>	<b>6,749</b>	<b>665</b>	<b>218,658</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>227,533</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
<b>At 1 April 2015</b>	242	166	55,345	0	0	0	<b>55,753</b>	0	191
Depreciation charge	57	95	2,437	0	0	0	<b>2,589</b>	0	64
Depreciation written out on impairment	(20)	0	0	0	0	0	<b>(20)</b>	0	0
Disposals	0	0	0	0	0	0	<b>0</b>	0	0
Depreciation written out on revaluation	(221)	0	0	0	0	0	<b>(221)</b>	0	<b>0</b>
<b>At 31 March 2016</b>	<b>58</b>	<b>261</b>	<b>57,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,101</b>	<b>0</b>	<b>255</b>
<b>Net Book Value:</b>		0							
<b>At 31 March 2016</b>	<b>6,691</b>	<b>404</b>	<b>160,876</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>169,432</b>	<b>56</b>	<b>64</b>
<b>At 31 March 2015</b>	<b>7,532</b>	<b>338</b>	<b>163,218</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>172,666</b>	<b>56</b>	<b>128</b>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

## 3. Stock

Movements in stock during the financial year are as follows:

	2015/16 £000	2016/17 £000
At 1 April 2016	485	382
Stock written off to the CI&E	(103)	(39)
<b>Balance carried forward</b>	<b>382</b>	<b>343</b>

## 4. Debtors

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	513	30
Trade Receivables	76	0
<b>Total</b>	<b>589</b>	<b>30</b>

## 5. Creditors

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	(1,978)	(77)
Trade Payables	(580)	(322)
<b>Total</b>	<b>(2,558)</b>	<b>(399)</b>