

# Statement of Accounts 2017/18

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





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# Narrative Report by Council's Statutory Finance Officer

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## Introduction

This report presents the 2017/18 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The cumulative savings made by the Council over the past 10 years are approaching £250 million, and the financial outlook for future years remains even more challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be sustained in the medium-term. This is in the context of an uncertain economic environment in Wales, UK and internationally, and the need to maintain priority services that meet resident's expectations. There is a need to invest in the city's future, to prioritise and challenge the way we deliver services whilst ensuring we remain financially resilient, not only now, but for future generations.

Budget monitoring reports during the year identified risks to meeting the set budget. This was as a result of service demand pressures and difficulty in meeting savings targets the Council had set. Mitigating actions were taken to bring the budget back to balance and credit goes to Directors, Assistant Directors and all senior managers and employees for their work to achieve this position for the year.

## Our City

As the capital city of Wales, Cardiff is its commercial, cultural and retail centre. It is a diverse, talented and youthful city and home to world class sporting and cultural institutions. With a population of 367,000, its population grew by 11% between 2005 and 2015. This trend is set to continue with projected growth of 20% between 2017 and 2037. This is an additional 73,000 people making Cardiff one of the fastest growing UK core cities and exceeding the population growth estimate of every other local authority in Wales.

The city's economy is growing, jobs and businesses are being created and unemployment is at its lowest level this decade and visitor numbers are increasing every year. As well as those living in the city, more than 80,000 people, over one third of the city's workforce, commute into Cardiff every day from across the city/region. However, there are major challenges too. The gap between rich and poor has grown and some of Cardiff's communities are amongst the poorest in Wales. Tackling poverty and inequality is therefore at the heart of everything the Council does.





## Capital Ambition

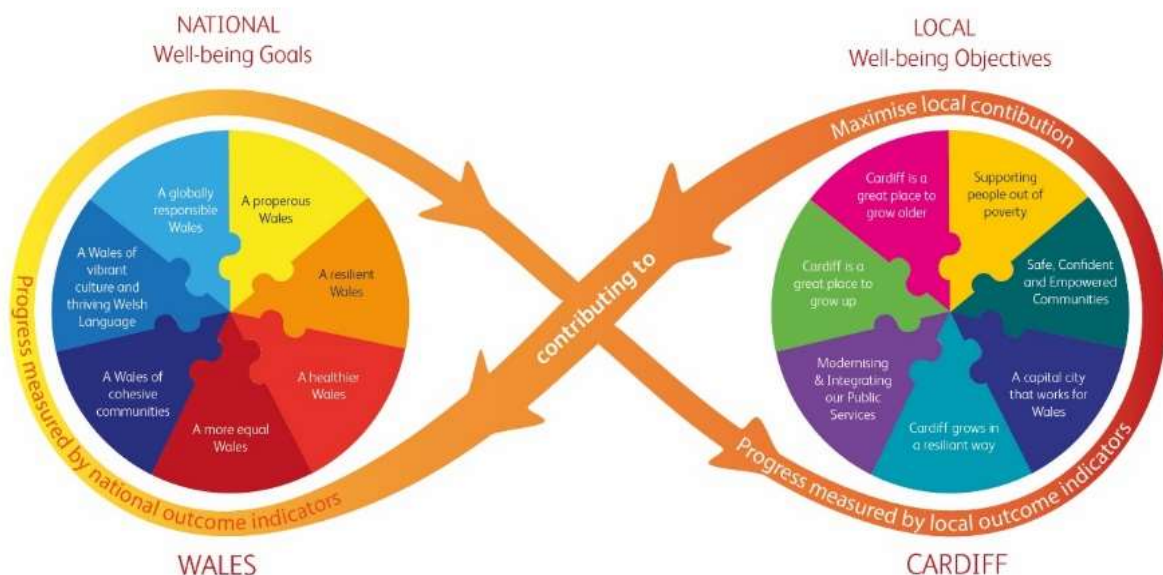
To meet these challenges, the Council has embarked on a programme of action, with commitments and targets to move forward in the face of severe budget challenges faced by all public services.

Capital Ambition identifies four priorities:



It sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens.

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

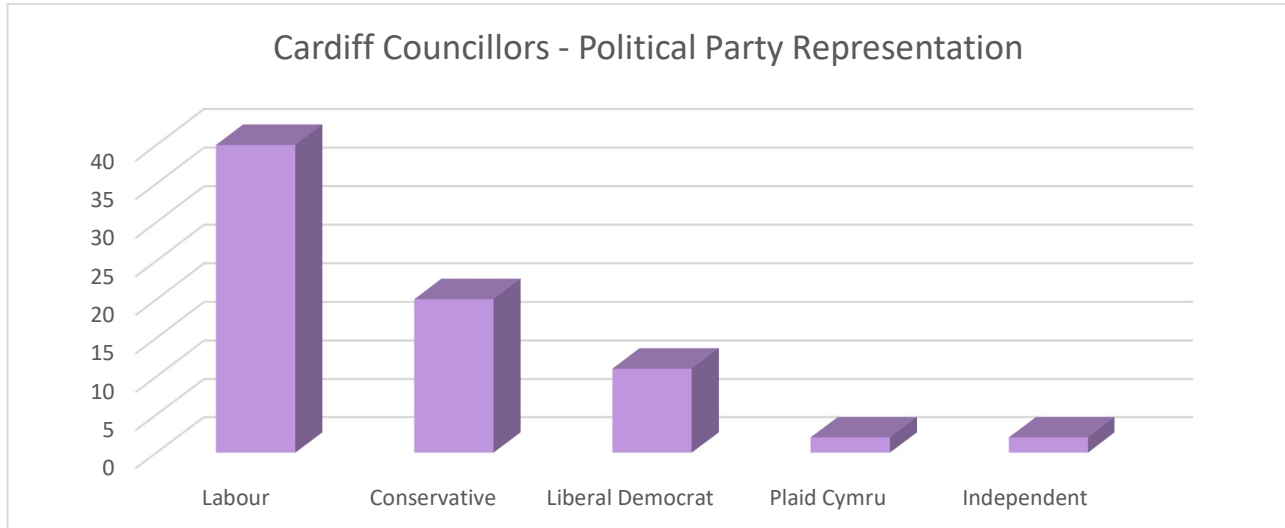


The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean,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

## The way we work

### *Our Leadership*

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



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

A Lord Mayor is appointed by the Council annually to perform a civic role and a leader of the Council is also appointed. Cabinet Members are appointed by the leader, each with responsibility for a portfolio of services.

The role of Cabinet is to:-

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

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

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

Regulatory and other governance committees support delivery of Council services including across local authority boundaries. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.

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

- providing impartial advice and implementing decisions of the Cabinet and Council and those delegated to them
- managing the day-to-day delivery of services and performance.



## Our Services

Everyone in Cardiff uses public services and it is sometimes easy to forget about all the important services provided - every day - to people across the city. Over 700 services, helping to support local communities and improve the lives of local people. Some of these are shown below.

City Operations	Resources
<ul style="list-style-type: none"> <li>· Bereavement and registration</li> <li>· Highways infrastructure and street cleansing</li> <li>· Transport and civil parking enforcement</li> <li>· Leisure, parks and sport</li> <li>· Schools transport</li> </ul>	<ul style="list-style-type: none"> <li>· Commissioning and procurement</li> <li>· Finance</li> <li>· Human resources</li> <li>· ICT and customer services</li> <li>· Performance and partnerships</li> </ul>
Communities, Housing and Customer Services	Economic Development
<ul style="list-style-type: none"> <li>· Libraries and citizen hubs</li> <li>· Customer facing services e.g preventative and into work services</li> <li>· Independent living and community alarm</li> <li>· Adult and community learning</li> <li>· Housing subsidy and systems</li> <li>· Housing Revenue Account – Council dwellings management</li> </ul>	<ul style="list-style-type: none"> <li>· Business and investment</li> <li>· Economic development and regeneration and major projects</li> <li>· Property management, design and development</li> <li>· Culture, venues, events, city centre management and tourism</li> <li>· Waste collection, recycling, treatment, disposal and education</li> <li>· Facilities management e.g security, cleaning, maintenance</li> </ul>
Education and Lifelong Learning	Social Services
<ul style="list-style-type: none"> <li>· Nursery, primary, secondary and special schools</li> <li>· Youth and community education and community learning</li> <li>· Inclusion and improvement</li> <li>· Schools catering</li> </ul>	<ul style="list-style-type: none"> <li>· Adult learning disabilities and mental health</li> <li>· Youth offending</li> <li>· Children's safeguarding, early help, fostering and residential services</li> <li>· Support for older people and those with physical disabilities e.g. day, residential and nursing care</li> </ul>
Governance and legal services	Corporate Management
<ul style="list-style-type: none"> <li>· Democratic, electoral, scrutiny, member and legal services</li> </ul>	<ul style="list-style-type: none"> <li>· Precepts, levies and contributions</li> <li>· Corporate initiatives</li> </ul>

Performance reports are considered by Cabinet each quarter.

In 2017-18 45.8% of people travelled to work by sustainable methods compared to 44.9% of people in 2016-17



In 2016-17 10% of people in Cardiff were using cycling as a mode of transport to travel to work, this has risen to 11.4% during 2017-18



During 2017-18 there were 2,714,916 visits to Cardiff's various sports and leisure sites across the City



Cardiff has given 42,371 people Into Work advice to help citizens to develop skills and find employment opportunities



6,551 people were helped to remain independent through alternative solutions provided by Independent Living



In 2017-18 3,344,686 citizens visited our libraries and hubs, that is approximately 100,000 more people using our library and hub services than in 2016-17



Increasing numbers of customers are choosing to access services digitally. 784,567 customers used digital channels to contact the council on areas such as Council Tax, housing, planning and waste collection



In 2017-18 Cardiff had an increase in the number of staying visitors - from 2,025,000 in 2016 to 2,062,000 in 2017. There was also an increase in total visitor numbers from 20,380,000 in 2016 to 21,980,000 in 2017



The Council has supported 4,904 new and safeguarded jobs across the city and 366,000 sq feet of Grade A office space to attract investment to the City



The council has invested £58 million on improving or building new schools



89.75% of primary school children secured their first choice schools whilst 76.21% of secondary school children secured their first choice schools



Of the primary and secondary schools in Cardiff 53.06% and 38.89% were categorised as green. This is an increase from 40% and 30% respectively from 2016-17



89.4% of pupils achieved core subjects at the end of KS2 and 58.5% of pupils achieved 5 GCSEs grades A\* to C at the end of KS4 compared to a Wales average of 89.5% and 54.6%



123 apprenticeships and traineeships were created by the Council in 2017-18



49% of care leavers in education, training or employment at 12 months after leaving care



51% of children with a care and support plan were supported to remain living with their family

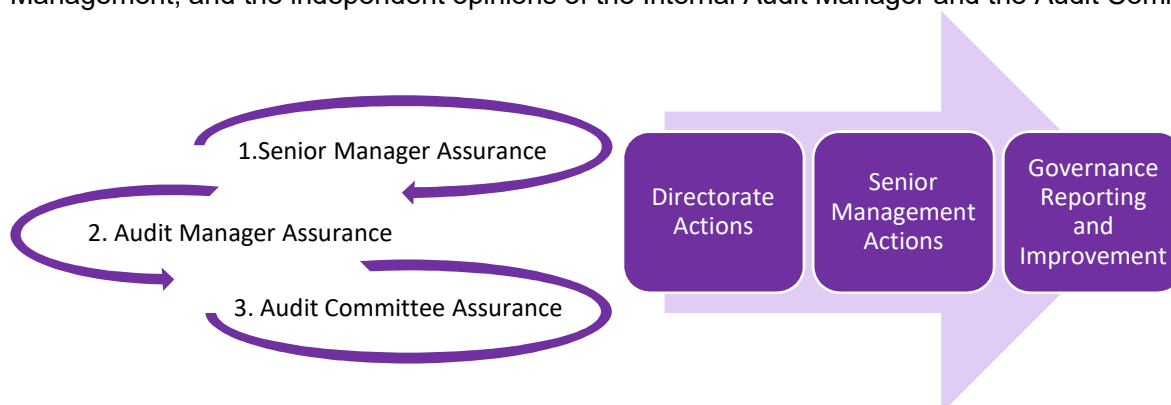


## Our Governance

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

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Documents/2017-18/Annual%20Governance%20Statement%202017-18.pdf>

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



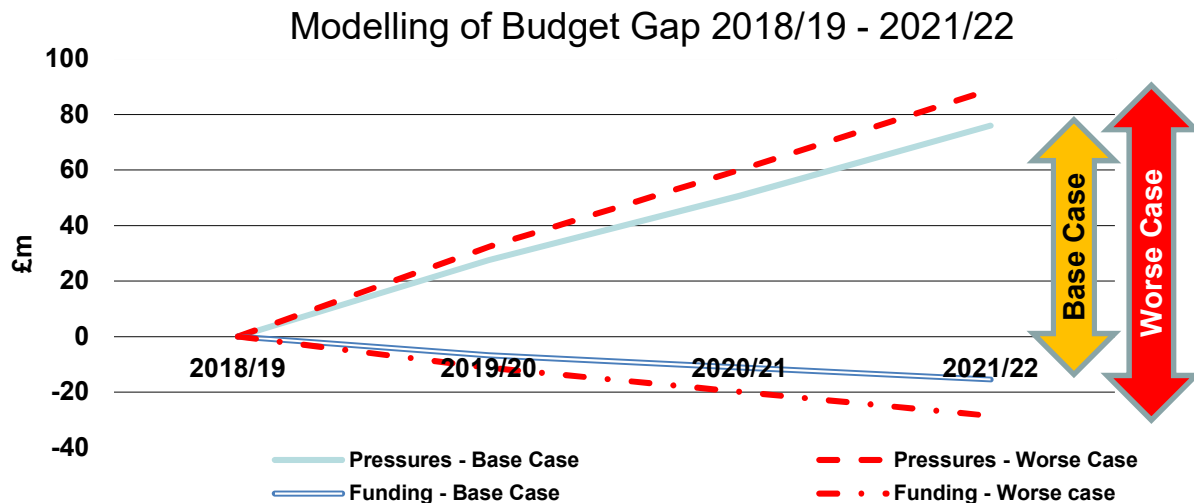
## Future Financial Outlook, Risks and Uncertainties

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

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2018, there are eight corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. These are shown below and are being actively managed.

Health and Safety	<ul style="list-style-type: none"> <li>• Risk of ineffective health and safety compliance through poor application and embedding of the framework for managing health and safety</li> </ul>
Statutory Maintenance (Building Equipment)	<ul style="list-style-type: none"> <li>• Risk of ineffective application of statutory equipment maintenance responsibilities for Council buildings</li> </ul>
City Security	<ul style="list-style-type: none"> <li>• Risk of major security-related incident in the city as a result of international or domestic terrorism</li> </ul>
Coastal Erosion	<ul style="list-style-type: none"> <li>• Breach of current defences resulting in widespread flooding</li> </ul>
Air Quality	<ul style="list-style-type: none"> <li>• Failure to address the impact of poor air quality on the health of our communities</li> </ul>
Budget Monitoring (Control)	<ul style="list-style-type: none"> <li>• Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves</li> </ul>
Welfare Reform	<ul style="list-style-type: none"> <li>• Failure to prevent increased rent arrears and homelessness in delivering the requirements of Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, housing cost entitlement changes for under 21s and changes to funding for supported housing</li> </ul>
Financial Resilience	<ul style="list-style-type: none"> <li>• Failure to deliver a balanced annual budget and a fully informed medium term financial plan would significantly weaken the financial resilience of the Council. The current outlook is that there is a budget gap of £91 million for the period 2019/20 to 2021/22</li> </ul>





As in previous years, the key reasons for the budget gap are that Welsh Government funding is anticipated to reduce over the medium term by 1% p.a, whilst costs are expected to rise significantly due to factors such as employee costs, price inflation, paying for capital projects, demographic pressures for adults and children as well as increased school pupil numbers and needs.

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

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

A range of options will be considered in order to address the gap including income generation, collaboration, review of business processes and digitalisation, review of expenditure, increases in council tax, prevention and early intervention to manage demand for services. Determining and meeting savings targets will be increasingly problematic with increased levels of risk to the delivery of those targets. This will need to be managed and performance monitored closely.

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

Further details of the Council's budget are included in the Budget Report 2018/19 which is available on the Council's website at the following address.

<http://cardiff.moderngov.co.uk/documents/s20270/Item%206%20-%20Budget%20Report%202018-19%20for%20Council%2022%20Feb%202018.pdf>

## Financial Performance 2017/18

Council approved the 2017/18 budget in February 2017, which addressed a budget shortfall of £21.527 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 3.7% Council Tax increase.

### Revenue Expenditure and Funding

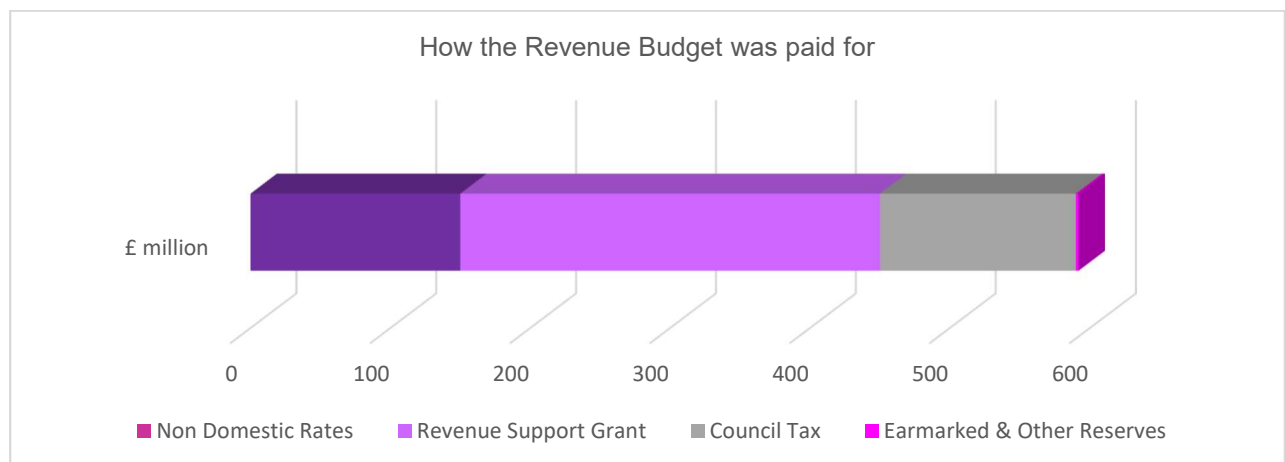
The final revenue outturn shows expenditure within the overall 2017/18 net revenue budget of £586.984 million. During the year contributions were also made to a number of strategic earmarked reserves that

will support financial resilience and benefit the Council in the medium term. Performance is shown below:-

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	34,800	34,790	(10)
Communities, Housing & Customer Services	43,390	43,009	(381)
Corporate Management	25,851	25,800	(51)
Economic Development	13,358	15,001	1,643
Education & Lifelong Learning	249,150	250,499	1,349
Governance & Legal Services	6,055	6,055	0
Resources	19,709	19,371	(338)
Social Services	153,549	156,319	2,770
<b>Directorate Outturn Subtotal</b>	<b>545,862</b>	<b>550,844</b>	<b>4,982</b>
Capital Financing	33,717	34,567	850
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc Council Tax collection and NDR refunds and Discretionary Rate Relief	4,405	1,573	(2,832)
<b>Total Council Outturn</b>	<b>586,984</b>	<b>586,984</b>	<b>0</b>

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services for adults and children, Economic Development 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 2017/18 budget.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £4.982 million and an £850,000 overspend on capital financing. A balanced position was achieved without having to make unplanned drawdowns of reserves and balances. Overspends were partially offset by a £3.000 million general contingency budget, held to reflect the quantum, risk and planning status of the proposed savings in 2017/18, as well as by savings in Council Tax collection, NDR refunds on Council properties and the Summary Revenue Account.



- Revenue Support Grant of £312.736 million was received from Welsh Government.
- Council Tax collected by the Council includes precepts for the police and community councils and where applicable was passed onto the relevant bodies. Council Tax income retained by the

Council of £155.429 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.7%.

- Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collected by Cardiff for 2017/18 totalled £184.953 million of which Cardiff received £115.480 million after redistribution by Welsh Government. The in-year collection rate was 97.4%.

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

The Housing Revenue Account is a ring fenced service shown within the Communities, Housing and Customer service directorate, with income from rents and expenditure on managing the housing stock and related services. Details of HRA performance are shown in the supplementary accounts on Page 94.

- The Council has 13,436 dwellings
- The average weekly net rent for 2017/18 was £95.27
- Income including rent and charges for services totalled £72.896 million
- Revenue expenditure included £20.697 million on repairs and maintenance, £22.078 million on supervision and management and £30.569 million on interest, provision for repayment of debt and to pay towards capital expenditure

### **Capital Expenditure and Funding**

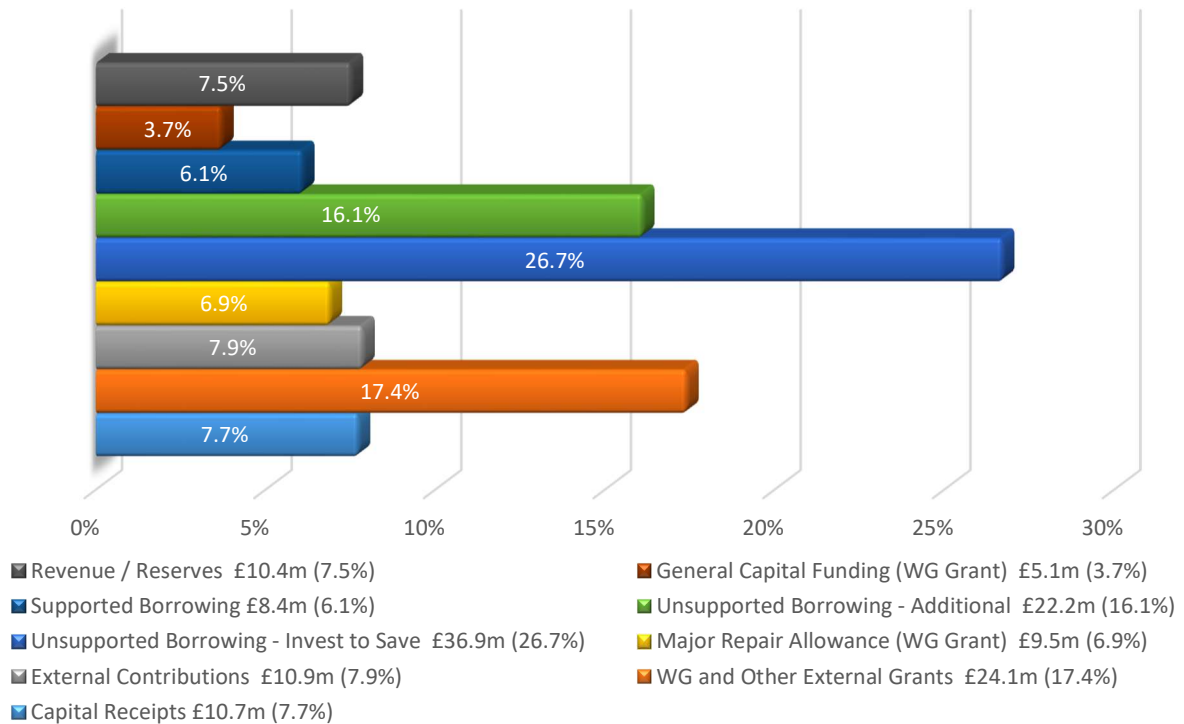
Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services or specified by legislation. Expenditure totalled £138.265 million, with the main schemes described below.

Schemes	Detail	£m
Housing, Neighbourhood Regeneration & Hubs	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements; a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn; opening of hubs in Llanishen, Llandaff North and Llanedeyrn.	10.9
Education & Lifelong Learning	Completion of the new Eastern Community Campus; start of construction of a new high school in the West, three new primary schools and extensions of facilities at a number of schools; investment in the condition of school buildings to address electrical and other safety compliance works.	57.9
Highways & Transportation	Road and footpath reconstruction and resurfacing; LED street lighting energy efficiency, Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and cycle new hire scheme; investment in safe routes in communities.	16.2
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by external partner; parks play equipment replacement and infrastructure improvements.	3.8
City Development & Major Projects	Public realm improvements at Central Square and pre development costs towards central square and new transport interchange; Alexandra head events area infrastructure.	11.5
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility. This is part of the Council commitment of £28.4 million towards the £120 million Investment Fund.	5.7
Other	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lamby Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.3
Public Housing	Investment and improvement of current housing stock and the creation of new housing through the delivery of the Cardiff Living Programme.	24.8

The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. Expenditure of £61.1 million during 2017/18 is to be paid for by borrowing.

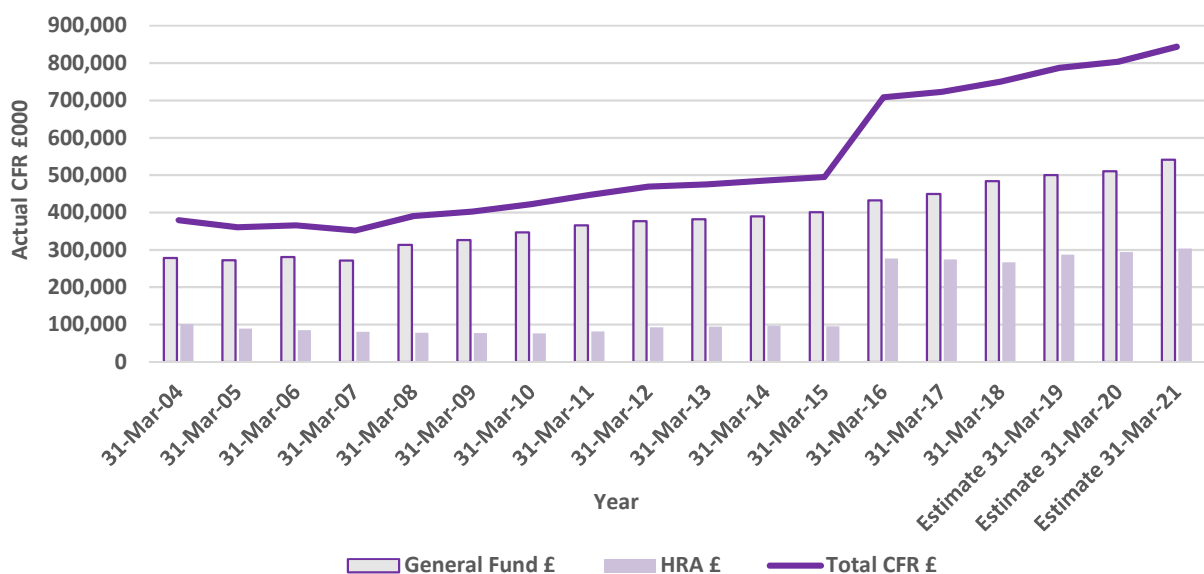


## Funding of Capital Expenditure



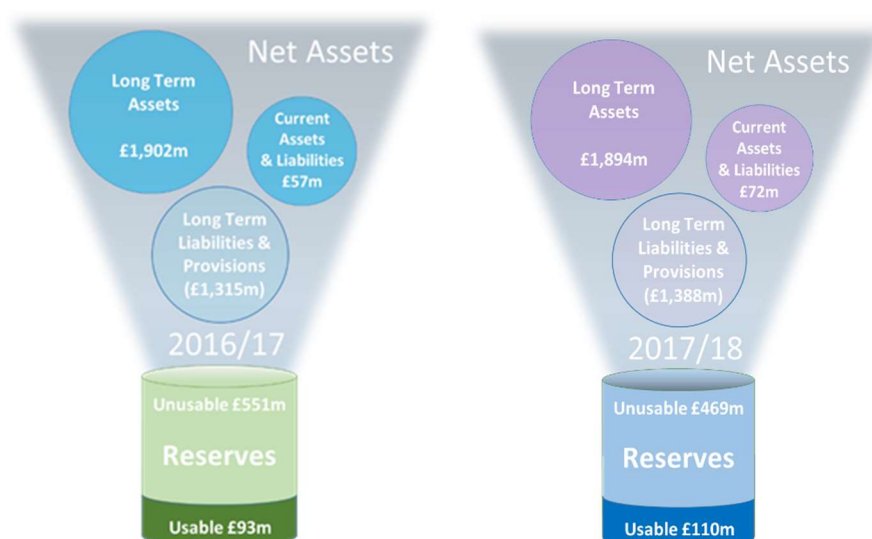
Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken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

## Capital Financing Requirement Trend



## Financial Position 2017/18

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



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

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

- Capital receipts from the disposal of property assets and similar income was £24.818 million including sale of investment property at Central Square, disposal of offices at Penhill Road in Llandaff and Council dwellings sold under right to buy regulations.
- Assets classified as surplus were re-valued as part of a rolling programme of revaluation.

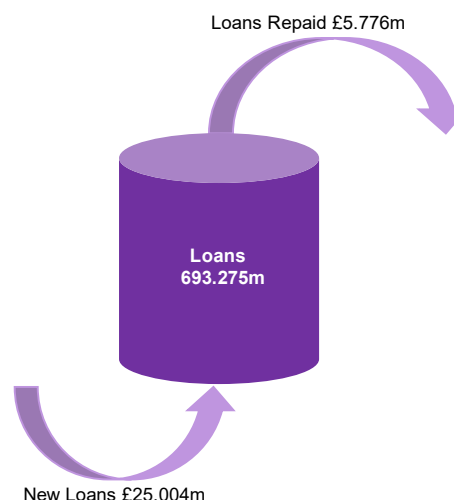
### Financial Assets and Liabilities

Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2017/18. Investments for treasury management purposes are £59.051 million at 31 March 2018 and are represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.44% compared to the recognised benchmark of 0.22% (7 day LIBID rate).

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

The average interest rate paid on the Council's borrowing reduced from 4.74% to 4.64% at 31 March 2018. Interest payable on borrowing was £31.781 million, of which £11.779 million was payable by the Housing Revenue Account.

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



### Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. This includes insurance claims received as well as for landfill aftercare. During 2017/18, total provisions decreased by £5.520 million to £29.417 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

### Pensions Liabilities

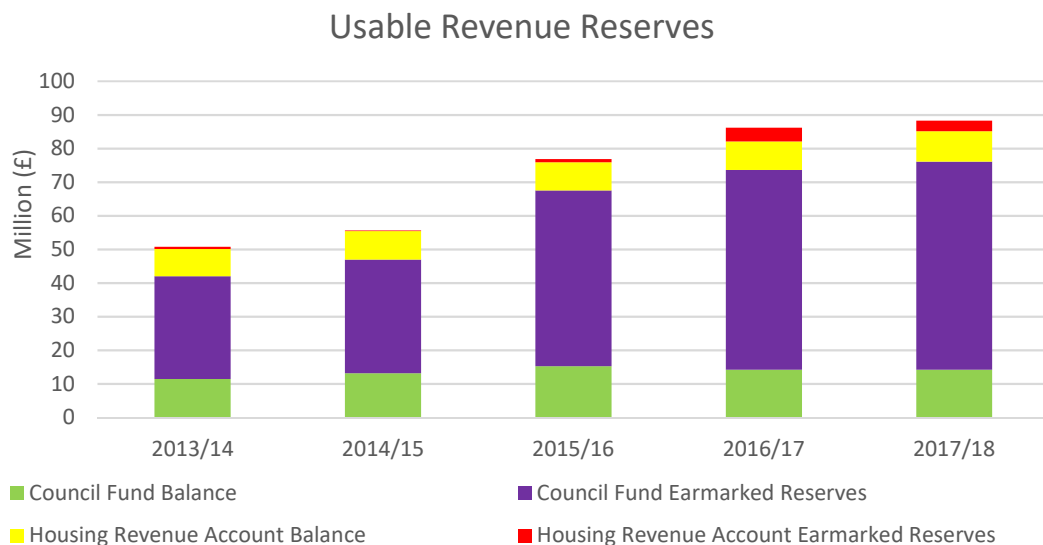
The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund.

- The cost to the Council during the year for pension liabilities is £44.030 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £643.282 million at 31 March 2018 based on the latest actuarial assumptions which can fluctuate between years. This has increased by £56.559 million from 2016/17.
- The fund is revalued every three years, with the fund's assets at 31 March 2016 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

Further details are given in note 17 of the accounts.

### Balances and Reserves

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



## The Financial Statements

The Council's Statement of Accounts is set out in the remainder of this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report. Accounting policies set out the rules followed in compiling its financial statements and these are largely specified by the Local Authority Code of Practice. Critical judgements show areas where judgements have been made about the application of accounting policies, to highlight areas where others may have made different judgements. In addition, the key areas where estimates are required to be made are also shown, for example in the valuation of assets.

The core statements are:-

Comprehensive Income and Expenditure 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

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

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

### Cash Flow Statement

Shows the reason for changes in the cash and cash equivalents of the Council during the reporting period.

The supplementary Financial statements are:-

### Housing Revenue Account (HRA)

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

### Group Accounts

The Council is required to produce Group Accounts in addition to the single entity accounts where it has material interests in subsidiaries, associated companies and joint ventures. Whilst the Council has involvement with a number of small companies, as highlighted in the accounts, due to materiality, the Council only consolidates the accounts of Cardiff City Transport Services Ltd (Cardiff Bus).

### Other statements required for regulatory purposes

These include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

## Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2017/18. Demand for all council services continues to increase and the continued negative future funding outlook for all local authorities remains a significant risk. The Council has set an ambitious agenda to invest and improve what we do for residents which will require difficult choices to be made and a focus on key priorities. Detailed financial planning assumptions will continue to be required to support a fully informed Medium Term Financial Plan that ensures financial resilience.

Once again, I am grateful for the work of my finance team in supporting directorates and in preparing these financial statements that facilitate transparency of our financial performance and position during 2017/18. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

The statements will be available to stakeholders and residents to review during the public inspection period as well as undergoing further review by Audit Committee and independent audit, before approval by Council in September.

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

# Statement of Responsibilities for the Financial Statements



# Statement of Responsibilities for the Financial Statements

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

### The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2017/18, 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 Dianne Rees**  
**Lord Mayor**

**Date:**

### 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 2017/18 (the Code).

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

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

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Council at 31 March 2018.

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

**Date:**

# Audit Report

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

### **Opinion**

I have audited the financial statements of:

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

for the year ended [insert date] under the Public Audit (Wales) Act 2004.

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

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

### **Basis for opinion**

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

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

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

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

### **Other information**

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



# Audit Report

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

## Report on other requirements

### Opinion on other matters

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

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

### Matters on which I report by exception

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

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

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

### Certificate of completion of audit

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

### Responsibilities

Responsibilities of the responsible financial officer for the financial statements

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

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

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

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

## Audit Report

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Accounting Policies, Critical Judgements and Assumptions



## Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2018 and its financial position at 31 March 2018. 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 2017/18 (the Code).

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

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

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

International Financial Reporting Standard 9 - Financial Instruments has been implemented in the 2018/19 Code. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The Authority currently owns 100% of shares in Cardiff City Transport Services Limited, a subsidiary company, which forms part of its business model. Under the IFRS 9 changes these shares will be elected to be categorised as Fair Value through Other Comprehensive Income which, subject to any impairment, will be held at Fair Value, with details of the company shown in the Group Accounts.

The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal as the Authority adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice.

In addition, International Reporting Standard 15 – Revenues from Contracts with customers will be introduced.

Overall, the impact of both these changes on the Authority's financial position is likely to be immaterial.

### 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



## Accounting Policies, Critical Judgements and Assumptions

- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

### 3. 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 twenty four 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 note 31 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 expenditure takes place.

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

### 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 twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave, bonuses and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake service for 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 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 creditor. Pension strain is payable to the Pension Fund over five 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 Council are members of two separate pension schemes:

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

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). This requires recognition of the fact that although retirement benefits are not actually payable until an employee retires, the Council's commitment to make those payments arises at the time that employees earn their future entitlements. 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 Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme and the liabilities for the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections earnings for current employees.

Liabilities are discounted to their value at current prices, using data from a basket of high quality corporate bonds and government gilts.

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

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

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.

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

- the current service cost (the increase in the liability as a result of pension earned by employees in the year rather than the cost of contributions paid into the fund) is charged to the net cost of services
- past service costs (the increase in the liability arising from current year decisions whose effect relate to pension earned by employees in earlier years) cover items such as the provision of enhanced or discretionary benefits on retirement and are charged to Corporate Management
- gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits) are also charged to Corporate Management
- the net interest on the net defined benefit liability is the net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Re-measurements 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 and losses as a result of updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

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 material, 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 of income or expenditure are not expected to recur frequently or regularly, but when they occur and when they are material in terms of understanding financial performance. They are included in the Comprehensive Income and Expenditure Statement as a separate line.

### **10. Financial Assets**

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They 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.

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

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

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

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

Where restructuring of the loan portfolio involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and amortised to the Movement in Reserves Statement in accordance with statutory regulation.



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

### 12. Grants and Contributions

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

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

#### Revenue

Grants, for which conditions have not yet been satisfied, are carried in the Balance Sheet as Revenue Grants Receipts in Advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

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

#### Capital

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

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition and is shown as a creditor, as the unused element could be returned to the funder. Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

Capital grants and contributions are identified separately on the Balance Sheet. 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 and Capital Expenditure and Other Contributions Receipts in Advance.

### 13. Heritage Assets

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

Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs. The valuations are undertaken by A. N. Schoon, Antiques and Fine Art Valuer.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Accordingly, only paintings, artefacts and civic regalia are shown at fair value in the Balance Sheet and revalued externally at least

## Accounting Policies, Critical Judgements and Assumptions

every three years, based on an insurance valuation. The last valuation took place in 2016/17 and the next is due to take place in 2019/20

No depreciation charge is made on heritage assets.

### **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 initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

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

### **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 held solely to earn rentals and/or for capital appreciation. Following a review, these are deemed to include:

- ground leases
- land held for future development as strategic sites
- all other land and buildings that meet investment property criteria, mainly shop premises.

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 are Chartered Surveyors registered in accordance with the Royal Institution of Chartered Surveyors. Full valuations are undertaken every other year, with a desktop review undertaken annually. The last valuation was in 2016/17 and the next will be due in 2018/19.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best and market conditions at the balance sheet date. Local comparable rental evidence and market yields have been utilised for comparison purposes.

Investment properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

### **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:

- 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 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 if it meets the following criteria:

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. 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.



## Accounting Policies, Critical Judgements and Assumptions

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.

The figures disclosed for 2016/17 in relation to Cardiff Bus have been amended to be consistent with the final accounts received for the company during 2017/18.

### **23. Property, Plant, Equipment**

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

#### **Recognition:**

Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. 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 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.

#### **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:

- 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% in the current valuation to adjust beacon values to existing use value.
- Other Land and Buildings - 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.
- Vehicles, Plant, Furniture and Equipment, Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- Surplus Assets are valued at Fair Value, based on highest and best use.

#### **Revaluation:**

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

## Accounting Policies, Critical Judgements and Assumptions

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:

- undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- using the experience and local knowledge of the in-house valuation team to provide or source any external valuation services. This ensures finance are made aware of all property issues affecting the Council
- having an agreed rolling 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 minimum 3 yearly rolling programme basis, or where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision is made to the useful life. The planned valuation timetable is shown below:

Asset	2017/18	2018/19	2019/20
Council Dwellings		X	
Other Land & Buildings - Schools			X
Other Land & Buildings – Other		X	
Surplus Assets	X	X	X

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.

### 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 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 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 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

## Accounting Policies, Critical Judgements and Assumptions

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	Range of remaining useful life in years
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets and Surplus Assets	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 £1.500 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc.), or items of fixed equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

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

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 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 Movement in Reserves Statement so that there is no net charge against Council Tax or rent for the expenditure. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These 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.

## Accounting Policies, 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.

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

The Statement of Accounts contains figures that are based on assumptions or estimates about the future or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different. The main items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in future financial years are:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation, where required of Property, Plant and Equipment assets, Heritage assets and Investment properties	Valuation of property interests involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factors for social housing etc. Valuations are undertaken on a more frequent basis than the minimum 5 year period to ensure valuations and impact of assumptions are regularly reviewed. Indications of any significant impairment are considered annually. Valuations are undertaken by qualified Chartered Surveyors, or experts in the relevant field in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance or experience.	Any changes to valuations and any associated depreciation charges to services for non-current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.
Financial Instrument assets	These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability. For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations where required e.g. valuations of the	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 this has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve.



## Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	Council's shareholding in Cardiff City Transport Services Ltd, an estimate using multipliers of Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) are used.	
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims such as those for insurance. Provisions relating to landfill sites subject to a high level of estimation primarily given the length of period over which they are to be considered. Professional internal and external advice is used to determine the need and value of provisions.	The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify
Arrears	At 31 March 2018, the Authority was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment or provision for doubtful debts is assumed which may, or may not be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay this will require increases in the level of provisions currently set aside.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

# Core Financial Statements and Notes to the Financial Statements



## Comprehensive Income and Expenditure

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

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
108,517	(52,402)	56,115	City Operations		99,912	(45,371)	54,541
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,033	(48,519)	36,514
348,120	(100,654)	247,466	Education & Lifelong Learning		385,757	(100,473)	285,284
6,912	(2,556)	4,356	Governance & Legal Services		8,911	(1,896)	7,015
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,319	(26,432)	153,887	Social Services		189,194	(31,610)	157,584
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
1,043,843	(507,186)	536,657	Net Cost of Services	4	1,117,265	(515,908)	601,357
29,367	0	29,367	Police and Crime Commissioner for South Wales	5	31,216	0	31,216
296	0	296	Community Council Precepts	5	310	0	310
17,034	0	17,034	Levies & Contributions	5	17,115	0	17,115
32,221	(9,009)	23,212	(Gain)/loss on sale of non-current assets		29,135	(27,146)	1,989
78,918	(9,009)	69,909	Other Operating Expenditure		77,776	(27,146)	50,630
32,250	0	32,250	Interest Payable on debt	19	31,781	0	31,781
18,035	0	18,035	Interest on net defined benefit liability/(asset)*	17	14,690	0	14,690
0	(979)	(979)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		2,502	(38)	2,464
59,390	(19,784)	39,606	Financing and Investment Income & Expenditure		48,973	(738)	48,235
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
0	(320,309)	(320,309)	Revenue Support Grant	30	0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates	8	0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income	7	2,070	(191,095)	(189,025)

## Comprehensive Income and Expenditure

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income		2,070	(670,045)	(667,975)
		(1,761)	(Surplus)/Deficit on Provision of Services				32,247
	(26,098)		Revaluation Gains	29			(2,262)
	10,169		Revaluation Losses	29			2,128
	784		Impairment losses on non-current assets charged to the Revaluation Reserve				361
	3,576		(Surplus)/Deficit on revaluation of available for sale financial assets	29			(305)
	16,049		Actuarial (gains)/losses on pension assets/liabilities*	17			33,581
	4,480		Other Comprehensive Income & Expenditure				33,503
	2,719		Total Comprehensive Income & Expenditure				65,750

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

## Movement in Reserves

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

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<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><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	1,761
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(4,480)	(4,480)
<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>
Adjustments between accounting basis & funding basis under regulations (note 1)	23,433	0	(15,897)	0	1,782	9,318	(9,318)	0
<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	(7,165)	7,165	(3,132)	3,132	0	0	0	0
<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>
<b><u>Movement in Reserves during 2017/18</u></b>								
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(32,247)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,503)	(33,503)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,503)</b>	<b>(65,750)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(2,452)	2,452	863	(863)	0	0	0	0
<b>Increase/(Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>468,663</b>	<b>578,287</b>



## Balance Sheet

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

31 March 2017 £000		Note	31 March 2018 £000
1,693,015	Property, Plant & Equipment	18	1,711,579
53,846	Heritage Assets	18	54,099
132,241	Investment Properties	18	103,820
3,315	Intangible assets including AUC	18	2,701
13,691	Long-term Investments	19	13,996
5,616	Long-term Debtors		8,087
<b>1,901,724</b>	<b>Total Long-Term Assets</b>		<b>1,894,282</b>
66,124	Short-term Investments	19	34,033
80	Held for Sale assets	20	6,375
2,175	Inventories		2,129
83,754	Short-term Debtors	21	86,927
18,776	Cash and Cash Equivalents	22	54,057
<b>170,909</b>	<b>Total Current Assets</b>		<b>183,521</b>
(14,972)	Short-term Borrowing	19	(13,440)
(87,603)	Short-term Creditors	23	(87,928)
(1,414)	Pension Strain	26	(1,884)
(7,116)	Provisions	25	(5,005)
(2,846)	Deferred Liabilities	27	(3,195)
<b>(113,951)</b>	<b>Total Current Liabilities</b>		<b>(111,452)</b>
(668,028)	Long-term Borrowing	19	(688,713)
(27,821)	Provisions	25	(24,412)
(14,021)	Deferred Liabilities	27	(12,006)
(11,843)	Capital Contributions Receipts in Advance	30	(9,961)
(2,016)	Revenue Grants Receipts in Advance	30	(6,484)
(974)	Capital Grants Receipts in Advance	30	(412)
(3,219)	Pensions Strain	26	(2,794)
(586,723)	Net Pensions Liability*	17	(643,282)
<b>(1,314,645)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,388,064)</b>
<b>644,037</b>	<b>NET ASSETS</b>		<b>578,287</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves	2	61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves	2	3,223
7,205	Capital Receipts Reserve	28	21,320
<b>93,375</b>	<b>Usable Reserves</b>		<b>109,624</b>
258,922	Revaluation Reserve		255,582
876,075	Capital Adjustment Account		852,323
2,038	Deferred Capital Receipts		4,511
13,235	Available for Sale Financial Instruments Reserve		13,540
(591,356)	Pensions Reserve		(647,960)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
<b>550,662</b>	<b>Unusable Reserves</b>	29	<b>468,663</b>
<b>644,037</b>	<b>TOTAL RESERVES</b>		<b>578,287</b>

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

## Cash Flow

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

2016/17 £000		Note	2017/18 £000
(1,761)	Net (surplus) /deficit on the provision of services		32,247
(97,213)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(150,438)
48,392	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	45,934
<b>(50,582)</b>	<b>Net cash flows from operating activities</b>		<b>(72,257)</b>
99,661	Purchase of property, plant and equipment, investment property and intangible assets		126,518
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,009)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,818)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
<b>62,792</b>	<b>Net cash flows from investing activities</b>		<b>57,015</b>
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(6,220)	Other receipts from financing activities		(2,826)
7,231	Repayments of short-term and long-term borrowing		7,791
<b>(13,634)</b>	<b>Net cash flows from financing activities</b>		<b>(20,039)</b>
<b>(1,424)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(35,281)</b>
17,352	Cash and cash equivalents at the beginning of the reporting period		18,776
<b>18,776</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22</b>	<b>54,057</b>

# Notes to the Financial Statements

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

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

2017/18	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
<b>Adjustments primarily involving the capital adjustment account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of non-current assets	51,244	9,699	0	(60,943)
Revaluation losses of non-current assets	41,333	268	0	(41,601)
Reverse previous impairment on revaluation	(6,864)	(12)	0	6,876
Amortisation of Intangible Assets	741	208	0	(949)
Movements in the market value of investment properties	2,464	0	0	(2,464)
Movement in the value of held for sale assets	0	0	0	0
Capital grants and contributions applied	(38,879)	(11,855)	0	50,734
Revenue expenditure funded from capital under statute	5,737	55	0	(5,792)
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	26,854	1,526	0	(28,380)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Provision for the financing of capital investment	(24,253)	(11,112)	0	35,365
Capital expenditure charged against the Council Fund and HRA balances	(2,774)	(7,633)	0	10,407
Use of the capital receipts reserves to finance new capital expenditure	0	0	(10,682)	10,682
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	51	(51)	0
Capital receipts set aside for the repayment of debt	45	0	0	(45)
<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	(20,079)	(4,010)	24,845	(756)
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	62,972	4,038	0	(67,010)
Employer's contributions to the pension scheme	(40,759)	(3,273)	0	44,032
Pension strain future years	(75)	119	0	(44)
<b>Adjustments involving the Accumulated 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	1,090	(9)	0	(1,081)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the deferred capital receipts reserve in relation to gain/loss on disposal	(4,500)	0	0	4,500
Transfers to the capital receipts reserve upon receipt of cash	2,024	0	3	(2,027)
<b>Total Adjustments</b>	<b>56,321</b>	<b>(21,940)</b>	<b>14,115</b>	<b>(48,496)</b>

## Notes to the Financial Statements

Comparative Movements in 2016/17.

2016/17	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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
Pension Strain Future Years	(2,665)	53	0	2,612
<b>Adjustments involving the Accumulated 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>

## Notes to the Financial Statements

### 2. Earmarked Reserves

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

	Balance	Contributions		Balance
	31 March 2017 £000	From Revenue £000	To Revenue £000	31 March 2018 £000
SCHOOLS BALANCES				
Schools Reserves	4,242	4,698	(2,918)	6,022
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	210	277	(124)	363
	4,455	4,975	(3,042)	6,388
SCHOOLS RESERVES				
Out of School Childcare	98	22	(51)	69
Schools Catering	462	0	(143)	319
Schools Formula Funding	1,571	626	(761)	1,436
Schools Organisational Plan	6,414	6,660	(9,626)	3,448
	8,545	7,308	(10,581)	5,272
OTHER COUNCIL RESERVES				
Apprenticeships and Trainees	1,073	316	(138)	1,251
Bereavement Services	162	266	(228)	200
Building Control Fee Earning	601	12	(111)	502
Bute Park Match Funding	170	0	(39)	131
Capital Ambition Delivery	1,042	604	(482)	1,164
Cardiff Academy Training	97	32	0	129
Cardiff Capital Region City Deal	157	201	(33)	325
Cardiff Dogs Home Legacy	108	16	0	124
Cardiff Enterprise Zone	4,608	3	(368)	4,243
Central Market Works	43	298	0	341
Central Transport Service	366	50	(115)	301
City Wide Management and Initiatives	450	495	(228)	717
Community Based Services Transition	348	0	(61)	287
Community Initiatives	30	212	0	242
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	649	239	(296)	592
Corporate Landlord Function	975	75	(609)	441
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	105	53	0	158
Employee Changes	5,555	2,268	(168)	7,655
Energy Conservation	234	0	0	234
Energy Market Volatility	450	237	(100)	587
Equal Pay	282	0	(282)	0
Fraud Detection	140	0	0	140
Governance and Legal Services	607	51	(304)	354
Harbour Authority Project and Contingency Fund	479	3	(100)	382
Highways Section 278	0	566	0	566
Homelessness	1,533	85	(24)	1,594
House Mortgage	29	0	(29)	0
Houses in Multiple Occupation Licensing	38	0	(13)	25



## Notes to the Financial Statements

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
Housing Options Centre	923	0	(121)	802
Housing Support	1,305	0	(195)	1,110
ICT Holding Account	862	0	0	862
Inspectorate Support	295	0	(13)	282
Insurance	6,344	1,180	(1,015)	6,509
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	195	67	0	262
Libraries Book Fund	19	0	0	19
Local Lend a Hand Mortgage Scheme	222	0	0	222
Local Plan	99	0	0	99
Major Projects	1,351	155	(570)	936
Members Development	112	0	(51)	61
Municipal Election	694	187	(544)	337
Municipal Mutual Insurance	1,167	191	0	1,358
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	350	6,054	(5,704)	700
Projects, Design and Development	137	0	0	137
Property Asset Management	156	312	(104)	364
Public Service Board Initiative	23	0	0	23
Registration Service Improvement	46	0	(27)	19
Rentsmart	0	675	0	675
Resources	1,867	189	(269)	1,787
Schools Catering and Kitchen Improvements	332	0	0	332
Scrutiny Development & Training	82	42	0	124
South East Wales Construction Framework	0	318	0	318
Shared Regulatory Service	115	0	(17)	98
Social Care Technology	709	0	0	709
Strategic Budget	2,532	1,500	0	4,032
Waste Management	1,825	286	(1,233)	878
Welfare Reform	2,794	562	(665)	2,691
Wales Interpretation and Translation Service	0	135	0	135
Workshops Asset Maintenance	139	0	0	139
Youth and Community Education	364	0	(83)	281
	45,941	17,935	(14,339)	49,537
<b>SHARE OF JOINT COMMITTEE RESERVES</b>				
Cardiff Capital Region City Deal (CCRCD)*	54	0	(152)	(98)
Central South Consortium	154	85	0	239
Glamorgan Archives	84	0	(9)	75
Prosiect Gwyrdd	66	3	0	69
Regional Adoption Service	28	0	(28)	0
Shared Regulatory Service	64	297	0	361
	450	385	(189)	646
<b>Total Council Fund Reserves</b>	<b>59,391</b>	<b>30,603</b>	<b>(28,151)</b>	<b>61,843</b>
<b>HRA RESERVES</b>				
Housing Development and Acquisition	2,582	0	(863)	1,719

## Notes to the Financial Statements

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
Housing Repairs and Building Maintenance	1,016	0	0	1,016
Modernising ICT	238	0	0	238
Tackling Overcrowding	200	0	(200)	0
Welfare Reform	50	200	0	250
<b>Total HRA Reserves</b>	<b>4,086</b>	<b>200</b>	<b>(1,063)</b>	<b>3,223</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>63,477</b>	<b>30,803</b>	<b>(29,214)</b>	<b>65,066</b>

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

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 2018 on the Council's Schools Budget Forum website. However, a deficit balance of £1.296 million has been set up and offset against overall school balances. This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount will be repaid via the school budget over forthcoming years.

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

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

**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 ring-fenced building control account which will be used to smooth the effects of any future deficits.

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

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

**City Wide Management and Initiatives** – city wide management and initiatives including supporting marketing and infrastructure in relation to the city.

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

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

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

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

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

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

## Notes to the Financial Statements

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

**ICT Holding Account** – to fund future Business Process Improvement initiatives and other future ICT initiatives.

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

**Major Projects** - to support the feasibility costs, implementation and financial implications of city wide initiatives.

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

### Parking & Enforcement

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

	2016/17 £000	2017/18 £000
On-street pay car parking fees	(4,362)	(4,575)
Off-Street car parking fees	(1,042)	(1,087)
Residents parking permits	(330)	(346)
Penalty charge notices	(2,019)	(1,973)
Moving Traffic Offences	(3,256)	(3,792)
Camera Car	(104)	(200)
Other income	0	(55)
<b>Total Income</b>	<b>(11,113)</b>	<b>(12,028)</b>
Operational costs / Parking and Permits	1,037	698
Enforcement service	4,607	5,276
<b>Total Expenditure</b>	<b>5,644</b>	<b>5,974</b>
<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(5,469)</b>	<b>(6,054)</b>
Appropriations to Parking Reserve:		
<b>Balance 1 April 2017</b>	<b>370</b>	<b>350</b>
Contributions from CPE	5,469	6,054
Contributions to revenue*	(5,489)	(5,704)
<b>Balance 31 March 2018</b>	<b>350</b>	<b>700</b>

\* Eligible expenditure totalling £5.704 million was drawn down from the reserve leaving a balance of £700,000 at the 31 March 2018. 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 specific drawdowns for various improvement schemes and initiatives approved by the Director of City Operations in consultation with the Cabinet Member for Transport, Planning and Sustainability.

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

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

## Notes to the Financial Statements

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

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

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

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

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

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

**Housing Repairs and Building Maintenance (HRA)** - to fund costs of the housing repairs including health and safety.

### 3. Exceptional Items

There are no exceptional items to disclose separately.

### 4. Expenditure and Funding Analysis

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

Directorate	2017/18		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,790	19,751	54,541
Communities, Housing & Customer Services	43,009	5,247	48,256
Corporate Management	25,800	(15,509)	10,291
Economic Development	15,001	21,513	36,514
Education & Lifelong Learning	250,499	34,785	285,284
Governance & Legal Services	6,055	960	7,015
Harbour Authority	0	2,650	2,650
Housing Revenue Account	0	(19,060)	(19,060)
Resources	19,371	2,023	21,394
Social Services	156,319	1,265	157,584
Summary Revenue Account	36,140	(39,252)	(3,112)
<b>Net Cost of Services</b>	<b>586,984</b>	<b>14,373</b>	<b>601,357</b>
Other Income and Expenditure	(537,519)	(31,591)	(569,110)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>49,465</b>	<b>(17,218)</b>	<b>32,247</b>

## Notes to the Financial Statements

	Council Fund	HRA Balance
<b>Opening Balance as at 1 April</b>	<b>14,255</b>	<b>8,438</b>
Surplus/(Deficit)	0	545
<b>Closing Balance as at 31 March</b>	<b>14,255</b>	<b>8,983</b>

Comparative note for 2016/17.

Directorate	2016/17		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,078	22,037	56,115
Communities, Housing & Customer Services	43,408	6,684	50,092
Corporate Management	24,665	(18,372)	6,293
Economic Development	13,095	6,824	19,919
Education & Lifelong Learning	244,197	3,269	247,466
Governance & Legal Services	4,541	(185)	4,356
Harbour Authority	0	2,548	2,548
Housing Revenue Account	0	(19,929)	(19,929)
Resources	19,680	(239)	19,441
Social Services	153,031	856	153,887
Summary Revenue Account	41,466	(44,997)	(3,531)
<b>Net Cost of Services</b>	<b>578,161</b>	<b>(41,504)</b>	<b>536,657</b>
Other Income and Expenditure	(560,044)	21,626	(538,418)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>18,117</b>	<b>(19,878)</b>	<b>(1,761)</b>
	Council Fund		HRA Balance
<b>Opening Balance as at 1 April</b>	<b>14,255</b>		<b>8,438</b>
Surplus/(Deficit)	0		0
<b>Closing Balance as at 31 March</b>	<b>14,255</b>		<b>8,438</b>

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

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



## Notes to the Financial Statements

Directorate	2017/18			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
City Operations	20,944	768	(1,961)	19,751
Communities, Housing & Customer Services	5,032	885	(670)	5,247
Corporate Management	10,760	854	(27,123)	(15,509)
Economic Development	18,433	1,217	1,863	21,513
Education & Lifelong Learning	31,273	913	2,599	34,785
Governance & Legal Services	5	296	659	960
Harbour Authority	2,736	99	(185)	2,650
Housing Revenue Account	10,270	885	(30,215)	(19,060)
Resources	1,235	(309)	1,097	2,023
Social Services	314	1,068	(117)	1,265
Summary Revenue Account	0	6	(39,258)	(39,252)
<b>Net Cost of Services</b>	<b>101,002</b>	<b>6,682</b>	<b>(93,311)</b>	<b>14,373</b>
Other Income and Expenditure from the Expenditure & Funding Analysis	(46,280)	14,690	(537,518)	(569,108)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>54,722</b>	<b>21,372</b>	<b>(630,829)</b>	<b>(554,735)</b>

Comparative note for 2016/17.

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)
<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>

## Notes to the Financial Statements

### i. Adjustments for capital purposes

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

- other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- financing and investment income – the statutory charges for capital financing i.e. prudent revenue provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices (GAAP).
- taxation and non-specific income and expenditure - capital grants are adjusted for income not chargeable under 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

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

	2016/17 £000	2017/18 £000
Employee Benefits Expenses	430,055	445,984
Other Service Expenses	568,272	574,135
Depreciation, Amortisation & Impairment	64,418	111,832
Change in Fair Value of Investment Properties	9,105	2,502
Interest Payments	32,250	31,781
Precepts & Levies	46,698	48,641
Transfer to Council Tax Bad Debt Provision	0	2,070
Loss on Sale of Non-Current Assets	32,158	29,136
<b>Total Expenditure</b>	<b>1,182,956</b>	<b>1,246,081</b>
Fees, Charges & Other Service Income	(236,267)	(205,283)
Depreciation, Amortisation & Impairment	(3,826)	(9,531)
Change in Fair Value of Investment Properties	(18,805)	(38)
Interest and Investment Income	(979)	(700)
Income from Council Tax and Non-Domestic Rates	(606,742)	(619,311)
Grants and Contributions	(309,152)	(351,825)
Gain on Sale of Non-Current Assets	(8,946)	(27,146)
<b>Total Income</b>	<b>(1,184,717)</b>	<b>(1,213,834)</b>
<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>(1,761)</b>	<b>32,247</b>

## Notes to the Financial Statements

### 5. Precepts and Levies

	2016/17 £000	2017/18 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	29,367	31,216
<b>Community Councils:</b>		
Lisvane	34	34
Pentyrch	85	91
Radyr	112	120
St Fagans	18	18
Old St Mellons	28	28
Tongwynlais	19	19
	<b>29,663</b>	<b>31,526</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire and Rescue Service	16,775	16,857
Natural Resources Wales	139	139
Cardiff Port Health Authority	115	114
Newport Health Authority	5	5
	<b>17,034</b>	<b>17,115</b>

### 6. Participation in Joint Committees

During 2017/18 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: Statement of Accounts for each Joint Committee are available on the lead authority's website.

Committee	Purpose	Lead Authority	2016/17 £000	2017/18 £000
Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	42	183
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,505	1,436
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	212	209
Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	32	32
Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	472	488
Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	5,231	5,002
<b>Total</b>			<b>7,494</b>	<b>7,350</b>

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

In relation to CCRCD, capital contributions of £5.743 million are included in the accounting statements.

## Notes to the Financial Statements

### 7. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands, estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police and Crime Commissioner for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2017/18 was 143,032 (141,288 for 2016/17).

The amounts for a band D property in Cardiff during 2017/18 were as follows:

Band D Council Tax:	2016/17 £	2017/18 £
Cardiff Council	1,060	1,100
Police and Crime Commissioner for South Wales	208	218
<b>Total</b>	<b>1,268</b>	<b>1,318</b>

The above amount (£1,318) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from Council Tax:

	2016/17 £000	2017/18 £000
Council Tax collectable	(182,502)	(191,095)
Provision for non-payment of Council Tax	2,063	2,070
	<b>(180,439)</b>	<b>(189,025)</b>

The net proceeds from Council Tax figure of £189.025 million includes precepts of £31.526 million and a transfer to the bad debt provision of £2.070 million. The remaining balance of £155.429 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2017/18.

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

31 March 2017 £000		31 March 2018 £000
(5,858)	Council Tax Bad Debt Provision	(7,076)

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

The Welsh Government specifies an amount for the rate (48.6p in 2016/17 and 49.9p in 2017/18) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to Councils' on the basis of a fixed amount per head of population.

The NDR income of £184.953 million for 2017/18 (£189.057 million for 2016/17) was based on a total rateable value of £457.936 million for 2017/18 (£475.602 million for the year 2016/17).

Analysis of the net proceeds from non-domestic rates:

## Notes to the Financial Statements

	2016/17 £000	2017/18 £000
Non-Domestic Rates collectable	189,057	184,953
Cost of collection allowance	(896)	(893)
Provision for non-payment	(1,696)	(1,459)
Payment into national pool	186,465	182,601
Redistribution from national pool	(105,994)	(115,480)

### 9. Agency Income and Expenditure

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

#### Welsh Government

- Non Domestic Rates collection. A net debtor of £13.323 million at 31 March 2018 (£14.993 million at 31 March 2017) 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 2018 the Welsh Government had provided £2.736 million of funding, of which £801,000 is outstanding as loans provided. The balance available for new loans was £1.935 million (£1.220 million at 31 March 2017).
- Home Improvement loans – provide loans for home improvements. At 31 March 2018 the Welsh Government had provided £1.062 million of funding, of which £313,000 is outstanding as loans provided leaving a balance available for new loans of £749,000.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £595,000 in 2017/18 (£394,000 in 2016/17).

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

This is a partnership between the local business community and the Council. The BID is a defined area within the city centre in which a levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. Further information is available on their website <https://www.forcardiff.com>. 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 2018 the Council owed the company £81,000.

#### Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to commercial and industrial waste. The Council made payments of £10.662 million in 2017/18 (£10.995 million in 2016/17) on behalf of all the partners.

### 10. Remuneration

**10.1** The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2017/18 was 1:7 (1:8 in 2016/17). The median full time equivalent earnings for 2017/18 was £24,373 (£21,164 in 2016/17). These figures include staff employed by voluntary aided schools.

**10.2** The Accounts and Audit (Wales) Regulations 2014 also requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff that fall within this category including teaching staff and those whose remuneration is disclosed in more detail in note 10.3.

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.



## Notes to the Financial Statements

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	
	2016/17	2017/18
	Total	Total
60,000-64,999	43	60
65,000-69,999	43	46
70,000-74,999	8	12
75,000-79,999	9	8
80,000-84,999	13	17
85,000-89,999	1	5
90,000-94,999	4	2
95,000-99,999	1	2
100,000-104,999	1	2
105,000-109,999	1	2
110,000-114,999	2	1
115,000-119,999	2	2
120,000-124,999	5	6
125,000-129,999	0	1
130,000-134,999	2	1
135,000-139,999	1	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-169,999	0	0
170,000-174,999	1	1
<b>Total</b>	<b>137</b>	<b>170</b>

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

- 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.
- This does not include senior employees in schools.

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 2017/18 (£0 in 2016/17).

## Notes to the Financial Statements

2017/18	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.3% of salary) £	Total £
Post title			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Paul Orders, Chief Executive	173,417	0	0	0	0	40,406	213,823
Corporate Director Resources & Section 151 Officer (a)	132,613	0	0	0	0	0	132,613
Assistant Director Children's Services (b)	128,115	0	0	0	0	0	128,115
Director Education & Lifelong Learning	122,412	13	0	0	0	28,522	150,947
Director Social Services	122,412	0	0	0	0	28,522	150,934
Director Economic Development	122,412	0	0	0	0	28,522	150,934
Director City Operations	122,412	0	0	0	0	28,522	150,934
Director Governance & Legal Services & Monitoring Officer	122,412	0	0	0	0	28,168	150,580
Director Communities, Housing & Customer Services (Post Deleted 06/02/2018) (c)	104,196	0	0	0	0	24,246	128,442
Assistant Director Education & Lifelong Learning	83,240	0	0	0	0	19,395	102,635
Assistant Director Adult Services	83,240	0	0	0	0	19,395	102,635
Assistant Director Housing & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Customer Services & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Commercial Services	83,240	0	0	0	0	19,395	102,635
Chief HR Officer	83,240	0	0	0	0	19,395	102,635
Head of Service, Finance	83,240	0	0	0	0	19,395	102,635
Head of Performance & Partnerships	83,240	0	0	0	0	19,395	102,635
Corporate Director People and Communities (Commenced 07/02/2018) (d)	19,734	0	0	0	0	4,629	24,363

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £31,785 (£57,196 in 2016/17), a breakdown below is provided:

£12,865 UK Parliamentary Elections

£18,920 Local Elections

## Notes to the Financial Statements

b) During 2017/18 agency invoices of £128,115 (£130,519 in 2016/17) were received for service as Assistant Director Children Services, payments made were also £128,115.

c) Director Communities, Housing & Customer Services post deleted from the structure on 06/02/2018. Annualised salary of £122,412.

d) Corporate Director People and Communities commenced 07/02/2018. Annualised salary £132,613.

Comparative data for 2016/17:

2016/17	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
Post title			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
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

## Notes to the Financial Statements

2016/17	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
Post title			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
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.

### 10.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the following tables. The total costs of the exit packages identified are made up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either voluntary or compulsory redundancy, the second element is the pension strain cost which is paid by the Council to the Pension Fund over a five year period.

2016/17				Exit package cost band (including special payments)	2017/18			
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 £		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 £
9	64	73	617,394	£0 - £20,000	14	42	56	585,070
0	16	16	403,619	£20,001 – £40,000	2	15	17	480,481
1	4	5	228,575	£40,001 – £60,000	1	7	8	405,989
0	3	3	214,224	£60,001 – £80,000	1	5	6	414,321
0	1	1	87,320	£80,001 – £100,000	0	2	2	166,285
0	1	1	130,276	£100,001 – £150,000	0	3	3	331,498
1	0	1	172,584	£150,001 – £200,000	0	1	1	166,519
11	89	100	1,853,992	Total	18	75	93	2,550,163

## Notes to the Financial Statements

### 10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2017/18 was £1.290 million (£1.285 million in 2016/17). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances and expenses directly reimbursed.

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

The Cardiff and Vale Joint Equipment Store (JES) is a Section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale University Health Board for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Council's transactions are included in the 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 2018 is as follows:

	2016/17 £000	2017/18 £000
<b>Expenditure</b>		
Equipment	1,742	1,598
Contribution to Overheads	124	102
<b>Total Expenditure</b>	<b>1,866</b>	<b>1,700</b>
<b>Funding</b>		
Cardiff and Vale University Health Board	(1,161)	(1,267)
Cardiff Council	(518)	(283)
Vale of Glamorgan Council	(187)	(217)
<b>Total Funding</b>	<b>(1,866)</b>	<b>(1,767)</b>
<b>Surplus transferred to JES Partnership Reserve</b>	<b>0</b>	<b>(67)</b>

### 12. Related Parties

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

**Central Government** has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, providing the majority of its funding in the form of grants and prescribing the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 0 including grant receipts outstanding at 31 March 2018.

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2017/18 is shown in note 10. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2017/18, goods and services totalling £15.120 million were commissioned from organisations including public bodies in which members had an interest (£15.777 million in 2016/17) and income was received of £15.990 million (£13.927 million in 2016/17). Grants totalling £3.678 million (£790,960 in 2016/17) were paid to organisations in which members had an interest.

**Officer's** emoluments are shown in note 10 to the Core Financial Statements. In 2017/18, for organisations in which Senior Officers had an interest there were £0 of goods and services commissioned (£0 in 2016/17). For goods and services provided, income of £63,589 was received in 2017/18 (£9,040 in 2016/17). This figure is also included in the income for members' as there are representatives for officers and members on the board.

**Subsidiary Companies** include Cardiff City Transport Services (Cardiff Bus) and its subsidiary Vale Busline Limited, Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion



## Notes to the Financial Statements

Solutions Ltd. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

**Pension Fund** contributions paid to the Fund are shown in note 17 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 5 to the Core Financial Statements. Separate to the precept, the Council made payments of £125,286 to Police and Crime Commissioner for South Wales during 2017/18 (£46,168 in 2016/17).

### Related Party Balances

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

31 March 2017			31 March 2018	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
24,114	(2,117)	Central Government Grants	33,540	(1,220)
109	(13)	Cardiff City Transport Services Ltd	28	(133)
5,019	(9)	Companies in which members' interests declared/other	2,001	(25)

### 13. External Audit Costs

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees payable to Wales Audit Office for the certification of grant claims	65	65
Fees payable to Wales Audit Office for other financial audit work	23	23
<b>Total</b>	<b>477</b>	<b>471</b>

### 14. Leasing

#### Council as Lessee

##### Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2017/18:

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,330
Other Leases	2,705	3,127
	<b>4,534</b>	<b>4,457</b>

The Council was committed at 31 March 2018 to making payments of £4.209 million under operating leases in 2017/18 (£3.939 million at 31 March 2017 for 2016/17) comprising the following elements:

31 March 2017			31 March 2018	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
38	1,847	Leases expiring within 1 year	0	1,925
1,066	857	Leases expiring between 2 and 5 years	1,016	1,021
131	0	Leases expiring after 5 years	247	0
<b>1,235</b>	<b>2,704</b>		<b>1,263</b>	<b>2,946</b>

## Notes to the Financial Statements

### Finance Leases

There were no finance leases at 31 March 2018 (none in 2016/17) and there are no future obligations under finance leases.

### Council as Lessor

#### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.618 million in 2017/18 (£6.193 million in 2016/17).

The Council was committed as at 31 March 2018 to receiving income of £5.390 million (£5.547 million as at 31 March 2017) under operating leases for Land & Buildings comprising the following elements:

31 March 2017 £000		31 March 2018 £000
165	Leases expiring within 1 year	488
1,166	Leases expiring between 2 and 5 years	1,253
4,216	Leases expiring after 5 years	3,649
<b>5,547</b>		<b>5,390</b>

### Finance Leases

The Council does not provide any leases of this type.

### 15. 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.

	2016/17 £000	2017/18 £000
Rental income from investment property	(6,047)	(5,402)
Direct operating expenses arising from investment property	2,607	2,173
<b>Net (gain) / loss</b>	<b>(3,440)</b>	<b>(3,229)</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.

### 16. Prudent Revenue Provision

The Council is required to set aside annually from its revenue 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.

	2016/17 £000	2017/18 £000
Council Fund revenue provision	24,625	24,257
Housing Revenue Account provision	8,042	11,108
<b>Prudent revenue provision</b>	<b>32,667</b>	<b>35,365</b>

### 17. Pensions

#### Participation in Pension Schemes

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

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

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

#### Teachers' Pension Scheme

Unless they opt out, teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. It is a defined benefit scheme and although it is unfunded, 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 2017/18 the Council paid £19.562 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.016 million representing 16.5% of teachers' pensionable pay in 2016/17). 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 Financial Statements

	2016/17			2017/18		
	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	39,800	50,150	0	50,150
Past Service Costs	3,410	180	3,590	1,520	170	1,690
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)*	16,290	1,530	17,820	13,310	1,200	14,510
<b>Net charge to CI&amp;E Statement</b>	<b>59,500</b>	<b>1,710</b>	<b>61,210</b>	<b>64,980</b>	<b>1,370</b>	<b>66,350</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(59,500)	(1,710)	(61,210)	(64,980)	(1,370)	(66,350)
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	39,640	0	39,640	40,820	0	40,820
Payments in respect of unfunded pensions liabilities **	0	3,230	3,230	0	3,210	3,210
	<b>39,640</b>	<b>3,230</b>	<b>42,870</b>	<b>40,820</b>	<b>3,210</b>	<b>44,030</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 2019

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2019 are estimated to be £40.730 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 2019 the Council expects to pay £3.310 million directly to beneficiaries.

### Basis for estimating assets and liabilities

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

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

#### (a) Principal financial assumptions

	31 March 2017 % pa	31 March 2018 % pa
Rate of Inflation - Retail Price Index (RPI)	3.1	3.2
Rate of Inflation - Consumer Price Index (CPI)	2.0	2.1
Rate of general increase in salaries*	3.0	3.1
Rate of increase to pensions in payment**	2.0	2.1
Rate of increase to deferred pensions	2.0	2.1
Discount rate for scheme liabilities	2.6	2.6

## Notes to the Financial Statements

\*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 2017		31 March 2018	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.0	25.7	23.1	25.8
Currently age 45	24.0	27.1	24.2	27.2

(c) 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 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 2017		31 March 2018		
		Quoted	Unquoted	Total
Approx. split of assets %		%	%	%
78.1	Equities	62.6	3.9	66.5
6.3	Property	6.3	0.0	6.3
8.5	Government Bonds	15.4	0.0	15.4
5.8	Corporate Bonds	10.4	0.0	10.4
1.5	Cash	1.4	0.0	1.4
-0.2	Other*	0.0	0.0	0.0
100	Total	96.1	3.9	100

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

### Reconciliation of funded status to Balance Sheet

	31 March 2017			31 March 2018		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,198,860	0	1,198,860	1,230,630	0	1,230,630
Present value of liabilities	(1,730,930)	(47,490)	(1,778,420)	(1,820,380)	(46,520)	(1,866,900)
Net pension asset/(liability)*	(532,070)	(47,490)	(579,560)	(589,750)	(46,520)	(636,270)

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



## Notes to the Financial Statements

### Assets and Liabilities in relation to Retirement Benefits

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

31 March 2017				31 March 2018		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,509,170)	(46,650)	(1,555,820)	Opening present value of liabilities	(1,730,930)	(47,490)	(1,778,420)
(39,800)		(39,800)	Current service cost	(50,150)	0	(50,150)
(50,680)	(1,530)	(52,210)	Interest cost	(44,420)	(1,200)	(45,620)
(9,910)	0	(9,910)	Contributions by participants	(10,470)	0	(10,470)
(165,900)	(2,360)	(168,260)	Remeasurements in Other Comprehensive Income (OCI)	(39,550)	(870)	(40,420)
47,940	3,230	51,170	Net benefits paid out *	56,660	3,210	59,870
(3,410)	(180)	(3,590)	Past service cost	(1,520)	(170)	(1,690)
(1,730,930)	(47,490)	(1,778,420)	Closing present value of liabilities	(1,820,380)	(46,520)	(1,866,900)

\* Includes changes to the actuarial assumptions.

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

31 March 2017 £000		31 March 2018 £000
1,010,320	Opening fair value of assets	1,198,860
34,390	Interest income on assets	31,110
152,540	Remeasurement gains/(losses) on assets	6,030
39,640	Contributions by employer	40,820
9,910	Contributions by participants	10,470
(47,940)	Net benefits paid out **	(56,660)
1,198,860	Closing fair value of assets	1,230,630

\* 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 Financial Statements

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

31 March 2017			31 March 2018	
Funded Scheme £000	Unfunded Liabilities £000		Funded Scheme £000	Unfunded Liabilities £000
(152,540)	0	Return on plan assets (in excess of) / below that recognised in net interest	(6,030)	0
318,150	3,300	Actuarial (gains)/losses due to change in financial assumptions	30,390	420
(119,650)	(590)	Actuarial (gains)/losses due to changes in demographic assumptions	0	0
(32,600)	(350)	Actuarial (gains)/losses due to liability experience	9,160	450
13,360	2,360	Total amount recognised in OCI	33,520	870

### Actual return on assets

31 March 2017 £000		31 March 2018 £000
34,390	Interest income on assets	31,110
152,540	Remeasurement gain/(loss) on assets	6,030
186,930	Actual return on assets	37,140

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

31 March 2017				31 March 2018		
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
(13,360)	(2,360)	(15,720)	Total Actuarial Gain/(Loss)*	(33,520)	(870)	(34,390)

\*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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Total gain/(loss) –funded scheme	263.70	(49.85)	21.88	(13.36)	(33.52)
Total gain/(loss) –unfunded liabilities	2.76	(1.64)	(9.81)	(2.36)	(0.87)
Cumulative gain/(loss)	(299.54)	(351.03)	(338.96)	(354.68)	(389.07)

## Notes to the Financial Statements

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

	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Fair value of assets	906,610	1,027,052	1,014,120	1,198,860	1,230,630
Present value of funded liabilities	(1,341,187)	(1,528,588)	(1,513,150)	(1,730,930)	(1,820,380)
Present value of unfunded liabilities	(38,450)	(38,250)	(46,650)	(47,490)	(46,520)
<b>Surplus/(deficit)</b>	<b>(473,027)</b>	<b>(539,786)</b>	<b>(545,680)</b>	<b>(579,560)</b>	<b>(636,270)</b>

### History of experience gains and losses

	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m	Year ending 31.3.17 £m	Year ending 31.3.18 £m
Experience gains/(losses) on funded assets	47.95	78.33	(47.81)	152.54	6.03
Experience gains/(losses) on funded liabilities	34.60	8.21	13.12	32.60	9.16
Experience gains/(losses) on unfunded liabilities	0.04	(0.36)	10.81	(0.35)	0.45

### 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	1,787,030	1,854,350
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	51,610	54,810
Approximate % change in projected service cost	-3.0%	3.0%

#### 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	1,828,850	1,812,010
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	53,190	53,190
Approximate % change in projected service cost	0.0%	0.0%

## Notes to the Financial Statements

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

Adjustment to pension increase rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,845,820	1,795,330
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	54,810	51,610
Approximate % change in projected service cost	3.0%	-3.0%

### Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year £000	+1 year £000
Present value of total obligation	1,875,180	1,765,940
% change in present value of total obligation	3.0%	-3.0%
Projected service cost	55,120	51,270
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 Financial Statements

### 18. Non-Current Assets

#### Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 22 to 37.

2017/18	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 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>
Additions	17,633	32,934	4,587	14,943	84	14	54,899	125,094
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(3,401)	0	0	(567)	0	(6,447)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
<b>At 31 March 2018</b>	<b>574,175</b>	<b>770,760</b>	<b>37,887</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,134,069</b>
<b>Depreciation</b>								
<b>At 1 April 2017</b>	<b>16,941</b>	<b>26,169</b>	<b>21,127</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375,141</b>
Depreciation charge	9,072	16,571	4,927	22,135	0	0	0	52,705
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(3,401)	0	0	0	0	(4,166)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
<b>At 31 March 2018</b>	<b>25,971</b>	<b>40,827</b>	<b>22,653</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>422,490</b>
<b>Net Book Value:</b>								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>729,933</b>	<b>15,234</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,711,579</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>

\* RR = Revaluation Reserve

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



## Notes to the Financial Statements

### Comparative Movements in 2016/17

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>								
<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)	0	(33,458)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088	0	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 Financial Statements

### Heritage Assets

2016/17 £000		2017/18 £000
<b>51,278</b>	<b>Balance at 1 April</b>	<b>53,846</b>
97	Additions	53
2,471	Revaluation increases /(decreases) to RR	200
0	Other Reclassifications	0
<b>53,846</b>	<b>Balance at 31 March</b>	<b>54,099</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 £38.421 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 Financial Statements

### Investment Properties

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

2016/17 £000		2017/18 £000
<b>110,471</b>	<b>Balance at 1 April</b>	<b>132,241</b>
13,207	Additions	1,036
0	Impairment	(2,502)
(1,182)	Disposals	(26,774)
0	Reclassified (to) / from Held for Sale	0
45	Other Reclassifications	(219)
0	Revaluation increases / (decreases) to RR*	32
9,700	Revaluation increases / (decreases) to SDPS**	6
<b>132,241</b>	<b>Balance at 31 March</b>	<b>103,820</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in intangible assets during 2017/18 are summarised as follows:

2016/17 Total  £000		2017/18		
		Other Intangible Assets  £000	Intangible AUC  £000	Total  £000
	<b>Cost or Valuation</b>			
<b>7,939</b>	<b>Balance at 1 April</b>	<b>6,540</b>	<b>1,960</b>	<b>8,500</b>
561	Additions	193	142	335
0	Other reclassifications	1,942	(1,942)	0
<b>8,500</b>	<b>Balance at 31 March</b>	<b>8,675</b>	<b>160</b>	<b>8,835</b>
	<b>Amortisation</b>			
<b>4,513</b>	<b>Balance at 1 April</b>	<b>5,185</b>	<b>0</b>	<b>5,185</b>
672	Amortisation	949	0	949
<b>5,185</b>	<b>Balance at 31 March</b>	<b>6,134</b>	<b>0</b>	<b>6,134</b>
	<b>Net Book Value:</b>			
<b>3,315</b>	<b>Balance at 31 March</b>	<b>2,541</b>	<b>160</b>	<b>2,701</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.

## Notes to the Financial Statements

2016/17 £000		2017/18		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
733,368	Opening Capital Financing Requirement	<b>724,435</b>	<b>23,429</b>	<b>747,864</b>
	<b>Capital Expenditure:</b>			
86,570	Property, Plant and Equipment*	120,366	0	120,366
97	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
13,207	Investment Properties	1,036	0	1,036
561	Intangible Assets	335	0	335
171	Loans / Equity	200	0	200
7,751	Expenditure on REFCUS	15,148	0	15,148
	<b>Sources of Finance:</b>			
(7,675)	Capital Receipts	(10,682)	0	(10,682)
(41,458)	Government grants and other contributions	(55,363)	0	(55,363)
(10,834)	Direct revenue contributions and reserves	(10,407)	0	(10,407)
(33,894)	Prudent revenue and capital provision for loan repayment	(34,366)	(1,020)	(35,386)
<b>747,864</b>	<b>Closing Capital Financing Requirement</b>	<b>750,755</b>	<b>22,409</b>	<b>773,164</b>
	<b>Explanation of movements in year:</b>			
(5,317)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(2,427)	0	(2,427)
19,813	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	28,748	(1,020)	27,728
<b>14,496</b>	<b>Increase in Capital Financing Requirement</b>	<b>26,321</b>	<b>(1,020)</b>	<b>25,301</b>

\*The difference between this figure for 2017/18 and the figure in the non-current assets note on page 71 is £4.728 million. This is due to a donated asset that is not recorded as capital expenditure in the year.

### 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.

2016/17 £000		2017/18 £000
	<b>Expenditure:</b>	
4,792	Housing Improvement Grants	4,254
2,745	Buildings not owned by Cardiff Council	10,853
214	Grants awarded (not Housing Grants)	41
<b>7,751</b>	<b>Charged to Income and Expenditure Statement</b>	<b>15,148</b>
	<b>Funded by:</b>	
(3,629)	Grants and Contributions	(9,356)
(4,122)	Borrowing, Receipts and Other Capital Resources	(5,792)
<b>(7,751)</b>		<b>(15,148)</b>

## Notes to the Financial Statements

### Significant capital expenditure contractual commitments

At 31 March 2018, the significant capital expenditure commitments scheduled for completion in 2018/19 and future years is £53.211 million (£35.588 million 2016/17) represented by the following:

	£000
High School in the West	18,378
Cardiff Living Programme	14,417
Maelfa High Rise Refurbishment	4,520
Gabalfa and Glan Ceubal Primary School	4,022
Hamadryad Primary School	3,735
Central Square - Public Realm	2,927
Fire Door replacement (Council Dwellings)	2,300
Glan Morfa Primary School	1,711
Howardian Primary School	1,201
<b>Total Contractual Commitments</b>	<b>53,211</b>

### 19. Financial Instruments

#### Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. They arise as a result of the Council's Treasury Management activities as well as Financial Instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below 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 and Loans to organisations are shown separately in the respective notes rather than as financial instruments:-

## Notes to the Financial Statements

	31 March 2017			31 March 2018		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments</b>						
Loans and Receivables - Investments - Principal	0	66,000	66,000	0	34,000	34,000
Loans and Receivables - Investments Accrued Interest	0	124	124	0	33	33
Loans and Receivables - Cash and Cash Equivalents	0	18,765	18,765	0	54,046	54,046
Loans and Receivables - Cash and Cash Equivalents Accrued Interest	0	11	11	0	11	11
<b>Total Loans and Receivables Included in Investments</b>	<b>0</b>	<b>84,900</b>	<b>84,900</b>	<b>0</b>	<b>88,090</b>	<b>88,090</b>
Investments at Fair Value	13,691	0	13,691	13,996	0	13,996
<b>Total Investments</b>	<b>13,691</b>	<b>84,900</b>	<b>98,591</b>	<b>13,996</b>	<b>88,090</b>	<b>102,086</b>
<b>Debtors</b>						
Loans and receivables	597	288	885	640	243	883
Debtors that are not included in financial Instrument notes	5,019	83,466	88,485	7,447	92,301	99,748
<b>Total in Debtors</b>	<b>5,616</b>	<b>83,754</b>	<b>89,370</b>	<b>8,087</b>	<b>92,544</b>	<b>100,631</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost - Loans (principal)	(668,028)	(7,028)	(675,056)	(688,713)	(4,562)	(693,275)
Financial liabilities at amortised cost - Loans Accrued Interest	0	(7,944)	(7,944)	0	(8,878)	(8,878)
<b>Total included in Borrowings</b>	<b>(668,028)</b>	<b>(14,972)</b>	<b>(683,000)</b>	<b>(688,713)</b>	<b>(13,440)</b>	<b>(702,153)</b>

### Investments

#### Loans and receivables include:

- Cash and bank including temporary investments is £88.404 million, of which £59.051 million is deposited for various maturities with financial institutions

The fair value of loans and receivables is deemed to be the carrying value.

#### 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 the average of inputs other than quoted prices (Level 2). These include 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



## Notes to the Financial Statements

Council Tax payable. The fair value of the investment at 31 March 2018 is estimated to be £13.630 million (£13.279 million in 2016/17).

- Various minority equity holdings in companies are included either at cost or at quoted prices where available.

### Debtors

#### Loans and receivables include:

- 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.

#### 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 2018.

31 March 2017			Valuation Method - Level	31 March 2018	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(624,514)	(915,372)	Public Works Loan Board Loans	Level 2	(640,000)	(922,218)
(51,637)	(74,972)	Lender Option Borrower Option Loans	Level 2	(51,638)	(73,508)
(6,849)	(6,171)	Market Loans, Bonds and Temporary Balances	Level 2	(10,515)	(8,919)
<b>(683,000)</b>	<b>(996,515)</b>	<b>Financial Liabilities</b>		<b>(702,153)</b>	<b>(1,004,645)</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 2018. An exit price fair value of £1.085 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.

#### Financial Instrument Gains/Losses

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

## Notes to the Financial Statements

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000
Interest Payable & Similar Charges	32,250	31,781	0	0	0	0	32,250	31,781
Interest and Investment Income	0	0	(755)	(471)	0	0	(755)	(471)
(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	0	0	3,576	(305)	3,576	(305)
<b>Net (gain) / loss for the year</b>	<b>32,250</b>	<b>31,781</b>	<b>(755)</b>	<b>(471)</b>	<b>3,576</b>	<b>(305)</b>	<b>35,071</b>	<b>31,005</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 2017/18 from Cardiff Bus (£0 in 2016/17).

### 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 2017 £000	31 March 2018 £000
Deposits – banks, buildings societies	Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. A risk of non-recoverability applies to all of the Council's deposits which require rigorous monitoring of credit risk and	83,900	88,090

## Notes to the Financial Statements

Credit Risk	Likelihood of Default	31 March 2017 £000	31 March 2018 £000
	credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk which is deemed minimal. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2018, the probability of any default is 0.01% or £5,905. Accordingly, no provisions for losses is recognised.		
Local Authority Mortgage Scheme	The Council had placed a £1 million indemnity with Lloyds Bank as part of this scheme. This matured on the 24 April 2017 and no mortgage defaults occurred.	1,000	0
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	629	493
Loans to External Bodies	Includes loans to SME's. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	256	390
Customers	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. The bad debt provision for 2017/18 was based on the adjusted age profile disclosed in the following table.	16,808	21,832
	Less than 1 year		
	1 – 2 years		
	2 – 3 years		
	3 – 4 years		
	4 – 5 years		
	Over 5 years		
	Total		
	Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non-payment is not usually considered necessary.		
Total		102,593	111,119

### 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:

## Notes to the Financial Statements

31 March 2017 £000	Loans Outstanding	31 March 2018 £000
617,207	Public Works Loans Board	631,760
51,000	Market Lender Option Borrow Option (LOBO)	51,000
5,839	Welsh Government / Salix	10,515
<b>674,046</b>	<b>Total</b>	<b>693,275</b>
6,019	Under 12 months	4,562
3,983	12 months and within 24 months	3,286
9,948	24 months and within 5 years	12,870
24,238	5 years and within 10 years	35,412
152,214	10 years and within 20 years	155,500
165,000	20 years and within 30 years	166,000
208,689	30 years and within 40 years	210,689
86,955	40 years and within 50 years	99,956
12,000	50 years and within 60 years	5,000
5,000	60 years and within 70 years	0
<b>674,046</b>	<b>Total</b>	<b>693,275</b>

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

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	23/05/2067
6	21/05/2018	6 months	23/05/2067
22	21/11/2020	5 years	23/11/2065
5	16/01/2023	5 years	17/01/2078

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

### **Interest Rate Risk**

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

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	<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> </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.	<ul style="list-style-type: none"> <li>• Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.</li> </ul>

## Notes to the Financial Statements

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
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.	<ul style="list-style-type: none"> <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>
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 2017/18 been on average 1% higher with all other variables held constant.

<b>Interest Rate Risk Income and Expenditure Account</b>	<b>£000</b>
Increase in interest payable on borrowings	(100)
Interest in interest receivable on investments	302
<b>Impact on Income and Expenditure Account</b>	<b>202</b>
Increase in interest transferred to other balances and accounts	(2)
<b>Net Income / (Expenditure)</b>	<b>200</b>

<b>Changes in Fair Value</b>	<b>£000</b>
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	153,338

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

### Foreign exchange risk

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

### Price Risk

This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. Whilst the Council's approved Treasury Management policy allows investments in financial instruments such as bank certificates of deposit and Government bonds. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. For service investment purposes, the Council has equity holdings of £30,000 (£76,000 in 2016/17) which are quoted on a recognised stock exchange at 31 March 2018.

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 £682,000 gain or loss being recognised in the Movement in Reserves Statement.

## Notes to the Financial Statements

### 20. Held for Sale Assets

2016/17 £000		2017/18 £000
<b>2,819</b>	<b>Balance at 1 April</b>	<b>80</b>
(2,731)	De-recognition	(80)
(8)	Reclassified to/(from) Held for Sale	6,557
0	Revaluation increases /(decreases) to RR*	(84)
0	Revaluation increases /(decreases) to SDPS**	(98)
<b>80</b>	<b>Balance at 31 March</b>	<b>6,375</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### 21. Debtors

31 March 2017 £000		31 March 2018 £000
45,251	Central Government Bodies	45,592
9,120	Other Local Authorities	10,984
5,259	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,110	Other Entities and Individuals	24,154
<b>83,754</b>	<b>Total Debtors Net of Impairments</b>	<b>86,927</b>

### 22. Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
223	Cash	207
15,992	Bank (including cheque book schools)	48,339
2,561	Short-term deposit with banks and building societies	5,511
<b>18,776</b>	<b>Total Cash and Cash Equivalents</b>	<b>54,057</b>

Included within the bank figure above are bank balances of chequebook schools totalling £2.137 million (£1.740 million in 2016/17).

In addition to the above, at 31 March 2018 the Council held £622,000 (£594,000 at 31 March 2017) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

### 23. Creditors

31 March 2017 £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,608)
(7,907)	Other Local Authorities	(9,713)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(61,943)	Other Entities and Individuals	(64,154)
<b>(87,603)</b>	<b>Total Creditors</b>	<b>(87,928)</b>

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

The Council had four wholly owned subsidiary companies which traded during 2017/18. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 102 to 122. The interests in the other organisations are considered immaterial in terms of both the turnover and



## Notes to the Financial Statements

the net assets of the group and have therefore been excluded from consolidation in 2017/18. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk.

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

Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation. The company's operating results are summarised below:

31 March 2017 Final * £000		31 March 2018 £000
(32,007)	Turnover and other income	(30,488)
31,686	Operating and other expenditure	32,840
(321)	<b>Net (Profit) / Loss before Taxation</b>	<b>2,352</b>
92	Taxation	(439)
(229)	<b>(Profit) / Loss after Taxation</b>	<b>1,913</b>

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

31 March 2017 Final * £000		31 March 2018 £000
21,972	Bus and other operating assets	23,014
5,056	Current Assets	3,079
(4,823)	Less Current Liabilities	(6,079)
(4,998)	Creditors: Amounts falling due after more than one year	(5,559)
(1,117)	Provisions & Long term liabilities	(776)
(1,169)	Deferred Taxation	(1,044)
(3,821)	Pension Liability	(3,583)
<b>11,100</b>	<b>Total Assets less Liabilities</b>	<b>9,052</b>
	Represented by:	
4,618	Share Capital	4,618
3,319	Retained Earnings	1,271
3,163	Revaluation Reserve	3,163
<b>11,100</b>	<b>Net Worth</b>	<b>9,052</b>

In 2017/18 the Council made payments totalling £8.773 million to Cardiff Bus (£9.448 million in 2016/17), of which £8.263 million related to concessionary fares payments (£8.527 million in 2016/17). The Council also received income of £62,000 (£93,000 in 2016/17). During 2016/17 and 2017/18 no dividend was paid to the Council.

At 31 March 2018, Cardiff Bus had inter-company balances with the Council as follows: debtors £133,000 (£106,000 in 2016/17) and creditors £28,000 (£9,000 in 2016/17).

The accounts for year ended 31 March 2018 have been audited but not certified. The company's auditors are Deloitte. The 2016/17 figures have been restated for Cardiff Bus final accounts, as these were not available at 30 September 2017.

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

The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. The Council's guarantee to CBTC is to pay costs not exceeding £10 in the event of the company being wound up. The most recent operating results are shown as follows:

## Notes to the Financial Statements

31 March 2017 £000		31 March 2018 £000
(13)	Net (Profit) / Loss before Taxation	68
2	Less: Taxation	(64)
(11)	(Profit) / Loss after Taxation	4

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

31 March 2017 £000		31 March 2018 £000
853	Total assets less current liabilities	775
(7)	Creditors: falling due after more than one year	0
(116)	Provision for taxation	(51)
730	<b>Total Assets less liabilities</b>	<b>724</b>
	Represented by:	
274	Retained Profit	274
456	Revaluation Reserve	450
730	<b>Net Worth</b>	<b>724</b>

During 2017/18 the Council received income of £0 (£0 in 2016/17) from CBTC. At 31 March 2018 CBTC owed the Council £0 (£0 at 31 March 2017) and was owed £0 (£0 at 31 March 2017).

The company's auditors are Gerald Thomas. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

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

Cardiff Business Council was a company set up 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. This company was closed in December 2017 and is due to be deregistered from Companies House in 2018/19.

31 March 2017 £000		31 March 2018 £000
40	Net (Profit) / Loss before Taxation	0
0	Less: Taxation	0
40	(Profit) / Loss after Taxation	0

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

31 March 2017 £000		31 March 2018 £000
2	Total assets less current liabilities	0
2	<b>Total Assets less liabilities</b>	<b>0</b>
	Represented by:	
2	Retained Profit	0
2	<b>Net Worth</b>	<b>0</b>

During 2017/18 the Council made no funding payments and received no income (£1,244 in 2016/17). The Council incurred no expenditure in connection with Cardiff Business Council (£2,164 in 2016/17).

For the year ending 31 March 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

## Notes to the Financial Statements

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

Atebion Solutions Ltd. are wholly owned by the Council to deliver procurement and commercial services to the public sector. Atebion Solutions commenced trading 01.03.2018

31 March 2017 £000		31 March 2018 £000
0	Net (Profit) / Loss before Taxation	(38)
0	Less: Taxation	7
0	(Profit) / Loss after Taxation	(31)

31 March 2017 £000		31 March 2018 £000
0	Total assets less current liabilities	31
0	Total Assets less liabilities	31
	Represented by:	
0	Retained Profit	31
0	Net Worth	31

During the year the Council made core funding payments of £0 (£0 in 2016/17) to Atebion Solutions Ltd. and received £0 income from the company (£0 in 2016/17). The Council accrued income in connection with Atebion Solutions Ltd. totalling £113,687 (£0 in 2016/17).

The company's auditors are MHA Broomfield Alexander. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

### 25. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
<b>Total</b>	<b>(34,937)</b>	<b>10,068</b>	<b>(4,548)</b>	<b>(29,417)</b>	<b>(5,005)</b>	<b>(24,412)</b>

**Insurance** - represents sums set aside to meet the cost of claims received, but not yet settled. The Council operates a system of self-insurance which provides cover either in part or in total for a considerable number of the Council's insured risks. Major risks including property, liability and motor vehicle are partially self-funded whereas full cover is provided for secondary risks such as 'all-risks'.

**Municipal Mutual Insurance (MMI) Scheme of arrangement levy** - represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in note 31

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

## Notes to the Financial Statements

**City Deal** - CSC Foundry Ltd has a deferred purchase arrangement (circa £2.4 million) in place in respect of its initial building and land. The lessee has an option to purchase the asset between years 6-11. The CSC Foundry project has an initial lifespan of 11 years. Should the lessee not exercise their purchase option, the settlement of the deferred purchase price would fall upon CSC Foundry in year 11. Monmouthshire CC is required to act as guarantor to that arrangement happening.

Year 11 has been used as the backstop date to discount future purchase price back to present day value, with an annual provision made for the difference over 11 annual instalments.

**Other** - includes £475,000 in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

### 26. Pension Strain

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

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

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

31 March 2017 £000		31 March 2018 £000
1,414	Pension Strain due within 1 year	1,884
3,219	Pension Strain due later than 1 year	2,794
4,633		4,678

### 27. Deferred Liabilities

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

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
<b>Total Deferred Liabilities</b>	<b>(16,867)</b>	<b>2,352</b>	<b>(686)</b>	<b>(15,201)</b>	<b>(3,195)</b>	<b>(12,006)</b>

### 28. Usable Reserves

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

#### Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts available to finance future capital expenditure or to repay historical capital incurred.

## Notes to the Financial Statements

2016/17 £000		2017/18 £000
<b>5,423</b>	<b>Balance as at 1 April</b>	<b>7,205</b>
	Movements during Year:	
7,501	Sale of Land, Buildings and other assets	20,857
2,991	Sale of Council Dwellings	3,765
192	Recoupments of grant/other	196
<b>10,684</b>		<b>24,818</b>
(7,675)	Finance Capital Expenditure	(10,682)
(1,227)	Provide for Repayment of External Loans	(21)
<b>(8,902)</b>		<b>(10,703)</b>
<b>7,205</b>	<b>Balance as at 31 March</b>	<b>21,320</b>

### 29. Unusable Reserves

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its non-current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

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

2016/17 £000		2017/18 £000
<b>254,122</b>	<b>Balance as at 1 April</b>	<b>258,922</b>
26,098	Upward revaluation of assets	2,262
(10,953)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,489)
<b>15,145</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>(227)</b>
(2,448)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,357)
(7,897)	Accumulated gains on assets sold or scrapped	(756)
<b>(10,345)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,113)</b>
<b>258,922</b>	<b>Balance as at 31 March</b>	<b>255,582</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 Financial Statements

2016/17 £000		2017/18 £000
<b>856,975</b>	<b>Balance as at 1 April</b>	<b>876,075</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(53,824)	Charges for depreciation and impairment of non-current assets	(60,943)
36,062	Reverse previous impairment on revaluation	6,876
(38,118)	Revaluation losses on Property, Plant and Equipment	(41,601)
(672)	Amortisation of intangible assets	(949)
(4,122)	Expenditure on REFCUS	(5,792)
(24,260)	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	(28,380)
<b>(84,934)</b>		<b>(130,789)</b>
2,448	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,357
<b>(82,486)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(128,432)</b>
	<b>Capital financing applied in the year:</b>	
7,675	Capital Receipts	10,682
10,829	Direct Revenue Financing	10,407
41,191	Grants and contributions	50,734
32,667	Prudent Revenue Provision	35,365
1,227	Capital receipts to provide for repayment of external loans	21
(1,703)	Reduction in loan debtors	(65)
<b>91,886</b>		<b>107,144</b>
9,700	Movements in the value of Investment Properties	(2,464)
0	Movement in the value of Held for Sale assets	0
<b>876,075</b>	<b>Balance as at 31 March</b>	<b>852,323</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.

2016/17 £000		2017/18 £000
<b>2,049</b>	<b>Balance as at 1 April</b>	<b>2,038</b>
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,500
(11)	Transfers to the Capital Receipts Reserve upon receipt of cash	(2,027)
<b>2,038</b>	<b>Balance as at 31 March</b>	<b>4,511</b>

The balance in 2017/18 relates primarily to the deferred payment from disposal of land at Central Square.

### 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



## Notes to the Financial Statements

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.

2016/17 £000		2017/18 £000
<b>16,811</b>	<b>Balance as at 1 April</b>	<b>13,235</b>
(3,576)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	305
<b>13,235</b>	<b>Balance as at 31 March</b>	<b>13,540</b>

The majority of the balance relates to the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is reflected in the 'available for sale reserve'. Any valuation should be treated with care as it is for accounting purposes only.

### Pensions Reserve

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

2016/17 £000		2017/18 £000
<b>(559,208)</b>	<b>Balance as at 1 April</b>	<b>(591,356)</b>
(16,049)	Actuarial gains or losses on pensions assets and liabilities	(33,582)
(61,579)	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	(67,010)
2,613	Reversal of amounts accrual in respect of pension strain for future years	(44)
42,867	Employer's pensions contributions and direct payments to pensioners payable in the year	44,032
<b>(591,356)</b>	<b>Balance as at 31 March</b>	<b>(647,960)</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.

## Notes to the Financial Statements

2016/17 £000		2017/18 £000
(6,289)	<b>Balance as at 1 April</b>	<b>(8,252)</b>
(1,963)	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	(1,081)
(8,252)	<b>Balance as at 31 March</b>	<b>(9,333)</b>

### 30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17 £000	2017/18 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(320,309)	(312,736)
Non-Domestic Rates	(105,994)	(115,480)
Capital Grants	(39,778)	(42,913)
Developers' Contributions	(1,413)	(7,821)
<b>Total</b>	<b>(467,494)</b>	<b>(478,950)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(256,021)	(272,330)
Other Local Authorities	(2,033)	(6,648)
NHS Bodies	(11,799)	(11,729)
Public Corporations & Trading Funds	(709)	(814)
Other Entities and Individuals	(1,519)	(2,474)
<b>Total</b>	<b>(272,081)</b>	<b>(293,995)</b>

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

31 March 2017 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2018 £000
(1,122)	Central Government Bodies	(5,599)
0	Other Local Authorities	(32)
0	NHS Bodies	(3)
(372)	Public Corporations and Trading Funds	(610)
(522)	Other Entities and Individuals	(240)
<b>(2,016)</b>	<b>Total</b>	<b>(6,484)</b>

31 March 2017 £000	Capital Grants Receipts in Advance	31 March 2018 £000
(974)	Central Government Bodies	(412)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
<b>(974)</b>	<b>Total</b>	<b>(412)</b>

## Notes to the Financial Statements

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

31 March 2017 £000		31 March 2018 £000
<b>(9,933)</b>	<b>Balance as at 1 April</b>	<b>(11,843)</b>
(3,590)	Contributions received during the year	(9,290)
1,413	Contributions applied to expenditure during the year	10,862
267	Reclassification	310
<b>(11,843)</b>	<b>Balance as at 31 March</b>	<b>(9,961)</b>

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

### 31. Contingent Assets and Liabilities

#### Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity at 31 March 2018 is £4.739 million.

In March 2015, the Council approved a request from Glamorgan County Cricket Club to write off 70% of a £6.534 million loan balance due to the Council and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015 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, until a further review of the business plan forecasts and risks. 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, subject to HMRC reviews. This includes cultural and leisure exemptions, the latter being at a more advanced stage.

#### Liabilities

As at 31 March 2018 there existed 4 claims in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £160,000, although some are unknown and the Council is resisting liability.

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

The Council's share of residual exposure has been reduced to £2.061 million. The accounts reflect a provision of £74,516 with £1.358 million held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

## Notes to the Financial Statements

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

The Council and HMRC are in discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged Pricewaterhousecoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax.. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. The Council aims to respond to HMRC queries in October 2018. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the additional work required and technical nature of the assessment, it is not possible to quantify or provide a reliable estimate of any liability at this stage and so no provision is created in the accounts as at 31 March 2018.

### 32. Notes to Cash Flow Statement

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

2016/17 £000		2017/18 £000
(46,851)	Depreciation, impairment & amortisation	(96,682)
(18,062)	Charges made for retirement benefits (IAS19) less employers contributions	(23,022)
2,005	Contributions (to)/from provisions	5,520
(32,158)	Gain/loss on disposal of non-current assets	(30,844)
36	Increase/(decrease) in stock	(46)
(6,214)	Increase/(decrease) in debtors	386
4,031	(Increase)/decrease in creditors & super fund	(5,750)
(97,213)		(150,438)

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

2016/17 £000		2017/18 £000
8,946	Net gain/(loss) on sale of non-current assets	(4,800)
41,191	Capital grants/contributions recognised in CI&E	50,734
(1,745)	Other cash items which effect investing or financing activities	0
48,392		45,934

### 33. Events After the Reporting Period

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on XX September 2018 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.



# Housing Revenue Account

CREV GWIR IN THESE STONES  
FELGWYDR HORIZONS  
OFRNAIS AWENSING

## Notes to Housing Revenue Account

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

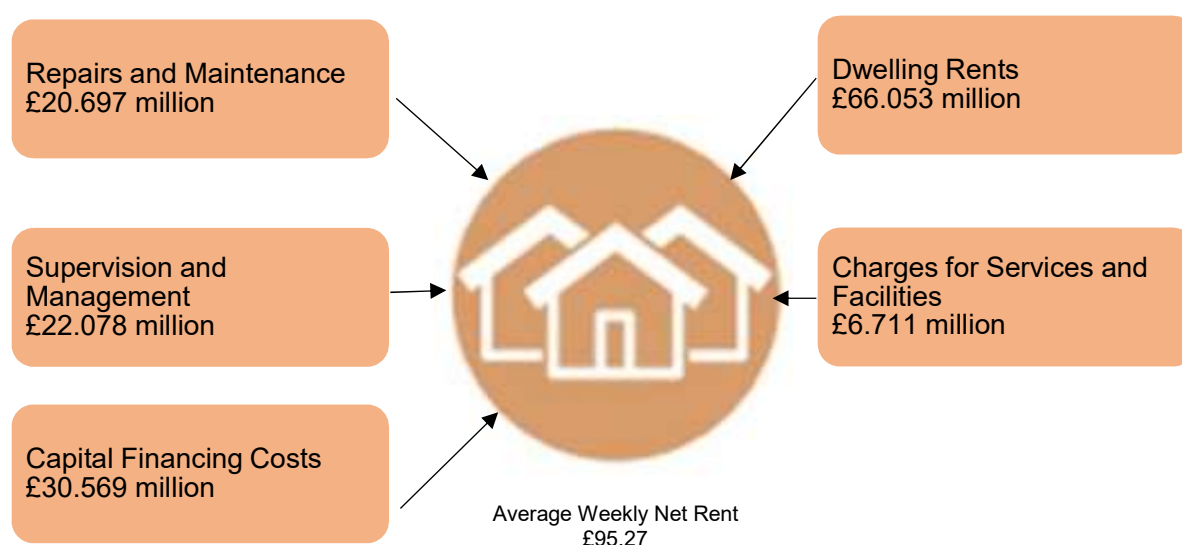
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling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

With over 7,900 people currently on the combined housing waiting list, the plan includes delivery of 1,000 new affordable Council homes in the city by 2022 and further targets for another 1,000 over the longer term. In order to preserve current stock levels the Right to Buy scheme has been suspended in Cardiff. 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.

Key expenditure and income items include:

### Expenditure

### Income



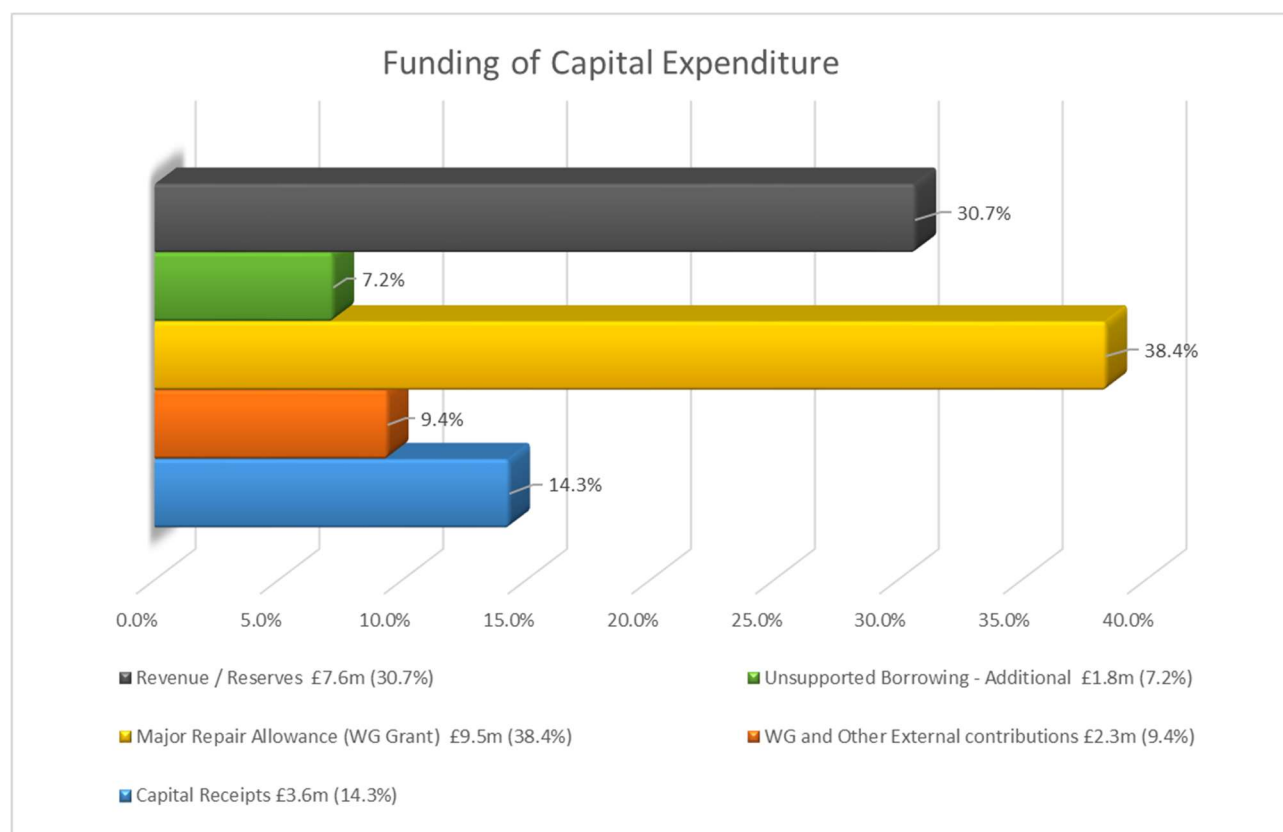
Our housing stock is valued in the accounts at £548.204 million. Dwellings were revalued in 2016/17 with the vacant possession value deemed to be £1.311 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% in order to show the 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 2018, this stands at £266.709 million and is currently below the maximum limit set by Welsh Government (£316.554 million). All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £24.822 million on estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and on the development of new Council Housing to meet new build targets.



## Notes to Housing Revenue Account



During 2017/18, 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
- 99% of over 6,000 clean and clear jobs completed within 10 working days
- 99% of urgent antisocial behaviour cases contacted within 1 working day
- 98% of emergency repairs completed on time
- 94% of responsive repairs carried out by the in-house workforce.

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

A recent tenant satisfaction survey showed that:

- 92% of tenants 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.

## Notes to Housing Revenue Account

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The accounting policies are contained in pages 22 and 37 and key accounting terms are detailed on pages 144 to 150.

2016/17 £000		Note	2017/18 £000
19,959	Repairs and maintenance		20,697
19,239	Supervision and management		22,078
170	Rents, rates, taxes and other charges		96
650	Provision for bad and doubtful debts		701
9,407	Depreciation, impairment and revaluation losses of non-current assets	8	10,164
25	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	55
39	Debt management costs		45
<b>49,489</b>	<b>Total Expenditure</b>		<b>53,836</b>
(63,253)	Dwelling rents		(66,105)
(98)	Non-dwelling rents		(80)
(6,067)	Charges for services and facilities		(6,711)
<b>(69,418)</b>	<b>Total Income</b>		<b>(72,896)</b>
<b>(19,929)</b>	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(19,060)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(2,088)	(Gain)/loss on sale of HRA non-current assets		(2,485)
12,497	Interest payable and similar charges		11,779
208	Changes in fair value of investment properties		0
(72)	Interest and Investment income		(1)
(9,645)	Capital grants and contributions applied		(11,855)
<b>(19,029)</b>	<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(21,622)</b>

### Movement on HRA Balance

2016/17 £000		Note	2017/18 £000
<b>(8,438)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(8,438)</b>
(19,029)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(21,622)
15,897	Adjustments between accounting basis and funding basis under regulations	1	21,940
<b>(3,132)</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>318</b>
3,132	Transfers to/(from) earmarked reserves		(863)
0	Increase or decrease in the year on the HRA		(545)
<b>(8,438)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(8,983)</b>

## Notes to Housing Revenue Account

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

2016/17 £000		Note	2017/18 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
9,285	Charges for depreciation, impairment and revaluation of non-current assets	8	9,699
0	Revaluation losses of non-current assets	8	268
122	Reverse previous impairment on revaluation	8	(12)
0	Amortisation of intangible assets	8	208
208	Movement in the market value of investment properties		0
(9,645)	Capital grants and contributions applied		(11,855)
25	Sums directed by Welsh Government	9	55
(2,483)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,526
(8,043)	Prudent Provision for the financing of capital investment		(11,112)
(6,009)	Capital expenditure charged against the HRA		(7,633)
42	Credit for disposal costs that qualify to be met from the resulting capital receipts		51
	<b>Adjustments involving the Revaluation Reserve:</b>		
395	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(4,010)
	<b>Adjustments involving the Pensions Reserve:</b>		
2,976	Net Retirement Benefits per IAS19		4,038
(2,851)	Employers Contributions to pension schemes		(3,273)
53	Pension Strain Accrual – future years		119
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
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		(9)
(15,897)	<b>Total Adjustments</b>		<b>(21,940)</b>

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.20% of rental income (1.25% in 2016/17). Average rents were £95.27 per week (£91.11 in 2016/17) based on a 52 week year.

### 3. Rent Arrears and Bad Debt Provision

31 March 2017			31 March 2018	
Rent arrears £000	Bad debt provision £000		Rent arrears £000	Bad debt provision £000
3,166	2,465	Ordinary HRA	3,588	2,753
39	39	Leasehold properties	40	40
210	210	Hostels	253	253
<b>3,415</b>	<b>2,714</b>	<b>Total</b>	<b>3,881</b>	<b>3,046</b>

In addition the following sums were also due from tenants:

## Notes to Housing Revenue Account

31 March 2017			31 March 2018	
Arrears	Bad debt provision		Arrears	Bad debt provision
£000	£000		£000	£000
91	55	Service charges	100	60
399	399	Tenants recoverables	441	441
490	454	<b>Total</b>	<b>541</b>	<b>501</b>

During 2017/18 a number of old debts totalling £298,905 were written off as irrecoverable (£211,450 in 2016/17).

### 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:

	2016/17 £000	2017/18 £000
Current service cost	2,976	4,038
Cost of employer's contributions plus discretionary benefits	(2,851)	(3,273)
Pension Strain Accrual - Future Years	53	119
<b>Net transfer to Pensions Reserve</b>	<b>178</b>	<b>884</b>

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

### 5. Housing Stock

The Council's housing stock is shown below:

	31 March 2017	31 March 2018
Houses	7,224	7,205
Bungalows	628	628
Flats/Bedsits	5,082	5,082
Maisonettes	169	169
Retirement complexes	352	352
<b>Total</b>	<b>13,455</b>	<b>13,436</b>

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

	31 March 2017	31 March 2018
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

2016/17 £000		2017/18 £000
<b>276,599</b>	<b>Opening Capital Financing Requirement</b>	<b>273,882</b>
	<u>Capital Expenditure:</u>	
17,980	Council dwellings	17,633

## Notes to Housing Revenue Account

2016/17 £000		2017/18 £000
2,095	Other land & buildings	600
466	Vehicles, plant & equipment	96
0	Investment properties	582
3,516	Assets under construction	5,818
70	Intangible assets including intangible AUC	38
25	Expenditure on REFCUS	55
0	Appropriation of land	2,159
	<b>Sources of Finance:</b>	
(3,173)	Capital Receipts	(3,558)
(9,645)	Government grants and other contributions *	(11,855)
(6,009)	Direct revenue contributions and reserves	(7,633)
(8,042)	Prudent revenue and capital provision for loan repayment	(11,108)
<b>273,882</b>	<b>Closing Capital Financing Requirement</b>	<b>266,709</b>
316,554	Debt Cap at 31 March	316,554
<b>42,672</b>	<b>Headroom</b>	<b>49,845</b>
	<b>Explanation of Movements in Year:</b>	
(2,715)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years)	(7,171)
<b>(2,715)</b>	<b>Movement in Capital Financing Requirement</b>	<b>(7,171)</b>

\*£9.532 million (£9.590 million in 2016/17) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council 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 2018, 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 2017/18 were as follows:

- Council Dwellings and Home Purchase Contributions £3.766 million (£2.991 million in 2016/17)
- Land £0.108 million (£0.234 million in 2016/17)

### 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.

2016/17 £000		2017/18 £000
8,659	Council dwellings	9,071
187	Land and buildings	203
391	Vehicles, plant & equipment and intangibles	486
<b>9,237</b>	<b>Total depreciation</b>	<b>9,760</b>
153	Council dwellings	26
17	Land and buildings	257
0	Vehicles, plant & equipment, intangibles and AUC	121
<b>170</b>	<b>Total Impairment and Revaluation</b>	<b>404</b>
<b>9,407</b>	<b>Depreciation, impairment and revaluation of non-current assets</b>	<b>10,164</b>

## Notes to Housing Revenue Account

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

	2016/17 £000	2017/18 £000
<b>Expenditure:</b>		
Buildings not owned by the Council	25	55
<b>Charged to Income and Expenditure Account</b>	<b>25</b>	<b>55</b>
<b>Funded by:</b>		
Grants and Contributions	0	0
Borrowing, Receipts and Other Capital Resources	(25)	(55)
	<b>(25)</b>	<b>(55)</b>



# Group Accounts

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## Introduction

The group accounts that follow comply with the requirement of the 2017/18 Code, which states that a local authority with material interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of the County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus) which is a wholly owned subsidiary with limited liability. At the point of drafting these accounts, the accounts for Cardiff Bus had been audited but not certified.

The Council has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2017/18. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

## Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd. 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 22 to 37 with the following additions and exceptions:

## Key accounting terms

Key accounting terms are detailed on pages 144 to 150.

### 1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with FRS102. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

### 2. Value Added Tax

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

### 3. Goodwill

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

### 4. Charges to Income and Expenditure for Non-Current Assets

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

### 5. Prior Period Adjustments

The 2016/17 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2016/17 Cardiff Bus final accounts, as these were not available at 30 September 2017.

## Group Comprehensive Income and Expenditure

2016/17 Restated				Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
130,583	(74,992)	55,591	City Operations		123,655	(67,005)	56,650
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,029	(48,519)	36,510
348,099	(100,633)	247,466	Education & Lifelong Learning		385,750	(100,473)	285,277
6,911	(2,555)	4,356	Governance & Legal Services		8,910	(1,896)	7,014
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,301	(26,414)	153,887	Social Services		189,175	(31,610)	157,565
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
1,065,869	(529,736)	536,133	Net Cost of Services		1,140,977	(537,542)	603,435
29,367	0	29,367	Police and Crime Commissioner for South Wales		31,216	0	31,216
296	0	296	Community Council Precepts		310	0	310
17,034	0	17,034	Levies & Contributions		17,115	0	17,115
32,221	(9,060)	23,161	(Gain)/loss on sale of non-current assets		29,135	(27,165)	1,970
78,918	(9,060)	69,858	Other Operating Expenditure		77,776	(27,165)	50,611
32,433	0	32,433	Interest Payable on debt		31,781	0	31,781
0	0	0	Interest element of finance leases	4	209	0	209
18,113	0	18,113	Interest on net defined liability/(asset)		14,774	0	14,774
0	(986)	(986)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		2,502	(38)	2,464
59,651	(19,791)	39,860	Financing and Investment		49,266	(738)	48,528

## Group Comprehensive Income and Expenditure

			Income & Expenditure				
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
0	(320,309)	(320,309)	Revenue Support Grant		0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates		0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income		2,070	(191,095)	(189,025)
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income		2,070	(670,045)	(667,975)
92	0	92	Tax expenses - Corporation Tax payable/(owing)		(439)	0	(439)
1,206,593	(1,208,583)	(1,990)	(Surplus)/Deficit on Provision of Services		1,269,650	(1,235,490)	34,160
		(26,098)	Revaluation Gains				(2,262)
		10,169	Revaluation Losses				2,128
		784	Impairment losses on non-current assets charged to the Revaluation Reserve				361
		81	(Surplus)/Deficit on revaluation of available for sale financial assets				45
		16,050	Actuarial gains/losses on pension assets/liabilities				33,581
		1,166	Share of other comprehensive income & expenditure of subsidiaries				135
		2,152	Other Comprehensive Income & Expenditure				33,988
		162	Total Comprehensive Income & Expenditure				68,148



## Group Movement In Reserves

	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 2016 carried forward Restated</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>552,305</b>	<b>7,418</b>	<b>642,019</b>
<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	229	1,990
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(986)	(1,166)	(2,152)
<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>(986)</b>	<b>(937)</b>	<b>(162)</b>
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>	<b>6,165</b>	<b>0</b>	<b>3,132</b>	<b>0</b>	<b>1,782</b>	<b>11,079</b>	<b>(10,304)</b>	<b>(937)</b>	<b>(162)</b>
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>	<b>(1,000)</b>	<b>7,165</b>	<b>0</b>	<b>3,132</b>	<b>1,782</b>	<b>11,079</b>	<b>(10,304)</b>	<b>(937)</b>	<b>(162)</b>
<b>Balance at 31 March 2017 carried forward (restated)</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>542,001</b>	<b>6,481</b>	<b>641,857</b>
<b><u>Movement in Reserves during 2017/18</u></b>									
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(1,913)	(34,160)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,853)	(135)	(33,988)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,853)</b>	<b>(2,048)</b>	<b>(68,148)</b>
Adjustments between accounting basis & funding basis under regulations	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(82,349)</b>	<b>(2,048)</b>	<b>(68,148)</b>
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0	0
<b>Increase / (Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(82,349)</b>	<b>(2,048)</b>	<b>(68,148)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>459,652</b>	<b>4,433</b>	<b>573,709</b>

## Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
1,714,131	Property Plant & Equipment:	7	1,733,392
53,846	Heritage Assets		54,099
132,241	Investment Properties		103,820
3,315	Intangible Non-Current Assets including AUC		2,701
412	Long-term Investments		366
5,616	Long-term Debtors		8,087
856	Deferred tax asset		1,201
<b>1,910,417</b>	<b>Total Long Term Assets</b>		<b>1,903,666</b>
66,124	Short-term Investments		34,033
80	Assets held for Sale		6,375
2,466	Inventories		2,377
84,844	Short-term Debtors	9	87,850
22,336	Cash and Cash Equivalents	10	55,804
<b>175,850</b>	<b>Total Current Assets</b>		<b>186,439</b>
(14,972)	Short Term Borrowing		(13,440)
(89,867)	Short Term Creditors	11	(91,316)
(1,414)	Pension Strain		(1,884)
(8,031)	Provisions	12	(5,640)
(4,311)	Deferred Liabilities	13	(5,090)
(66)	Deferred tax liability		0
<b>(118,661)</b>	<b>Total Current Liabilities</b>		<b>(117,370)</b>
(668,028)	Long Term Borrowing		(688,713)
(28,938)	Provisions		(25,188)
(19,018)	Deferred Liabilities		(17,565)
(11,843)	Capital Contributions Receipts in Advance		(9,961)
(2,016)	Revenue Grants Receipts in Advance		(6,484)
(974)	Capital Grants Receipts in Advance		(412)
(3,219)	Pensions Strain		(2,794)
(590,544)	Net Pensions Liability		(646,865)
(1,169)	Deferred tax liability		(1,044)
<b>(1,325,749)</b>	<b>Total Long Term Liabilities</b>		<b>(1,399,026)</b>
<b>641,857</b>	<b>NET ASSETS</b>		<b>573,709</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves		61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves		3,223
7,205	Capital Receipts Reserve		21,320
<b>93,375</b>	<b>Usable Reserves</b>		<b>109,624</b>
262,084	Revaluation Reserve		258,745
876,075	Capital Adjustment Account		852,323
2,038	Deferred Capital Receipts		4,511
4,574	Available for Sale Financial Instruments Reserve		4,528
(597,671)	Pensions Reserve		(654,441)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
9,634	Reserves (Group Entities)		7,752



## Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
548,482	Unusable Reserves		464,085
641,857	TOTAL RESERVES		573,709

## Group Cash Flow

2016/17 Restated £000		Note	2017/18 £000
(1,990)	Net (Surplus) /Deficit on the provision of services		34,160
(98,375)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(152,883)
48,290	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	45,725
<b>(52,075)</b>	<b>Net cash flows from operating activities</b>		<b>(72,998)</b>
99,975	Purchase of property, plant and equipment, investment property and intangible assets		126,943
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,092)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,889)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
0	Proceeds from short-term and long-term investments		0
<b>63,023</b>	<b>Net cash flows from investing activities</b>		<b>57,369</b>
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(5,966)	Other receipts from financing activities		(2,826)
1,456	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,907
8,231	Repayments of short-term and long-term borrowing		7,791
0	Other payments for financing activities		293
<b>(10,924)</b>	<b>Net cash flows from financing activities</b>		<b>(17,839)</b>
<b>24</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(33,468)</b>
22,360	Cash and cash equivalents at the beginning of the reporting period		22,336
<b>22,336</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>55,804</b>

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 44 to 93 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	
	2016/17	2017/18
60,000-64,999	43	60
65,000-69,999	43	46
70,000-74,999	8	12
75,000-79,999	11	10
80,000-84,999	13	17
85,000-89,999	1	5
90,000-94,999	4	2
95,000-99,999	1	2
100,000-104,999	1	2
105,000-109,999	2	3
110,000-114,999	2	1
115,000-119,999	2	2
120,000-124,999	5	6
125,000-129,999	0	1
130,000-134,999	2	1
135,000-139,999	1	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-169,999	0	0
170,000-174,999	1	1
<b>Total</b>	<b>140</b>	<b>173</b>

#### 2. Related Parties Disclosures

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

#### 3. External Audit Costs

In 2017/18 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees Payable to other external auditors in respect of external audit services	41	30
Fees payable to external auditors for the certification of grant claims and returns	88	65
Fees payable in respect of other services provided by external auditors	5	40
<b>Total</b>	<b>523</b>	<b>518</b>

## Notes to Group Accounts

### 4. Leasing

#### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2017/18 were as follows

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,346
Other leases	2,705	3,127
	<b>4,534</b>	<b>4,473</b>

The group was committed at 31 March 2018 to making payments of £4.225 million under operating leases in 2017/18 (£3.955 million at 31 March 2017 for 2016/17) comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	16	1,925
Leases expiring within 2 and 5 years	1,016	1,021
Leases expiring after 5 years	247	0
	<b>1,279</b>	<b>2,946</b>

#### Finance Leases

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

2016/17 £000		2017/18 £000
11,836	Vehicles, Plant, furniture & Equipment	13,257

Obligations under finance leases:

2016/17 £000		2017/18 £000
1,465	Obligations payable within 1 year	1,895
4,783	Obligations payable between 2 and 5 years	5,128
214	Obligations payable after 5 years	431
<b>6,462</b>	<b>Total liabilities as at 31 March</b>	<b>7,454</b>

The aggregate finance charges made during 2017/18 were as follows:

2016/17 £000		2017/18 £000
181	Vehicles, Plant & Equipment	209

## Notes to Group Accounts

### 5. Pensions

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

	2016/17 £000	2017/18 £000
<i>Net Cost of Services</i>		
Past and current service cost and operating charge	44,188	52,668
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	18,195	14,510
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>62,383</b>	<b>67,178</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(18,340)	(22,320)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	458	582
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>44,501</b>	<b>45,440</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,640)	(40,820)
Payments in Respect of Unfunded Pensions Liabilities	(3,230)	(3,210)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,631)	(1,410)
	<b>(44,501)</b>	<b>(45,440)</b>

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pension arrangements of Cardiff City Transport Services Ltd. and have been taken directly from their 2017/18 financial statements.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by The City of Cardiff Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations.

The total costs charged in the income statement for the money purchase scheme of £613,000 (£707,000 in 2016/17) represents contributions payable during the year. At 31 March 2018, contributions of £80,000 (£85,000 in 2016/17) due in respect of the current reporting period had not been paid over to the scheme.

### Cardiff City Transport Services Limited Pension Scheme

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

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2014, was carried out as at 1 April 2015. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

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

## Notes to Group Accounts

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

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1m and that this value represented 95% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, but allowing for PPF levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.3% of pensionable pay from 1 April 2018. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

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

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2018 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit method.

The principal assumptions used by the actuary were:

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.2% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Inflation Assumption (RPI)	3.1% pa	3.3% pa	3.2% pa
Inflation Assumption (CPI)	2.1% pa	2.3% pa	2.2% pa
Pension Increases (CPIS)	2.1% pa	2.3% pa	2.2% pa

### Mortality assumption

The mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2016 projection model with a long-term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure date will live on average for a further 20.3 years (2017: 20.3) if they are male and for a further 22.1 years (2017: 22.3) if they are female. For a member who is 45 at the disclosure date and retires at age 65 the assumptions are that they will live on average for a further 21.4 years after retirement (2017: 21.6) if they are male and for a further 23.3 years after retirement (2017: 23.7) if they are female.

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

	2015/16	2016/17	2017/18
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	13,734	14,679	12,980
Diversified Growth	15,348	16,724	13,758
Convertible Bonds	3,759	4,001	6,931
Cash and LDI	83	2,414	4,391
	32,924	37,818	38,060



## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
<b>Net IAS19 Scheme Deficit</b>	<b>878</b>	<b>(641)</b>	<b>(384)</b>

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and administration	(906)	(885)	(914)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,072	1,142	981
Interest on pension scheme liabilities	(1,120)	(1,110)	(995)
<b>Net finance income/(charge)</b>	<b>(48)</b>	<b>32</b>	<b>(14)</b>

### Analysis of amount recognised in the primary statements

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(315)	4,348	(528)
Changes in financial assumptions underlying the scheme/(liabilities)	2,664	(5,985)	612
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>2,349</b>	<b>(1,637)</b>	<b>84</b>

### Movements in scheme deficit during the year

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>At 1 April b/f</b>	<b>(1,481)</b>	<b>878</b>	<b>(641)</b>
Movement in year:			
Total operating charge	(669)	(589)	(618)
Contributions	964	971	1,072
Net finance income/(charge)	(285)	(264)	(281)
Actuarial gain/(loss) in the primary statements	2,349	(1,637)	84
<b>At 31 March c/f</b>	<b>878</b>	<b>(641)</b>	<b>(384)</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 2016.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2017 continuing into

## Notes to Group Accounts

2019/20. In addition to this rate, Cardiff City Transport Services Limited is required to pay £360,000 per annum.

The most recent completed valuation was carried out as at 31 March 2016, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rates certified for the company at the 31 March 2016 valuation are 25.4% of pensionable pay plus an additional annual contribution of £360,000 from April 2017 to March 2020.

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:

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.3% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Rate of increase in pensions in payment	2.1% pa	2.3% pa	2.3% pa
Rate of increase in deferred pensions	2.1% pa	2.3% pa	2.3% pa
Rate of inflation (RPI)	3.1% pa	3.3% pa	3.3% pa
Rate of inflation (CPI)	2.1% pa	2.3% pa	2.3% pa

### Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.6 years (2017: 20.3) if they are male and for a further 22.4 years (2017: 22.2) 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 21.7 years after retirement (2017: 21.6) if they are male and for a further 23.6 years after retirement (2017: 23.7) if they are female.

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

	2015/16	2016/17	2017/18
	Fair Value	Fair Value	Fair Value
	£000	£000	£000
Equities	19,917	23,640	20,130
Government bonds	2,148	2,573	4,661
Corporate bonds	1,909	1,756	3,148
Property	1,936	1,907	1,907
Cash	610	454	424
Other assets	0	(60)	0
	26,520	30,270	30,270

## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value share of assets	26,520	30,270	30,270
Present value of scheme liabilities	(30,190)	(33,450)	(33,470)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,670)</b>	<b>(3,180)</b>	<b>(3,200)</b>

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
<b>Net IAS19 Scheme Deficit</b>	<b>878</b>	<b>(641)</b>	<b>(384)</b>

### Analysis of amount charged to operating profit:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Current Service Cost / Past Service Cost	(270)	(210)	(210)
<b>Total Operating Charge</b>	<b>(270)</b>	<b>(210)</b>	<b>(210)</b>

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

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Expected return on pension scheme assets	900	920	780
Interest on pension scheme liabilities	(990)	(1,030)	(850)
<b>Net Finance Income / (Charge)</b>	<b>(90)</b>	<b>(110)</b>	<b>(70)</b>

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

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(1,300)	3,580	140
Changes in financial assumptions underlying the scheme/(liabilities)	510	(3,430)	(390)
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>(790)</b>	<b>150</b>	<b>(250)</b>

### Movements in scheme deficit during the year:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>At 1 April</b>	<b>(3,210)</b>	<b>(3,670)</b>	<b>(3,180)</b>
Movement in year:			
Total operating charge	(270)	(210)	(210)
Contributions	690	660	510
Net finance income/(charge)	(90)	(110)	(70)

## Notes to Group Accounts

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actuarial gain/(loss) in the primary statements	(790)	150	(250)
<b>At 31 March</b>	<b>(3,670)</b>	<b>(3,180)</b>	<b>(3,200)</b>

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

<b>The Group and the Company</b>	<b>31 March 2017 £000</b>	<b>31 March 2018 £000</b>
Cardiff City Transport Scheme	641	383
Cardiff & Vale of Glamorgan Pension Scheme	3,180	3,200
Deferred Tax Asset	(726)	(681)
<b>Total</b>	<b>3,095</b>	<b>2,902</b>

### 6. Exceptional Items

There are no exceptional items reported in the 2017/18 Cardiff Bus Accounts.

# Notes to Group Accounts

## 7. Non-Current Assets Note

2017/18	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>								
<b>At 1 April 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>
Additions	17,633	32,934	7,905	14,943	84	14	54,899	128,412
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(5,214)	0	0	(567)	0	(8,260)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
<b>At 31 March 2018</b>	<b>574,175</b>	<b>776,126</b>	<b>79,204</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,180,752</b>
<b>Depreciation</b>								
<b>At 1 April 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>
Depreciation charge	9,072	16,678	7,375	22,135	0	0	0	55,260
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(5,148)	0	0	0	0	(5,913)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
<b>At 31 March 2018</b>	<b>25,971</b>	<b>41,069</b>	<b>47,281</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>447,360</b>
<b>Net Book Value:</b>								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>735,057</b>	<b>31,923</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,733,392</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>

\* RR = Revaluation Reserve

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

## Notes to Group Accounts

Comparative Information for 2016/17:

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>								
<b>At 1 April 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>
Additions	17,980	21,954	6,564	11,093	32	351	33,876	91,850
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)	(6,575)	0	0	(1,430)	0	(34,850)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088	0	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	(14,775)	0	0	0	(1,011)	0	(15,786)
<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>								
<b>At 1 April 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>
Depreciation charge	8,659	16,746	6,997	22,158	0	0	0	54,560
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	(1,347)
Derecognition - disposals	(16)	(12)	(6,539)	0	0	0	0	(6,567)
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>26,304</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

### 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.

### 9. Debtors

31 March 2017 Restated £000		31 March 2018 £000
45,535	Central Government Bodies	45,784
9,626	Other Local Authorities	11,304
5,364	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,305	Other Entities and Individuals	24,565
84,844	<b>Total Debtors Net of Impairments</b>	<b>87,850</b>

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.391 million (£2.852 million in 2016/17) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.398 million (£2.859 million in 2016/17) in money market accounts that are not instant access.

### 11. Creditors

31 March 2017 Restated £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,608)
(7,916)	Other Local Authorities	(9,741)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(64,198)	Other Entities and Individuals	(67,514)
(89,867)	<b>Total Creditors</b>	<b>(91,316)</b>

## Notes to Group Accounts

### 12. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
Cardiff Bus Insurance Provision	(2,032)	2,540	(1,919)	(1,411)	(635)	(776)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
<b>Total Provisions</b>	<b>(36,969)</b>	<b>12,608</b>	<b>(6,467)</b>	<b>(30,828)</b>	<b>(5,640)</b>	<b>(25,188)</b>

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

### 13. Deferred Liabilities

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commutated Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
Cardiff Bus Finance Lease Liability	(6,462)	1,907	(2,899)	(7,454)	(1,895)	(5,559)
<b>Total Deferred Liabilities</b>	<b>(23,329)</b>	<b>4,259</b>	<b>(3,585)</b>	<b>(22,655)</b>	<b>(5,090)</b>	<b>(17,565)</b>

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

	2016/17 Restated £000	2017/18 £000
Depreciation and impairment	(49,188)	(99,237)
Charges made for retirement benefits (IAS19) less employers contributions	(17,842)	(22,618)
Contributions (to)/from provisions	2,005	5,520
Gain/loss on disposal of fixed assets	(32,204)	(30,862)
Cardiff Bus Taxation	(92)	439
Increase/(decrease) in stock	68	(89)
Increase/(decrease) in debtors (exc capital)	(5,805)	265
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,683	(6,301)
	<b>(98,375)</b>	<b>(152,883)</b>

## Notes to Group Accounts

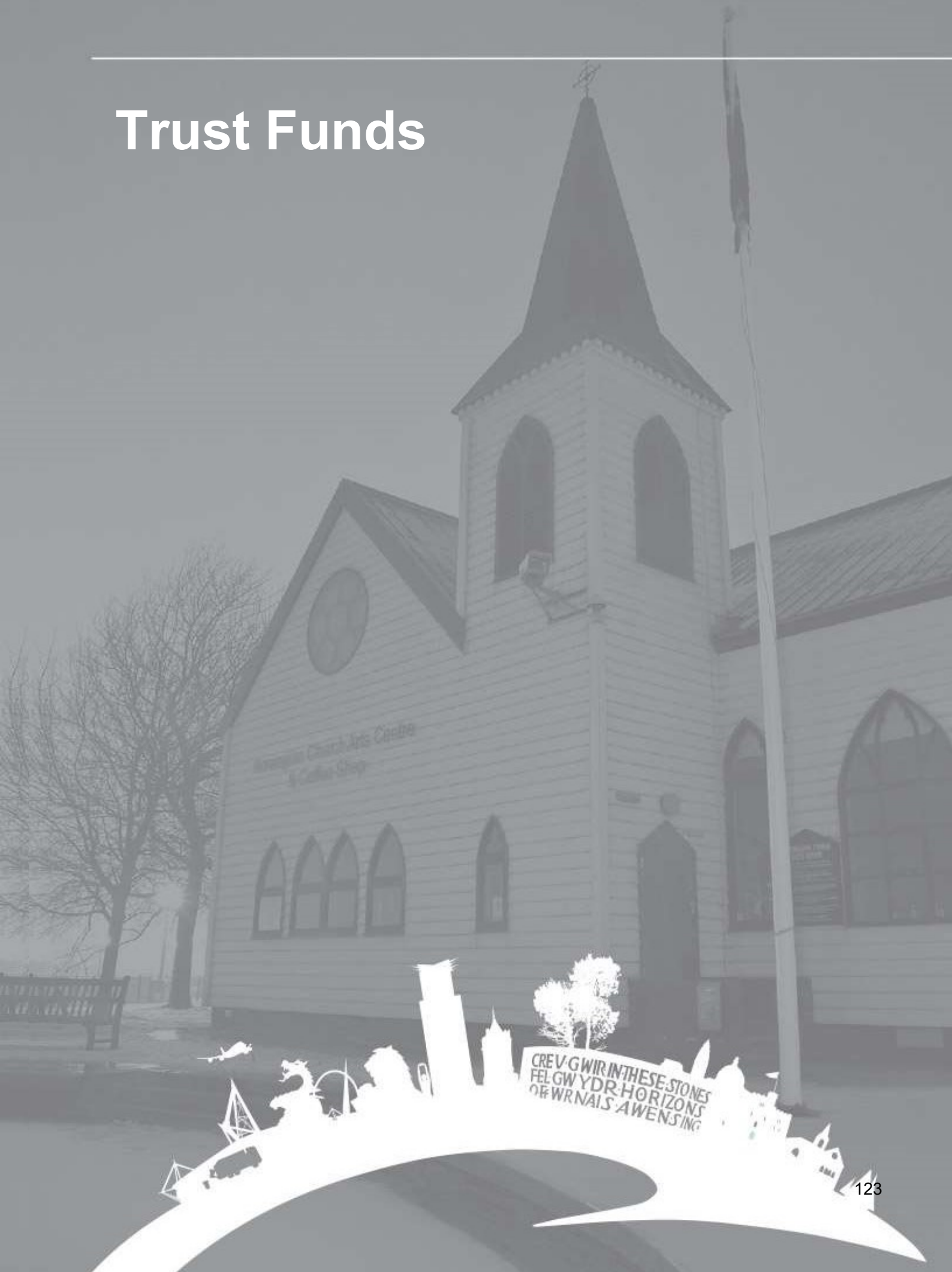
### Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2016/17 Restated £000	2017/18 £000
Net gain/(loss) on sale of non-current assets	8,946	(4,800)
Repayments of liabilities under finance leases	0	(209)
Capital grants/contributions recognised in I&E	41,191	50,734
Other cash items which affect investing or financing activities	(1,847)	0
	<b>48,290</b>	<b>45,725</b>

### 15. Expenditure and Funding Analysis

Please refer to note 4 in the notes to core financial statements for the Council's expenditure and funding analysis.

# Trust Funds



## Trust Funds

During 2017/18, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it. Separate financial statements are produced for each, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

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

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

**Llandaff War Memorial Fund** (219060) – Upkeep of the war memorial at Llandaff.

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

**Norwegian Church Preservation Trust** (519831) - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor attraction on the Cardiff Bay Waterfront for future generations.

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

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for the year ended 31 March 2018 have yet to be examined. This is to be undertaken in January 2019 which is within the statutory deadlines set.

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

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

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

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

Christine Salter  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

## Trust Funds

	Balance as at 31 March 2017 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2018 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,434	5	0	(11)	1,428
Maindy Park Foundation	78,486	158	0	(11)	78,633
Norwegian Church Preservation Trust (restated)	(93,564)	79,700	0	(79,700)	(93,564)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	24,659,954	130,155	(89,354)	(142,835)	24,557,920
<b>Total funds for which the Council is sole trustee</b>	<b>24,646,310</b>	<b>210,018</b>	<b>(89,354)</b>	<b>(222,557)</b>	<b>24,544,417</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	65,417	2,289	(1,989)	(168)	65,549
The Howardian Trust	32,065	965	(80)	0	32,950
<b>Total other funds which are administered by the Council</b>	<b>97,482</b>	<b>3,254</b>	<b>(2,069)</b>	<b>(168)</b>	<b>98,499</b>
<b>Total</b>	<b>24,743,792</b>	<b>213,272</b>	<b>(91,423)</b>	<b>(222,725)</b>	<b>24,642,916</b>



# Cardiff Harbour Authority

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## **Narrative Report**

### **Introduction**

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared 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 narrative report replaces the Director's report required by the Companies Act 2006.

### **Agreement**

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

Welsh Government funding for Cardiff Harbour Authority is subject to 3-year agreements. The existing agreement was scheduled to expire on 31 March 2017. The Welsh Government advised they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018, during which period such a review was intended to take place. This has now been deferred to 2018/19.

The impact of this arrangement was that for the financial year 2017/18, Cardiff Harbour Authority initially operated under the same budget allocation of £5.891 million as in 2016/17. However, in March 2018, Welsh Government awarded an additional asset renewal budget of £97,000 and in the same month, an additional claim for £56,000 in respect of agreed works outside of the fixed costs schedule was approved. This resulted in a total budget of £6.044 million.

The financial deficit for the year ended 31 March 2018 was £1.876 million (£2.432 million in 2016/17).

Total Capital expenditure forms part of an extended programme to 2017/18 for works at the harbour, barrage and surrounding environmental infrastructure. Works included harbour vessel replacement, water quality model, sluice roller replacement, aeration system compressors and playground equipment.

## Key Achievements

During 2017-18 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. Achievements against a Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- operated within a budget reduction and delivered the business plan within budget at year end
- retained Green Flag status for the Barrage and Flat Holm, and secured this for the first time for Cardiff Bay Wetlands
- achieved transition to the new ISO14001 standard as part of environmental management system
- delivered a programme of events including Extreme Sailing Series and International Food and Drink Festival
- delivered an outdoor education programme to schools in conjunction with Parks
- dredging campaigns carried out in July 2017 and January 2018
- maintained statutory water quality standards comprising over 400,000 readings.
- 265 tonnes of litter removed from the rivers and bay
- delivered community projects with Arts and Business funding in partnership with Milford Haven Port Authority, Theatre Na Nog and Wales Millennium Centre benefitting young people from the local area
- community liaison with Butetown residents concerning the end of the Property Protection Scheme
- café facility installed on the Barrage in preparation for operation by the Royal Society for the Protection of Birds from end of April 2018
- provided courses, activities and events at Cardiff International White Water Centre and Cardiff Bay Water Activity and Sailing Centre.

## Guide to the Financial Statements

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

### Comprehensive Income and Expenditure Statement

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

### Balance Sheet

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

## **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 2018 and its income and expenditure for the year ended 31 March 2018.

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

**Date:**

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

### **Opinion**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

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

### **Basis for opinion**

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

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

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

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

### **Other information**

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

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



## Report on other requirements

### Opinion on other matters

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

### Matters on which I report by exception

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

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

### Certificate of completion of audit

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

## Responsibilities

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

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

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

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

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

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

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

24 Cathedral Road  
Cardiff  
CF11 9LJ



## **Accounting Policies**

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2017/18 financial year and its financial position at 31 March 2018. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:

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

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

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

Short-term employee benefits 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 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 and Contributions - 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 - 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
- impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

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

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

Assets are assessed at each year-end as to whether there is any indication that an asset may be 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	Range of remaining useful life in years
Intangible Assets	5
Land	n/a
Buildings	17-60
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 - the general reserve for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. The Harbour Authority only holds one unusable reserve - the revaluation reserve. Unusable reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

## 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 been prepared exclusive of this tax.

# Cardiff Harbour Authority

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

2016/17 £000		2017/18 £000
	<b>Income</b>	
(5,533)	Government Grants	(5,598)
(290)	Capital Grants Applied	(774)
(959)	Fees and Charges	(886)
<b>(6,782)</b>	<b>Total Income</b>	<b>(7,258)</b>
	<b>Expenditure</b>	
2,736	Employees	2,864
1,317	Premises	1,364
92	Transport	76
1,652	Supplies and Services	1,559
475	Support Services	536
2,942	Capital Charges	2,735
<b>9,214</b>	<b>Total Expenditure</b>	<b>9,134</b>
<b>2,432</b>	<b>Net Expenditure for the Year</b>	<b>1,876</b>

## Balance Sheet as at 31 March 2018

31 March 2017 £000		Note	31 March 2018 £000
167,278	Property ,Plant and Equipment	2	165,540
56	Heritage Assets	2	56
0	Intangible Assets	2	0
<b>167,334</b>	<b>Total Long-term Assets</b>		<b>165,596</b>
343	Stocks and Work in Progress	3	362
30	Debtors	4	56
497	Cash		312
<b>870</b>	<b>Current Assets</b>		<b>730</b>
(399)	Creditors	5	(397)
<b>(399)</b>	<b>Current Liabilities</b>		<b>(397)</b>
<b>167,805</b>	<b>Net Assets</b>		<b>165,929</b>
	<b>Reserves:</b>		
163,217	General Reserve	1	161,341
4,588	Revaluation Reserve	1	4,588
<b>167,805</b>	<b>Total Reserves</b>		<b>165,929</b>

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

2016/17			2017/18	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
<b>165,649</b>	<b>4,588</b>	<b>Balance at 1 April</b>	<b>163,217</b>	<b>4,588</b>
(2,432)	0	Movements in Reserves	(1,876)	0
<b>163,217</b>	<b>4,588</b>	<b>Closing Balance at 31 March</b>	<b>161,341</b>	<b>4,588</b>

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £382,000 as at 31 March 2018 (£479,000 as at 31 March 2017).

## 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.

2017/18	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 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>
Additions	0	361	591	0	0	46	998	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
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>6,749</b>	<b>1,357</b>	<b>219,249</b>	<b>1,103</b>	<b>333</b>	<b>222</b>	<b>229,013</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
<b>At 1 April 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>
Depreciation charge	57	194	2,485	0	0	0	2,736	0	0
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 on revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>172</b>	<b>597</b>	<b>62,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,473</b>	<b>0</b>	<b>319</b>
<b>Net Book Value:</b>									
<b>At 31 March 2018</b>	<b>6,577</b>	<b>760</b>	<b>156,545</b>	<b>1,103</b>	<b>333</b>	<b>222</b>	<b>165,540</b>	<b>56</b>	<b>0</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>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement



# Cardiff Harbour Authority

Comparative movements for 2016/17:

2016/17	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets	Intangible Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£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
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 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>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

### 3. Stock

Movements in stock during the financial year are as follows:

	2016/17 £000	2017/18 £000
<b>At 1 April 2017</b>	<b>382</b>	<b>343</b>
Stock written off to the CIES	(39)	19
<b>Balance carried forward</b>	<b>343</b>	<b>362</b>

### 4. Debtors

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	30	56
Trade Receivables	0	0
<b>Total</b>	<b>30</b>	<b>56</b>

### 5. Creditors

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	(77)	(30)
Trade Payables	(322)	(367)
<b>Total</b>	<b>(399)</b>	<b>(397)</b>

# Cardiff Port Health Authority



## Narrative Report

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of the Shared Regulatory Service, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on the County Council of the City and County of Cardiff and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates.

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

## Accounting Policies

### 1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014 (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 2017 (£)	31 March 2018 (£)
<b>Statement of Income and Expenditure/Receipts and Payments</b>		
1. Balances brought forward	151,221	136,479
2. (+) Income from local taxation and/or levy	127,876	126,596
3. (+) Total other receipts	1,115	1,505
4. (-) Staff costs	129,337	124,721
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	14,396	19,438
7. (=) Balances carried forward	136,479	120,421
<b>Statement of Balances</b>		
8. (+) Debtors and stock balances	0	0
9. (+) Total cash and investments	139,810	123,230
10. (-) Creditors	3,331	2,809
11. (=) Balances carried forward	136,479	120,421
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 2018, that:

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

## **Annual Governance Statement (Part 2)**

	Agreed?	
	Yes	No
1. We have considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves.	Yes	
2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid.	N/A	
3. The council has no obligation or intention to pay a gratuity to employees.	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 2018.	<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 Dianne Rees, Lord Mayor</b>
<b>Date:</b>	<b>Date:</b>

### **External Audit Certificate**

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

### **External Auditor's Report**

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of Cardiff Port Health Authority.

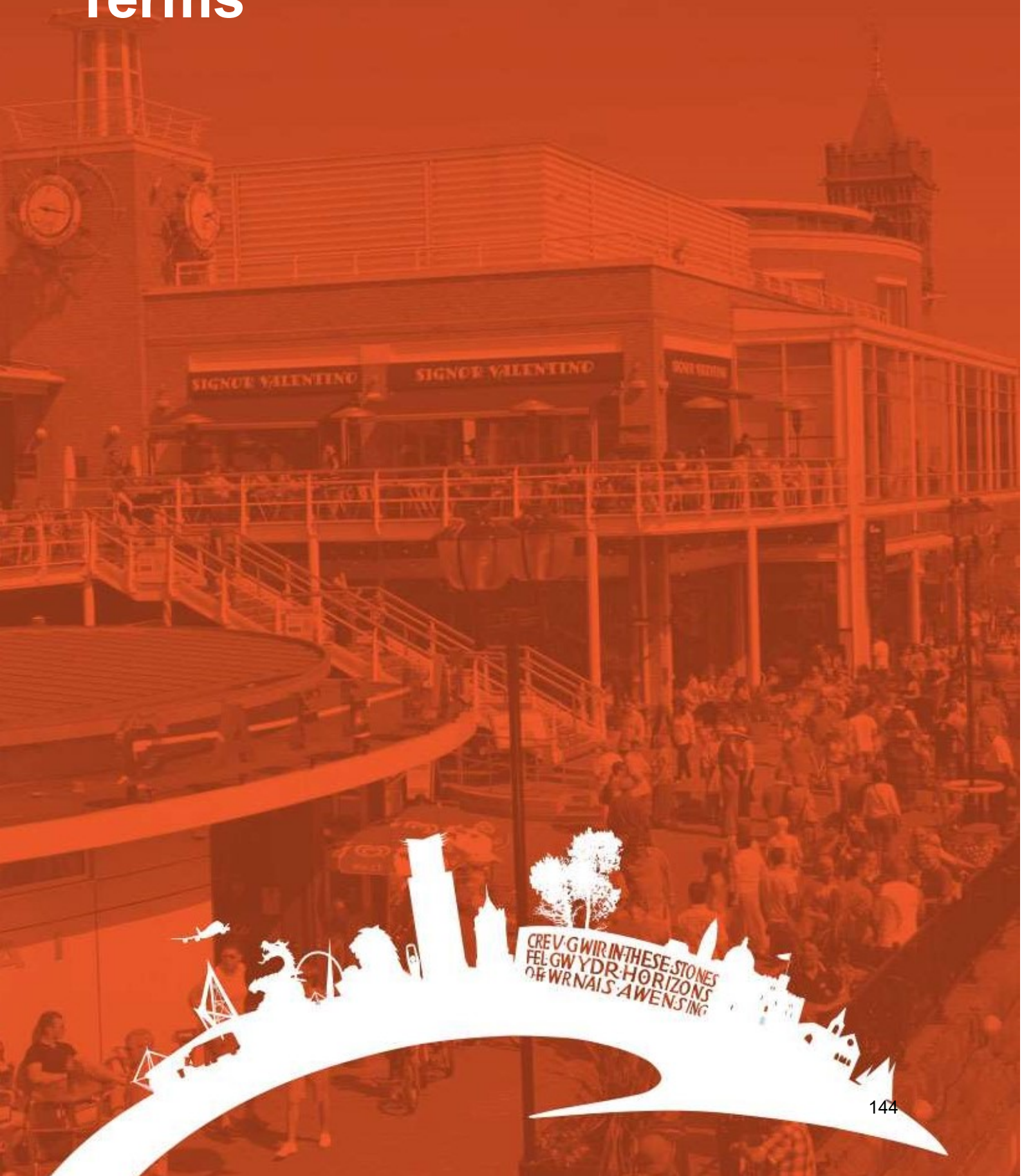
On the basis of our review, in our opinion;

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

<b>External Auditor's name:</b>
External Auditor's signature <span style="float: right;">Date:</span>
For and on behalf of the Auditor General for Wales



# Glossary of Accounting Terms



## Glossary of Accounting Terms

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

### **Accruals Basis**

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

### **Actuarial Gains and Losses**

For a defined benefit 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.

## Glossary of Accounting Terms

### Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal or where a ministerial permission allows.

### Carrying Amount

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

### Cash and Cash Equivalents

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

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

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

### Civil Parking Enforcement

A responsibility granted by Welsh Government designating Cardiff as a “Civil Enforcement Area”. This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

### Community Assets

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

### Contingent Liabilities or Assets

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

### Council Dwellings

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

### Council Fund Balance

The Council Fund Balance represents the cumulative retained surpluses on the Council’s revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

### Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

### Credit Rating

A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan.

### Creditors

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

### Current Service Cost (Pensions)

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

## Glossary of Accounting Terms

### **Current Value**

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

### **Curtailment (Pensions)**

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

### **Debtors**

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

### **Deferred Capital Receipts**

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

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

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

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

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

### **Depreciation/Impairment/Amortisation**

A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non-current assets in the year in the provision of Council services.

### **De-recognition**

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

### **Direct Revenue Financing**

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

### **Earmarked Reserves**

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

### **External Audit**

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

### **Fair Value**

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

### **Finance Lease**

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

### **Financial Instruments**

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



## Glossary of Accounting Terms

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

### **Heritage Asset**

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

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

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

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

### **Investment Properties**

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

### **Investments**

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

### **Joint Venture**

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

### **Lender Option Borrower Option Loans (LOBOs)**

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

### **Levy**

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

### **Liabilities**

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

### **Materiality**

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

## Glossary of Accounting Terms

### **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.