



# Statement of Accounts 2019/20

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*The County Council of the City and County of Cardiff*



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# Narrative Report by Council's Statutory Finance Officer



## Introduction

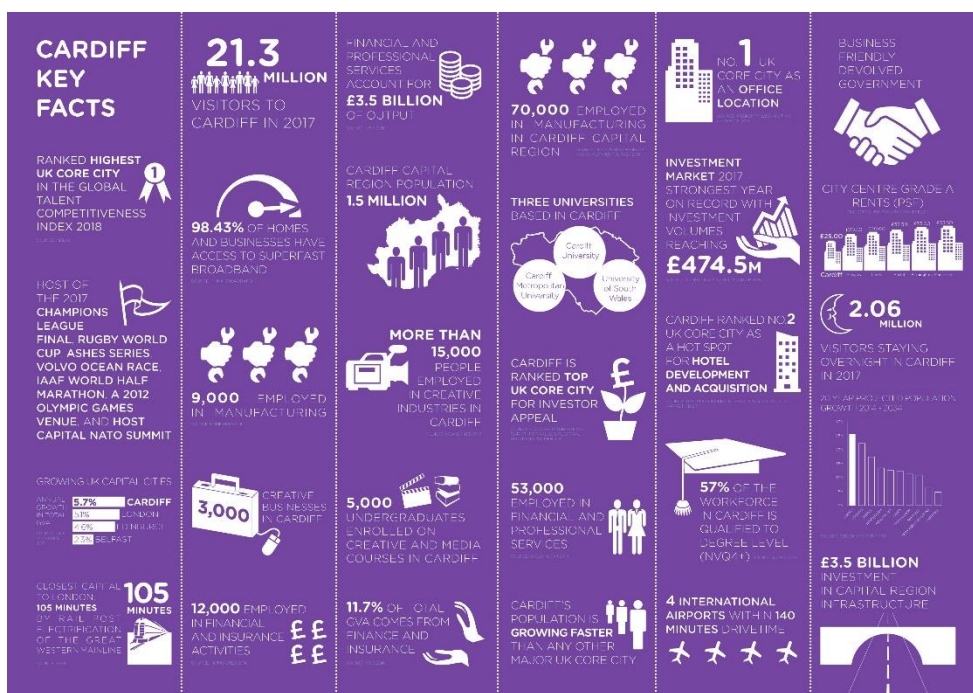
This report presents the 2019/20 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

## Our City

Cardiff is the Capital City of Wales, covering an area of 140 square kilometres. It is the 11th largest city in the United Kingdom with a population of 367,000 living in approximately 151,000 homes. It is an economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people.

In the ten years from 2008 to 2018, Cardiff's population grew by 9.5%, or 31,500 people, and this growth is set to continue, with the Welsh capital projected to be one of the fastest-growing major British cities. Over the next twenty years the capital city is set to see a larger growth in population than the other 21 Local Authorities in Wales put together. As well as those living in the city, nearly 100,000 people, over one third of the City's workforce commute to Cardiff every day from across the city region. That so many people are choosing to live and work in Cardiff is good news, but it will put a strain on our city's infrastructure and additional demands on the range of public services we deliver.

Like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. In fact, if the 'Southern Arc' of Cardiff was considered a single Local Authority, it would be identified as the most deprived in Wales. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing. The Council has declared a Climate Emergency, recognising the conclusions of the Intergovernmental Panel on Climate Change. A revised One Planet Cardiff strategy will set out the Council's aspiration and begin a city-wide conversation about what more the Council, the city and residents could be doing to tackle the Climate Emergency.

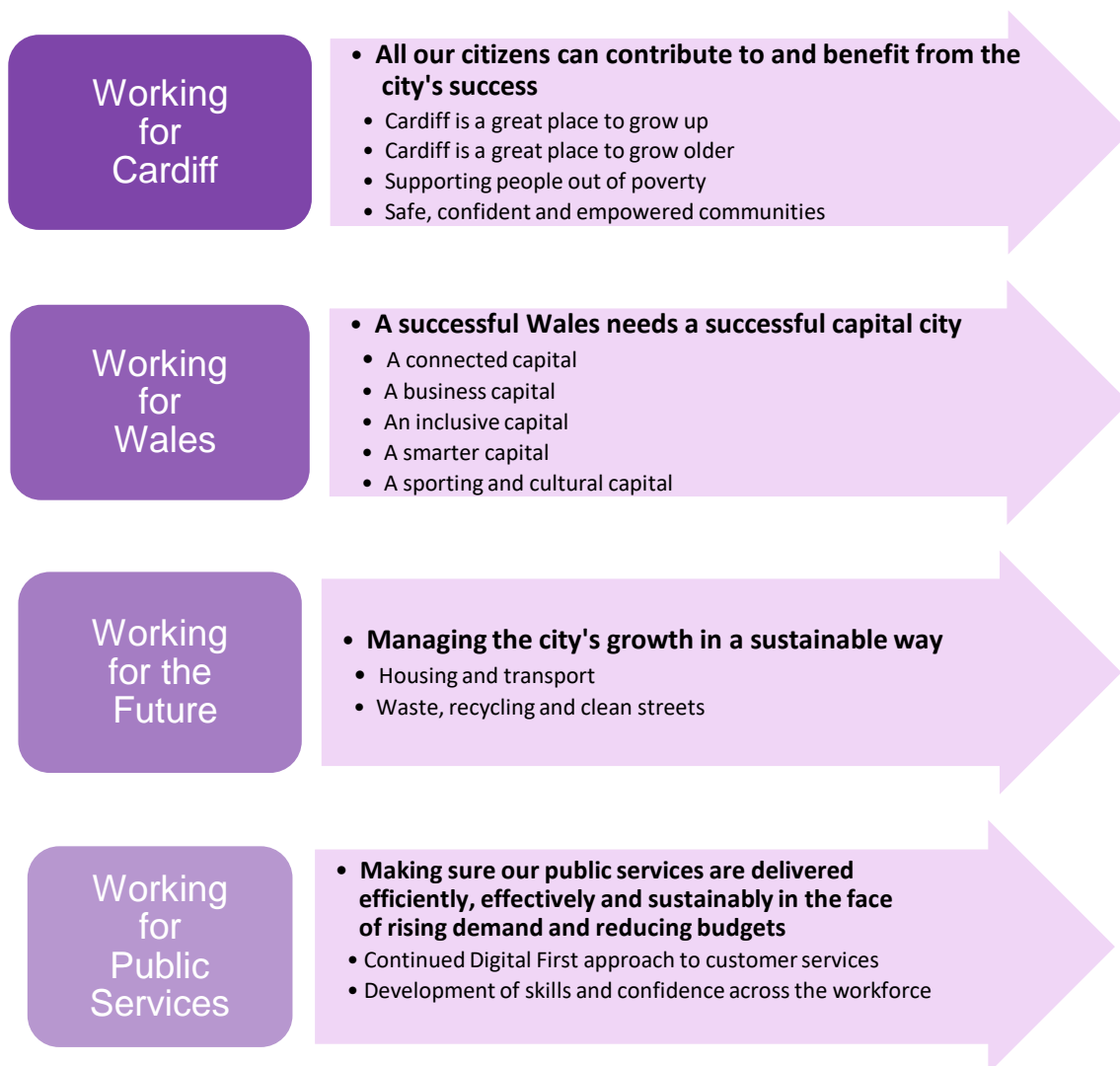


The City's public services have been enduring a long period of financial austerity. During the past ten years, the Council has made almost a quarter of a billion pounds in cumulative savings and reduced the number of its non-school staff by 22%. Looking ahead, the Council must close a budget gap of £73m over the next four years. In the medium term, the amount of funding available for 'non-statutory' services like parks, libraries or waste collection will make their continued delivery very challenging. This will form the backdrop to public service delivery as the City responds to the realities of the post-Brexit world and the Council continues to deliver its agenda for the city

### Our Capital Ambition

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

Its four priorities are driven by the ambition to maintain momentum in city regeneration and economic development, tackle inequality and inclusive growth, and respond to the climate emergency and public service reform.





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

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

## *Our Services and the way we work*

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

Planning, Transport and Environment	Economic Development
<ul style="list-style-type: none"> <li>• Bereavement and Registration</li> <li>• Highways infrastructure and street cleaning</li> <li>• Transport and Civil Parking Enforcement</li> <li>• Waste Collection, Recycling, Treatment, Disposal and Education</li> <li>• Schools Transport</li> </ul>	<ul style="list-style-type: none"> <li>• Business and Investment</li> <li>• Regeneration and major projects</li> <li>• Corporate Landlord</li> <li>• Culture, Venues and tourism</li> <li>• Leisure, Parks and Sport</li> </ul>
People and Communities - Housing and Customer Services	People and Communities - Social Services
<ul style="list-style-type: none"> <li>• Community Hubs and Libraries</li> <li>• Customer facing services e.g. preventive and 'into work' services</li> <li>• Independent living and community alarm</li> <li>• Adult and community learning</li> <li>• Performance, Partnerships and Housing Revenue Account – council dwellings management</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</li> </ul>
Education and Lifelong Learning	Resources
<ul style="list-style-type: none"> <li>• Nursery, Primary, Secondary and Special schools</li> <li>• Youth and community education and community learning</li> <li>• Achievement and Inclusion</li> <li>• Schools catering</li> </ul>	<ul style="list-style-type: none"> <li>• Finance and Human Resources</li> <li>• Commissioning and Procurement</li> <li>• ICT, Customer and Digital services</li> </ul>
Corporate Management	Resources - Governance and Legal Services
<ul style="list-style-type: none"> <li>• Precepts, levies and contributions</li> <li>• Corporate initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Democratic, electoral and legal services</li> <li>• Scrutiny, member and bilingual services</li> </ul>

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

### Cardiff Councillors - Political Party Representation



The constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people. Council selects a Lord Mayor annually to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services.

The role of Cabinet is to:

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

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

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

Regulatory and other committees support delivery of Council services. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council. The Council's Management Team is led by Chief Executive Paul Orders and includes Corporate Directors, Directors and Assistant Directors, including the statutory officers (Monitoring Officer and Section 151 Officer). They are responsible for:

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

## *Impact of Covid-19*

The Covid-19 pandemic has and will have a considerable impact on the Council. The lockdown, announced on 20th March 2020, has resulted in businesses required to close, elements of the Council's own services such as schools, libraries, leisure services having to be closed or be curtailed, as well as significant additional demand on other services for the most vulnerable in our communities such as the homeless and those in need of social care. This however has been met with an unprecedented response from the employees of the Council in adapting to new ways of working as well as taking on new roles via short-term redeployment.

Additional cost pressures have not had a dramatic impact on the financial outturn for 2019/20 as the impact on the public's and businesses' behaviour arose in the last two weeks of March. The significant impact on the Council's finances will be felt during 2020/21 with the significant costs to date being:

- Personal Protective Equipment
- Food vouchers and food provisions
- Emergency accommodation costs for rough sleepers
- Waste processing and treatment
- Support for domiciliary care providers, additional payments to care home providers and other service providers to protect the supply chain for key Council services
- Additional demand from vulnerable adults and children
- Council Tax Reduction support.

Additional costs, subject to eligibility, are to be supported by a Welsh Government Hardship Fund, however the significant financial impact on the Council stems from substantial losses of income. This includes parking, moving traffic enforcement, licensing fees, income from leisure and arts facilities, rents as well as other services that generate income from fees and charges. The Council is working collectively with the Welsh Local Government Association and Welsh Ministers to mitigate the impact of lost income. In respect of capital projects, additional costs are likely as a result of working under social distancing measures. Delays in some projects occurred at the end of the year and it is likely to delay other projects in the programme planned for 2020/21. It is difficult to quantify the impact of Covid-19 at this stage with any certainty. However, the financial pressures on the Council are likely to continue even after the Government's emergency Covid-19 funding for local authorities is taken into account because of the Council's need to support vulnerable residents and businesses who need the support as well as meet demand for services previously suppressed during the crisis.

As previous benchmarking and financial resilience indicators have shown, the Council has one of, if not the lowest level of reserves as a proportion of net revenue budget of all local authorities in Wales. Whilst some re-prioritisation may be possible, use of reserves to sustain additional costs and loss of income without Welsh Government support will not be possible and is a challenge to financial sustainability.




The pandemic has had a profound impact on all aspects of life in the City. Accordingly the Council will reset its Medium Term Financial Plan (MTFP) in recognition of the impact of the pandemic and the Council's strategic objectives as it starts to Restart, Recover and Renew. This will require an understanding of what is the "new normal" and will require the Council to review and prioritise the services it provides, its delivery models and the outcomes, and how these need to change going forward to meet new and emerging priorities including new digital solutions. This will also include a review of efficiency savings targets set for 2020/21, to determine achievability and alternative mitigating actions. Most of the priorities in the capital programme such as building new housing, investing in highway infrastructure and property renewal will continue to proceed. However there may be others that need to be delayed or re-prioritised for investment



in a recovery phase, subject to affordability. Where investment was supported by specific income, such projects will need to be reconsidered. Any financial reset will be against a backdrop of a new economic reality of a recession and limits to what is affordable.

Additional costs and lost income will impact on cash flow and during March, the Council took the opportunity to undertake further external borrowing in order to ensure liquidity in uncertain financial markets. As part of its Group Structure, the Council is also the 100% shareholder of Cardiff City Transport Services. Similar to all public transport providers, the company, which relies significantly on fare paying passengers, has seen income eliminated and has furloughed employees where not required to run essential services. The Council, Board of the Company and Welsh Government continue to look at options for ensuring the sustainability of provision of transport in the short, medium and long term.

**Our Performance 2019/20** (Where appropriate, figures will be updated in the Cardiff Council Wellbeing Report)

Cardiff is a great place to grow up	
<ul style="list-style-type: none"> <li>• 96% of primary school children and 85.5% of secondary school children secured their first three choices of school placement (95% and 82% in 2018-19).</li> <li>• The percentage of schools inspected by Estyn where standards of current performance were judged to be good or excellent (for 2018-19 academic year) was 72.20%.</li> <li>• The average Capped Nine Points Score achieved by Key Stage 4 pupils was 366 against a target for academic year 2018-19.</li> <li>• 98% of all year 11 leavers made a successful transition from compulsory schooling to education, employment or training.</li> </ul>	
Cardiff is a great place to grow old	
<ul style="list-style-type: none"> <li>• 7,509 people were helped to remain independent through alternative solutions provided by Independent Living.</li> <li>• 96% of clients felt they were able to live independently in their homes following support from the Independent Living Service.</li> <li>• 89% of people feel reconnected into their community through intervention from day opportunities.</li> </ul>	
Supporting people out of poverty	
<ul style="list-style-type: none"> <li>• The Council has supported 108 employers across Cardiff to become accredited Living Wage Employers - this has increased from 88 organisations in 2018-19.</li> <li>• 152 apprenticeships and traineeships were created by the Council during 2019-20.</li> <li>• 39,608 people accessed 'Into Work' advice to help citizens to develop skills and find employment opportunities.</li> </ul>	

### Safe, Confident and Empowered Communities

- 2,840,127 visits to Cardiff's various sports and leisure sites across the City (2018-19)\*.
- 3,400,748 citizens visited our libraries and hubs (2018-19)\*.
- 98% of customers agreed with the statement "Overall the Hub met my requirements/I got what I needed".
- 1,113 Council Employees have participated in Welsh language courses and awareness training.
- 966 children and adults in need of care and support used the Direct Payments Scheme (2018-19)\*.



### A Capital City that Works for Wales

- At the end of Quarter 3 2019-20, there were 1,137 new and safeguarded jobs supported across the city
- 22.170m visitors (2018-19)\*.
- 2.065m staying visitors (2018-19)\*.



### Cardiff Grows in a Resilient Way

- 51.2% of people travelled to work by sustainable methods compared to 48.1% of people in 2018-19.
- 15.4% of people in Cardiff used cycling as a mode of transport to travel to work (13.7% in 2018-19).
- 3.3% of principal A roads were in overall poor condition, this has improved from 3.50% in 2018-19.
- 99.03% of reported fly tipping incidents were cleared in 5 working days.



### Modernising and integrating Our Public Services

- Since its launch, the Cardiff App has been downloaded 24,547 times, across both android and iOS devices.
- This has seen an increase to 1,240,299 customers choosing to use digital channels to contact the Council on areas such as Council Tax, housing, planning and waste collection (946,019 in 2018-19).
- The Council continues to see an increase in the number of customers choosing to interact via social media channels, with approximately 117,666 followers.



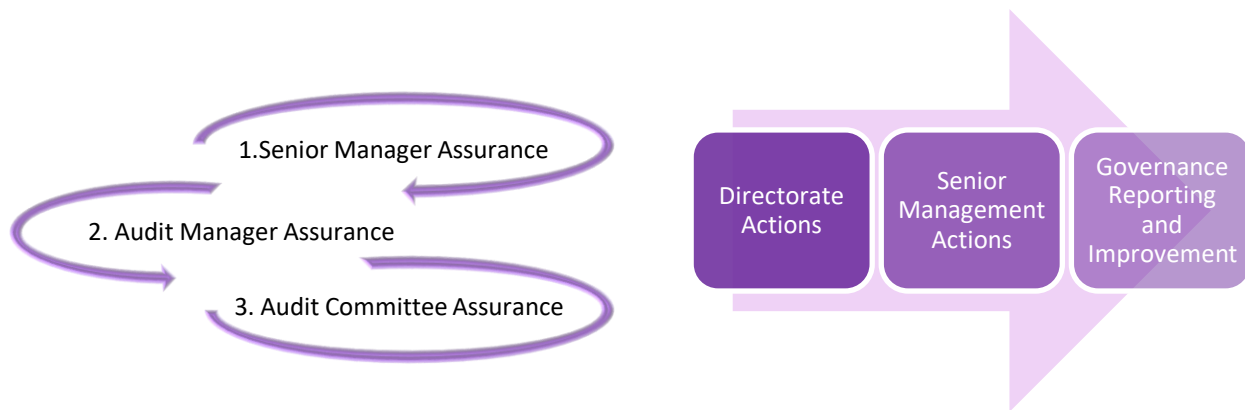
\*Due to Covid-19, some data could not be obtained for 2019-20.

## Our Governance, Risks and Financial Outlook

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

*Link to be inserted following Council approval in October 2020*

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



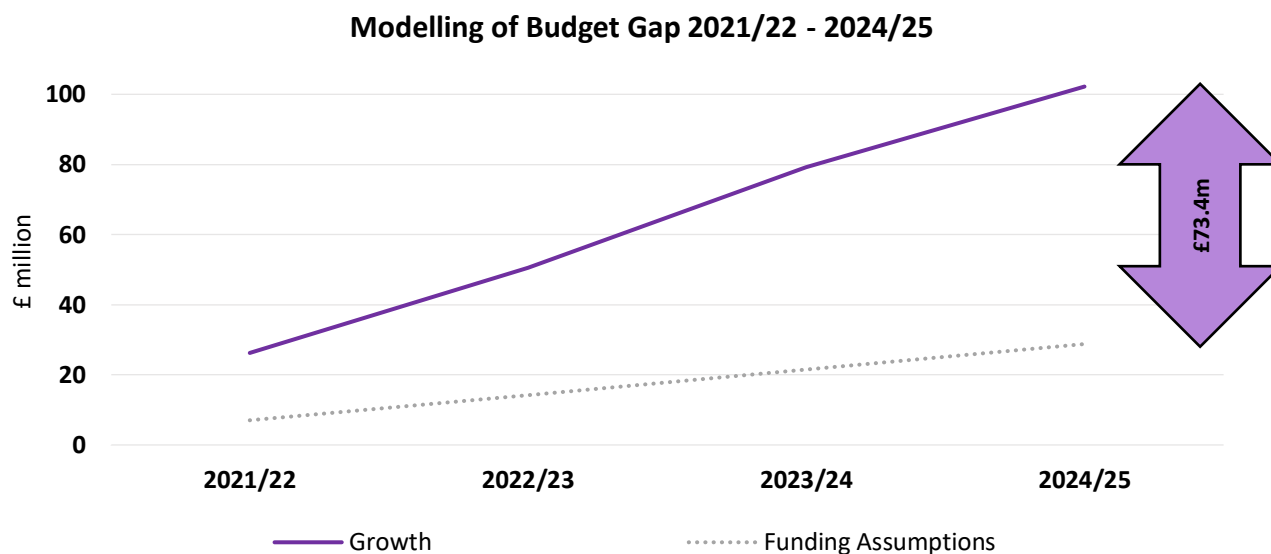
The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks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

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2020, there are twelve corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. Covid-19 has resulted in a change to the environment within which these risks as shown below need to be actively managed.



Climate Change and Energy Security
Failure to manage the effects of climate change and energy security due to lack of future proofing for key (social and civil) infrastructure and business development.
City Security
Major security-related incident in the city as a result of international or domestic terrorism.
Coastal Erosion
The risk of a breach of current coastal defence measures resulting in widespread flooding.
Air Quality & Clean Air
'Risk that Cardiff does not meet statutory requirements set by legislation and continues to have a detrimental impact on health for residents and visitors to Cardiff.
Welfare Reform
Failure to meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, removal of automatic entitlement to housing cost for under 21s and changes to funding for supported housing.
Financial Resilience
Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council.
Impact of Brexit
The risk that Brexit (and any subsequent decisions) will create severe disruption to the city and hinder its ability to continue to deliver effective services and maintain community cohesion.
Waste Management
Failure to deliver cost effective compliance with waste legislation including statutory recycling targets.
Building Equipment Maintenance
Ineffective application of statutory equipment maintenance responsibilities for council buildings in a safe and legally compliant condition.
ICT Platforms Unsuitable/Outdated
Risk that ICT platforms (desktop, software, network, servers and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.
Increase in Demand (Children's Services)
Failure to effectively manage demand resulting in an increase in the number of looked after children, and the service and financial pressures this presents.
Cyber Security
Management - risk of an inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity. Corporate cloud security - risk of weaknesses in externally hosted services.

Budget Gap is the term used to describe the difference between the funding the Council expects to receive, and the estimated cost of continuing to deliver services at the current level. Put simply, the budget gap is a result of funding failing to keep pace with demand, inflation and other financial pressures. Even with a more positive outlook for funding received from Welsh Government, a budget gap of £73 million between 2021/22 and 2024/25 was forecast prior to the impact of Covid-19.



This is 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.

A range of options have been considered in order to address budget gaps in 2020/21 and future years including early intervention to reduce costs and demand, maximising income streams, efficiency and productivity reviews across all areas of expenditure, collaboration, use of technology and increases in Council Tax. With increased levels of risk to the delivery of savings targets and the national funding, performance against existing budgets as well as the impact of Covid-19 on financial resilience risk will need to be managed and monitored closely to ensure financial sustainability.

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

Further details of the Council's budget for 2020/21 and Medium Term are available on the Council's website at the following address <https://cardiff.moderngov.co.uk/mgAi.aspx?ID=19407#mgDocuments> and include the key documents below:

- Medium Term Financial Plan (MTFP)
- Housing Revenue Account 2020/21 Budget and MTFP
- Capital Strategy 2020/21
- Treasury Management Strategy
- A financial resilience snapshot which sets out a number of financial indicators and ratios.

## Financial Performance 2019/20

Along with the rest of local government, the Council has faced significant challenges in funding its services. The 2019/20 budget approved in February 2019, was set against this backdrop of financial uncertainty and increasing demand for our services. An overall funding gap of £32.438 million in 2019/20 was identified and addressed by a combination of savings measures, use of earmarked reserves, schools' contribution to meeting pressures and a 4.9% Council Tax increase. A net revenue budget of £623.589 million was approved for 2019/20 as well as a Medium Term Financial Plan based on a rolling four-year period from 2020/21 to 2023/24, ensuring that resources are aligned to outcomes in the Corporate Strategy.

## Revenue Expenditure and Funding

Revenue expenditure covers the cost of the Council's day-to-day operations and contributions to and from reserves. The final revenue outturn shows expenditure within the overall 2019/20 net revenue budget of £623.589 million. Favorable variances within the summary Revenue Account enabled contributions to be made to a number of strategic earmarked reserves that will support financial resilience of the Council in the medium term.

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Corporate Management	26,337	26,290	(47)
Economic Development	4,035	4,425	390
Education & Lifelong Learning	272,126	272,812	686
People & Communities - Housing & Communities	45,145	44,416	(729)
People & Communities – Performance and Partnerships	2,762	2,616	(146)
People & Communities - Social Services	172,727	177,241	4,514
Planning, Transport & Environment	37,702	41,027	3,325
Resources - Governance & Legal Services	5,493	6,136	643
Resources	16,662	16,655	(7)
<b>Directorate Outturn Subtotal</b>	<b>582,989</b>	<b>591,618</b>	<b>8,629</b>
Capital Financing	35,236	34,789	(447)
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc. Council Tax collection and NDR refunds and Discretionary Relief	2,364	(2,818)	(5,182)
<b>Total Council Outturn</b>	<b>623,589</b>	<b>623,589</b>	<b>0</b>

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services, and Planning, Transport & Environment. This reflected a range of factors including increased



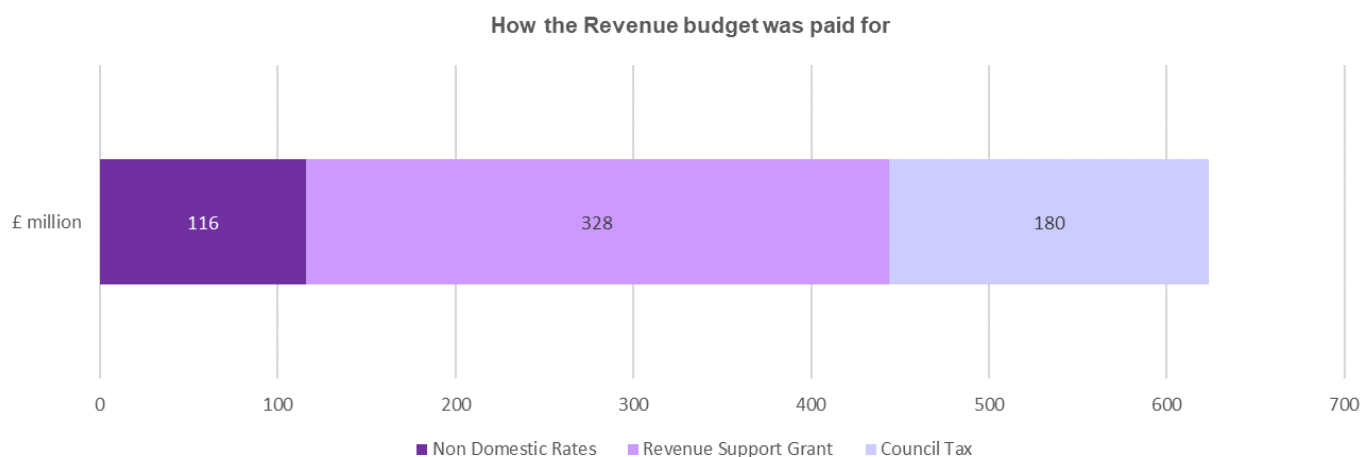
demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2019/20 budget.

This is reflected in the overall directorate outturn position showing a directorate overspend of £8.629 million. This was managed by the release of the £3 million general contingency held to reflect the quantum, risk and planning status of proposed savings, as well as savings from other areas including Council Tax Collection, Capital Financing and the Summary Revenue Account.

Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collectable by Cardiff for 2019/20 totaled £200.116 million of which Cardiff received £116.504 million after redistribution by Welsh Government. The in-year collection rate was 96.12%.

Revenue Support Grant of £328.126 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 £180.019 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 96.8%.



### *Housing Revenue Account (HRA)*

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

- The council has 13,637 dwellings as at 31 March 2020.
- The average weekly net rent for 2019/20 was £104.53.
- Income including rent and charges for services totaled £81.412 million.
- Revenue expenditure included £23.069 million on repairs and maintenance, £27.303 million on supervision and management and £31.525 million on capital financing costs, including interest, provision for the repayment of debt and towards capital expenditure.

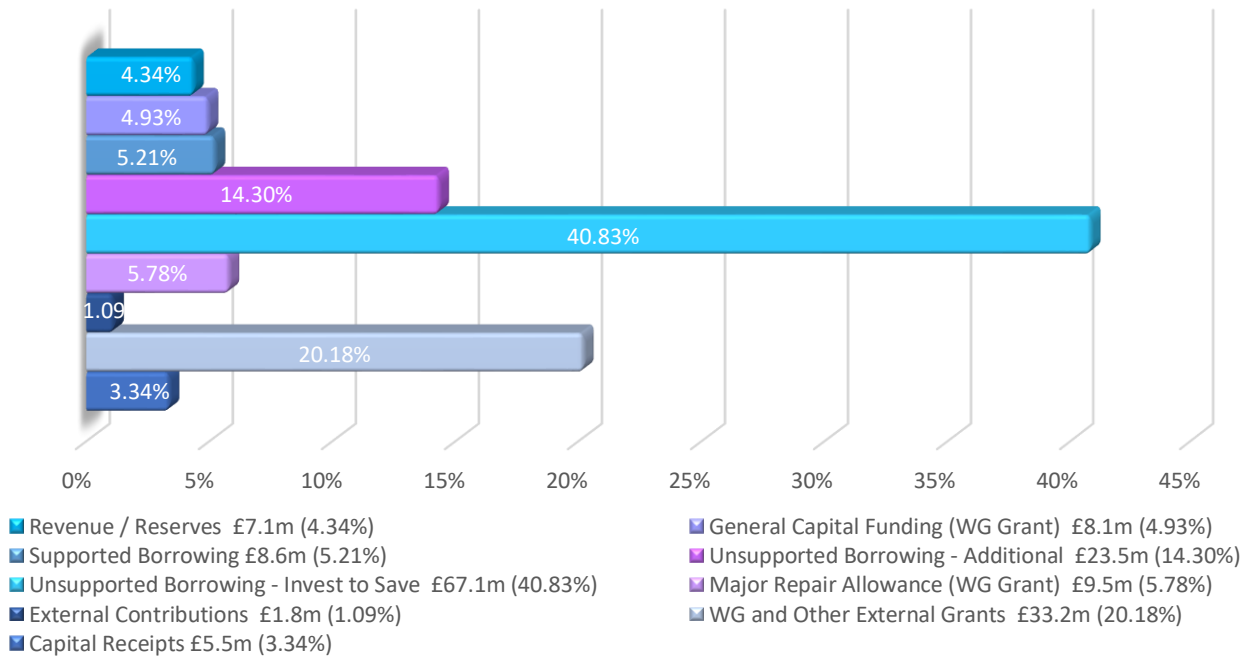
## Capital Expenditure and Funding by the Council

Capital investment forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspirations to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our non-financial stability. Capital spending during the year totaled £164.4 million.

Schemes	Detail	£m
Community and Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes; environmental improvements; community hubs; land for travellers site expansion; domestic abuse multi agency hub; and completion of a regeneration scheme for Maelfa Centre in Llanedeyrn.	8.9
Education & Lifelong Learning	Completion of the Band A Investment Programme and development of Band B; investment in the condition and suitability of school buildings; schemes for Welsh medium expansion; reducing infant class sizes and Schools ICT.	17.2
Highways & Transportation	Road and footpath reconstruction and resurfacing; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire and moving traffic offences schemes; investment in active travel and safe routes in communities; design works for city centre air quality measures.	16.4
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by GLL; athletics track and parks play equipment replacement; Roath Park House refurbishment, Parc Cefn Onn and other infrastructure improvements.	2.7
Acquisition of Red Dragon Centre in Cardiff Bay	Purchase to support a business case for the development of a new arena for the city.	58.4
Solar Farm	Development of a solar farm at former landfill site.	5.0
Capital Cardiff Region - City Deal	Grant from Cardiff Council towards development of a Housing Viability Gap Fund for the region.	5.0
Public Housing	Disabled adaptations; estate regeneration; investment in existing stock condition; acquisition of land and existing dwellings from the private market; construction of new dwellings.	41.5
Other	Modernising ICT to improve business process; harbour asset renewal; Waste Recycling and collection improvements; Thornhill Crematorium improvements; creation of new burial site; property asset renewal works including enhancement to former Virgin Active site at Ocean Park.	9.3
<b>Total</b>		<b>164.4</b>

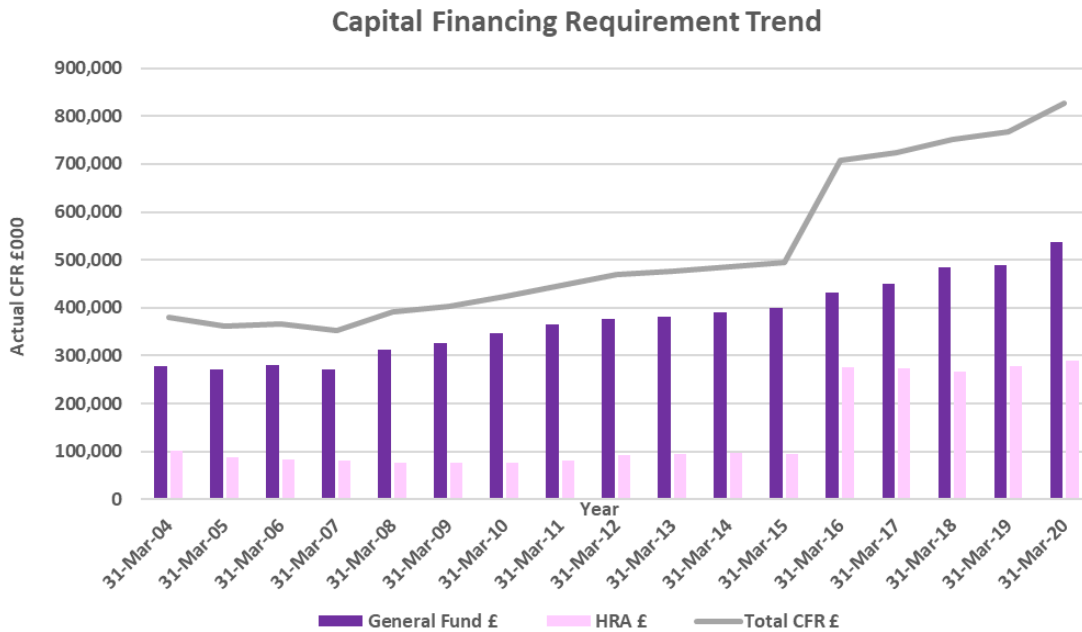
The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. The Capital Programme was financed from a combination of borrowing (£99.2 million) and from grants, contributions, revenue budgets and sale of assets (£65.2 million). An analysis of the sources of capital funding is shown in the chart below:

### Funding of Capital Expenditure



Capital expenditure 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). The historic trend is shown in the next chart.



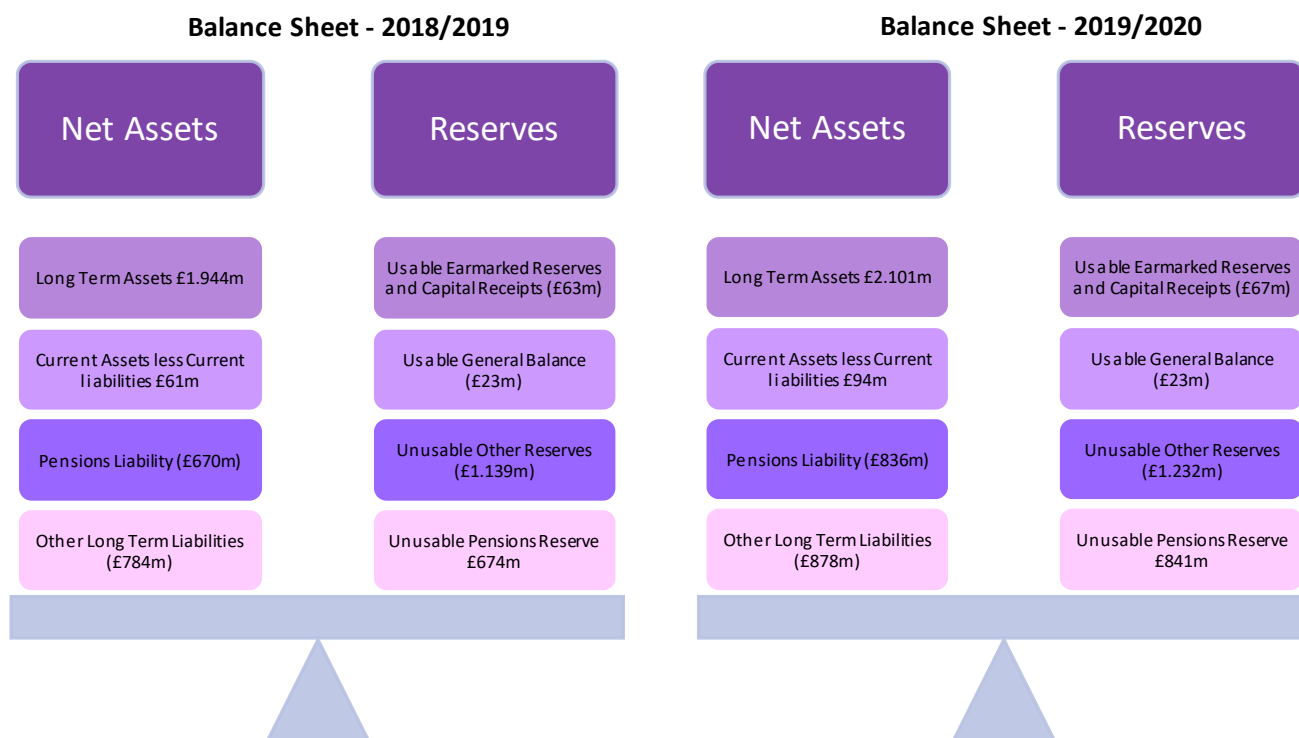


Each year, a prudent amount is charged to our revenue budgets to reduce this. In the 2020/21 budget proposals report, Council approved a revised Minimum Revenue Provision Policy (MRP), with a specific change in methodology in respect to borrowing supported by Welsh Government through the Revenue Support Grant. This policy change was to apply from the 2019/20 financial year, resulting in a saving of £4.725 million in the year. This has been used to strengthen the Local Authority's financial resilience in respect of capital and treasury, through the development of an Earmarked Treasury Management Reserve.

In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continues to rise as a percentage of controllable budget. The Council's Capital and Treasury Management Strategies set out a range of indicators for affordability, prudence and sustainability of the Council's capital investment plans.

### *Financial Position 2019/20*

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 16 details movements in assets, capital expenditure and its financing:

- capital receipts from the disposal of property assets and similar income was £9.974 million
- as part of the Council's rolling programme, revaluations took place during the year of operational assets (schools), investment properties, surplus assets and heritage assets.

### *Financial Assets and Liabilities*

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2019/20. Investments for treasury management purposes and cash is £112.057 million at 31 March 2020 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the year was 0.85%.

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing is undertaken to manage the capital financing requirement when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly. The net change in external borrowing during the year was an increase of £106.9 million. This included specific borrowing for the acquisition of the Red Dragon Centre as well as to strengthen liquidity of the Council particularly around uncertainty in financial markets in relation to the Covid-19 position.

The average interest rate paid on the Council's borrowing reduced from 4.53% to 4.11% at 31 March 2020. Interest payable on borrowing was £32.960 million, of which £12.275 million was payable by the Housing Revenue Account.

Note 17 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 2019/20, total provisions decreased by £0.640 million to £30.217 million. Details of the movement of individual provisions are shown in note 23 of the accounts.

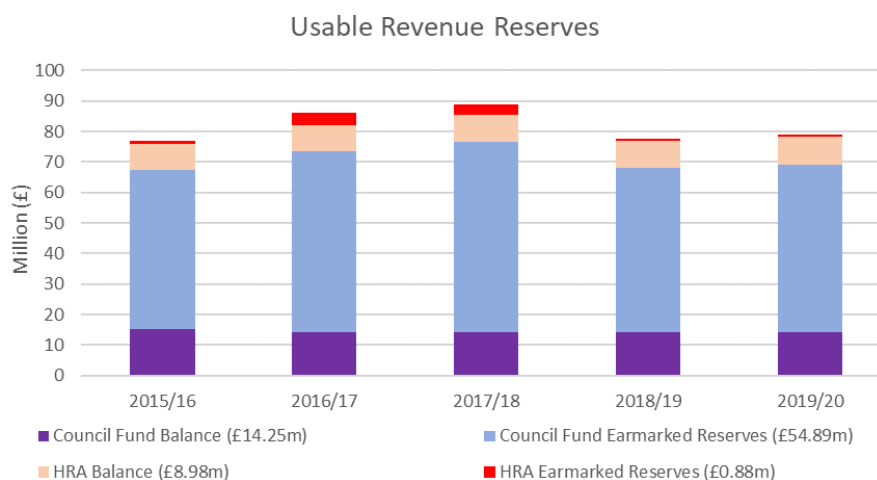
## Pensions Liabilities

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund, with details of its participation in pension schemes shown in note 15 of the accounts:

- The cost to the Council during the year for pension liabilities is £50.240 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £835.710 million at 31 March 2020. This is based on the latest actuarial assumptions. This has increased by £172.992 million from 2018/19.
- The fund is revalued every three years, with the fund's assets at 31 March 2019 deemed to cover 96% of future liabilities. A 17 year recovery plan is in place in order to meet the shortfall.

## Balances and Reserves

Balances and Reserves are sums of money put aside for specific policy purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. The level of usable reserves as a percentage of revenue expenditure continues to be one of the lowest in Wales. Earmarked reserves are detailed in note 26 of the accounts whilst other usable and unusable reserves are shown in notes 26 and 27.



## *The Financial Statements*

The Statement of Accounts are set out in this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report. The single entity statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

### *The core statements are:*

- The Comprehensive Income and Expenditure Statement records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by directorate. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to our reserves over the course of the year. Reserves are divided into 'useable', which can be invested in capital projects or service improvements and 'unusable', which must be set aside for specific purposes.
- The Balance Sheet is a 'snap shot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The Cash Flow Statement shows the reasons for changes in the council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.

### *The supplementary statements are:*

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

## *Conclusion*

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2019/20. 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.

The impact of Covid-19 for the 2019/20 position is limited, given that lockdown measures were put in place during the last few days of the financial year, however its impact will have a significant impact both financially and in the way we do things. This will involve a phased approach of:

**Restart:** Restarting and adapting a wide range of Council Services in the context of extended stringent social distancing requirements - immediate

**Recover:** A strategic response to support the city to emerge from the crisis – next 18 months

**Renew:** Longer term city development strategy consistent with Capital Ambition – 10 year vision

Detailed financial planning assumptions will be more important than ever to support a fully informed and revised Medium Term Financial Plan that ensures financial resilience. This was considered by Council in September 2020.

I am grateful for the work of my finance team in supporting directorates and for all officers who facilitate the transparency of our financial transactions and make the preparing of these financial statements and reporting of financial performance and position during 2019/20 possible. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

**Christopher Lee**  
**Corporate Director Resources and Section 151 Officer**





# Statement of Responsibilities for the Financial Statements



## ***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 2019/20, that officer was Christopher Lee, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

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

**Date: 22 October 2020**

### ***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 2019/20 (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
- 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 2019/20 and financial position of the Council at 31 March 2020.

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

**Date: 22 October 2020**

# ***The Independent Auditor's Report of the Auditor General for Wales to the Members of the County Council of the City and County of Cardiff***

## **Opinion**

I have audited the financial statements of:

- the County Council of the City and County of Cardiff; and
  - the County Council of the City and County of Cardiff Group
- for the year ended 31 March 2020 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 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 2019-20 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 Group as at 31 March 2020 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 2019-20.

## **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.

## **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Property, Plant and Equipment Assets, Heritage Assets and Investment Properties**

I draw attention to the disclosures in the assumptions made about the future and other sources of estimation on page 41 of the financial statements, which describes the impact of the COVID-19 pandemic and the material uncertainty of the valuation of the Council's Property, Plant and Equipment Assets, Heritage Assets and Investment Properties provided by the Council's external professional valuers.

My opinion is not modified in respect of this matter.

## **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Pension Fund Pooled Property Investments**

I draw attention to the disclosures in Note 15 page 70 of the financial statements which describes the impact of a material uncertainty disclosed in pension fund managers year-end valuation reports for the UK Pooled Property Investments managed on behalf of the Cardiff and Vale of Glamorgan Pension Fund.

My audit opinion is not modified in respect of this matter.

## **Emphasis of Matter Going Concern Cardiff City Transport Services**

I draw attention to Note 22 of the financial statements and the 'Introduction' section of the Group Accounts which refers to the significant risk to financial viability and going concern of Cardiff City Transport Services.

My opinion is not modified in respect of this matter.

## **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 12 months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

## **Report on other requirements**

### **Opinion on other matters**

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

- the information contained in the Narrative Report 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 2019-20; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 Annual Governance Statement.

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

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

## **Certificate of completion of audit**

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

## **Responsibilities**

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, 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 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.



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.

Adrian Crompton  
Auditor General for Wales  
26 October 2020 CF11 9LJ

24 Cathedral Road  
Cardiff



# Accounting Policies, Critical Judgements and Assumptions



## *Accounting policies used when formulating the accounts*

The Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2020 and its financial position at that date. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code).

The accounts have been prepared on a going concern basis. The accounting convention adopted is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases adopted in the 2021/22 Code. The required date of application and the date that the Council will adopt IFRS 16 is 1 April 2021. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Whilst this is expected to have no impact on the Council Tax or Rent payer, work will need to be undertaken during 2020/21 to ensure significant lease type arrangements across the Council are identified and accurately recorded. This will include a review of existing and creation of new processes for managing and recording lease arrangements.

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

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser
- revenue from the provision of services/contracts is recognised when the Council can measure reliably the percentage of completion and it is probable that economic benefits or service potential will be achieved
- supplies are recorded as expenditure when they are consumed
- services received are recorded as expenditure when the services are received, rather than when the payments are made
- there is a de minimus threshold of £500, under which income and expenditure may not be accrued
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

### 3. *Assets Held for Sale*

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale if it meets the following criteria:

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

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Regular reviews are undertaken as to whether assets still meet the criteria for Assets Held for Sale and where this is not the case they are reclassified and revalued in accordance with the appropriate class.

### 4. *Cash and Cash Equivalents*

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts including balances of cheque book schools. It includes deposits with financial institutions that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

### 5. *Contingent Assets and Liabilities*

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

### 6. *Deferred Liabilities*

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

### 7. *Disposals and Capital Receipts*

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

Disposals greater than £10,000 are treated as capital receipts and are credited to the Capital Receipts Reserve.

### 8. *Employee Benefits*

## Benefits Payable during Employment

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

## Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement.

## Post-Employment Benefits

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

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

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

## Defined Contribution Schemes

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

## Defined Benefit Schemes

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

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

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

- current service costs: increase in the liability as a result of pension earned by employees in the year is charged to net cost of services.
- past service costs: increase in the liability arising from current year decisions which affect pension earned by employees in earlier years is charged to Corporate Management.
- gains/losses on settlements and curtailments: result of actions to relieve the Council of liabilities or events that reduce expected future service or accrual of benefits are charged to Corporate Management.



- net interest on the net defined benefit liability: net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
- re-measurements: return on plan assets (excluding amounts included in net interest) and actuarial gains/losses as a result of updated actuarial assumptions. These are both charged to the Pensions Reserve as Other Income and Expenditure.

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

## 9. *Financial Assets*

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

There are three main classes of financial assets measured at:

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

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

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

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

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

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

### **Expected Credit Loss Model**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## **10. Financial Liabilities**

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

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

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

## 11. *Grants and Contributions*

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

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

### **Revenue**

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

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

### **Capital**

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

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

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

## 12. *Heritage Assets*

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

Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs. No depreciation charge is made on heritage assets.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets within the notes to the accounts. A valuation is undertaken every 3 years by an external expert for insurance purposes. A valuation of paintings, artefacts and civil regalia took place in 2019-20.

### **13. *Intangible Non-Current Assets***

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

The assets are amortised to the relevant service line over the economic life of the investment initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

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

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

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce Group Accounts.

### **15. *Inventories***

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as expenditure.

### **16. *Investment Property***

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

Investment properties are measured at fair value, based on the market value that would be received to sell an asset in an orderly transaction between market participants at the measurement date, reflecting the asset's highest and best use. A full valuation is undertaken every two years. The previous valuation was undertaken in 2018/19 by Jones Lang LaSalle (commercial), E. J Hales Ltd (retail) and internal valuers (community). In 2019/20 a review of market values took place to ensure they did not materially alter the fair value of the assets.

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

of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

## *17. Joint Committees*

Subject to materiality and exposure to risk, the relevant proportion of Joint Committees are included within the Council's accounts reflecting the transactions and balances for those Joint Committees.

## *18. Leases*

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

### *The Council as Lessee*

#### **Finance Leases**

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

#### **Operating Leases**

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

### *The Council as Lessor*

#### **Finance Leases**

The Council does not provide any leases of this type.

#### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement.

## *19. Property, Plant, Equipment*

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

#### **Recognition**

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

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



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

## Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use, excluding borrowing costs which are not capitalised. A full year's depreciation is charged on capital expenditure incurred in the year. No depreciation is charged in the year of disposal.

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

Asset Type	Measurement	Valuation Frequency	Last Valuation	Surveyor for Last Valuation	Next Valuation	Depreciation*
Assets under Construction	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Community Assets	Depreciated Historical Cost	n/a	n/a	n/a	n/a	n/a
Council Dwellings	Existing Use Value for Social Housing	Every 2 years	2018/19	Cardiff Council Strategic Estates	2020/21	Land: n/a Buildings: 50 years
Infrastructure	Depreciated Historical Cost	n/a	n/a	n/a	n/a	7-120 years**
Other Operational Land & Buildings	Existing Use Value or Depreciated Replacement Cost if specialist nature without market-based evidence	Every 3 years	2018/19	Cooke & Arkwright	2021/22	Land: n/a Buildings: 3-65 years
School Assets	Detailed Depreciated Replacement Cost (Modern Equivalent Asset)	Every 3 years	2019/20	Cooke & Arkwright	2022/23	Land: n/a Buildings: 3-54 years
Surplus Assets	Fair Value	Annual Fair Value Check	2019/20	Jones Lang LaSalle	2020/21	n/a
Vehicles, Plant, Furniture & Equipment	Depreciated Historical Cost	n/a	n/a	n/a	n/a	5-15 years

\* Calculated on a straight-line basis over the below estimated useful lives, unless there is not a determinable finite useful life.

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

## Revaluations

Council dwellings, other land and buildings including schools, are required to be valued periodically. Asset valuations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

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

- undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes,

- using the experience and local knowledge of the in-house valuation team to provide or source any external valuation services. This ensures finance are made aware of all property issues affecting the Council,
- having an agreed rolling revaluation programme which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

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

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

### **Impairment and Downward Revaluation**

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

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

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

### **Component Accounting**

Where a single asset may have a number of different components, each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

These factors are:

- materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non-land assets that have a net book value of more than £1.500 million at the end of the financial year
- significance of component. For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.), or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

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

## 20. Provisions

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

## 21. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

## 22. Reserves

The Council sets aside useable earmarked reserves for future policy purposes or to cover contingencies. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Council and there are no net impacts on council tax or rent.

## 23. Value Added Tax (VAT)

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

### Critical judgements in applying accounting policies

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

- there is a high degree of uncertainty about future levels of income and expenditure for the Council and its subsidiaries particularly as a result of the Covid-19 crisis. 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.
- 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/or 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 2020 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 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. As a result of the impact of Covid-19, valuations on all property assets, irrespective of the basis of valuation, are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. The Council's approach to undertaking valuations on a more frequent basis than the minimum 5 year period will ensure that any changes are captured as soon as possible in the next formal valuation.	Any changes to valuations and any associated depreciation charges to services for non-current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.
Financial Instrument assets	These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability.  For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd. The fair value is deemed to be Net Worth.	Any change in the fair value of Cardiff City Transport Services Ltd has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the Financial Instrument Adjustment Reserve.
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 are 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	The Authority is owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes which may impact on collectability a level of impairment or provision for expected credit losses is assumed. It is not certain however that this impairment allowance would be sufficient as the Council cannot assess with certainty	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.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	<p>which debts will be collected or not.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts which may, or may not be sufficient.</p>	
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. This also includes market volatility for example as a result of Britain's departure from the European Union and Covid-19.</p> <p>Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>It is difficult to measure the effects on the net pension liability of changes in individual assumptions, as they can result in multiple variations to the figure.</p>





# 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 2) 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).

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
35,699	(1,416)	<b>34,283</b>	Corporate Management		19,663	(5,971)	<b>13,692</b>
75,961	(40,445)	<b>35,516</b>	Economic Development		53,977	(40,254)	<b>13,723</b>
344,198	(64,625)	<b>279,573</b>	Education & Lifelong Learning *		314,306	(77,419)	<b>236,887</b>
6,991	(1,067)	<b>5,924</b>	Governance & Legal Services		8,700	(2,223)	<b>6,477</b>
8,977	(6,073)	<b>2,904</b>	Harbour Authority		8,567	(5,724)	<b>2,843</b>
42,624	(77,654)	<b>(35,030)</b>	Housing Revenue Account		65,056	(81,412)	<b>(16,356)</b>
240,839	(194,522)	<b>46,317</b>	Housing and Communities		233,246	(184,215)	<b>49,031</b>
8,130	(4,767)	<b>3,363</b>	Performance and Partnerships		8,446	(5,499)	<b>2,947</b>
122,716	(52,699)	<b>70,017</b>	Planning , Transport and Environment		115,941	(52,453)	<b>63,488</b>
29,968	(10,477)	<b>19,491</b>	Resources		33,174	(11,288)	<b>21,886</b>
197,226	(24,084)	<b>173,142</b>	Social Services		211,533	(30,628)	<b>180,905</b>
3,688	(5,514)	<b>(1,826)</b>	Summary Revenue Account		2,870	(12,653)	<b>(9,783)</b>
<b>1,117,017</b>	<b>(483,343)</b>	<b>633,674</b>	<b>Net Cost of Services</b>		<b>1,075,479</b>	<b>(509,739)</b>	<b>565,740</b>
33,499	0	<b>33,499</b>	Police and Crime Commissioner for South Wales	3	37,469	0	<b>37,469</b>
367	0	<b>367</b>	Community Council Precepts		397	0	<b>397</b>
17,439	0	<b>17,439</b>	Levies & Contributions		17,696	0	<b>17,696</b>
9,106	(9,590)	<b>(484)</b>	(Gain)/loss on sale of non-current assets		4,642	(8,681)	<b>(4,039)</b>
<b>60,411</b>	<b>(9,590)</b>	<b>50,821</b>	<b>Other Operating Expenditure</b>		<b>60,204</b>	<b>(8,681)</b>	<b>51,523</b>
32,176	0	<b>32,176</b>	Interest Payable on debt	17	32,960	0	<b>32,960</b>
16,098	(11)	<b>16,087</b>	Interest on net defined benefit liability/(asset)*	15	14,810	0	<b>14,810</b>
0	(972)	<b>(972)</b>	Interest & Investment Income	17	0	(1,129)	<b>(1,129)</b>
5,066	(5,655)	<b>(589)</b>	Change in fair value of Investment Properties	2.2	6,566	(2,475)	<b>4,091</b>
<b>53,340</b>	<b>(6,638)</b>	<b>46,702</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>54,336</b>	<b>(3,604)</b>	<b>50,732</b>
0	(49,018)	<b>(49,018)</b>	Recognised Capital Grants & Contributions	28	0	(41,333)	<b>(41,333)</b>
0	(325,564)	<b>(325,564)</b>	Revenue Support Grant		0	(328,126)	<b>(328,126)</b>
0	(115,383)	<b>(115,383)</b>	Non-Domestic Rates	6	0	(116,504)	<b>(116,504)</b>
2,282	(202,564)	<b>(200,282)</b>	Council Tax Income	5	(766)	(217,119)	<b>(217,885)</b>
131	0	<b>131</b>	Corporation Tax (CCRC D)		129	0	<b>129</b>
<b>2,413</b>	<b>(692,529)</b>	<b>(690,116)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>(637)</b>	<b>(703,082)</b>	<b>(703,719)</b>
		<b>41,081</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>(35,724)</b>
		(45,320)	Revaluation Gains	27			(35,427)
		21,306	Revaluation Losses				

## Comprehensive Income and Expenditure

2018/19				2019/20			
Gross Expenditure	Gross Income	Net Expenditure		Note	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
		2,399	Impairment losses on non-current assets charged to the Revaluation Reserve				2,357
		3,172	(Surplus)/Deficit on Financial Instrument Revaluation Reserve				1,101
		(21,536)	Actuarial (gains)/losses on pension assets/liabilities	15			127,222
		<b>(39,979)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>107,211</b>
		<b>1,102</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>71,487</b>

The 2018/19 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2019/20.  
 \*The Education and Lifelong Learning directorate for 2018/19 reflects an adjustment for Central South Consortium Education Service



## 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, as they are for accounting purposes only.

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>442,637</b>	<b>552,261</b>
Movement in Reserves during 2018/19								
Surplus or (deficit) on the provision of Services	(78,008)	0	36,927	0	0	(41,081)	0	(41,081)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	39,979	39,979
<b>Total Comprehensive Income and Expenditure</b>	<b>(78,008)</b>	<b>0</b>	<b>36,927</b>	<b>0</b>	<b>0</b>	<b>(41,081)</b>	<b>39,979</b>	<b>(1,102)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	69,879	0	(39,655)	0	(12,832)	17,392	(17,392)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>0</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>22,587</b>	<b>(1,102)</b>
Transfers to/(from) Earmarked Reserves	8,129	(8,129)	2,728	(2,728)	0	0	0	0
<b>Increase/(Decrease) in 2018/19</b>	<b>0</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>22,587</b>	<b>(1,102)</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>14,255</b>	<b>53,714</b>	<b>8,983</b>	<b>495</b>	<b>8,488</b>	<b>85,935</b>	<b>465,224</b>	<b>551,159</b>
Movement in Reserves during 2019/20								
Surplus or (deficit) on the provision of Services	19,559	0	16,165	0	0	35,724	0	35,724
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(107,211)	(107,211)
<b>Total Comprehensive Income and Expenditure</b>	<b>19,559</b>	<b>0</b>	<b>16,165</b>	<b>0</b>	<b>0</b>	<b>35,724</b>	<b>(107,211)</b>	<b>(71,487)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	(18,379)	0	(15,782)	0	2,418	(31,743)	31,743	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>1,180</b>	<b>0</b>	<b>383</b>	<b>0</b>	<b>2,418</b>	<b>3,981</b>	<b>(75,468)</b>	<b>(71,487)</b>
Transfers to/(from) Earmarked Reserves (note 26)	(1,180)	1,180	(383)	383	0	0	0	0
<b>Increase/(Decrease) in 2019/20</b>	<b>0</b>	<b>1,180</b>	<b>0</b>	<b>383</b>	<b>2,418</b>	<b>3,981</b>	<b>(75,468)</b>	<b>(71,487)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>14,255</b>	<b>54,894</b>	<b>8,983</b>	<b>878</b>	<b>10,906</b>	<b>89,916</b>	<b>389,756</b>	<b>479,672</b>

## Balance Sheet

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

31 March 2019		Note	31 March 2020
£000			£000
1,740,646	Property, Plant & Equipment	16	1,841,584
54,152	Heritage Assets		58,616
126,360	Investment Properties		178,521
2,222	Intangible assets including AUC		2,292
10,948	Long-term Investments	17	9,723
10,251	Long-term Debtors		8,701
<b>1,944,579</b>	<b>Total Long-Term Assets</b>		<b>2,099,437</b>
69,032	Short-term Investments	17	76,106
2,570	Held for Sale assets	18	1,860
2,266	Inventories		2,073
95,332	Short-term Debtors	19	132,643
20,873	Cash and Cash Equivalents	20	35,951
<b>190,073</b>	<b>Total Current Assets</b>		<b>248,633</b>
(13,306)	Short-term Borrowing	17	(29,625)
(106,584)	Short-term Creditors	21	(114,939)
(1,769)	Pension Strain	24	(1,496)
(6,100)	Provisions	23	(5,405)
(1,648)	Deferred Liabilities	25	(3,214)
<b>(129,407)</b>	<b>Total Current Liabilities</b>		<b>(154,679)</b>
(717,700)	Long-term Borrowing	17	(807,540)
(24,757)	Provisions	23	(24,812)
(11,700)	Deferred Liabilities	25	(9,261)
(14,485)	Capital Contributions Receipts in Advance	28	(17,430)
(12,412)	Revenue Grants Receipts in Advance		(13,854)
(782)	Capital Grants Receipts in Advance		(1,424)
(2,560)	Pension Strain	24	(3,688)
(669,690)	Net Pensions Liability	15	(835,710)
<b>(1,454,086)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,713,719)</b>
<b>551,159</b>	<b>NET ASSETS</b>		<b>479,672</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance		14,255
53,714	Council Fund Earmarked Reserves	26	54,894
8,983	Housing Revenue Account Balance		8,983
495	Housing Revenue Account Earmarked Reserves	26	878
8,488	Capital Receipts Reserve	26	10,906
<b>85,935</b>	<b>Usable Reserves</b>		<b>89,916</b>
268,598	Revaluation Reserve	27	288,041
864,171	Capital Adjustment Account		939,914
5,008	Deferred Capital Receipts		5,008
10,368	Financial Instruments Revaluation Reserve		9,267
(674,020)	Pensions Reserve		(840,894)
(8,901)	Accumulated Absences Adjustment Account		(11,580)
<b>465,224</b>	<b>Unusable Reserves</b>		<b>389,756</b>
<b>551,159</b>	<b>TOTAL RESERVES</b>		<b>479,672</b>

The 2018-19 figures have been amended to reflect final CCRC Accounts



## Cashflow Statement

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

2018/19		Note	2019/20
£000			£000
41,082	Net (surplus) /deficit on the provision of services		(35,724)
(119,732)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	30	(30,153)
59,214	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		51,307
<b>(19,436)</b>	<b>Net cash flows from operating activities</b>		<b>(14,570)</b>
133,361	Purchase of property, plant and equipment, investment property and intangible assets		151,540
35,000	Purchase of short-term and long-term Investments		7,000
(4,808)	Other payments for investing activities		(3,624)
(9,232)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,974)
(68,618)	Capital Grants and Contributions		(36,798)
<b>85,703</b>	<b>Net cash flows from investing activities</b>		<b>108,144</b>
(32,934)	Cash receipts from short-term and long-term borrowing		(111,060)
(4,437)	Other receipts from financing activities		(4,239)
4,288	Repayments of short-term and long-term borrowing		6,647
<b>(33,083)</b>	<b>Net cash flows from financing activities</b>		<b>(108,652)</b>
<b>33,184</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(15,078)</b>
54,057	Cash and cash equivalents at the beginning of the reporting period		20,873
<b>20,873</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	20	<b>35,951</b>

## Notes to the Financial Statements

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

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

Usable Reserves 2018/19				Adjustments between Accounting and Funding Basis	Usable Reserves 2019/20			
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves		Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
				<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
-	-	-	-	<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>	-	-	-	-
46,809	10,560	0	(57,369)	Charges for depreciation and impairment of Non-Current assets	49,618	13,090	0	(62,708)
51,314	(16,523)	0	(34,791)	Revaluation losses of Non-Current Assets	49,954	110	0	(50,064)
(19,961)	(35)	0	19,996	Reverse previous impairment on revaluation	(106,823)	(27)	0	106,849
798	163	0	(961)	Amortisation of Intangible Assets	1,172	0	0	(1,172)
(566)	(23)	0	589	Movements in the market value of Investment Properties	4,090	1	0	(4,091)
0	0	0	0	Movement in the value of Held for Sale Assets	0	0	0	0
(36,700)	(12,318)	0	49,018	Capital grants and contributions applied	(29,852)	(11,481)	0	41,333
9,295	0	0	(9,295)	Revenue expenditure funded from capital under statute	1,558	145	0	(1,703)
2,422	605	0	(3,027)	Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	2,417	1,848	0	(4,265)
-	-	-		<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>	-	-	0	
(26,635)	(11,413)	0	38,048	Statutory provision for the financing of capital investment	(24,055)	(12,807)	0	36,862
(1,651)	(9,469)	0	11,120	Capital expenditure charged against the Council Fund and HRA balances	(735)	(6,400)	0	7,135

Usable Reserves 2018/19				Adjustments between Accounting and Funding Basis	Usable Reserves 2019/20			
Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves		Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	Movement in Unusable Reserves
£000	£000	£000	£000		£000	£000	£000	£000
0	0	(22,037)	22,037	Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(5,538)	5,538
0	20	(20)	0	Credit for disposal costs that qualify to be met from the resulting capital receipts	0	3	(3)	0
0	0	11	(11)	Capital receipts set aside for the repayment of debt	24	0	(761)	737
				<b>Adjustments involving the Revaluation Reserve</b>	-	-	-	
(1,757)	(1,876)	9,212	(5,579)	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	(5,892)	(2,451)	8,720	(377)
				<b>Adjustments involving the Pensions Reserve:</b>	-	-	-	
91,338	4,497	0	(95,835)	Net retirement benefits as per IAS19	82,847	6,191	0	(89,038)
(44,107)	(3,784)	0	47,891	Employer's contributions to the Pension Scheme	(46,102)	(4,138)	0	50,240
(148)	(199)	0	347	Pension Strain Future Years	751	104	0	(854)
				<b>Adjustments involving the Accumulated Absences Adjustment Account</b>	-	-	-	
(572)	140	0	432	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.	2,650	30	0	(2,679)
				<b>Adjustments involving the Deferred Capital Receipts Reserve</b>	-	-	-	
0	0	2	(2)	Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	0	0
0	0	0	0	Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0
<b>69,879</b>	<b>(39,655)</b>	<b>(12,832)</b>	<b>(17,392)</b>	<b>Total Adjustments</b>	<b>(18,379)</b>	<b>(15,782)</b>	<b>2,418</b>	<b>31,743</b>

## 2. 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).

2018/19			Directorate	2019/20		
Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES		Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
£000	£000	£000		£000	£000	£000
23,638	10,645	34,283	Corporate Management	26,290	(12,598)	13,692
7,141	28,375	35,516	Economic Development	4,425	9,298	13,723
261,913	17,660	279,573	Education & Lifelong Learning	272,812	(35,925)	236,887
5,612	312	5,924	Governance & Legal Services	6,136	341	6,477
0	2,904	2,904	Harbour Authority	0	2,843	2,843
0	(35,030)	(35,030)	Housing Revenue Account	0	(16,356)	(16,356)
43,484	2,833	46,317	Housing & Communities	44,416	4,615	49,031
3,020	343	3,363	Performance & Partnerships	2,616	331	2,947
40,571	29,446	70,017	Planning Transport and Environment	41,027	22,461	63,488
17,443	2,048	19,491	Resources	16,655	5,231	21,886
171,110	2,032	173,142	Social Services	177,241	3,664	180,905
34,983	(36,809)	(1,826)	Summary Revenue Account	31,971	(41,754)	(9,783)
<b>608,915</b>	<b>24,759</b>	<b>633,674</b>	<b>Net Cost of Services</b>	<b>623,589</b>	<b>(57,849)</b>	<b>565,740</b>
(558,589)	(34,004)	(592,593)	Other Income and Expenditure	(575,055)	(26,409)	(601,464)
<b>50,326</b>	<b>(9,245)</b>	<b>41,081</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>48,534</b>	<b>(84,258)</b>	<b>(35,724)</b>
	<b>Council Fund</b>	<b>HRA Balance</b>			<b>Council Fund</b>	<b>HRA Balance</b>
	<b>14,255</b>	<b>8,983</b>	<b>Opening Balance as at 1 April</b>		<b>14,255</b>	<b>8,983</b>
	0	0	Surplus/(Deficit)		0	0
	<b>14,255</b>	<b>8,983</b>	<b>Closing Balance as at 31 March</b>		<b>14,255</b>	<b>8,983</b>

The 2018/19 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2019/20.

## 2.1 Note to the Expenditure and Funding Analysis

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

2018/19				Directorate	2019/20			
Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments		Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
£000	£000	£000	£000		£000	£000	£000	£000
8,363	22,823	(20,541)	10,645	Corporate Management	64	9,815	(22,477)	(12,598)
24,743	1,177	2,455	28,375	Economic Development	7,258	2,385	(345)	9,298
19,191	1,288	(2,819)	17,660	Education & Lifelong Learning	(38,090)	5,027	(2,862)	(35,925)
5	157	150	312	Governance & Legal Services	5	350	(14)	341
2,744	157	3	2,904	Harbour Authority	2,751	110	(18)	2,843
(5,793)	514	(29,751)	(35,030)	Housing Revenue Account	13,322	2,157	(31,835)	(16,356)
1,330	1,203	300	2,833	Housing and Communities	1,059	2,422	1,134	4,615
0	152	191	343	Performance & Partnerships	0	291	40	331
28,628	1,189	(371)	29,446	Planning Transport and Environment	20,082	2,954	(575)	22,461
1,383	1,066	(401)	2,048	Resources	1,625	2,551	1,055	5,231
335	1,343	354	2,032	Social Services	(69)	3,748	(15)	3,664
0	0	(36,809)	(36,809)	Summary Revenue Account	0	6	(41,760)	(41,754)
80,929	31,069	(87,239)	24,759	<b>Net Cost of Services</b>	8,007	31,816	(97,672)	(57,849)
(50,091)	16,087	0	(34,004)	Other Income and Expenditure from the Expenditure & Funding Analysis	(41,282)	14,810	63	(26,409)
30,838	47,156	(87,239)	(9,245)	<b>(Surplus) or Deficit on Provision of Services</b>	(33,275)	46,626	(97,609)	(84,258)

The 2018/19 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2019/20.



### ***i. Adjustments for capital purposes***

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

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

### ***ii. Net Change for Pension Adjustments***

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

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

### ***iii. Other Adjustments***

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

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

## 2.2. Expenditure and Income Analysed by Nature

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

2018/19		2019/20
£000		£000
489,988	Employee Benefits Expenses	521,284
555,732	Other Service Expenses	504,618
89,808	Depreciation, Amortisation & Impairment *	63,750
5,066	Change in Fair Value of Investment Properties	6,566
32,176	Interest Payments	32,960
51,305	Precepts & Levies	55,562
9,106	Loss on Sale of Non-Current Assets	4,642
<b>1,233,181</b>	<b>Total Expenditure</b>	<b>1,189,382</b>
(171,639)	Fees, Charges & Other Service Income	(218,636)
(5,655)	Change in Fair Value of Investment Properties	(2,475)
(972)	Interest and Investment Income	(1,129)
(643,511)	Income from Council Tax and Non-Domestic Rates **	(333,623)
(360,733)	Grants and Contributions **	(660,562)
(9,590)	Gain on Sale of Non-Current Assets	(8,681)
<b>(1,192,100)</b>	<b>Total Income</b>	<b>(1,225,106)</b>
<b>41,081</b>	<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>(35,724)</b>

In 2018/19 revaluation figures expenses (£31.961m) were included within Depreciation, Amortisation & Impairment. In 2019/20 they are included within Other Service Expenses.

\*\* In 2018/19 Revenue Support Grant (£325.564m) was included in Income from Council Tax and Non-Domestic Rates. In 2019/20 it is included within Grants and Contributions.

## 3. Precepts and Levies

2018/19		2019/20
£000		£000
	<b>Precepts</b>	
33,499	Police and Crime Commissioner for South Wales	37,469
	Community Councils:	
34	- Lisvane	39
143	- Pentyrch	155
122	- Radyr	124
18	- St Fagans	21
30	- Old St Mellons	37
20	- Tongwynlais	21
<b>33,866</b>	<b>Total Precepts</b>	<b>37,866</b>
	<b>Levies &amp; Contributions</b>	
17,181	South Wales Fire and Rescue Service	17,438
139	Natural Resources Wales	139
114	Cardiff Port Health Authority	114
5	Newport Health Authority	5
<b>17,439</b>	<b>Total Levies and Contributions</b>	<b>17,696</b>

#### 4. Participation in Joint Committees

During 2019/20 the Council was lead Authority (\*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees. The Statement of Accounts for each Joint Committee will be available on the lead authority's website.

2018/19	Committee	Purpose	Lead Authority	2019/20
£000				£000
239	Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	258
1,523	Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,453
209	Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	209
27	Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	27
576	Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	631
5,110	Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	4,911
<b>7,684</b>	<b>Total</b>			<b>7,489</b>

In previous years, the Council has included its share of the transactions and balances of each Joint Committee in its accounting statements. This was reviewed in 2019/20 to include the contributions to each Joint Committee as outlined in table above, except for CCRCD where the Council continues to show its share of transactions and balances in its accounting statements.

Capital contributions to CCRCD in respect to the Wider Investment Fund are included in the core financial statements but not shown in the table above. No capital contributions were made in 2019/20 (£2.920 million for 2018/19).

#### 5. 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, totaled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2019/20 was 145,499 (143,453 for 2018/19).

The amounts for a band D property in Cardiff during 2019/20 were as follows:

2018/19	Band D Council Tax:	2019/20
£		£
1,155	Cardiff Council	1,211
234	Police and Crime Commissioner for South Wales	258
<b>1,389</b>	<b>Total</b>	<b>1,469</b>

The above amount (£1,469) 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.

### Analysis of property bandings

Band	A*	A	B	C	D	E	F	G	H	I	Totals
Multiplier	5/9	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9	
No of Band D equivalent dwellings	4	1,984	12,492	24,767	30,282	28,871	26,155	14,974	5,069	3,067	147,665
Apply Collection rate										98.50%	145,450
Plus Class O-( Ministry of Defence) dwellings											49
Council Tax Base											145,499

### Analysis of the net proceeds from Council Tax:

2018/19		2019/20
£000		£000
(202,564)	Council Tax collectable	(217,119)
2,282	Impairment for non-payment of Council Tax	(766)
<b>(200,282)</b>	<b>Net proceeds</b>	<b>(217,885)</b>
	Represented by:	
33,866	Precepts	37,866
166,416	Council Tax attributable to the Council	180,019

The cumulative impairment for non-payment of Council Tax held at the 31 March 2020 is £6.920 million (£8.730 million at 31 March 2019).

### Council Tax that is past due but not impaired:

31 March 2019		31 March 2020
£000		£000
272	Debts less than one year	3,184
288	Debts between two and 5 years	1,258
30	Debts over five years	113
<b>590</b>	<b>Total Council Tax due but not impaired</b>	<b>4,555</b>

## 6. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (52.6p in 2019/20 and 51.4p in 2018/19) 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 rateable value was £460.510 million for 2019/20 (£458.132 million 2018/19). An analysis of the net proceeds from non-domestic rates is shown below:

2018/19		2019/20
£000		£000
194,593	Non-Domestic Rates collectable	200,116
(903)	Cost of collection allowance	(919)
(2,658)	Impairment for non-payment	(3,869)
<b>191,032</b>	<b>Payment into national pool</b>	<b>195,328</b>
<b>(115,383)</b>	<b>Redistribution from national pool</b>	<b>(116,504)</b>

## 7. Agency Income and Expenditure

The Council acted 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 £5.095 million at 31 March 2020 (£9.452 million at 31 March 2019) 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 2020 the Welsh Government had provided £2.736 million of funding, of which £759,000 is outstanding as loans provided. The balance available for new loans was £1.977 million (£1.877 million at 31 March 2019).
- Home Improvement loans – provide loans for home improvements. At 31 March 2020 the Welsh Government had provided £1.062 million of funding, of which £646,000 is outstanding as loans provided leaving a balance available for new loans of £416,000.
- Covid-19 Business Grants. The Council distributed grants to eligible business on behalf of the Welsh Government totaling £23.265 million and this is shown within the debtors balance at 31 March 2020.

### South Wales Trunk Road Agency

The total reimbursement received by the Council was £294,000 in 2019/20 (£393,000 in 2018/19).

### FOR Cardiff

This is a partnership between the local business community and the Council to form a Business Improvement District in a defined area within the city centre. A levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. This is used to develop projects benefitting the local area. Further information is available on their website <https://www.forcardiff.com>. The Council collects the income and pays this over to FOR Cardiff. This totaled £1.460 million in 2019/20 (£1.620 million in 2018/19).

### Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to residual waste. The Council made payments of £9.207 million in 2019/20 (£9.476 million in 2018/19) on behalf of all the partners.

## 8. Remuneration

**8.1** 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 2019/20 was 1:7 (1:7 in 2018/19). The median full time equivalent earnings for 2019/20 was £25,901 (£25,105 in 2018/19). These figures include staff directly employed by the governing bodies of schools including a Voluntary-Controlled and a Foundation school and several Voluntary-Aided schools, as well as those employed by the Council.

**8.2** The Accounts and Audit (Wales) Regulations 2014 also require 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 senior officers whose remuneration is disclosed in more detail in note 8.3. The table excludes any staff paid via agency.

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

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

Number of Employees		Remuneration band £	Number of Employees	
2018/19			2019/20	
Non Schools	Schools		Non Schools	Schools
9	65	60,000-64,999	13	57
19	31	65,000-69,999	19	44
1	12	70,000-74,999	3	13
3	8	75,000-79,999	1	8
6	9	80,000-84,999	1	8
0	6	85,000-89,999	7	6
2	1	90,000-94,999	0	5
1	3	95,000-99,999	1	3
1	2	100,000-104,999	1	1
0	1	105,000-109,999	0	2
0	1	110,000-114,999	0	0
0	0	115,000-119,999	0	0
4	2	120,000-124,999	0	1
0	1	125,000-129,999	4	3
0	0	130,000-134,999	0	0
2	1	135,000-139,999	2	0
0	0	140,000-144,999	0	0
0	0	145,000-149,999	0	0
0	1	150,000-154,999	0	0
0	0	155,000-159,999	0	1
0	0	160,000-164,999	0	0
0	0	165,000-169,999	0	1



Number of Employees		Remuneration band £	Number of Employees	
2018/19			2019/20	
Non Schools	Schools		Non Schools	Schools
0	0	170,000-174,999	0	0
1	0	175,000-179,999	0	0
0	0	180,000-184,999	1	0
<b>49</b>	<b>144</b>	<b>Total</b>	<b>53</b>	<b>153</b>

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

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

Remuneration also includes the cost of any additional contributions that the Council is required to make to the Pension Fund in respect of the individuals who are leaving the Council i.e. Enhancement of Retirement Benefits (Pension Strain costs). No bonuses have been paid during 2019/20 (£0 in 2018/19)

2018/19 Total remuneration including pension contributions £	2019/20 Post title	Note	Salary, fees and allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.5% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
218,453	Chief Executive - Paul Orders	(a)	180,423	0	0	0	0	42,399	222,822	
135,265	Corporate Director Resources & Section 151 Officer	(a)	767	0	0	0	0	0	767	Relinquished S151 duties 10/03/2019. Left the Council 02/04/2019.
9,430	Corporate Director Resources & Section 151 Officer		137,970	0	0	0	0	32,423	170,393	Commenced 11/03/2019.
167,052	Corporate Director People and Communities		137,970	0	0	0	0	32,423	170,393	
154,202	Director Planning, Transport & Environment		127,357	0	0	0	0	29,929	157,286	
154,202	Director Economic Development		127,357	0	0	0	0	29,929	157,286	

2018/19 Total remuneration including pension contributions £	2019/20 Post title	Note	Salary, fees and allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.5% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
154,365	Director Education & Lifelong Learning		97,640	0	0	0	0	12,470	110,110	Reduced hours from 01/09/2019. Annualised salary £127,357.
153,872	Director Governance & Legal Services & Monitoring Officer		127,357	0	0	0	0	28,781	156,138	
112,336	Director Social Services		127,357	0	0	0	0	29,929	157,286	Commenced 09/07/2018.
12,634	Director Social Services		0	0	0	0	0	0	0	Left the Council 30/04/2018.
123,790	Chief Digital Officer		102,240	0	0	0	0	24,026	126,266	
10,225	Assistant Director Adult Services		0	0	0	0	0	0	0	Left the Council 06/05/2018.
19,732	Assistant Director Adult Services		86,603	0	0	0	0	20,352	106,955	Commenced 24/01/2019.
73,704	Assistant Director Children's Services	(b)	0	0	0	0	0	0	0	Left the Council 12/10/2018.
82,123	Assistant Director Children's Services - Deborah Driffield	(b)	199,849	0	0	0	0	0	199,849	Commenced 13/09/2018. Annualised salary £86,603.
106,725	Assistant Director Commercial Services		0	0	0	0	0	0	0	Post deleted 30/09/2018.
96,965	Assistant Director Education & Lifelong Learning		0	0	0	0	0	0	0	Left the Council 03/03/2019.
0	Assistant Director Education & Lifelong Learning		50,518	0	0	0	0	11,872	62,390	Commenced 01/09/2019. Annualised salary £86,603.
104,858	Assistant Director Housing & Communities		86,603	0	0	0	0	20,352	106,955	

2018/19 Total remuneration including pension contributions £	2019/20 Post title	Note	Salary, fees and allowances received £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.5% of salary) £	Total remuneration including pension contributions £	Explanatory notes
					Received via payroll (taxable) £	Received via payroll (non-taxable) £	Enhancement of Retirement Benefits £			
82,876	Assistant Director Street Scene		86,603	0	0	0	0	20,352	106,955	Post commenced 20/06/2018.
0	Programme Director - Schools Organisation Programme		71,688	0	0	0	0	16,636	88,324	Commenced 03/06/2019. Annualised salary £86,603.
104,858	Chief Human Resources Officer		86,603	0	0	0	0	20,352	106,955	
104,858	Head of Finance		86,603	0	0	0	0	20,352	106,955	
92,687	Head of Performance & Partnerships		0	0	0	0	0	0	0	Left the Council 17/02/2019.
0	Head of Performance & Partnerships		81,551	0	0	0	0	20,031	101,582	Commenced 22/04/2019. Annualised salary £86,603.

- a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £652.41 in 2018/19. This role was transferred to the Chief Executive and any subsequent fees were waived for this role in 2019/20.
- b) During 2019/20 agency invoices of £199,849 (£155,827 in 2018/19) were paid for services received in 2019/20 as Assistant Director Children's Services.

## 8.4 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.

2018/19				Exit package cost band (including special payments)	2019/20			
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 £
44	102	146	1,204,141	£0 - £20,000	64	85	149	1,052,522
5	57	62	1,522,036	£20,001 – £40,000	11	46	57	1,469,225
1	7	8	418,560	£40,001 – £60,000	3	7	10	478,119
1	3	4	267,582	£60,001 – £80,000	1	5	6	426,406
0	5	5	470,239	£80,001 – £100,000	0	4	4	354,718
0	4	4	482,765	£100,001 – £150,000	0	3	3	355,610
0	0	0	0	£150,001 – £200,000	0	3	3	491,430
<b>51</b>	<b>178</b>	<b>229</b>	<b>4,365,323</b>	<b>Total</b>	<b>79</b>	<b>153</b>	<b>232</b>	<b>4,628,030</b>

Compulsory Redundancies include temporary and fixed term contracts ending after 2 years

## 8.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2019/20 was £1.340 million (£1.320 million in 2018/19). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

## 9. 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 transactions are included in the Housing & Communities line of the Comprehensive Income and Expenditure Statement.

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018, initially for one year, however, the agreement has been extended to also cover the 2019/20 financial year. Cardiff Council has acted as host authority during both years of the agreement. The Cardiff Council transactions are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2020 are as follows:

2018/19 £000			2019/20 £000	
Joint Equipment	Care Homes for older people		Joint Equipment	Care Homes for older people
		<b>Expenditure</b>		
1,832	0	Equipment	1,735	0
102	0	Contribution to Overheads	102	0
0	60,844	Care Home costs	0	64,412
<b>1,934</b>	<b>60,844</b>	<b>Total Expenditure</b>	<b>1,837</b>	<b>64,412</b>
		<b>Funding</b>		
(1,289)	(27,408)	Cardiff and Vale University Health Board	(1,292)	(29,064)
(391)	(24,099)	Cardiff Council	(337)	(24,771)
(212)	(9,337)	Vale of Glamorgan Council	(208)	(10,577)
<b>(1,892)</b>	<b>(60,844)</b>	<b>Total Funding</b>	<b>(1,837)</b>	<b>(64,412)</b>
<b>42</b>	<b>0</b>	<b>(Surplus)/Deficit transferred to Reserve</b>	<b>0</b>	<b>0</b>

## 10. 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. For 2019/20, financial transactions with the Welsh Government totaled £746,000 of expenditure and £420.657 million of income. At the year-end, in addition to financial instruments (Note 17) and expenditure incurred as an agent for Welsh Government (Note 7), no money was owed to Welsh Government and £3.719 million was owed from Welsh Government.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2019/20 is shown in note 8. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. This is available on the Councils Website <https:cardiff.moderngov.co.uk/mgMemberIndex>.

During 2019/20, goods and services totaling £919,000 were commissioned from organisations in which members had an interest and there was no money owed from these organisations to the Authority at the end of the year (£28.954 million in 2018/19). The Authority provided goods and services to these organisations to the value of £109,000 and was owed £59,000 from these organisations. The largest payments were made to the Huggard Centre who received goods and services from the Authority of



£700,000, and the Authority provided goods and services of £53,000. The Council was owed £51,000 at the end of the year.

These organisations also received grants totaling £209,000 during the year with the Huggard Centre receiving £208,000. The relevant members did not take part in any discussion or decision relating to the grants.

Officer's emoluments are shown in note 8. In 2019/20, for organisations in which Senior Officers had an interest there were no goods or services commissioned (£20,000 in 2018/19). For goods and services provided, income of £99,000 was received in 2019/20 (£245,000 in 2018/19). Of this income, £49,000 is also included in the income for members as there are officers and members represented on the board.

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC), and Atebion Solutions Ltd. Details of transactions with these companies are shown in note 22 to the Core Financial Statements.

Pension Fund contributions paid to the Fund are shown in note 15.

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 3 to the Core Financial Statements. Separate to the precept, the Council made payments of £78,000 to Police and Crime Commissioner for South Wales during 2019/20 (£41,000 in 2018/19).

## 11. External Audit Costs

2018/19		2019/20
£000		£000
382	Fees payable to Wales Audit Office for external audit services	382
65	Fees payable to Wales Audit Office for the certification of grant claims	50
20	Fees payable to Wales Audit Office for other financial audit work	20
<b>467</b>	<b>Total</b>	<b>452</b>

## 12. 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 2019/20:

2018/19		2019/20
£000		£000
1,275	Property Leases	1,340
2,316	Other Leases	2,022
<b>3,591</b>		<b>3,362</b>

The Council was committed at 31 March 2020 to making payments of £13.989 million under operating leases (£12.228 million at 31 March 2019) comprising the following elements:

31 March 2019			31 March 2020	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
		<b>Minimum lease payments</b>		
1,217	2,003	Not later than one year	1,173	2,143
1,529	3,355	Later than one year but not later than five years	1,019	2,833
4,119	5	Later than five years	6,791	30
<b>6,865</b>	<b>5,363</b>		<b>8,983</b>	<b>5,006</b>

### Finance Leases

There were no finance leases at 31 March 2020 (none in 2018/19) 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 £7.235 million in 2019/20 (£5.608 million in 2018/19).

The Council was committed as at 31 March 2020 to receiving income of £486.632 million (£420.966 million as at 31 March 2019) under operating leases for Land & Buildings comprising the following elements:

31 March 2019 £000	Minimum Income	31 March 2020 £000
5,188	Not later than one year	8,647
16,984	Later than one year and not later than five years	29,385
398,794	Later than five years	448,600
<b>420,966</b>		<b>486,632</b>

### Finance Leases

The Council does not provide any leases of this type.

## 13. Investment Properties

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

2018/19 £000		2019/20 £000
(5,688)	Rental income from investment property	(6,231)
1,839	Direct operating expenses arising from investment property	2,011
<b>(3,849)</b>	<b>Net (gain) / loss</b>	<b>(4,220)</b>

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

## 14. Prudent Revenue Provision

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

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

2018/19		2019/20
£000		£000
26,635	Council Fund revenue provision	24,055
11,413	Housing Revenue Account provision	12,807
<b>38,048</b>	<b>Prudent revenue provision</b>	<b>36,862</b>

## 15. Pensions

### Participation in Pension Schemes

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

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

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

### Teachers' Pension Scheme

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

In 2019/20 the Council paid £25.973 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay for April to August and 23.7% of teachers' pensionable pay for September to March (£20.104 million representing 16.5% of teachers' pensionable pay in 2018/19). 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 its liabilities and assets.

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

The disclosures below relate to the Fund and, where applicable, certain unfunded benefits provided by the Employer as referred to above.

### Transactions relating to retirement benefits

The core financial 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 amount 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 by Cardiff Council in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

2018/19				2019/20		
Funded scheme	Unfunded liabilities	Total		Funded scheme	Unfunded liabilities	Total
£000	£000	£000		£000	£000	£000
			<b>Comprehensive Income and Expenditure Statement (CIES)</b>			
			<b>Net Cost of Services</b>			
55,670	0	<b>55,670</b>	Current Service Cost	70,650	0	<b>70,650</b>
22,348	1,250	<b>23,598</b>	Past Service Costs	10,550	0	<b>10,550</b>
			<b>Financing &amp; Investment Income and Expenditure</b>			
14,760	1,180	<b>15,940</b>	Interest on net defined benefit liability/(asset)	13,680	1,130	<b>14,810</b>
<b>92,778</b>	<b>2,430</b>	<b>95,208</b>	<b>Net charge to CIES</b>	<b>94,880</b>	<b>1,130</b>	<b>96,010</b>
			<b>Remeasurement of the net Defined Liability comprising</b>			

(52,880)	0	<b>(52,880)</b>	Returns on Plan Assets excluding amounts included in net interest	168,680	0	<b>168,680</b>
102,180	1,480	<b>103,660</b>	Actuarial losses arising from changes in Financial assumptions	(57,738)	(500)	<b>(58,238)</b>
(76,170)	(2,260)	<b>(78,430)</b>	Actuarial gains arising from changes in demographic assumptions	(28,360)	(1,890)	<b>(30,250)</b>
2,880	3,900	<b>6,780</b>	Other experience and Actuarial adjustments	47,260	(230)	<b>47,030</b>
<b>(23,990)</b>	<b>3,120</b>	<b>(20,870)</b>	<b>Total Remeasurements recognised in Other Comprehensive Income</b>	<b>129,842</b>	<b>(2,620)</b>	<b>127,222</b>
<b>68,788</b>	<b>5,550</b>	<b>74,338</b>	<b>Total charged to Comprehensive Income and Expenditure Statement</b>	<b>224,722</b>	<b>(1,490)</b>	<b>223,232</b>

2018/19				2019/20		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
			<b>Movement in Reserves Statement</b>			
(92,778)	(2,430)	<b>(95,208)</b>	Reversal of net charges made for retirement benefits in accordance with IAS19	(94,880)	(1,130)	<b>(96,010)</b>
			<b>Actual amount charged against Council Tax in respect of pensions for the year</b>			
44,540	0	<b>44,540</b>	Employers contributions payable to the scheme	47,130	0	<b>47,130</b>
0	3,350	<b>3,350</b>	Payments in respect of unfunded pensions liabilities *	0	3,110	<b>3,110</b>
<b>44,540</b>	<b>3,350</b>	<b>47,890</b>	<b>Total</b>	<b>47,130</b>	<b>3,110</b>	<b>50,240</b>

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

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. In July 2020, the UK Government published proposals for consultation on a remedy to address the McCloud issue. The pension fund actuary, Aon Hewitt, has based the estimate on the major provisions of the estimate, however there remains some uncertainty over the final outcome which will not be clarified until late 2020-21 at the earliest.

## Reconciliation of funded status to Balance Sheet

31 March 2019				31 March 2020		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,820,380)	(46,520)	<b>(1,866,900)</b>	Opening present value of liabilities	(1,931,978)	(48,720)	<b>(1,980,698)</b>
(55,670)	0	<b>(55,670)</b>	Current service cost	(70,650)	0	<b>(70,650)</b>
(46,800)	(1,180)	<b>(47,980)</b>	Interest cost	(45,280)	(1,130)	<b>(46,410)</b>
(11,240)	0	<b>(11,240)</b>	Contributions by participants	(11,990)	0	<b>(11,990)</b>
(28,890)	(3,120)	<b>(32,010)</b>	Remeasurements in Other Comprehensive Income (OCI)	38,838	2,620	<b>41,458</b>
53,350	3,350	<b>56,700</b>	Net benefits paid out *	56,890	3,110	<b>60,000</b>
(22,348)	(1,250)	<b>(23,598)</b>	Past service cost	(10,550)	0	<b>(10,550)</b>
<b>(1,931,978)</b>	<b>(48,720)</b>	<b>(1,980,698)</b>	<b>Closing present value of liabilities</b>	<b>(1,974,720)</b>	<b>(44,120)</b>	<b>(2,018,840)</b>
1,230,630	0	<b>1,230,630</b>	Opening fair value of assets	1,317,980	0	<b>1,317,980</b>
32,040	0	<b>32,040</b>	Interest income on assets	31,600	0	<b>31,600</b>
52,880	0	<b>52,880</b>	Remeasurement gains/(losses) on assets	(168,680)	0	<b>(168,680)</b>
44,540	0	<b>44,540</b>	Contributions by employer	47,130	3,110	<b>50,240</b>
11,240	0	<b>11,240</b>	Contributions by participants	11,990	0	<b>11,990</b>
(53,350)	0	<b>(53,350)</b>	Net benefits paid out *	(56,890)	(3,110)	<b>(60,000)</b>
<b>1,317,980</b>	<b>0</b>	<b>1,317,980</b>	<b>Closing fair value of assets</b>	<b>1,183,130</b>	<b>0</b>	<b>1,183,130</b>
<b>(613,998)</b>	<b>(48,720)</b>	<b>(662,718)</b>	<b>Net pension asset /(liability)*</b>	<b>(791,590)</b>	<b>(44,120)</b>	<b>(835,710)</b>

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

The Covid-19 pandemic has impacted global financial and property markets. As a result of the volatility in market conditions, the year-end valuation reports provided to Cardiff and Vale of Glamorgan Pension Fund include a statement that there is a material valuation uncertainty in respect of pooled property investments managed on behalf of the pension fund as at 31 March 2020. The total value of these affected investments as at 31 March 2020 is £106.746m of which, £62.660m (58.7%) is attributable to the Council.

There has been a significant increase in the pension liability at 31 March 2020 as compared to the previous year. This is due to a large decrease in the value of assets as a result of the impact of Covid-19 on financial markets. However, it is important to note that this is a snap shot of the position as at 31 March 2020. The Pension Fund is a defined benefit scheme, which means that members' benefits are not linked to stock market performance. The Pension Fund is a long term investor and members can be assured that contributions are reviewed as part of the triennial valuation. Since 31 March the financial markets have shown signs of improvement which will have a positive impact on the value of assets but significant uncertainty remains within the financial markets.

## Contributions for year ending 31 March 2021



Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2021 are estimated to be £45.941 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 2021 the Council expects to pay £3.171 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The principal assumptions used by the independent qualified actuaries in updating the full March 2019 valuation figures as at 31 March 2020, for IAS19 purposes, are shown in the following table:

31 March 2019	Assumptions	31 March 2020
	<b>Longevity at 45 for Current Pensioners (years)</b>	
23.0	Men	23.2
25.9	Women	26.0
	<b>Longevity at 65 for Current Pensioners (years)</b>	
22.4	Men	22.2
24.8	Women	24.6
	<b>Rates</b>	
2.2%	Rate of Inflation - Consumer Price Index (CPI)	2.0%
3.2%	Rate of general increase in salaries*	3.0%
2.2%	Rate of increase to pensions in payment**	2.0%
2.2%	Rate of increase to deferred pensions	2.0%
2.4%	Discount rate for scheme liabilities	2.3%

\*The assumed rate of general salary increase has been set as 1% above the CPI assumption which is consistent with the assumption used at the 2019 valuation

\*\* The recommended pension increase assumption has been set as being equal to recommended CPI inflation assumption

### 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. However it is possible 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 2019			Assets	31 March 2020		
Quoted %	Unquoted %	Total %		Quoted %	Unquoted %	Total %
59.7	4.0	63.7	Equities	62.7	3.6	66.3
7.7	0.0	7.7	Property	6.9	0.0	6.9
10.7	0.0	10.7	Government Bonds	9.5	0.0	9.5
11.0	0.0	11.0	Corporate Bonds	15.8	0.0	15.8
1.5	0.0	1.5	Cash	1.4	0.0	1.4
5.4	0.0	5.4	Other*	0.1	0.0	0.1
<b>96.0</b>	<b>4.0</b>	<b>100.0</b>	<b>Total</b>	<b>96.4</b>	<b>3.6</b>	<b>100.0</b>

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

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

	31 March 2016	31 March 2017	31 March 2018	31 March 2019	31 March 2020
	£000	£000	£000	£000	£000
Fair value of assets	1,014,120	1,198,860	1,230,630	1,317,980	1,183,130
Present value of funded liabilities	(1,513,150)	(1,730,930)	(1,820,380)	(1,931,978)	(1,974,720)
Present value of unfunded liabilities	(46,650)	(47,490)	(46,520)	(48,720)	(44,120)
<b>Surplus/(deficit)</b>	<b>(545,680)</b>	<b>(579,560)</b>	<b>(636,270)</b>	<b>(662,718)</b>	<b>(835,710)</b>

**Sensitivity Analysis of Present Value of Funded Liabilities**

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

<b>Funded Defined Benefit Obligation £1,974,700</b>	<b>+0.1% p.a</b>		<b>-0.1% p.a</b>	
<b>Change in Assumptions on Present value of the funded defined benefit obligations</b>	<b>£000</b>	<b>% Increase /Decrease to Employee Liability</b>		<b>£000</b>
Adjustment to Discount rate	1,935,210	-2.0%	2.1%	2,016,170
Adjustment to Salary Increase rate	1,978,650	0.2%	-0.2%	1,970,750
Adjustment to Pension Increase rate	2,012,220	1.9%	-1.8%	1,939,160
Adjustment to Mortality rate	2,037,890	3.2%	-3.2%	1,911,510

## 16. Non-Current Assets

Property, Plant and Equipment	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
Movements in Cost or Values	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2018</b>	<b>574,175</b>	<b>744,085</b>	<b>37,887</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,107,394</b>
Additions	22,682	45,396	6,462	18,396	10	3,844	23,270	120,060
Revaluations Increases/(Decreases) recognised in the RR*	17,507	(1,854)	0	0	0	(1,833)	0	13,820
Revaluations Increases/(Decreases) recognised in the SDPS**	(9,008)	(46,606)	0	0	0	130	156	(55,328)
Impairment Losses/Reversals to RR	0	(174)	0	0	0	(2,225)	0	(2,399)
Impairment Losses/Reversals to SDPS	(133)	(756)	0	0	0	(2,784)	(78)	(3,751)
Derecognition - Disposals	(711)	(2,608)	(3,932)	0	0	(81)	0	(7,332)
Reclassified (to)/from Held for Sale	0	0	0	0	0	(1,695)	0	(1,695)
Other Reclassifications - Transfers	277	42,387	795	6,748	60	3,271	(63,129)	(9,591)
<b>31 March 2019</b>	<b>604,789</b>	<b>779,870</b>	<b>41,212</b>	<b>649,358</b>	<b>19,806</b>	<b>38,199</b>	<b>27,944</b>	<b>2,161,178</b>
Additions	29,643	12,993	4,000	13,913	82	1,823	28,922	91,376
Revaluations Increases/(Decreases) recognised in the RR	0	645	0	0	0	6,709	0	7,354
Revaluations Increases/(Decreases) recognised in the SDPS	0	45,939	0	0	0	(1,717)	0	44,222
Impairment Losses/Reversals to RR	0	(1,940)	0	0	0	(417)	0	(2,357)
Impairment Losses/Reversals to SDPS	(168)	(2,884)	0	0	0	(1,292)	(152)	(4,496)
Derecognition - Disposals	(295)	0	(4,319)	0	0	(1,645)	0	(6,259)
Write Out of Joint Committees	0	0	(153)	0	0	0	0	(153)
Reclassified (to)/from Held for Sale	0	0	0	0	0	420	0	420
Other Reclassifications - Transfers	16,717	6,387	20	1,139	9	2,460	(26,732)	0
<b>31 March 2020</b>	<b>650,686</b>	<b>841,010</b>	<b>40,760</b>	<b>664,410</b>	<b>19,897</b>	<b>44,540</b>	<b>29,982</b>	<b>2,291,285</b>
<b>Movements in Depreciation/Impairment</b>								
<b>1 April 2018</b>	<b>25,971</b>	<b>40,178</b>	<b>22,653</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>421,841</b>
Depreciation Charge	9,908	17,307	5,422	21,217	0	0	0	53,854
Depreciation written out on Impairment	0	(130)	0	0	0	0	0	(130)
Depreciation written out to the RR	0	(10,192)	0	0	0	0	0	(10,192)
Depreciation written out to the SDPS	(25,971)	(14,759)	0	0	0	0	0	(40,730)
Derecognition - Disposals	0	(147)	(3,897)	0	0	0	0	(4,044)
Reclassifications - Transfers	0	(67)	0	0	0	0	0	(67)
<b>31 March 2019</b>	<b>9,908</b>	<b>32,190</b>	<b>24,178</b>	<b>354,256</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>420,532</b>
Depreciation Charge	10,908	20,895	5,336	20,877	0	0	0	58,016
Depreciation written out on Impairment	0	(450)	0	0	0	0	0	(450)
Depreciation written out to the RR	0	(11,446)	0	0	0	0	0	(11,446)
Depreciation written out to the SDPS	0	(12,564)	0	0	0	0	0	(12,564)
Derecognition - Disposals	(4)	0	(4,295)	0	0	0	0	(4,299)
Write Out of Joint Committees	0	0	(32)	0	0	0	0	(32)
Reclassifications - Transfers	0	(56)	0	0	0	0	0	(56)

<b>31 March 2020</b>	<b>20,812</b>	<b>28,569</b>	<b>25,187</b>	<b>375,133</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>449,701</b>
Net Book Value								
<b>At 31 March 2019</b>	<b>594,881</b>	<b>747,680</b>	<b>17,034</b>	<b>295,102</b>	<b>19,806</b>	<b>38,199</b>	<b>27,944</b>	<b>1,740,646</b>
<b>At 31 March 2020</b>	<b>629,874</b>	<b>812,441</b>	<b>15,573</b>	<b>289,277</b>	<b>19,897</b>	<b>44,540</b>	<b>29,982</b>	<b>1,841,584</b>

2018-19 figures have been amended to reflect reclassification of the asset within the CCRC Group

Opening balances on other Land and Buildings have been restated for presentational purposes only

\* RR = Revaluation Reserve

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

## Heritage Assets

2018/19		2019/20
£000		£000
<b>54,099</b>	<b>Balance at 1 April</b>	<b>54,152</b>
53	Additions	231
0	Revaluation increases /(decreases) to RR	4,233
<b>54,152</b>	<b>Balance at 31 March</b>	<b>58,616</b>

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

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

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

**Public art** - there are over 100 pieces of public art owned by the Council across the city, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as conventional valuation approaches lack sufficient reliability. In addition the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site <https://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 a valuation of £42.594 million undertaken externally as at 1 April 2019, 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.

### Investment Properties

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

2018/19 £000		2019/20 £000
103,820	<b>Balance at 1 April</b>	126,360
12,679	Additions	58,624
(185)	Impairment	(6,413)
(318)	Disposals	(2,393)
0	Reclassified (to) / from Held for Sale	0
9,591	Other Reclassifications	0
0	Revaluation increases / (decreases) to RR*	0
774	Revaluation increases / (decreases) to SDPS**	2,343
<b>126,360</b>	<b>Balance at 31 March</b>	<b>178,521</b>

2018-19 figures have been amended to reflect reclassification of the asset within the CCRC Group

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in intangible assets during 2019/20 are summarised as follows:

2018/19 Total £000		2019/20		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	<b>Cost or Valuation</b>			
8,835	<b>Balance at 1 April</b>	9,317	0	9,317
482	Additions	1,309	0	1,309
0	Write out of Joint Committees	(67)	0	(67)
9,317	<b>Balance at 31 March</b>	10,559	0	10,559
	<b>Amortisation</b>			
6,134	<b>Balance at 1 April</b>	7,095	0	7,095
961	Amortisation	1,172	0	1,172
7,095	<b>Balance at 31 March</b>	8,267	0	8,267
	<b>Net Book Value:</b>			
2,222	<b>Balance at 31 March</b>	2,292	0	2,292

## 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 (note 14) reduces the CFR.

2018/19		2019/20
£000		£000
773,164	Opening Capital Financing Requirement *	788,558
	<b>Capital Expenditure:</b>	
120,060	Property, Plant and Equipment	91,376
53	Heritage Assets	231
0	Assets Held for Sale	0
12,679	Investment Properties	58,624
482	Intangible Assets	1,309
1,661	Loans / Equity	132
8,098	Expenditure on REFCUS	12,744
	<b>Sources of Finance:</b>	
(22,037)	Capital Receipts	(5,497)
(56,406)	Government grants and other contributions	(52,574)
(11,120)	Direct revenue contributions and reserves	(7,135)
(38,076)	Prudent revenue and capital provision for loan repayment	(38,871)
<b>788,558</b>	<b>Closing Capital Financing Requirement *</b>	<b>848,897</b>
	<b>Explanation of movements in year:</b>	
(2,254)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	2,659
17,648	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	57,680
<b>15,394</b>	<b>Increase in Capital Financing Requirement</b>	<b>60,339</b>

\*This includes a notional amount in respect of Landfill provision of 2018/19 £19.388 million and 2019/20 £18.368 million

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

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

2018/19		2019/20
£000		£000
	<b>Expenditure:</b>	
5,055	Housing Improvement Grants	4,843
3,033	Buildings not owned by Cardiff Council	2,901
10	Grants awarded (not Housing Grants)	5,000
<b>8,098</b>	<b>Charged to Income and Expenditure Statement</b>	<b>12,744</b>



	Funded by:	
(7,388)	Grants and Contributions	(11,041)
(710)	Borrowing, Receipts and other Capital Resources	(1,703)
<b>(8,098)</b>		<b>(12,744)</b>

### Significant capital expenditure contractual commitments

At 31 March 2020, the significant capital expenditure commitments scheduled for completion in 2020/21 and future years is shown below (£14.034 million 2018/19)

	£000
Wood Street Infrastructure - City Centre	6,364
Ty Gwyn Demountable Classroom	1,691
Michaelston College Demolition	778
Ysgol y Wern	728
Cardiff Living - New Housing Willowbrook	642
Cardiff Living - New Housing Briardene	541
North Road Cycle Route	535
Tudor Street Shops	500
<b>Total</b>	<b>11,779</b>

## 17. Financial Instruments

### Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. They arise as a result of the Council's Treasury Management activities as well as Financial Instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below, including the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities, and consideration of the Business Model for holding investments. Creditors are shown separately in the respective notes rather than as financial instruments:

31 March 2019				31 March 2020		
Long Term £000	Short Term £000	Total £000		Long Term £000	Short Term £000	Total £000
			Amortised Cost :			
0	69,000	69,000	Investments - Principal	0	76,000	76,000
0	32	32	Investments - Accrued Interest	0	106	106
0	20,852	20,852	Cash and Cash Equivalents	0	35,922	35,922
0	21	21	Cash and Cash Equivalents Accrued Interest	0	29	29
0	89,905	89,905	<b>Total Investments at Amortised Cost Included in Investments</b>	0	112,057	112,057
10,948	0	10,948	<b>Total Investments at Fair Value through Other Comprehensive Income</b>	9,723	0	9,723
1,188	1,189	2,377	Loans	577	784	1,361
9,063	94,143	103,206	Other Debtors	8,124	136,056	144,180
10,251	95,332	105,583	<b>Total Debtors</b>	<b>8,701</b>	<b>136,840</b>	<b>145,541</b>
21,199	185,237	206,436	<b>Total Financial Assets</b>	<b>18,424</b>	<b>248,897</b>	<b>267,321</b>

			Financial liabilities at Amortised Cost			
(717,700)	(4,221)	(721,921)	Loans (Principal)	(807,540)	(21,233)	(828,773)
0	(9,085)	(9,085)	Loans Accrued Interest	0	(8,392)	(8,392)
(717,700)	(13,306)	(731,006)	<b>Total Borrowings</b>	<b>(807,540)</b>	<b>(29,625)</b>	<b>(837,165)</b>

#### Investments at amortised cost include:

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

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

- the Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The valuation estimate is based on the net worth of the company as per its draft set of financial accounts (Level 3). The valuation can fluctuate dependent on the company's performance and economic climate and so any accounting valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Financial Instruments Revaluation Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2020 is estimated to be £9.356 million (£10.470 million in 2018/19)
- various minority equity holdings in companies are included either at cost or at quoted prices where available.

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

#### Debtors include:

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

#### Liabilities at Amortised Cost include:

- external borrowing undertaken to fund capital expenditure and short term cash flow requirements. It includes Lender Option Borrower Option Loans (LOBO) which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. Where possible and viable, opportunities for early repayment are considered. The carrying amounts below also include accrued interest payable at 31 March 2020. Interest payable for 2019/20 is £8.392 million (£9.085 million in 2018/19).

31 March 2019			Valuation Method - Level	31 March 2020	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(669,314)	(969,502)	Public Works Loan Board Loans (PWLB)	Level 2	(706,425)	(951,353)
(51,637)	(74,647)	Lender Option Borrower Option Loans	Level 2	(51,641)	(71,457)
(4,496)	(3,786)	Welsh Government	Level 2	(16,114)	(12,178)

0	0	Local Authorities	Level 2	(58,440)	(58,263)
(5,559)	(5,095)	Other Loans and Temporary Balances	Level 2	(4,545)	(4,197)
<b>(731,006)</b>	<b>(1,053,030)</b>	<b>Financial Liabilities</b>		<b>(837,165)</b>	<b>(1,097,448)</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 2020. An exit price fair value of £1.353 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- for other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- no early repayment or impairment is recognised.

## Financial Instrument Gains/Losses

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

Financial Liabilities	Financial Assets				Financial Liabilities	Financial Assets		
	Measured at Amortised Cost	Amortised Cost	Investments at Fair Value through Other Comprehensive Income			Total	Measured at Amortised Cost	Amortised Cost
<b>2018-19</b>					<b>2019-20</b>			
<b>£000</b>					<b>£000</b>			
32,176	0	0	<b>32,176</b>	Interest Payable & Similar Charges	32,960	0	0	<b>32,960</b>
0	(706)	0	<b>(706)</b>	Interest and Investment Income	0	(966)	0	<b>(966)</b>
0	0	3,172	<b>3,172</b>	(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	1,101	<b>1,101</b>
<b>32,176</b>	<b>(706)</b>	<b>3,172</b>	<b>34,642</b>	<b>Net (gain) / loss for the year</b>	<b>32,960</b>	<b>(966)</b>	<b>1,101</b>	<b>33,095</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.

**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.

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

31 March 2019 £000	Likelihood of Default	31 March 2020 £000
<b>89,905</b>	<b>Deposits- Banks , Building societies</b>	<b>112,057</b>
	Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. A risk of non-recoverability applies to all of the Council's deposits, requiring rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in this process. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2020, the expected credit loss calculated on a historic risk of default basis is 0.01 % or £9,000. This is minimal, so no provision for expected credit loss is recognised.	
<b>469</b>	<b>Car Loans</b>	<b>431</b>
	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	
<b>1,908</b>	<b>Loans to External bodies</b>	<b>930</b>
	Includes loans to SME's. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	
<b>17,553</b>	<b>Customers</b>	<b>28,342</b>
	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. Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and impairment for non-payment is not usually considered necessary. The impairment for bad debt in 2019/20 was based on the adjusted age profile disclosed as following :	
15,998	Less than one year	25,769
559	1-2 years	1,518
430	2-3 years	352
220	3-4 years	223
69	4-5 years	181
277	Over 5 years	299
<b>109,835</b>	<b>Total</b>	<b>141,760</b>



## Liquidity and Refinancing Risk

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

31 March 2019	Loans Outstanding	31 March 2020
£000		£000
660,866	Public Works Loans Board	698,866
51,000	Market Lender Option Borrower Option (LOBO)	51,000
4,496	Welsh Government	16,112
0	Local Authorities	58,250
5,559	Other Loans and Temporary Balances	4,545
<b>721,921</b>	<b>Total</b>	<b>828,773</b>
4,221	Under 12 months	21,234
1,207	12 months and within 24 months	26,988
15,500	24 months and within 5 years	30,431
41,980	5 years and within 10 years	53,798
161,000	10 years and within 20 years	174,310
168,000	20 years and within 30 years	169,000
212,689	30 years and within 40 years	212,689
112,324	40 years and within 50 years	135,323
5,000	50 years and within 60 years	5,000
<b>721,921</b>	<b>Total</b>	<b>828,773</b>

Currently, £46.000 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	21/05/2020	6 months	21/11/2041
6	21/05/2020	6 months	21/11/2041
6	21/05/2020	6 months	23/05/2067
6	02/09/2020	6 months	23/05/2067
22	23/11/2020	5 years	23/11/2065
5	16/01/2023	5 years	17/01/2078

## Interest Rate Risk

The possibility that financial loss might arise for the Council as a result of changes in interest rates. The main impacts of interest rate movements are set out below:

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.
Fair value of fixed rate financial assets	Interest rate rises will have no material effect on fair value, hence fair value is not disclosed.	By borrowing and investing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Council's sensitivity to interest rate change, the table below indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2019/20 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	311
Increase in interest receivable on investments	(621)
<b>Impact on Income and Expenditure Account</b>	<b>(310)</b>
Increase in interest transferred to other balances and accounts	219
<b>Net Income / (Expenditure)</b>	<b>(91)</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	(156,402)

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 £31,000 (£17,000 in 2018/19) which are quoted on a recognised stock exchange at 31 March 2020.

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 £468,000 gain or loss being recognised in the Movement in Reserves Statement.

## 18. Held for Sale Assets

31 March 2019		31 March 2020
£000		£000
6,375	Balance at 1 April	2,570
(5,500)	De-recognition	(290)
1,695	Reclassified to/(from) Held for Sale	(420)
0	Revaluation increases /(decreases) to RR*	0
0	Revaluation increases /(decreases) to SDPS**	0
<b>2,570</b>	<b>Balance at 31 March</b>	<b>1,860</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## 19. Short Term Debtors

31 March 2019		31 March 2020
£000		£000
44,485	Central Government Bodies	80,148
27,052	Other Local Authorities & NHS Bodies	22,690
23,795	Other Entities and Individuals including Public Corporations	29,805
<b>95,332</b>	<b>Total Short Term Debtors</b>	<b>132,643</b>

## 20. Cash and Cash Equivalents

31 March 2019		31 March 2020
£000		£000
880	Cash	223
(4,327)	Bank (including cheque book schools)	(15,900)
24,320	Short-term deposit with banks and building societies	51,628
<b>20,873</b>	<b>Total Cash and Cash Equivalents</b>	<b>35,951</b>

In addition to the above, at 31 March 2020 the Council held £789,000 (£679,000 at 31 March 2019) 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.

## 21. Short Term Creditors

31 March 2019		31 March 2020
£000		£000
(11,667)	Central Government Bodies	(11,773)
(19,640)	Other Local Authorities & NHS Bodies	(13,000)
(75,277)	Other Entities and Individuals including Public Corporations	(90,166)
<b>(106,584)</b>	<b>Total Short Term Creditors</b>	<b>(114,939)</b>

## 22. Interests in Other Companies and Other Organisations

The Council has three wholly owned subsidiary companies. The interest in Cardiff City Transport Services Ltd is consolidated to form the Council's group accounts which are shown later in these Statements. The interests in the other two organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2019/20. The Council does not depend upon these two 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. is wholly owned by the Council and was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation.

During the year, the company recruited a new managing director to support the Board to take the Company forward and to address a number of challenges. The Company has made significant headway in improving performance, however in line with the entire public transport industry across the Country, the Covid-19 pandemic has resulted in reductions in income and patronage. With use of National Bus Emergency Support Grant measures, the furlough of staff where relevant and financial support from the Council's wider pandemic actions, the Company has been able to continue the delivery of essential bus services.

However there is also a significant risk to financial viability and going concern as a result of the need for the company and Trustees of the company pension scheme to agree the triennial valuation of the scheme at 31 March 2018 in line with statutory requirements and to avoid a risk of winding up of the scheme. In line with

its responsibilities as shareholder, in order to protect the benefits of the members of the pension scheme and to ensure that the vital services people rely on can continue, an in principle agreement has been reached to complete the triennial valuation. Having worked with a range of stakeholders, the Council will consider a series of recommendations as part of a report in October 2020 to implement a range measures and agreements to address risks to financial viability, allowing the company to implement a turnaround plan to build a more sustainable financial and operational future.

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

31 March 2019		31 March 2020
£000		£000
(32,925)	Turnover and other income	(32,935)
33,036	Operating and other expenditure	32,557
<b>111</b>	<b>Net (Profit) / Loss before Taxation</b>	<b>(378)</b>
0	Taxation	0
<b>111</b>	<b>(Profit) / Loss after Taxation</b>	<b>(378)</b>

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

31 March 2019		31 March 2020
£000		£000
20,102	Bus and other operating assets	17,958
2,378	Current Assets	3,711
(2,854)	Less Current Liabilities	(4,901)
	Creditors: Amounts falling due after more than one year	
(7,284)	Provisions & Long term liabilities	(3,839)
(604)	Deferred Taxation	(833)
(1,268)	Pension Liability	(2,740)
<b>10,470</b>	<b>Total Assets less Liabilities</b>	<b>9,356</b>
	Represented by:	
4,618	Share Capital	4,618
2,711	Retained Earnings	1,589
3,141	Revaluation Reserve	3,149
<b>10,470</b>	<b>Net Worth</b>	<b>9,356</b>

During 2019/20 the Council made payments totaling £9.474 million to Cardiff City Transport Services Ltd (£10.366 million in 2018/19), of which £8.905 million related to concessionary fares payments (£8.958 million in 2018/19). The Council also received income of £169,000 (£69,000 in 2018/19).

At year-end, there is a balance due to Cardiff City Transport Services Ltd of £164,000 (£144,000 at March 2019) and a balance due from Cardiff City Transport Services Ltd of £5,000 (£45,000 at March 2019).

During 2018/19 and 2019/20 no dividend was paid to the Council.

The accounts for year ended 31 March 2020 are in draft status and are pending audit, prior to submission to Companies House at the end of December 2020. The company's auditors are Deloitte. The 2018/19 figures

included in the table have not been updated for Cardiff Bus final accounts which were signed off after those of the Council, and remain as they were in the Council's Statement of Accounts 2018/19.

### 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 draft operating results are shown as follows:

31 March 2019		31 March 2020
£000		£000
8	Net (Profit) / Loss before Taxation	19
(1)	Less: Taxation	(4)
<b>7</b>	<b>(Profit) / Loss after Taxation</b>	<b>15</b>

31 March 2019		31 March 2020
£000		£000
759	Total assets less current liabilities	765
(46)	Provision for taxation	(39)
0	Pension Liability	(11)
<b>713</b>	<b>Total Assets less Liabilities</b>	<b>715</b>
	Represented by:	
293	Retained Profit	337
0	Pension Reserve	(11)
420	Revaluation Reserve	389
<b>713</b>	<b>Net Worth</b>	<b>715</b>

During 2019/20, the Council made payments of £272,000 to CBTC and received income of £36,000 (£0 in 2018/19) from CBTC. At year end, there is a balance due to CBTC of £32,000 (£0 at 31 March 2019) and no balance due from CBTC (£0 at 31 March 2019).

The company's auditors are Gerald Thomas.

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

Atebion Solutions Ltd. is wholly owned by the Council to deliver procurement and commercial services to the public sector. The draft operating results are shown below:

31 March 2019		31 March 2020
£000		£000
29	Net (Profit) / Loss before Taxation	3
(5)	Less: Taxation	0
<b>24</b>	<b>(Profit) / Loss after Taxation</b>	<b>3</b>

31 March 2019		31 March 2020
---------------	--	---------------



£000		£000
23	Total assets less current liabilities	17
(16)	Creditors: falling due after more than one year	(12)
<b>7</b>	<b>Total Assets less Liabilities</b>	<b>5</b>
	Represented by:	
7	Retained Profit	5
<b>7</b>	<b>Net Worth</b>	<b>5</b>

During 2019/20, the Council made no payments (£19,967 in 2018/19) to Atebion Solutions Ltd and received income of £50,215 (£112,666 in 2018/19) from Atebion Solutions Ltd. At year end, there is no balance due to Atebion Solutions Ltd (£0 at 31 March 2019) and a balance due of £50,215 from Atebion Solutions Ltd (£60,000 at March 2019).

The company's auditors are Baldwin Audit services.

## 23. Provisions

	Balance 1 April 2019	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2020	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Insurance & MMI Scheme	(10,665)	3,484	(3,523)	(10,704)	(4,487)	(6,217)
Ferry Road Landfill	(8,277)	125	0	(8,152)	(242)	(7,910)
Lamby Way Landfill	(10,839)	311	0	(10,528)	(422)	(10,106)
City Deal	(229)	0	(114)	(343)	0	(343)
Other	(847)	405	(48)	(490)	(254)	(236)
<b>Total</b>	<b>(30,857)</b>	<b>4,325</b>	<b>(3,685)</b>	<b>(30,217)</b>	<b>(5,405)</b>	<b>(24,812)</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 29.

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

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

Other – includes a Family Guarantor provision to aid the transfer of families from temporary accommodation into permanent homes.

## 24. 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 2019		31 March 2020
£000	Pension Strain	£000
(1,769)	Pension Strain due within 1 year	(1,496)
(2,560)	Pension Strain due later than 1 year	(3,688)
<b>(4,329)</b>	<b>Total Pension Strain</b>	<b>(5,184)</b>

## 25. Deferred Liabilities

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

	Balance 1 April 2019	Utilised/ Released in year	Transfers to Deferred Liabilities	Balance 31 March 2020	Not later than one year	Later than one year
	£000	£000	£000	£000	£000	£000
Commuted Maintenance Sums	(8,218)	1,063	(1,106)	(8,261)	(514)	(7,747)
Rent Smart Wales Income in Advance	(5,130)	2,652	(1,736)	(4,214)	(2,700)	(1,514)
<b>Total Deferred Liabilities</b>	<b>(13,348)</b>	<b>3,715</b>	<b>(2,842)</b>	<b>(12,475)</b>	<b>(3,214)</b>	<b>(9,261)</b>

## 26. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable Reserves include Council Fund and HRA Balances, Earmarked Reserves and the Capital Receipts Reserve.

## 26.1 Council Fund and HRA Balances

	Balance	Contributions		Balance
	31 March 2019 £000	From Revenue £000	To Revenue £000	31 March 2020 £000
<b>COUNCIL FUND AND HRA BALANCES</b>				
Council Fund Balance	14,255	0	0	14,255
Housing Revenue Account Balance	8,983	0	0	8,983
<b>Total Council Fund and HRA Balances</b>	<b>23,238</b>	<b>0</b>	<b>0</b>	<b>23,238</b>

## 26.2 Earmarked Reserves

This note sets out the contributions to and from earmarked reserves during the year.

	Balance	Contributions		Balance
	31 March 2019 £000	From Revenue £000	To Revenue £000	31 March 2020 £000
<b>SCHOOLS BALANCES</b>				
Schools Reserves	4,862	3,024	(2,569)	5,317
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	492	215	0	707
	<b>5,357</b>	<b>3,239</b>	<b>(2,569)</b>	<b>6,027</b>
<b>SCHOOLS RESERVES</b>				
Out of School Childcare	77	28	(6)	99
Schools Catering	178	0	(178)	0
Schools Formula Funding	577	840	(1,191)	226
Schools Organisational Plan	1,233	8,356	(9,088)	501
	<b>2,065</b>	<b>9,224</b>	<b>(10,463)</b>	<b>826</b>
<b>OTHER COUNCIL RESERVES</b>				
Apprenticeships and Trainees	882	69	(361)	590
Bereavement Services	408	373	(644)	137
Building Control Regulations	319	0	(234)	85
Bute Park Match Funding	87	0	(14)	73
Capital Ambition Delivery	641	0	(391)	250
Cardiff Academy Training	102	0	(24)	78
Cardiff Capital Region City Deal	215	1	0	216
Cardiff Dogs Home Legacy	171	200	(59)	312
Cardiff Enterprise Zone	3,678	1,193	(2,494)	2,377
Central Market Works	289	0	(20)	269
Central Transport Service	137	0	(137)	0
City Wide Management and Initiatives	364	514	0	878
Community Based Services Transition	234	0	(65)	169
Community Initiatives	358	324	(7)	675

	Balance	Contributions		Balance
	31 March 2019 £000	From Revenue £000	To Revenue £000	31 March 2020 £000
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	724	174	(69)	829
Corporate Landlord Function	189	0	(53)	136
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding & Prevent	139	0	0	139
Employee Changes	6,451	2,798	(559)	8,690
Energy Conservation	217	0	(170)	47
Energy Market Volatility	586	0	(250)	336
Flatholm	27	0	(27)	0
Fraud Detection	97	0	(53)	44
Governance and Legal Services	208	0	(23)	185
Harbour Authority Project and Contingency Fund	42	21	0	63
Highways Section 278	508	0	(98)	410
Homelessness	1,736	300	(568)	1,468
Houses in Multiple Occupation Licensing	12	0	(12)	0
Housing Options Centre	685	0	(685)	0
Housing Support	965	0	(207)	758
ICT Holding Account	745	0	(29)	716
Inspectorate Support	208	0	0	208
Insurance	5,670	524	(19)	6,175
Invest to Save	261	0	0	261
Joint Equipment Store	221	0	0	221
Libraries Book Fund	19	0	(19)	0
Local Development Plan	99	0	(61)	38
Major Projects	480	0	0	480
Members Development	61	0	0	61
Municipal Election	421	153	(2)	572
Municipal Mutual Insurance	786	0	0	786
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	1,491	7,764	(7,140)	2,115
Projects, Design and Development	32	0	(18)	14
Property Asset Management	83	51	(67)	67
Red Dragon Centre	0	1,532	0	1,532
Rentsmart	568	92	0	660
Resources	1,509	85	(751)	843
Schools Catering and Kitchen Improvements	25	0	(25)	0
Scrutiny Development and Training	124	0	(6)	118
Shared Regulatory Service	186	0	(186)	0
Social Care Technology	709	0	(54)	655
South East Wales Construction Framework	556	0	(21)	535
Strategic Budget	5,626	853	(2,500)	3,979
Treasury Management	0	4,725	0	4,725
Wales Interpretation and Translation Service	183	168	0	351

	Balance	Contributions		Balance
	31 March 2019 £000	From Revenue £000	To Revenue £000	31 March 2020 £000
Waste Management	712	0	(712)	0
Welfare Reform	2,926	350	(1,423)	1,853
Workshops Asset Maintenance	107	0	(107)	0
Youth and Community Education	178	0	0	178
	<b>44,627</b>	<b>22,264</b>	<b>(20,364)</b>	<b>46,527</b>
<b>SHARE OF JOINT COMMITTEE RESERVES</b>				
Cardiff Capital Region City Deal (CCRCD)*	965	549	0	1,514
Other Joint Committees	700	0	(700)	0
	<b>1,665</b>	<b>549</b>	<b>(700)</b>	<b>1,514</b>
<b>Total Council Fund Reserves</b>	<b>53,714</b>	<b>35,276</b>	<b>(34,096)</b>	<b>54,894</b>
<b>HRA RESERVES</b>				
Housing Repairs and Building Maintenance	216	383	0	599
Welfare Reform	279	0	0	279
<b>Total HRA Reserves</b>	<b>495</b>	<b>383</b>	<b>0</b>	<b>878</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>54,209</b>	<b>35,659</b>	<b>(34,096)</b>	<b>55,772</b>

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

## 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 2020 on the Council's Schools Budget Forum website. As well as individual school balances, a deficit balance of £499,000 offsets the total net balance (£796,000 2018/19). This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount is in the process of being repaid via school budgets.

## Schools Organisational Plan

To manage the cash flow implications of the Schools Organisational Plan financial model.

## Apprenticeships and Trainees

To support the Council's commitment to young people through funding for apprenticeships and trainees.

## Cardiff Enterprise Zone

To fund expenditure on the Cardiff Enterprise Zone in future years.

## City Wide Management & Initiatives

To fund city-wide management and initiatives including support for marketing and infrastructure.

## Community Initiatives

To fund initiatives arising from the legacy of the Communities First Programme.

### 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.

### Homelessness

To meet increase in homelessness pressures.

### Housing Support

To improve sustainability by maintaining people's independence in their own homes.

### ICT Holding Account

To fund future business process improvement and ICT initiatives.

### Insurance

To protect the Council from future potential insurance claims.

### Municipal Election Reserve

To support the cost of local elections.

### Municipal Mutual Insurance Scheme

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.

2018/19		2019/20
£000		£000
(5,059)	On-street pay car parking fees	(5,024)
(1,088)	Off-Street car parking fees	(1,186)
(368)	Residents parking permits	(386)
(2,385)	Penalty charge notices	(2,229)
(5,039)	Moving Traffic Offences	(5,082)
(290)	Camera Car	(366)
(212)	Traffic Enforcement Centre	(200)
(7)	Other income	(14)
<b>(14,448)</b>	<b>Total Income</b>	<b>(14,487)</b>
913	Operational costs / Parking and Permits	659
5,843	Enforcement service	6,064



6,756	<b>Total Expenditure</b>	<b>6,723</b>
(7,692)	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(7,764)</b>
	Contributions (to) /from Parking Reserve	
701	<b>Balance 1 April</b>	<b>1,491</b>
7,692	Contributions from CPE	7,764
(6,902)	Contributions to revenue*	(7,140)
<b>1,491</b>	<b>Balance 31 March</b>	<b>2,115</b>

\* Eligible expenditure totaling £7.140 million was drawn down from the reserve leaving a balance of £2.115 million at the 31 March 2020. This included a budgeted drawdown of £5.385 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns for various improvement schemes and initiatives approved by the Director of Planning, Transport & Environment in consultation with the Cabinet Member for Strategic Planning & Transport.

### **Red Dragon Centre**

To set aside revenue surpluses to support ongoing premises funding requirements.

### **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.

### **Social Care Technology**

To support Social Care ICT developments.

### **South East Wales Construction Framework**

Ring-fenced levy payments to fund the administration of the South East Wales Construction Framework.

### **Strategic Budget**

To support financial resilience and the future budget requirements of the Council over the Medium Term Financial Plan.

### **Treasury Management**

To strengthen financial resilience and mitigate risks in respect of the Council's capital expenditure and its treasury management activities.

### **Welfare Reform**

To mitigate pressures and reduced funding following the transfer of services as part of the rollout of the Universal Credit Scheme.

### **HRA Housing Repairs and Building Maintenance**

To fund housing repairs and to mitigate against risk within the construction industry.

## Share of Cardiff Capital Region City Deal Reserves

The Council's percentage share of the accumulated balances and earmarked usable reserves of Cardiff Capital Region City Deal.

### 26.3 Usable Capital Receipts Reserve

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

2018/19		2019/20
£000		£000
21,320	<b>Balance as at 1 April</b>	<b>8,488</b>
	Movements during Year:	
7,246	Sale of Land, Buildings and other assets	9,249
1,838	Sale of Council Dwellings	626
148	Recoupments of grant/other	99
<b>9,232</b>		<b>9,974</b>
(22,037)	Finance Capital Expenditure	(5,497)
(27)	Provide for Repayment of External Loans	(2,009)
0	Other	(50)
<b>(22,064)</b>		<b>(7,556)</b>
<b>8,488</b>	<b>Balance as at 31 March</b>	<b>10,906</b>

## 27. Unusable Reserves

### 27.1 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 realized.

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.

2018/19		2019/20
£000		£000
253,798	<b>Balance as at 1 April</b>	<b>268,598</b>
45,320	Upward revaluation of assets	35,426
(23,705)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14,316)
<b>21,615</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>21,110</b>
(1,236)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(1,290)

(5,579)	Accumulated gains on assets sold or scrapped	(377)
<b>(6,815)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(1,667)</b>
<b>268,598</b>	<b>Balance as at 31 March</b>	<b>288,041</b>

## 27.2 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.

2018/19		2019/20
£000		£000
<b>828,081</b>	<b>Balance as at 1 April</b>	<b>864,171</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(57,369)	Charges for depreciation and impairment of non-current assets	(62,708)
19,996	Reverse previous impairment on revaluation	106,849
(34,791)	Revaluation losses on Property, Plant and Equipment	(50,064)
(961)	Amortisation of intangible assets	(1,172)
(9,295)	Expenditure on REFCUS	(1,703)
(3,527)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(4,265)
<b>(85,947)</b>		<b>(13,063)</b>
1,236	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	1,290
<b>(84,711)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(11,773)</b>
	<b>Capital financing applied in the year:</b>	
22,037	Capital Receipts	5,497
11,120	Direct Revenue Financing	7,135
49,018	Grants and contributions	41,333
38,048	Prudent Revenue Provision	36,862
28	Capital receipts to provide for repayment of external loans	2,009
(39)	Reduction in loan debtors	(1,230)
<b>120,212</b>		<b>91,606</b>
589	Movements in the value of Investment Properties	(4,090)
<b>864,171</b>	<b>Balance as at 31 March</b>	<b>939,914</b>

## 27.3 Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. The Council does not treat these gains as usable for financing new capital expenditure until they are realised.

2018/19		2019/20
£000		£000
4,511	<b>Balance as at 1 April</b>	<b>5,008</b>
500	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(3)	Transfers to the Capital Receipts Reserve upon receipt of cash	0
<b>5,008</b>	<b>Balance as at 31 March</b>	<b>5,008</b>

The balance in 2019/20 relates primarily to the deferred payment from disposal of land at Central Square, due in the financial year 2021/22.

## 27.4 Financial Instruments Revaluation Reserve

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

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

2018/19		2019/20
£000		£000
13,540	<b>Balance as at 1 April</b>	<b>10,368</b>
(3,172)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,101)
<b>10,368</b>	<b>Balance as at 31 March</b>	<b>9,267</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 based on the company's reported net worth as per its Annual Accounts to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is offset in this reserve. Any valuation should be treated with care as it is for accounting purposes only.

## 27.5 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.

2018/19		2019/20
£000		£000
<b>(647,960)</b>	<b>Balance as at 1 April</b>	<b>(674,020)</b>
21,551	Actuarial gains or losses on pensions assets and liabilities	(127,222)
(95,835)	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	(89,038)
347	Reversal of amounts accrual in respect of pension strain for future years	(854)
47,891	Employer's pensions contributions and direct payments to pensioners payable in the year	50,240
(14)	Adjustment re. Joint Committee	0
<b>(674,020)</b>	<b>Balance as at 31 March</b>	<b>(840,894)</b>

## 27.6 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.

2018/19		2019/20
£000		£000
<b>(9,333)</b>	<b>Balance as at 1 April</b>	<b>(8,901)</b>
432	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 accounting requirements	(2,679)
<b>(8,901)</b>	<b>Balance as at 31 March</b>	<b>(11,580)</b>

## 28. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2019/20:

2018/19		2019/20
£000		£000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
(325,564)	Revenue Support Grant	(328,126)
(115,383)	Non-Domestic Rates	(116,504)
(45,431)	Capital Grants	(39,599)
(3,587)	Developers' Contributions	(1,734)
<b>(489,965)</b>	<b>Total</b>	<b>(485,963)</b>
	<b>Credited to Services (Revenue Grants &amp; Contributions)</b>	
(260,905)	Central Government Bodies	(263,502)
(18,490)	Other Local Authorities & NHS Bodies	(22,609)

(4,020)	Other Entities and Individuals including Public Corporations	(4,553)
<b>(283,415)</b>	<b>Total</b>	<b>(290,664)</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 2019	Revenue Grants and Contributions Receipts in Advance	31 March 2020
£000		£000
(11,110)	Central Government Bodies	(13,067)
0	Other Local Authorities & NHS Bodies	0
(1,302)	Other Entities and Individuals including Public Corporations	(787)
<b>(12,412)</b>	<b>Total</b>	<b>(13,854)</b>

31 March 2019	Capital Grants Receipts in Advance	31 March 2020
£000		£000
(782)	Central Government Bodies	(1,424)
0	Other Local Authorities & NHS Bodies	0
0	Other Entities and Individuals including Public Corporations	0
<b>(782)</b>	<b>Total</b>	<b>(1,424)</b>

31 March 2019	Capital Contributions Receipts in Advance	31 March 2020
£000		£000
<b>(9,961)</b>	<b>Balance as at 1 April</b>	<b>(14,485)</b>
(8,630)	Contributions received during the year	(4,889)
3,781	Contributions applied to expenditure during the year	1,792
325	Reclassification	152
<b>(14,485)</b>	<b>Balance as at 31 March</b>	<b>(17,430)</b>

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

## 29. 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 2020 is £4.722 million (£4.562 million at 31 March 2019).

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 resulting in an outstanding amount of £1.960 million. A review during 2018/19 identified positive indications of additional income to the Club in 2019/20 and beyond as a result of changes in tournaments and in the national game. Repayments on the loan, which the club are committed to repaying in accordance with contractual terms, were £98,000 during the year. However due to the current Covid-19 position, the Council's view is that risks of recovery still remain and the balance due of (£1.862 million) remains 100% impaired at 31 March 2020. Any balances due are not shown in the financial statements but are identified as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan.

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

### **Liabilities**

As at 31 March 2020 four claims existed in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £120,000 (£195,000 at 31 March 2019) and the Council is resisting liability.

The former Authorities of South Glamorgan County Council, Cardiff City Council, Mid Glamorgan County Council and Taff Ely Borough Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims. The Council's share of residual exposure is £2.782 million. The accounts reflect a provision of £110,059 with £786,777 held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.

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

The Council and HMRC are continuing discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged PricewaterhouseCoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the technical nature of the assessment, it remains difficult to evidence the probability that this liability will crystallise.



The Council completed the acquisition of the Red Dragon Centre site in January 2020 following Cabinet approval in December 2019. This acquisition secured control of an important site adjacent to existing Council land with the potential to stimulate the next phase of regeneration of Cardiff Bay, in particular the delivery of a new 15,000 capacity Indoor Arena. Subject to the outcome of Procurement in respect to a developer/operator, as well as any resulting submission of a planning application for an Indoor Arena on the Atlantic Wharf site, a further deferred sum of £5.72 million is payable for the acquisition of the site. This includes £5.4 million in respect to the land transaction, with the balance being relevant land taxes.

### 30. Notes to Cash Flow Statement

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

2018/19		2019/20
£000		£000
(73,162)	Depreciation, impairment & amortisation	(8,325)
(26,899)	Charges made for retirement benefits (IAS19) less employers contributions	(39,652)
(3,527)	Carrying amount of non-current assets sold or derecognised	(4,265)
137	Increase/(decrease) in stock	(193)
19,947	Increase/(decrease) in debtors	30,999
(18,015)	(Increase)/decrease in creditors	(5,157)
(18,213)	Other non-cash items affecting net surplus or deficit on provision of services	(3,560)
<b>(119,732)</b>		<b>(30,153)</b>

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

2018/19		2019/20
£000		£000
9,728	Net gain/(loss) on sale of non-current assets	9,974
49,018	Capital grants/contributions recognised in CIES	41,333
468	Other cash items which effect investing or financing activities	0
<b>59,214</b>		<b>51,307</b>

### 31. Prior Period Adjustment

There are no prior period adjustments.

### 32. Exceptional Items

There are no exceptional items to disclose.

### 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 22 October 2020 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.



# Housing Revenue Account





## 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.

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:

- 79% of tenants were satisfied with the way we deal with repairs
- 83% of tenants were satisfied with their neighbourhood as a place to live.

## Risks and Financial Outlook

The HRA records income and expenditure in relation to Council Housing stock, including rent, service charges, housing allocations, repairs, capital financing charges and supervision and management.

Where the HRA spends capital monies, particularly where this is paid for by borrowing, this results in long term financial commitments for the rent payer and it is essential that expenditure decisions are prudent, sustainable and affordable, now as well as in the future. The Business Plan, which is reviewed annually, is

supported by regular monitoring against approved capital and revenue budgets underpinned by a thirty year financial model. The plan aims to demonstrate the long term sustainability of the HRA.

Whilst in the short term, a new Welsh Government 5 year rent policy approved from 2020/21 onwards has provided additional confidence around future planning; risk and uncertainty still exists over the medium to longer term. The management of the HRA and any risk to viability and sustainability is assessed through the analysis of a detailed risk matrix to ensure key variables are monitored and that essential mitigation/offsetting actions are in place to manage the achievement of key plans and desired outcomes. This is supported by an annual assessment of affordability linked to and demonstrating that homes and services represent value for money.

## Financial Performance 2019/20

The Housing Revenue Account reported a balanced position for 2019/20 after a transfer to the Housing Repairs and Building Maintenance earmarked reserve of £383,000 to meet future liabilities and commitments. This position reflected a reduced spend on repairs and maintenance and lower capital financing costs reflecting the timing of capital investment.

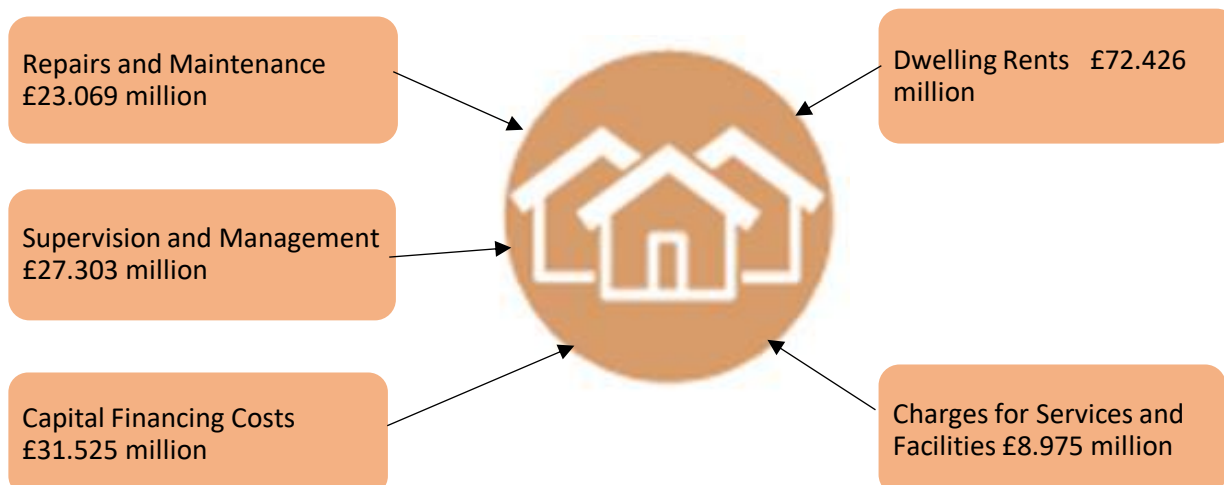
An increase in void rent allowances and bad debt requirements was offset by additional grant funding and by employee vacancy savings and other efficiencies. Void property levels were 1.89% as a percentage of overall stock (1.73% in 2018/19).

Earmarked reserves and the general balance are £878,000 and £8.983 million respectively.

## Revenue Expenditure and Funding

### Expenditure

### Income

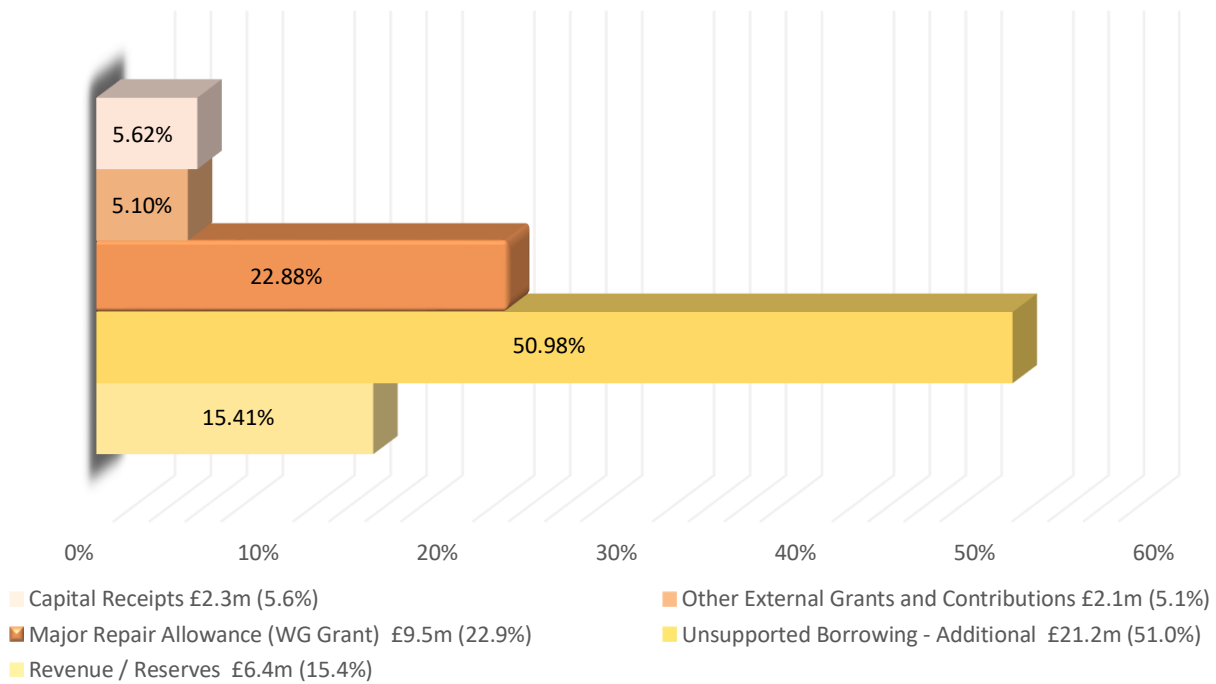


Our housing stock is valued in the accounts at £629.874 million. Dwellings were revalued in 2018/19 with the vacant possession value deemed to be £1.574 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 37% in order to show the economic cost of providing social housing at less than market rent. The next valuation will take place in 2020/21.

## Capital Expenditure and Funding

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £41.520 million on estate regeneration, housing stock remodeling, and the fabric of dwellings, disabled adaptations and in the development of new Council Housing to meet new build targets.

### Funding of Capital Expenditure



The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2020, this stands at £290.232 million; an increase of £10.987 million compared to the previous year. This is forecast to increase significantly over the next few years as set out in the 2020/21 Revenue budget and MTFP approved by Council in February 2020. All borrowing must be affordable both now and in the future as it will be required to be repaid with interest.

## Income and Expenditure 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.

2018/19		Note	2019/20
£000			£000
	Management and maintenance comprising :		
22,434	Repairs and maintenance		23,069
24,499	Supervision and management		27,303
156	Rents, rates, taxes and other charges		91
1,327	Provision for bad and doubtful debts		1,232
(5,835)	Depreciation, impairment and revaluation losses of non-current assets	8	13,173
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	145
42	Debt management costs		43
<b>42,623</b>	<b>Total Expenditure</b>		<b>65,056</b>
(70,248)	Dwelling rents		(72,426)
(50)	Non-dwelling rents		(11)
(7,355)	Charges for services and facilities		(8,975)
<b>(77,653)</b>	<b>Total Income</b>		<b>(81,412)</b>
<b>(35,030)</b>	<b>Net Cost of HRA Services as included in the Income and Expenditure Statement</b>		<b>(16,356)</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(1,271)	(Gain)/loss on sale of HRA non-current assets		(603)
11,716	Interest payable and similar charges		12,275
(23)	Changes in fair value of investment properties		1
(1)	Interest and Investment income		(1)
(12,318)	Capital grants and contributions applied		(11,481)
<b>(36,927)</b>	<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(16,165)</b>

## Movement on HRA Balance

2018/19		Note	2019/20
£000			£000
<b>(8,983)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(8,983)</b>
(36,927)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(16,165)
39,655	Adjustments between accounting basis and funding basis under regulations	1	15,782
<b>2,728</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>(383)</b>
(2,728)	Transfers to/(from) earmarked reserves		383
<b>0</b>	<b>Increase or decrease in the year on the HRA</b>		<b>0</b>
<b>(8,983)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(8,983)</b>



## Notes to the Financial Statements

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

2018/19		Note	2019/20
£000			£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>		
10,560	Charges for depreciation and impairment of non-current assets		13,090
(16,523)	Revaluation losses of non-current assets	8	110
(35)	Reverse previous impairment on revaluation		(27)
163	Amortisation of intangible assets		0
(23)	Movement in the market value of investment properties		1
(12,318)	Capital grants and contributions applied		(11,481)
0	Sums directed by Welsh Government	9	145
605	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,848
(11,413)	Prudent Provision for the financing of capital investment		(12,807)
(9,469)	Capital expenditure charged against the HRA		(6,400)
20	Credit for disposal costs that qualify to be met from the resulting capital receipts		3
	<b>Adjustments involving the Revaluation Reserve:</b>		
(1,876)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(2,451)
	<b>Adjustments involving the Pensions Reserve:</b>		
4,496	Net Retirement Benefits per IAS19		6,191
(3,783)	Employers Contributions to pension schemes	4	(4,138)
(199)	Pension Strain Accrual – future years		104
	<b>Adjustments involving the Accumulated Absences Account:</b>		
140	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		30
<b>(39,655)</b>	<b>Total Adjustments</b>		<b>(15,782)</b>

## 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.93% of the total potential rental income (1.58% in 2018/19). Average rents were £104.53 per week (£101.68 in 2018/19) based on a 52 week year.

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

The following sums were due from tenants:

31 March 2019			31 March 2020	
Arrears £000	Bad debt provision £000		Arrears £000	Bad debt provision £000
		<b>Rent Arrears</b>		
4,618	3,465	Dwellings	5,433	4,048
36	36	Leasehold properties	0	0
345	345	Hostels /Other accommodation	627	627
<b>4,999</b>	<b>3,846</b>	<b>Total Rent Arrears</b>	<b>6,060</b>	<b>4,675</b>
		<b>Other</b>		
116	70	Service charges	95	57
479	479	Tenants recoverable	424	424
<b>595</b>	<b>549</b>	<b>Total Other Arrears</b>	<b>519</b>	<b>481</b>
<b>5,594</b>	<b>4,395</b>	<b>Total</b>	<b>6,579</b>	<b>5,156</b>

During 2019/20 debts totaling £386,029 were written off as irrecoverable (£424,533 in 2018/19).

## 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 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:

2018/19 £000		2019/20 £000
4,496	Current service cost	6,191
(3,783)	Cost of employer's contributions plus discretionary benefits	(4,138)
(199)	Pension Strain Accrual - Future Years	104
<b>514</b>	<b>Net transfer to Pensions Reserve</b>	<b>2,157</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 2019		31 March 2020
7,231	Houses	7,301
629	Bungalows	630
5,085	Flats/Bedsits	5,185
169	Maisonettes	169
352	Retirement complexes	352
<b>13,466</b>	<b>Total</b>	<b>13,637</b>

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

31 March 2019		31 March 2020
36	Bed spaces in hostels	23
49	Flats in hostels	57
<b>85</b>	<b>Total</b>	<b>80</b>

## 6. Capital Expenditure and Capital Financing

2018/19		2019/20
£000		£000
<b>266,709</b>	<b>Opening Capital Financing Requirement</b>	<b>279,245</b>
	<u>Capital Expenditure:</u>	
38,859	Property, Plant and Equipment	41,375
0	Intangible assets including intangible AUC	0
18	Investment Properties	0
0	Expenditure on REFCUS	145
8,780	Appropriation of land	2,626
	<u>Sources of Finance:</u>	
(1,920)	Capital Receipts	(2,335)
(12,319)	Government grants and other contributions *	(11,617)
(9,469)	Direct revenue contributions and reserves	(6,400)
(11,413)	Prudent revenue and capital provision for loan repayment	(12,807)
<b>279,245</b>	<b>Closing Capital Financing Requirement</b>	<b>290,232</b>
	<b>Explanation of movements in year:</b>	
12,536	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	10,987
<b>12,536</b>	<b>Increase in Capital Financing Requirement</b>	<b>10,987</b>

\* £9.500 million (£9.514 million in 2018/19) of Major Repairs Allowance grant was received from Welsh Government and applied in the year.

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

## 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2019/20 were as follows:

- Council Dwellings and Home Purchase Contributions £0.626 million (£1.838 million in 2018/19)
- Land £1.958 million (£0.366 million in 2018/19)

## 8. Depreciation, Impairment and Revaluation Charged

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

2018/19		2019/20
£000		£000
10,040	Council dwellings	11,075
202	Land and buildings	1,537
481	Vehicles, plant & equipment, intangibles and AUC	478
<b>10,723</b>	<b>Total Depreciation, Amortisation and Impairment</b>	<b>13,090</b>
(16,962)	Council dwellings	0
404	Land and buildings	83
0	Vehicles, plant & equipment, intangibles and AUC	0
<b>(16,558)</b>	<b>Total Revaluation</b>	<b>83</b>
<b>(5,835)</b>	<b>Total</b>	<b>13,173</b>

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

2018/19		2019/20
£000		£000
	<b>Expenditure:</b>	
0	Buildings not owned by Cardiff Council	145
<b>0</b>	<b>Charged to Income and Expenditure Account</b>	<b>145</b>
	<b>Funded by:</b>	
0	Grants and Contributions	135
0	Borrowing, Receipts and other Capital Resources	10
<b>0</b>		<b>145</b>





# Group Accounts



## ***Introduction***

The group accounts that follow comply with the requirement of the 2019/20 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 2019/20 accounts for Cardiff Bus are in draft status.

During the year, the company recruited a new managing director to support the Board to take the Company forward and to address a number of challenges. The Company has made significant headway in improving performance, however in line with the entire public transport industry across the Country, the Covid-19 pandemic has resulted in reductions in income and patronage. With use of National Bus Emergency Support Grant measures, the furlough of staff where relevant and financial support from the Council's wider pandemic actions, the Company has been able to continue the delivery of essential bus services.

However there is also a significant risk to financial viability and going concern as a result of the need for the company and Trustees of the company pension scheme to agree the triennial valuation of the scheme at 31 March 2018 in line with statutory requirements and to avoid a risk of winding up of the scheme. In line with its responsibilities as shareholder, in order to protect the benefits of the members of the pension scheme and to ensure that the vital services people rely on can continue, an in principle agreement has been reached to complete the triennial valuation. Having worked with a range of stakeholders, the Council will consider a series of recommendations as part of a report in October 2020 to implement a range measures and agreements to address risks to financial viability, allowing the company to implement a turnaround plan to build a more sustainable financial and operational future.

The Council has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC) and Atebion Solutions Ltd. The interests in these two organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these two 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 2019/20. Details of the Council's interests in these organisations are included in note 22 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 with the following additions and exceptions:

### **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.

### **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.

### **Goodwill**

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

### **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.



## Group Comprehensive Income and Expenditure

2018/19				2019/20		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
35,699	(1,416)	34,283	Corporate Management	19,663	(5,971)	13,692
75,912	(40,445)	35,467	Economic Development	53,977	(40,254)	13,723
344,128	(64,625)	279,503	Education & Lifelong Learning	314,268	(77,419)	236,849
6,990	(1,067)	5,923	Governance & Legal Services	8,699	(2,223)	6,476
8,977	(6,073)	2,904	Harbour Authority	8,567	(5,724)	2,843
42,624	(77,654)	(35,030)	Housing Revenue Account	65,056	(81,412)	(16,356)
240,839	(194,522)	46,317	Housing and Communities	233,246	(184,215)	49,031
8,130	(4,767)	3,363	Performance and Partnerships	8,446	(5,499)	2,947
145,917	(74,658)	71,259	Planning , Transport and Environment	138,935	(75,535)	63,400
29,968	(10,477)	19,491	Resources	32,664	(11,288)	21,376
196,281	(24,084)	172,197	Social Services	211,533	(30,628)	180,905
3,688	(5,514)	(1,826)	Summary Revenue Account	2,870	(12,653)	(9,783)
<b>1,167,507</b>	<b>(533,656)</b>	<b>633,851</b>	<b>Net Cost of Services</b>	<b>1,097,924</b>	<b>(532,821)</b>	<b>565,103</b>
33,499	0	33,499	Police and Crime Commissioner for South Wales	37,469	0	37,469
367	0	367	Community Council Precepts	397	0	397
17,439	0	17,439	Levies & Contributions	17,696	0	17,696
9,106	(9,949)	(843)	(Gain)/loss on sale of non-current assets	4,642	(8,685)	(4,043)
<b>60,411</b>	<b>(9,949)</b>	<b>50,462</b>	<b>Other Operating Expenditure</b>	<b>60,204</b>	<b>(8,685)</b>	<b>51,519</b>
32,176	0	32,176	Interest Payable on debt	33,124	0	33,124
215	0	215	Interest element of finance leases	36	0	36
16,176	(11)	16,165	Interest on net defined liability/(asset)	14,872	0	14,872
0	(972)	(972)	Interest & Investment Income		(1,129)	(1,129)
5,066	(5,655)	(589)	Change in fair value of Investment Properties	6,566	(2,475)	4,091
<b>53,633</b>	<b>(6,638)</b>	<b>46,995</b>	<b>Financing and Investment Income &amp; Expenditure</b>	<b>54,598</b>	<b>(3,604)</b>	<b>50,994</b>
0	(49,018)	(49,018)	Recognised Capital Grants & Contributions	0	(41,333)	(41,333)
0	(325,564)	(325,564)	Revenue Support Grant	0	(328,126)	(328,126)
0	(115,383)	(115,383)	Non-Domestic Rates	0	(116,504)	(116,504)
2,282	(202,564)	(200,282)	Council Tax Income	(766)	(217,118)	(217,884)
<b>2,282</b>	<b>(692,529)</b>	<b>(690,247)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>	<b>(766)</b>	<b>(703,081)</b>	<b>(703,847)</b>
131	0	131	Tax expenses - Corporation Tax payable/(owing)	129	0	129
<b>1,283,964</b>	<b>(1,242,772)</b>	<b>41,192</b>	<b>(Surplus)/Deficit on Provision of Services</b>	<b>1,212,089</b>	<b>(1,248,191)</b>	<b>(36,102)</b>
		<b>(45,320)</b>	Revaluation Gains			<b>(35,427)</b>
		<b>21,306</b>	Revaluation Losses			<b>11,958</b>

		2,399	Impairment losses on non-current assets charged to the Revaluation Reserve			2,357
		13	(Surplus)/Deficit on Financial Instrument Revaluation Reserve			(14)
		(23,066)	Actuarial gains/losses on pension assets/liabilities			127,276
		0	Group entity adjustment			1,439
		(44,668)	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>107,589</b>
		(3,476)	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>71,487</b>

## Group Movement in Reserves

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves Council	Unusable Reserves - Group Entities	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>433,976</b>	<b>4,083</b>	<b>547,683</b>
<b><u>Movement in Reserves during 2018/19</u></b>									
Surplus or (deficit) on the provision of Services	(78,008)	0	36,927	0	0	(41,081)	0	(111)	(41,192)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	43,138	1,530	44,668
<b>Total Comprehensive Income and Expenditure</b>	<b>(78,008)</b>	<b>0</b>	<b>36,927</b>	<b>0</b>	<b>0</b>	<b>(41,081)</b>	<b>43,138</b>	<b>1,419</b>	<b>3,476</b>
Adjustments between accounting basis & funding basis under regulations	69,879	0	(39,655)	0	(12,832)	17,392	(17,392)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>0</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>25,746</b>	<b>1,419</b>	<b>3,476</b>
Transfers to/(from) Earmarked Reserves	8,129	(8,129)	2,728	(2,728)	0	0	0	0	0
<b>Increase / (Decrease) in 2018/19</b>	<b>0</b>	<b>(8,129)</b>	<b>0</b>	<b>(2,728)</b>	<b>(12,832)</b>	<b>(23,689)</b>	<b>25,746</b>	<b>1,419</b>	<b>3,476</b>
<b>Balance at 31 March 2019 carried forward</b>	<b>14,255</b>	<b>53,714</b>	<b>8,983</b>	<b>495</b>	<b>8,488</b>	<b>85,935</b>	<b>459,722</b>	<b>5,502</b>	<b>551,159</b>
<b><u>Movement in Reserves during 2019/20</u></b>									
Surplus or (deficit) on the provision of Services	19,559	0	16,165	0	0	35,724	0	378	36,102
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(106,096)		(106,096)
Group entity adjustment	0	0	0	0	0		0	(1,493)	(1,493)
<b>Total Comprehensive Income and Expenditure</b>	<b>19,559</b>	<b>0</b>	<b>16,165</b>	<b>0</b>	<b>0</b>	<b>35,724</b>	<b>(106,096)</b>	<b>(1,115)</b>	<b>(71,487)</b>
Adjustments between accounting basis & funding basis under regulations	(18,379)	0	(15,782)	0	2,418	(31,743)	31,743	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>1,180</b>	<b>0</b>	<b>383</b>	<b>0</b>	<b>2,418</b>	<b>3,981</b>	<b>(74,353)</b>	<b>(1,115)</b>	<b>(71,487)</b>
Transfers to/(from) Earmarked Reserves	(1,180)	1,180	(383)	383	0	0	0	0	0
<b>Increase / (Decrease) in 2019/20</b>	<b>0</b>	<b>1,180</b>	<b>0</b>	<b>383</b>	<b>2,418</b>	<b>3,981</b>	<b>(74,353)</b>	<b>(1,115)</b>	<b>(71,487)</b>
<b>Balance at 31 March 2020 carried forward</b>	<b>14,255</b>	<b>54,894</b>	<b>8,983</b>	<b>878</b>	<b>10,906</b>	<b>89,916</b>	<b>385,369</b>	<b>4,387</b>	<b>479,672</b>

## Group Balance Sheet

31 March 2019		31 March 2020
£000		£000
1,759,986	Property, Plant & Equipment:	1,858,888
54,152	Heritage Assets	58,616
126,360	Investment Properties	178,521
2,222	Intangible Non-Current Assets including AUC	2,292
478	Long-term Investments	367
10,251	Long-term Debtors	8,701
762	Deferred tax asset	654
<b>1,954,211</b>	<b>Total Long-Term Assets</b>	<b>2,108,039</b>
69,032	Short-term Investments	76,106
2,570	Assets held for Sale	1,860
2,594	Inventories	2,515
96,267	Short-term Debtors	133,400
21,799	Cash and Cash Equivalents	38,294
<b>192,262</b>	<b>Total Current Assets</b>	<b>252,175</b>
(13,306)	Short-term Borrowing	(29,625)
(109,249)	Short-term Creditors	(117,772)
(1,769)	Pension Strain	(1,496)
(6,876)	Provisions	(5,957)
(3,596)	Deferred Liabilities	(4,561)
0	Deferred Tax Liability	0
<b>(134,796)</b>	<b>Total Current Liabilities</b>	<b>(159,411)</b>
(717,700)	Long Term Borrowing	(808,440)
(25,706)	Provisions	(25,487)
(15,311)	Deferred Liabilities	(11,525)
(14,485)	Capital Contributions Receipts in Advance	(17,430)
(12,412)	Revenue Grants Receipts in Advance	(13,854)
(782)	Capital Grants Receipts in Advance	(1,424)
(2,560)	Pension Strain	(3,688)
(670,958)	Net Pensions Liability	(838,450)
(604)	Deferred tax liability	(833)
<b>(1,460,518)</b>	<b>Total Long-Term Liabilities</b>	<b>(1,721,131)</b>
<b>551,159</b>	<b>NET ASSETS</b>	<b>479,672</b>
	<b>Financed by:</b>	
14,255	Council Fund Balance	14,255
53,714	Council Fund Earmarked Reserves	54,894
8,983	Housing Revenue Account Balance	8,983
495	Housing Revenue Account Earmarked Reserves	878
8,488	Capital Receipts Reserve	10,906
<b>85,935</b>	<b>Usable Reserves</b>	<b>89,916</b>
271,739	Revaluation Reserve	291,190
864,171	Capital Adjustment Account	939,914
5,008	Deferred Capital Receipts	5,008
4,516	Financial Instruments Adjustments Reserve	4,529
(678,942)	Pensions Reserve	(848,114)

(8,901)	Accumulated Absences Adjustment Account	(11,580)
7,633	Reserves (Group Entities)	8,809
<b>465,224</b>	<b>Unusable Reserves</b>	<b>389,756</b>
<b>551,159</b>	<b>TOTAL RESERVES</b>	<b>479,672</b>

## Group Cash Flow

2018/19		2019/20
£000		£000
41,192	Net (Surplus) /Deficit on the provision of services	(36,102)
(121,080)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(32,067)
59,214	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	51,307
<b>(20,674)</b>	<b>Net cash flows from operating activities</b>	<b>(16,862)</b>
133,361	Purchase of property, plant and equipment, investment property and intangible assets	151,540
35,000	Purchase of short-term and long-term Investments	7,000
(4,936)	Other payments for investing activities	(3,575)
(9,232)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,974)
(68,618)	Capital Grants and Contributions	(36,798)
<b>85,575</b>	<b>Net cash flows from investing activities</b>	<b>108,193</b>
(32,934)	Cash receipts from short-term and long-term borrowing	(111,060)
(4,145)	Other receipts from financing activities	(3,861)
1,895	Cash payments for the reduction of outstanding liabilities relating to finance leases	448
4,288	Repayments of short-term and long-term borrowing	6,647
0	Other payments for financing activities	0
<b>(30,896)</b>	<b>Net cash flows from financing activities</b>	<b>(107,826)</b>
<b>34,005</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>	<b>(16,495)</b>
55,804	Cash and cash equivalents at the beginning of the reporting period	21,799
<b>21,799</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>38,294</b>



## Notes to Group Accounts

The following notes to the Group Accounts provide additional information in relation to Cardiff Bus. Further information can be found in the accounts of Cardiff City Transport Services Ltd (Cardiff Bus) company number 02001229.

### 1. Remuneration

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

Number of Employees	Remuneration band £	Number of Employees
2018/19		2019/20
0	60,000-74,999	0
0	75,000-79,999	1
2	80,000-84,999	2
0	85,000-104,999	0
1	105,000-109,999	0
0	110,000-149,999	0
<b>3</b>	<b>Total</b>	<b>3</b>

The year-to-year change in the above remuneration banding is a result of a change to the management structure and the associated part year effects.

### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 10 to the single entity financial statements. Cardiff City Transport Services Ltd have separately recognised related party transactions between itself and the Council, and also between itself and its own subsidiary, but not between itself and any other organisations.

### 3. Exceptional Items

There are no exceptional items reported in the 2019/20 Cardiff Bus Accounts.

### 4. Financial Instruments

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

### 5. Prior Period Adjustment

There are no prior period adjustments.



# Trust Funds



## Trust Funds

During 2019/20, 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 2020 have yet to be examined. This is to be undertaken in January 2021 which is within the statutory deadlines set.

The Council administers the following charities, the purposes of which are outlined below:-

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

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

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

**Christopher Lee**  
**Corporate Director Resources**  
**County Hall**  
**Cardiff**  
**CF10 4UW**

	Balance as at 31 March 2019 £	Income £	Expenditure £	Asset Revaluation £	Balance as at 31 March 2020 £
<b>Funds for which the Council is Sole Trustee</b>					
Llandaff War Memorial Fund	1,428	12	(11)	0	1,429
Maindy Park Foundation	78,996	420	(11)	0	79,405
Norwegian Church Preservation Trust	(110,896)	36,580	(45,516)	0	(119,832)
Cardiff Further Education Trust/Craddock Wells	24,677,342	145,928	(68,193)	(560,435)	24,194,642
<b>Total funds for which the Council is Sole Trustee</b>	<b>24,646,870</b>	<b>182,940</b>	<b>(113,731)</b>	<b>(560,435)</b>	<b>24,155,644</b>
<b>Funds administered by the Council</b>					
R Fice Memorial Trust	64,046	2,441	(2,173)	(12,509)	51,805
The Howardian Trust	35,133	882	0	(475)	35,540
<b>Total funds which are administered by the Council</b>	<b>99,179</b>	<b>3,323</b>	<b>(2,173)</b>	<b>(12,984)</b>	<b>87,345</b>
<b>Total</b>	<b>24,746,049</b>	<b>186,263</b>	<b>(115,904)</b>	<b>(573,419)</b>	<b>24,242,989</b>

Please note that there will be differences in the income and expenditure figures quoted above compared to that included in the return to the Charity Commission. The figures above are calculated on an accruals basis whereas the returns are calculated on a cash basis.





# Cardiff Harbour Authority



## ***Narrative Report***

### **Introduction**

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff and have been prepared in line with International Financial Reporting Standards (IFRS) as well as the requirements of the Companies Act 2006.

This narrative report replaces the Director's report required by the Companies Act 2006.

### **Annual Governance Statement**

The Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Harbour Authority are integrated into those of the Council.

### **Agreement**

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

The Agreement has since been varied by the Deeds of Variation between the Welsh Ministers and the Council, with the latest dated 21 March 2019.

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

Welsh Government funding for the Harbour Authority is subject to three-year agreements, the latest of which expired on 31 March 2017. The Welsh Government advised they would like an opportunity to review such arrangements, however as negotiations remained ongoing at the time, it was agreed that the third review which was due to be completed by 1 April 2017, would be deferred by the parties and the Business Period extended to 31 March 2020. Subsequently, agreement was reached for the 2019/20 budget to be set at £5.326 million, which included an additional £103,000 due to grant funding approved because of Storm Dennis, representing a reduction of £74,000 or 1.4% on 2018/19.

The financial deficit after accounting adjustments for the year ended 31 March 2020 was £2.278 million (£2.791 million in 2018/19).

Total Capital Expenditure incurred during the year was £595,000 and of this, £565,000 was funded by Grant. This was a single year programme in 2019/20 for works at the harbour, barrage and surrounding environmental infrastructure. This includes works on the bascule bridges, replacement of electrical lock panels and replacement of the deck mounted crane on the harbour boat.

### **Key Achievements**

- Delivered the business plan within budget at year end
- Retained Green Flag Status for the Barrage, Cardiff Bay Wetlands and Flat Holm
- Continued accreditation of the ISO14001 standard



- Effectively facilitated and delivered events on the Barrage and in the Roald Dahl Plas including supporting a new model for the International Food and Drink Festival
- High level compliance in maintaining statutory water quality standards comprising over 400,000 readings with an excellent monitoring regime and mitigation measures in place
- 512 tonnes of litter removed from the rivers and bay
- Runner up in the Arts and Environment Award Category for the 'Under the Bridge' project with Arts Active
- Community liaison with Penarth, Central, Splott and Adamsdown and the relevant properties outside the protected property line concerning the end of the Property Protection Scheme
- Excellent attendances and feedback on courses, activities and events at Cardiff International White Water (CIWW), Cardiff Bay Water Activity Centre (CBWAC) and Sailing Centre including 210 disabled Sailability sessions and 600 school sailing sessions. CIWW worked to secure GB SUP series, BC Prem Slalom, BC Boater X, and BC freestyle events for 2020
- Third year of record entries for the Welsh Indoor Rowing Championships & Schools Championships totaling over 1500 competitors and 700 spectators each day
- Effectively dealt with the consequences of the extreme weather conditions through Barrage operations, Harbour and Environment teams.

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

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

### **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 'snap shot' of the Harbour Authority's assets, liabilities, cash balances and reserves at the year-end date.

## ***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 except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent.

The Corporate Director Resources has also:

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

### ***The Corporate Director Resources Certificate***

The financial statements for the Cardiff Harbour Authority give a true and fair view of its income and expenditure for the financial year 2019/20 and financial position of the Harbour Authority at 31 March 2020.

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

**Date: 22 October 2020**

## ***The Independent Auditor's Report of the Auditor General for Wales to those Charged with Governance of Cardiff Harbour Authority***

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2020 under the Public Audit (Wales) Act 2004.

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

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

### **Opinion**

In my opinion, except for the possible effects of the matters described in the 'Basis for qualified opinion' section of my report, the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2020 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the International Financial Reporting Standards.

### **Basis for Qualified Opinion**

Note 3 to the financial statements discloses that Cardiff Harbour Authority held inventory of £352,000 as at 31 March 2020. Due to the impact of the COVID-19 pandemic and the statutory lockdown arrangements that took effect from 23 March 2020, Cardiff Harbour Authority was unable to undertake a stock take of its inventory and therefore, I was unable to observe and re-perform parts of that stock take.

As I have been unable to obtain the required assurance by alternative means, I am therefore unable to determine whether Cardiff Harbour Authority's reported year-end inventory balance of £352,000 is materially true and fair.

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 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 12 months from the date when the financial statements are authorised for issue.

### **Other information**

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

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

## **Report on other requirements**

### **Opinion on other matters**

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

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

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or

- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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, 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.

Adrian Crompton  
Auditor General for Wales  
26 October 2020 CF11 9LJ

24 Cathedral Road  
Cardiff

## *Accounting policies used when formulating the accounts*

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2019/20 financial year and its financial position at 31 March 2020. 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:

### *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. There is a de minimis threshold of £500 under which income and expenditure may not be accrued.

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

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

### *3. Grants and Contributions*

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

- there is reasonable assurance that the Authority 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 Income in the Comprehensive Income and Expenditure Statement. Where there is no longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

### **Capital**

Grants and contributions that are applied in the year to fund capital schemes are treated as revenue income and credited to 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.

### *4. Inventories*

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as expenditure.

## 5 Overheads and Support Services Costs

Cardiff Council makes recharges in respect of the cost of support services to the 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.

## 6 Property, Plant, Equipment, Community and Heritage Assets

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

### Recognition:

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

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

### Measurement:

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use, excluding borrowing costs which are not capitalised. These assets are then carried in the Balance Sheet using the following measurement bases:

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

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

### Revaluation:

Land and buildings are revalued as part of a three year rolling programme.

Investment properties and Surplus Assets are reviewed annually for any material changes as a result of the overall Market with a formal revaluation of Investment properties at least every two years.



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

The Capital charges line on the Harbour Authority Comprehensive Income and Expenditure Statement is 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 grants for depreciation or any other accounting adjustments for non-current assets.

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

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

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

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

#### **Depreciation:**

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction).

## **7. Reserves**

The Harbour Authority holds a general reserve for accumulated operational surpluses and deficits and a revaluation reserve to manage the accounting processes for non-current assets.

## **8. 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. These accounts have been prepared exclusive of VAT, except where deemed irrecoverable.

## Comprehensive Income and Expenditure Statement

2018/19		2019/20
£000		£000
	<b>Income</b>	
(5,202)	Government Grants	(4,818)
(104)	Capital Grants Applied	(565)
(958)	Fees and Charges	(906)
<b>(6,264)</b>	<b>Total Income</b>	<b>(6,289)</b>
	<b>Expenditure</b>	
2,867	Employees	2,801
1,171	Premises	1,121
57	Transport	68
1,647	Supplies and Services	1,343
481	Support Services	450
0	Third Party Payments	4
2,832	Capital Charges	2,780
<b>9,055</b>	<b>Total Expenditure</b>	<b>8,567</b>
<b>2,791</b>	<b>Net Expenditure for the Year</b>	<b>2,278</b>

## Balance Sheet

31 March 2019		Note	31 March 2020
£000			£000
162,811	Property, Plant and Equipment	2	160,626
56	Heritage Assets	2	56
<b>162,867</b>	<b>Total Long Term Assets</b>		<b>160,682</b>
352	Inventory	3	352
40	Debtors	4	41
633	Cash		276
<b>1,025</b>	<b>Total Current Assets</b>		<b>669</b>
(853)	Creditors	5	(590)
<b>(853)</b>	<b>Total Current Liabilities</b>		<b>(590)</b>
<b>163,039</b>	<b>Net Assets</b>		<b>160,761</b>
	<b>Funded by:</b>		
158,550	General Reserve	1	156,272
4,489	Revaluation Reserve	1	4,489
<b>163,039</b>	<b>Total Reserves</b>		<b>160,761</b>

## Notes to the Financial Statements

### 1. Reserves

2018/19			2019/20	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
161,341	4,588	Balance as at 1 April	158,550	4,489
(2,791)	(99)	Movements in Reserves	(2,278)	0
158,550	4,489	Balance as at 31 March	156,272	4,489

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £63,000 as at 31 March 2020 (£42,000 as at 31 March 2019).

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

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

Property, Plant and Equipment	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2018</b>	6,749	1,357	219,249	1,103	0	333	222	229,013	56
Additions	0	72	129	0	0	0	0	201	0
Revaluations Increases/(Decreases) recognised in the RR*	(235)	0	0	0	0	0	0	(235)	0
Revaluations Increases/(Decreases) recognised in the CIES**	(126)	0	0	0	10	0	0	(116)	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	(156)	0	0	0	0	0	(156)	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other Reclassifications - Transfers	189	0	0	0	33	0	(222)	0	0
<b>At 31 March 2019</b>	6,577	1,273	219,378	1,103	43	333	0	228,707	56
Additions	0	86	509	0	0	0	0	595	0

Property, Plant and Equipment	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets
Movements in Cost or Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>1 April 2018</b>	<b>6,749</b>	<b>1,357</b>	<b>219,249</b>	<b>1,103</b>	<b>0</b>	<b>333</b>	<b>222</b>	<b>229,013</b>	<b>56</b>
Revaluations Increases/(Decreases) recognised in the RR	0	0	0	0	0	0	0	0	0
Revaluations Increases/(Decreases) recognised in the CIES	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to RR	0	0	0	0	0	0	0	0	0
Impairment Losses/Reversals to CIES	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0	0
Other Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>6,577</b>	<b>1,359</b>	<b>219,887</b>	<b>1,103</b>	<b>43</b>	<b>333</b>	<b>0</b>	<b>229,302</b>	<b>56</b>
<b>Movements in Depreciation/Impairment</b>									
<b>1 April 2018</b>	<b>172</b>	<b>597</b>	<b>62,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,473</b>	<b>0</b>
Depreciation Charge	72	182	2,496	0	0	0	0	2,750	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	(136)	0	0	0	0	0	0	(136)	0
Depreciation written out to the CIES	(35)	0	0	0	0	0	0	(35)	0
Derecognition - Disposals	0	(156)	0	0	0	0	0	(156)	0
Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>73</b>	<b>623</b>	<b>65,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,896</b>	<b>0</b>
Depreciation Charge	72	194	2,514	0	0	0	0	2,780	0
Depreciation written out on Impairment	0	0	0	0	0	0	0	0	0
Depreciation written out to the RR	0	0	0	0	0	0	0	0	0
Depreciation written out to the CIES	0	0	0	0	0	0	0	0	0
Derecognition - Disposals	0	0	0	0	0	0	0	0	0
Reclassifications - Transfers	0	0	0	0	0	0	0	0	0
<b>At 31 March 2020</b>	<b>145</b>	<b>817</b>	<b>67,714</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,676</b>	<b>0</b>
<b>Net Book Value:</b>									
<b>At 31 March 2019</b>	<b>6,504</b>	<b>650</b>	<b>154,178</b>	<b>1,103</b>	<b>43</b>	<b>333</b>	<b>0</b>	<b>162,811</b>	<b>56</b>
<b>At 31 March 2020</b>	<b>6,432</b>	<b>542</b>	<b>152,173</b>	<b>1,103</b>	<b>43</b>	<b>333</b>	<b>0</b>	<b>160,626</b>	<b>56</b>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

### 3. Inventory

2018/19		2019/20
£000		£000
362	Balance as at 1 April	352
(10)	Inventory written off to the CIES*	0
352	Balance as at 31 March	352

\*Due to Covid 19, an Inventory count was not possible at the Balance Sheet date 31 March 2020

### 4. Debtors

31 March 2019		31 March 2020
£000		£000
0	Central Government Bodies	0
40	Trade Receivables	41
40	Total Debtors	41

### 5. Creditors

31 March 2019		31 March 2020
£000		£000
(93)	Central Government Bodies	(29)
(760)	Trade Payables	(561)
(853)	Total Creditors	(590)





# 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 the goods or services are provided rather than when the payment is received, and expenses are recorded when goods or services are received rather than when the payment is made.

**Actuarial Gains and Losses**

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

**Agency Services**

The provision of services or functions, which are the responsibility of one Authority or public body, by another. The policy and financial resources are set by the principal Authority and implemented by the agent Authority.

**Assets Held for Sale**

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

**Asset under Construction**

An asset that is not yet complete.

**Borrowing**

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

**Capital Adjustment Account**

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

**Capital Expenditure**

Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

### **Capital Financing Requirement**

A Council's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

### **Capital Receipts**

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

### **Carrying Amount**

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

### **Cash and Cash Equivalents**

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

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

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

### **Civil Parking Enforcement**

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

### **Community Assets**

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

### **Contingent Liabilities or Assets**

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

### **Council Dwellings**

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

**Council Fund Balance**

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

**Credit Criteria**

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

**Credit Rating**

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

**Creditors**

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

**Current Service Cost (Pensions)**

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

**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.

**Curtailement (Pensions)**

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

**Debtors**

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

**Deferred Capital Receipts**

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

**Defined Benefit Scheme (Pensions)**

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

**Defined Contribution Scheme (Pensions)**

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

**Depreciation/Impairment/Amortisation**

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

**De-recognition**

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

**Direct Revenue Financing**

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

**Earmarked Reserves**

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

**External Audit**

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

**Fair Value**

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

**Finance Lease**

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

**Financial Instruments**

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

**Heritage Asset**

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

**Housing Revenue Account (HRA)**

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

**Impairment**

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

**Infrastructure Assets**

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

**Intangible Assets**

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

**Interest Cost (Pensions)**

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

**Investment Properties**

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

**Investments**

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

**Joint Venture**

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

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

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

**Levy**

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

**Liabilities**

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

**Materiality**

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

**Market Loans**

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

**Net Book Value (NBV)**

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

**Non-domestic rates (NDR)**

A levy on businesses collected by billing Authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh Authorities on the basis of population.

**Operating Lease**

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

**Pension Fund**

A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

**Precept**

A demand levied by one public Authority, which is collected on its behalf by another Authority.

**Prior Period Adjustments**

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

**Projected Unit Method (Pensions)**

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

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

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

**Provisions**

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.



**Prudential Code for Capital Finance**

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

**Prudent Revenue Provision (PRP)**

An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure. This has the effect of reducing the Capital Financing Requirement (CFR).

**Public Works Loan Board (PWLB)**

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local Authorities and other prescribed bodies, and to collect the repayments.

**Recharge**

An internal charge for services rendered by one Council directorate or section to another.

**Related Parties**

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

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

**Reserves**

Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Council must maintain as a matter of prudence.

**Revaluation Reserve**

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

**Revenue Expenditure funded from Capital Under Statute (REFCUS)**

Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the Council e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

**Revenue Support Grant**

General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

### **Settlement (Pensions)**

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

### **Surplus Assets**

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

### **Term Deposits**

A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

### **Treasury Management**

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

### **Trust Funds**

Funds held in trust which are administered by the Council.