

# Statement of Accounts

› 2015/16

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



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**STATEMENT OF ACCOUNTS**

**2015/16**

**OF**

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



# Narrative Report

## 1.1 Narrative Report

### Introduction

This document presents the Statement of Accounts for The County Council of the City and County of Cardiff. These are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16.

### The Financial Statements

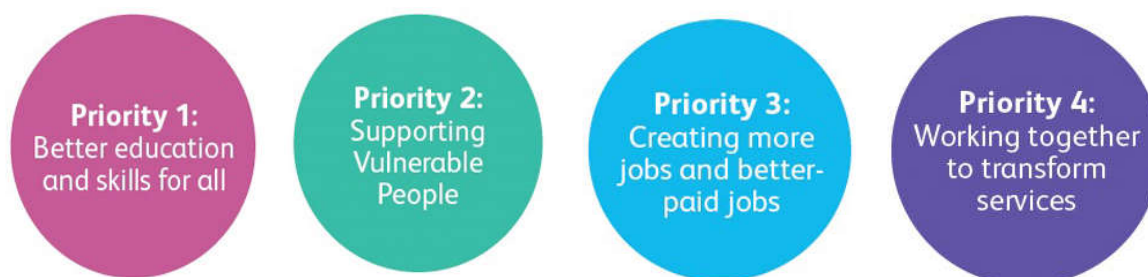
The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 19 to 149 and comprise:

- Accounting Policies, Critical Judgements and Assumptions
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account (HRA)
- Cardiff & Vale of Glamorgan Pension Fund Accounts
- Group Accounts
- Trust Funds

The Council is lead authority for three Joint Committees; the Glamorgan Archives, Prosiect Gwyrdd, and the Welsh Purchasing Consortium. The Council is also a member of the Central South Consortium Joint Education Service, Shared Regulatory Service and the Regional Adoption Service Joint Committee. The Council's share of the transactions and balances of these Joint Committees are incorporated in these financial statements. Separate financial statements for each Joint Committee are also available.

### Corporate Plan 2015-17

The Corporate Plan sets out what the Council will do, how we'll do it, and how we will monitor progress. The City of Cardiff Council faces a number of pressures which needed to be taken into account when developing the Corporate Plan. For instance, Cardiff is projected to have the fastest growing population of any city in the UK - this means a growing demand for key services and need to address a budget gap. Because of these pressures, we need to focus our energy and scarce resources on the areas that need them most, and so the Plan has four priorities.



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

### Medium Term Financial Plan

Cost pressures and reductions in funding for Local Government have resulted in significant financial challenges for the Council.

## Narrative Report

The Council has faced a prolonged period of financial restraint having identified over £200 million in savings or additional income over the past ten years in order to balance the budget. The scale of recent savings coupled with the redirection of funds into areas which are protected by Welsh Government or are the source of significant demand pressure, set an extremely challenging starting position from which to move forward.

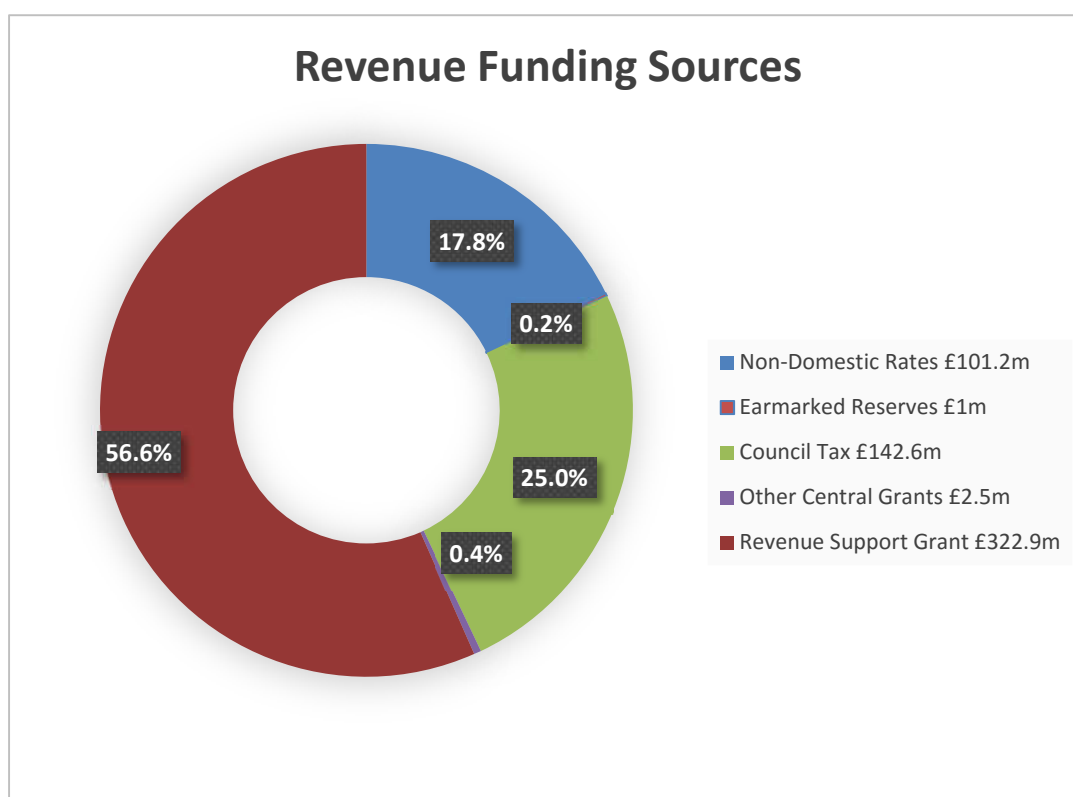
The economic climate and need to continue to demonstrate value for money will mean that such pressures will continue for a number of years as highlighted in the Council's Medium Term Financial Plan (MTFP). The 2016/17 Budget Report identified a budget reduction requirement of £73 million over the three year period covered by the MTFP, of which £25 million needs to be delivered in 2017/18. Whilst the gap identified is a lower reduction requirement than in recent years, it will still be a significant challenge to be addressed through a combination of further directorate budget savings, commercialisation of services, use of technology and alternative delivery structures to provide services and increases in the rate of Council Tax.

Members have received a number of briefings in respect of the financial resilience of the Council. A financial snapshot has been developed to aid discussions and identifies the key financial information from the Statement of Accounts alongside the in-year monitoring position and the medium term financial plan. This was included in the budget report to Council in February 2016.

### Financial Performance

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

The Council, at its meeting on 28 February 2015, set a cash limit budget of £570.219 million for 2015/16. The chart that follows displays the revenue expenditure budget funding sources, including the proportion of collected Council Tax that contributes towards the Council's expenditure.



# Narrative Report

## Directorate Outturn 2015/16

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	49,905	49,902	(3)
Communities, Housing & Customer Services	46,255	46,089	(166)
Corporate Management	29,355	29,727	372
Economic Development	2,327	2,119	(208)
Education & Lifelong Learning	234,606	234,480	(126)
Governance & Legal Services	4,415	4,411	(4)
Resources	15,852	15,600	(252)
Social Services	137,603	142,625	5,022
Capital Financing etc	35,845	35,845	0
<b>Subtotal</b>	<b>556,163</b>	<b>560,798</b>	<b>4,635</b>
General Contingency	4,000	0	(4,000)
Summary Revenue Account	9,756	8,296	(1,460)
Outcome Agreement Grant	0	(862)	(862)
Discretionary Rate Relief	300	291	(9)
<b>Total as per Outturn Report</b>	<b>570,219</b>	<b>568,523</b>	<b>(1,696)</b>

The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £570.219 million in 2015/16 with an overall surplus of £1.696 million, after contributions to and from reserves.

In accordance with the 2015/16 budget report that was approved by Council in February 2015, £595,000 was utilised from the Council Fund Balance to fund the overall Council budget. Similarly, the 2016/17 budget report, approved by Council in February 2016, determined that a further £1m of the Council Fund Balance will be used to fund the 2016/17 Council budget.

The final revenue outturn position was a surplus of £1.696 million, after contributions to and from reserves. This represents a significant improvement to the budget monitoring positions reported throughout the year.

During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services, Corporate Management, Economic Development and City Operations. This reflected a range of factors including increased demographic pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2015/16 budget. As a result, the outturn position contained an overspend of £4.635 million relating to directorate budgets. Apart from Social Services and Governance & Legal Services, all directorates reported an improved position compared to the projections at month 9. The overspend on directorate budgets was offset by a £4 million contingency sum, together with savings in other areas including Council Tax collection, NDR refunds on Council properties, and additional income in relation to the 2015/16 Outcome Agreement Grant.

The Council Fund Balance brought forward at 1 April 2015 was £13.154 million. The balance at 31 March 2016 has increased by £2.101 million to £15.255 million. The £2.101 million increase comprises the £1.696 million surplus outlined above, plus the £1 million amount set aside to fund the 2016/17 budget, less the £595,000 used in-year to fund the 2015/16 budget.



## Narrative Report

### Revenue Outturn:

	Budget	Outturn	Variance
	£000	£000	£000
<i>Financing:</i>			
Revenue Support Grant (RSG)	(322,851)	(322,851)	0
Non-domestic Rates (NDR)	(101,253)	(101,253)	0
Council Tax attributable to the Council	(142,633)	(144,062)	(1,429)
Other central grants	(2,482)	(3,344)	(862)
Use of Earmarked Reserves & Council Fund Balance	(1,000)	(1,000)	0
<b>Total Funding</b>	<b>(570,219)</b>	<b>(572,510)</b>	<b>(2,291)</b>
<i>Net Expenditure</i>			
Net budgeted expenditure	570,219		(570,219)
Net deficit on services on Comprehensive Income & Expenditure Statement		304,349	304,349
Adjust deficit figure for:			
Items shown separately as financing (above)		572,510	572,510
Adjustments between accounting and funding bases under regulations for the Council Fund Balance and HRA (as per Movement in Reserves Statement)		(324,980)	(324,980)
Transfers (to)/from Earmarked Reserves (as per note 2)		18,935	18,935
Remove surplus on HRA		0	0
<b>Total Expenditure</b>	<b>570,219</b>	<b>570,814</b>	<b>595</b>
<b>Net (surplus)/deficit for year transferred to Council Fund Balance</b>			<b>(1,696)</b>

### Housing Revenue Account (HRA)

The net surplus for the year, prior to transfers to earmarked reserves, was £716,000. This included income from rents and charges for services totalling £67.636 million and repairs, maintenance, supervision and management costs totalling £40.602 million. Increased volume and demand for repairs to Council dwellings were offset by savings in a number of other areas including employees and insurance costs, contributing to the overall surplus. This surplus has been transferred to earmarked reserves for use in future years in tackling overcrowding and reinvesting in the housing stock. The HRA balance as at 31 March 2016 is £8.438 million.

During 2015/16, the Council made a one off payment of £187.392 million to exit the Housing Revenue Account Subsidy System (HRAS), which is recognised as capital expenditure and shown as an exceptional item in the Comprehensive Income & Expenditure Statement, within these accounts. The HRAS was a funding mechanism introduced many years ago by National Government whereby, in Cardiff's case, circa £15 million of net rental income received from dwellings rents had to be passed back to HM Treasury, via Welsh Government. Under the new self-financing regime, the Council can now retain and reinvest all income. However, it is required to make annual payments for additional interest and to set monies aside towards the repayment of loans taken out in order to make the one off payment.

# Narrative Report

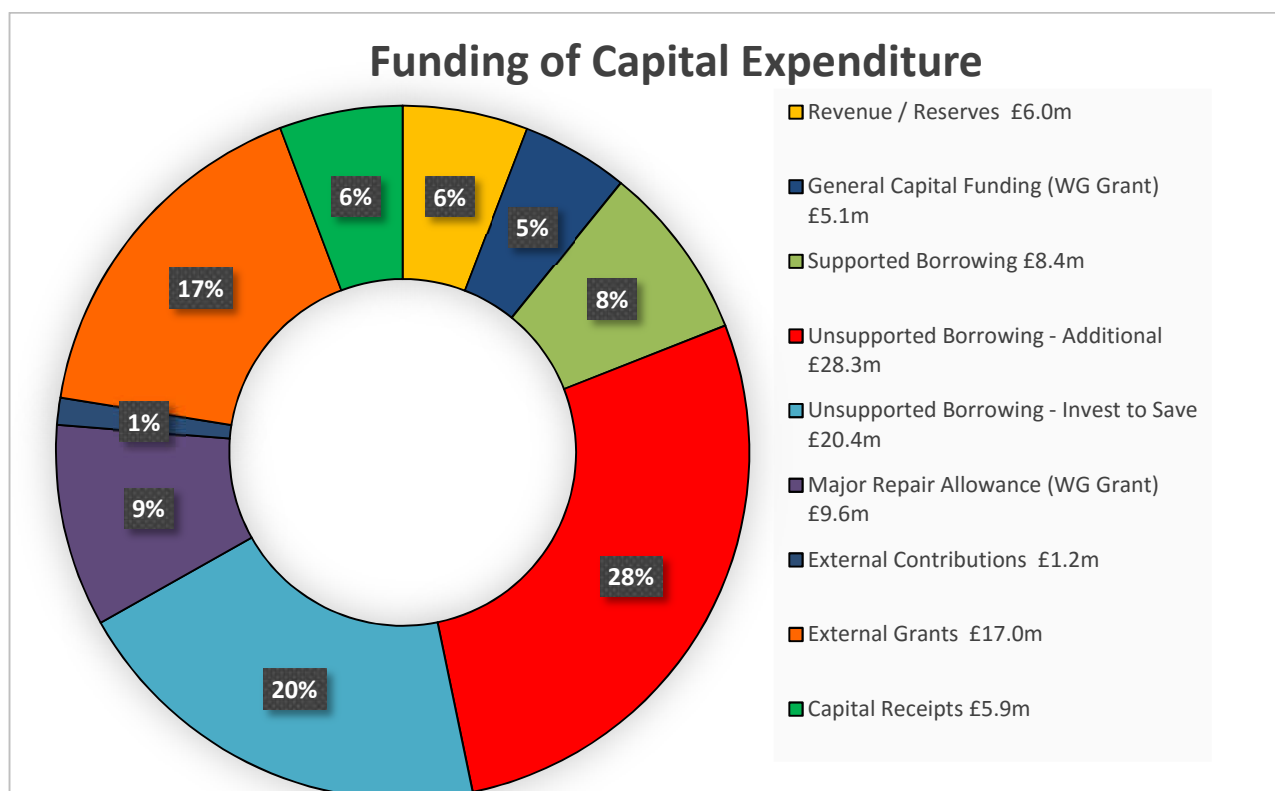
## Capital Expenditure

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. Expenditure totalled £289.3 million. This was £101.9 million after excluding the one off Housing Revenue Account settlement payment of £187.4 million to Welsh Government in order to exit the Housing Finance Subsidy System.

The main items of capital expenditure are described in the following table.

Schemes	Detail	£m
Housing Revenue Account Subsidy System Exit Payment	One off settlement payment to Welsh Government / HM Treasury in order to be able to retain all income receivable from Council dwellings rather than paying over circa £15 million p.a. Local Authorities in England exited the system in 2012. 'Buy out' was paid for by borrowing, with annual costs of servicing borrowing paid from future rental income.	187.4
Housing & Neighbourhood Regeneration	Public housing investment in the fabric of dwellings, estate and area regeneration, as well as energy efficiency schemes. Preparatory work across sites in the city as part of the Housing Partnership Programme to build new dwellings. Disabled adaptations grants, allowing people to live independently in their homes, and other environmental improvements including a comprehensive regeneration scheme for Clare Road/Penarth Road District Shopping Centre.	28.3
Education & Lifelong Learning	Includes completion of a new primary school at Pontprennau, purchase of land for new welsh medium primary school in Butetown and a contribution towards the Penarth Learning campus. Continued investment in a number of schools as part of the School Organisation Plan including replacement of high schools in the east and west of the City, as well as investment in condition of properties.	22.8
Highways & Transportation	Road and footpath resurfacing, road safety improvements, Street lighting energy efficiency, public transport and telematics. Windsor Road bridge replacement, cycling strategy implementation, investment in safe routes in communities, as well as other pedestrian and junction improvements.	11.5
Leisure facilities and Citizen Hubs	Refurbishment of Eastern Leisure Centre, investment in Insole Court and development of hubs in areas of need including the new STAR hub and pool.	11.9
Economic Development	A voucher scheme to implement superfast broadband and providing the developer of the Tramshed in Grangetown with a loan as part of vibrant and viable places initiative. Public realm and temporary works to allow closure of the bus station were incurred as well as purchase of NCP car park site to allow regeneration of Central Square.	12.3
Energy and Waste Management	Reducing the size of residual waste bins and a range of energy efficiency and energy generation measures such as Radyr Weir Hydro facility.	7.5
Capitalisation Direction – Service Reform	Permission received from Welsh Government to treat revenue costs as capital expenditure to be paid for from sale of property assets.	2.4
Other	Creation of Welsh language Centre, Investment in Parks, ICT, and expenditure to enable the efficient use of space in Council buildings.	5.2

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



The impact of the low level of support from Welsh Government for capital resources has been that the Council has to find a greater share of its requirement to meet essential investment via unsupported borrowing. Unsupported borrowing was used to pay for £48.7 million of expenditure during 2015/16. The need to undertake borrowing also applies to future capital expenditure plans as set out in the Budget report of February 2016.

This is as a result of:

- implementing new schemes, completing existing projects and demand for funding to maintain assets.
- undertaking invest to save schemes on the assumption that the borrowing will be repaid from future revenue savings or revenue income.
- use of Council borrowing powers by Welsh Government as part of their contribution towards 21st Century Schools Programme.
- The new Housing Partnership Project which aims to build new Council houses for social housing rental. During 2015/16, a partnership agreement with Wates Living Space was entered into with sites to be developed over a 10 year period.

The Council also plans significant investment in new school buildings, regeneration of Central Square and creation of a new transport interchange. These schemes rely on the disposal of land to help meet the costs. The Council's successful bid along with its partners for the City Deal investment is also likely to require significant investment to be paid for by borrowing. Accordingly borrowing represents an ongoing risk in terms of increasing the Council's requirement for any such expenditure to be paid back from future revenue resources.

The Council must continue to review whether capital expenditure plans remain prudent and affordable by consideration of :-

- affordability indicators showing projection of the cost of borrowing and impact on the revenue budget
- the advice of the Section 151 Officer on affordability and risk to future income

## Narrative Report

- potentially setting limits for invest to save schemes particularly for any discretionary expenditure
- ability to accelerate a reduction in the Council's asset base within a limited timeframe to help pay for expenditure.

### Capital Receipts

The sale of property assets and other income treated as capital receipts generated usable capital receipts of £11.4 million. [Note 20](#) includes the main property disposals during the year. Receipts include the first £2 million tranche from the sale of the former central bus station site, land adjacent to County Hall £2.4 million, £1.3 million received for the disposal of the Council's joint venture investment in the Medicentre and £1.7 million from the sale of Council dwellings. Capital receipts not used to pay for capital expenditure or to repay debt, are carried forward in the useable capital receipts reserve to meet future capital expenditure. The useable capital receipts reserve increased by £4.1 million in the year.

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

The previous sections on capital expenditure and receipts highlights some of the movements and [Note 20](#) of these accounts provides significant information for accounting purposes.

In terms of revaluations, operational properties excluding schools, Council dwellings and assets deemed surplus were re-valued during 2015/16 as part of a rolling programme of revaluation.

During the year, the Council reviewed its approach to the valuation of Council Dwellings which included recognising a separate land valuation, as well as a more accurate approach to determining valuations of types of stock held across the City. This has resulted in a net reduction in the Council dwellings valuation compared with the previous valuation and any historic expenditure since that date. The vacant possession value of Council Dwellings was deemed to be £1.3 billion as at 01/04/2015. However, in accordance with valuation requirements, the valuation is required to be adjusted downwards to show the economic cost of providing social housing to tenants at less than market rents. The valuation in the accounts is shown at 40% of the vacant possession value, adjusted by movements in accordance with the Council policies in respect to accounting for such assets.

Valuations of all assets involve a number of assumptions, however, movements in asset valuations as well as any accounting charges resulting from them have no impact on the council tax or rent as they are required to be neutralised from capital reserves.

In line with current guidance the value of infrastructure assets are required to be shown as the value of expenditure previously incurred on them from a point in time. CIPFA considers that current value (gross replacement cost adjusted for current condition) is a more appropriate measurement base for Highways Network Assets, with implementation required for next year's accounts. Highway Network Assets include, Roads, footpaths, highway structures such as bridges, lighting, drainage and associated land.

Whilst the change is intended to support the operational management of such assets, there is expected to be a significant requirement for estimation and judgement, with associated impact on accounting. Excluding land, the change in valuation basis is likely to increase the value of the assets shown in the accounts by over £2.0 billion along with an increase in the depreciation charged annually in the accounts reflecting the use of these assets in service delivery. These changes will not have an impact on Council tax or rent as depreciation accounting charges are required to be reversed out of the accounts. Accordingly a cost benefit approach to inclusion in the accounts will be taken.

### Treasury Management and Financial Instruments

#### Borrowing

The Council can borrow money to manage its daily cash flows and to pay for capital expenditure. The Council continues to use some of its temporary cash balances to pay for capital expenditure.

## Narrative Report

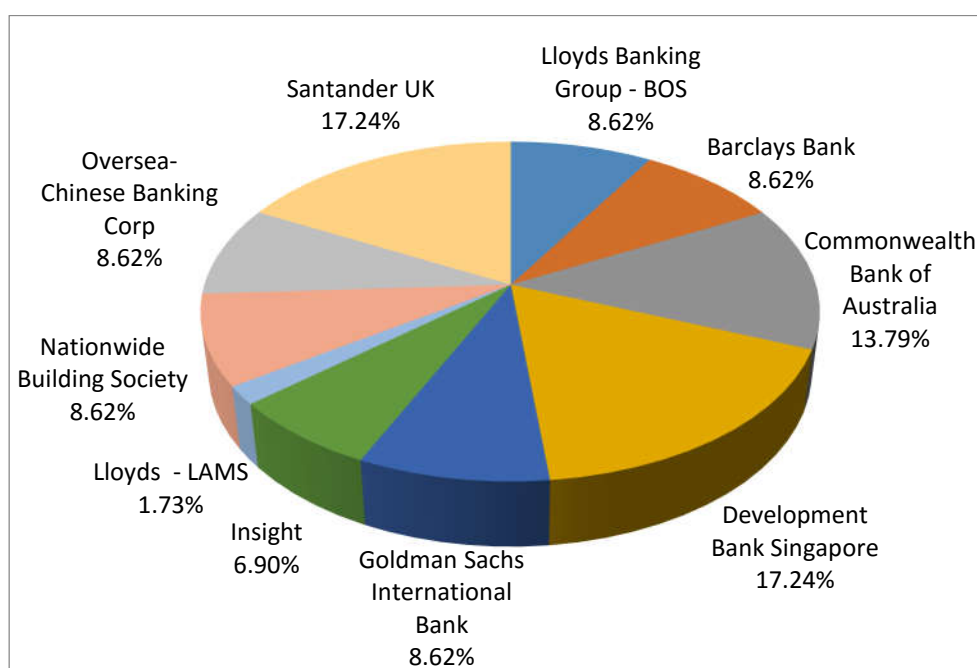
The Council has loans of £666.1 million of fixed interest loans at the end of the year, of which £612.8 million is owed to the Public Works Loan Board (PWLB) and £53.3 million is owed to other bodies, primarily financial institutions.

During the year external loans totalling £6.0 million were repaid and £201.6 million of new loans were raised, including £187.4 million to make the settlement payment to exit the Housing Revenue Account Subsidy System. The latter had to be borrowed from the PWLB at pre-determined rates set by HM Treasury. The impact of the above changes in borrowing resulted in the average rate on the Council's borrowing reducing during the year from 5.22% to 4.84% at 31 March 2016.

All loans are in the name of the Council and not separated for Housing Revenue Account or Council Fund purposes. Total interest payable on borrowing was £32.2 million during 2015/16, of which £13.0 million was deemed payable by the Housing Revenue Account.

### Investments

Investments for treasury management purposes of £58.0 million at 31 March 2016 are represented primarily by temporary cash balances, which are deposited for various maturities with financial institutions, shown in the chart below.



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

In accordance with accounting requirements, the Council had assumed that loan principal and interest of £6.534 million owed at 21 December 2015 by Glamorgan County Cricket Club for the redevelopment of the stadium was 100% impaired. In March 2015, the Council approved a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This restructuring and write off was completed on 21 December 2015. The Council continues to adopt a prudent approach to the repayment of principal due and given the risks of recovery of sums due that still remain the balance due of 30% (£1.960 million) remains 100% impaired, but is shown as a contingent asset in these accounts. Repayments of the principal are proposed to begin in 2019.

Whilst the Council's 100% shareholding in Cardiff Bus is not quoted on a recognised stock exchange, for accounting purposes, the Council is required to make an estimate of its fair value. This is done using inputs including Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) as well as a

## Narrative Report

multiplier of enterprise value. The value in the Balance Sheet at 31 March 2015 was shown as £13.563 million, a reduction from £15.781 million a year earlier. However, during this financial year, it was noticed that the calculation during 2014/15 was incorrectly calculated using operating profit for the year rather than EBITDA for the year. This would have resulted in a valuation at 31 March 2015 of £18.295 million and so the accounts are restated for this item.

### Reserves

Movements on earmarked reserves are detailed in [note 2](#) to the core statements. Details of movements of other usable and unusable reserves are shown in [notes 30](#) and [31](#) to the core statements respectively. Total usable reserves at the commencement of the year amounted to £56.990 million, increasing to £81.707 million at 31 March 2016. The year end outturn position provided the opportunity to increase the level of reserves for use in connection with future commitments, in turn this has improved the Council's financial resilience position.

Summary Reserves Movements:

	£000	£000
<b>Usable Reserves at 1 April 2015</b>		<b>56,990</b>
Movements to/(from) earmarked reserves:		
Council Fund Earmarked Reserves	17,813	
Council Fund Balance	2,101	
Housing Revenue Account Balance	0	
Housing Revenue Account Earmarked Reserves	716	
Usable Capital Receipts	4,087	
		<b>24,717</b>
<b>Total Usable Reserves at 31 March 2016</b>		<b>81,707</b>

### Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but in relation to which the exact amount and date of settlement may be uncertain. During 2015/16, total provisions decreased by £1.599 million to £38.811 million, which includes a number of movements. These include a net decrease in the insurance provision of £892,000 and a decrease in the Lamby Way Landfill provision of £419,000. In addition, a provision of £522,000 has been created in relation to potential maintenance costs in connection with the Council's occupancy of the Friary Centre. Details of the movement of individual provisions are shown in [note 27](#) to the Core Statements.

### Cardiff and Vale of Glamorgan Pension Fund

The Council administers the Fund on behalf of the two Local Authorities and other contributing bodies. In 2015/16 pension benefits payable by the Fund totalled £83.9 million and the contributions receivable from employers and employees totalled £83.9 million. Net losses on investments totalled £27.0 million and the Fund's assets decreased by £27.0 million (1.6%), from £1.68 billion to £1.65 billion. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date covering 82% of the pension liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay. The next valuation is due to take place during 2016 which could impact on the Council's contribution rate.

From 1 April 2014, a 23 year recovery plan has been in place to restore the value of assets to 100% of the liability in respect of service prior to the most recent valuation date.

# Narrative Report

## **Pensions Assets and Liabilities**

Further details are given in [note 19](#) to the Core Financial Statements.

The Council's Actuary has estimated that the Council's future liability in respect of pension benefits payable, compared to assets held, is £545.680 million at 31 March 2016.

## **Corporate Governance**

The Council maintains a Corporate Risk Register (CRR) which highlights the strategic risks facing the Council. In order to minimise the impact of the risks identified, the Council has adopted a Governance Framework which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 150 to 175.

## **Acknowledgements**

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

**Christine Salter**  
**Corporate Director Resources**  
**29 September 2016**

## 1.2 Guide to the Financial Statements

### **Movement in Reserves Statement (page 35)**

Shows the changes to the Council's reserves over the course of the year. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that reflect 'adjustments between accounting basis and funding basis under regulations'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement (page 36)**

Records all of the Council's income and expenditure in the year of providing services. This is shown in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting costs. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet (page 38)**

This is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year end date. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council.

### **Cash Flow Statement (page 40)**

The Cash Flow Statement shows the reason for changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as arising from operating activities, new investment or financing activities such as repayment of borrowing and other long term liabilities.

### **Housing Revenue Account (HRA) Income & Expenditure Account (page 99)**

A separate account that must be maintained to record income and expenditure arising from the provision of Council Housing. The Council charges rent and other service charges to cover expenditure in accordance with regulations.

### **Pension Fund Accounts (page 104)**

Shows the contributions received, payments to pensioners and the value of net assets of the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers. The Fund also publishes a separate, more detailed report.

### **Group Accounts (page 127)**

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

### **Trust Funds (page 148)**

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



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

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2015/16 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts

**Councillor Monica Walsh**  
**Lord Mayor**

**Date: 29 September 2016**

### 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 2015-16 (the Code).

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

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

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for The County Council of the City and County of Cardiff give a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

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

**Date: 29 September 2016**

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

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

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

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 based on International Financial Reporting Standards (IFRSs).

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

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

### Scope of the audit of the accounting statements

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

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

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

In my opinion the accounting statements and related notes:

# Audit Report

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

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

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

- give a true and fair view of the financial transactions of the Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2016 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16.

## **Opinion on other matters**

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

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

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

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

## **Certificate of completion of audit**

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

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
CARDIFF  
CF11 9LJ  
30 September 2016**

## 3.1 Accounting Policies, Critical Judgements and Assumptions

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS).

### Accounting policies used when formulating the accounts

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

The main change introduced by the Code, which will be required from 1 April 2016, relates to the adoption of the CIPFA Code of Practice on Transport Infrastructure Assets. This will require the Council to separately disclose its Highways Network Asset and measure it at Depreciated Replacement Cost (DRC), as opposed to Depreciated Historic Cost (DHC).

A prospective application will be required and, therefore, there is no impact upon the 2015/16 Statement of Accounts and no requirement to restate 2015/16 balances. The change will have a significant and material impact upon the valuation of Highway Network Assets included in the Statement of Accounts. Had this policy been adopted for the 2015/16 Statement of Accounts, it would have increased the value of the assets shown in the accounts (excluding land) by over £2 billion along with an increase in the depreciation charge. However these changes will have no impact on Council tax or rent as depreciation charges are required to be reversed out of the accounts. Accordingly, a pragmatic approach will be taken when considering inclusion in the accounts.

In addition, there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

#### 2. Accruals of Income and Expenditure

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

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

#### 3. Cash and Cash Equivalents

Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts, including petty cash accounts. Cash equivalents include Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the

## Accounting Policies, Critical Judgements and Assumptions

Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### 4. Contingent assets and liabilities

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

### 5. Deferred Liabilities

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

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 20.

### 6. Disposals and Capital Receipts

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

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

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

### 7. Employee Benefits

#### Benefits Payable during Employment

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

#### Termination Benefits

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

# Accounting Policies, Critical Judgements and Assumptions

## Post-Employment Benefits

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

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

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

## Defined Benefit Schemes

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

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

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

- the attributable assets of the scheme have been valued at bid price
- the attributable liabilities have been measured on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2015/16 are the full costs relating to early retirements granted in the year, which have been calculated as the special contributions payable into the fund, adjusted for the financial assumptions used under IAS19, to represent the approximate cost of the increase in benefits granted to members under IAS19.

## Defined Contribution Schemes

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

## Accounting Policies, Critical Judgements and Assumptions

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

### 8. Events After the Balance Sheet Date

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

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

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

### 9. Exceptional Items

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

### 10. Financial Assets

Financial assets are classified into three types:

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

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

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

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

Level 3 – unobservable inputs for the asset

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

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

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

## Accounting Policies, Critical Judgements and Assumptions

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

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

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

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

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

### 11. Financial Liabilities

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

Where a fair value, price paid to transfer a liability, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy :-

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

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

Level 3 – unobservable inputs for the liability

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

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

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

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



### 12. Foreign Currency Translation

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

### 13. Grants - Revenue

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

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

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

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

### 14. Grants and Contributions – Capital

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

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

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

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

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

### 15. 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 Authority in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation, are reviewed for impairment and are re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment to reflect the pattern of consumption of benefits

## Accounting Policies, Critical Judgements and Assumptions

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

### 16. Interests in Companies and Other Entities

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

### 17. Inventories

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

### 18. Investment Property

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

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

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. 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.

### 19. Joint Committees

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

### 20. Leases

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

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

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

# Accounting Policies, Critical Judgements and Assumptions

## The Authority as Lessee

### Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

### Operating Leases

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

## The Authority as Lessor

### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

## Accounting Policies, Critical Judgements and Assumptions

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

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

### 21. Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

### 22. Overheads and Support Services Costs

The costs of overheads and support services are allocated to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### 23. Prior Period Adjustments

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

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

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

## Accounting Policies, Critical Judgements and Assumptions

### Recognition:

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

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

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

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

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

### Measurement:

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

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

- Infrastructure Assets – depreciated historical cost. Not all Highway Network Assets such as roads, structures and associated land are included in the Balance Sheet, as the balance sheet values reflect historic expenditure incurred on such assets from a point in time. Accordingly, the Balance Sheet does not represent the true value and size of infrastructure assets. This will change in future years, but until then the asset values presented in the accounts understate the real value of infrastructure assets held and used by the Council.
- Community Assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage Assets and their nature make determining a value for them complex. Valuations may lack reliability, there may be no market, providing an estimate of replacement cost may be difficult and the cost of determining a valuation for accounting purposes only may not be justified on cost benefit grounds. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 40% (previously 41%) to adjust beacon values to existing use value.
- Surplus Assets are valued at Fair Value, based on highest and best use. The main types of assets held within this class include historic development land and buildings awaiting suitable open market disposal or use for identified schemes, sites held for the purpose of the Housing Partnership Programme Scheme, as well as former operational buildings awaiting disposal or alternative use.

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

## Accounting Policies, Critical Judgements and Assumptions

assets, such as plant and equipment, have short useful lives or low values (or both), and, therefore, depreciated historical cost basis is used as a proxy for current value.

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

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

### **Revaluation:**

Where required by the Code, asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by in-house professional valuers, all of whom are RICS registered.

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

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

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

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

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

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

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

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

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

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

## Accounting Policies, Critical Judgements and Assumptions

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

### Depreciation:

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets), as well as assets that are not yet available for use (i.e. assets under construction). For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

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

Depreciation is calculated on the following bases:

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

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

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

### Component Accounting:

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

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

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

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

- Plant and equipment and engineering services.

- Structure.

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

### **25. Provisions**

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

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

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

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

### **27. Reserves**

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

### **28. Value Added Tax**

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



# Accounting Policies, Critical Judgements and Assumptions

## Critical judgements in applying accounting policies

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

- Reducing levels of funding for local government require budget prioritisation and organisational development change to ensure resources are firmly aligned to priorities as outlined in the Corporate Plan. The Council continues to effectively manage its resources within this challenging environment. The continuing financial challenge will, over the medium term, have a significant impact on future operating structures and the assets used to deliver services. Consequently, the Council will put in place the necessary resources to ensure that a balanced budget can be delivered.
- It is assumed that where provision for doubtful debtors or impairment has not been made, all other deferred debtors and investment balances are recoverable and not impaired.
- The level of both Council and earmarked reserves held by the Council has been assessed by the Council's Section 151 Officer and is judged at present to be sufficient. Each request to establish an earmarked reserve is considered separately based on the evidence provided. It is the responsibility of the Section 151 Officer to advise Cabinet on the prudent level of reserves to hold and this is done following consideration and documentation of the risks the Council faces.
- All significant related parties are fully disclosed and figures included in the accounts produced by external organisations are robust and accurate.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications.
- It is assumed that the accounts for the year reflect all financial obligations under all contracts required to be met by the Council during the year and that the Council is compliant with all such obligations placed upon it.
- Where an accrual has been made for future pension strain liabilities as a result of voluntary severance, it is assumed that these costs are not included in calculation of the pensions liability carried out by the actuary.
- If information is misstated, omitted, incorrectly shown or not disclosed, it has the potential to influence or change the decisions or judgement taken by the majority of reasonable persons relying on the financial report or those charged with governance. The Council recognises that any materiality threshold should be based upon what will affect the users' decisions and not on the assessment of the preparers of the accounts. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial report and their information needs. The Council gives consideration to a number of quantitative and qualitative factors in assessing whether a misstatement is material.

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

## Accounting Policies, Critical Judgements and Assumptions

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 40% to adjust vacant possession values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non-current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve. Changes in future accounting practice could mean changes in valuation basis of non-current assets and in which assets are required to be included on the Councils balance sheet and which are not. Any such changes will have no impact on the level of Council Tax or rent.
Provisions	The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities; this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.
Provisions in relation to arrears	At 31 March 2016, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.

## Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet date may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	The level of creditor accrual may be under or over estimated. This will have no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

## Movement in Reserves Statement

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2014 carried forward (Restated)</b>	<b>11,413</b>	<b>30,559</b>	<b>8,124</b>	<b>684</b>	<b>1,399</b>	<b>52,179</b>	<b>888,580</b>	<b>940,759</b>
<b>Movement in Reserves during 2014/15</b>								
Surplus or (deficit) on the provision of Services	(11,619)	0	4,696	0	0	(6,923)	0	(6,923)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(51,290)	(51,290)
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,619)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(6,923)</b>	<b>(51,290)</b>	<b>(58,213)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	16,625	0	(4,828)	0	(63)	11,734	(11,734)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>5,006</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,811</b>	<b>(63,024)</b>	<b>(58,213)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(3,265)	3,265	446	(446)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>3,265</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,811</b>	<b>(63,024)</b>	<b>(58,213)</b>
<b>Balance at 31 March 2015 carried forward (Restated)</b>	<b>13,154</b>	<b>33,824</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,990</b>	<b>825,556</b>	<b>882,546</b>
<b>Movement in Reserves during 2015/16</b>								
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	(301,405)	0	(301,405)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	71,309	71,309
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,108)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(301,405)</b>	<b>71,309</b>	<b>(230,096)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	39,022	0	283,013	0	4,087	326,122	(326,122)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,813)</b>	<b>(230,096)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(17,813)	17,813	(716)	716	0	0	0	0
<b>Increase/(Decrease) in 2015/16</b>	<b>2,101</b>	<b>17,813</b>	<b>0</b>	<b>716</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,813)</b>	<b>(230,096)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>51,637</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>81,707</b>	<b>570,743</b>	<b>652,450</b>

# Comprehensive Income and Expenditure Statement

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
51,249	(17,958)	33,291	Central Services to the Public		47,725	(14,023)	33,702
58,205	(27,886)	30,319	Cultural & Related Services		59,698	(28,652)	31,046
58,066	(23,779)	34,287	Environmental & Regulatory Services		65,354	(35,041)	30,313
20,081	(19,905)	176	Planning Services		27,265	(23,349)	3,916
404,850	(98,971)	305,879	Children's & Education Services		404,374	(108,231)	296,143
64,252	(19,387)	44,865	Highways & Transport Services		64,534	(32,325)	32,209
69,971	(65,231)	4,740	Housing Revenue Account		161,634	(67,636)	93,998
181,640	(175,755)	5,885	Housing Services (Council Fund)		182,799	(177,143)	5,656
127,857	(25,777)	102,080	Adult Social Care		125,100	(22,556)	102,544
9,982	(2,004)	7,978	Corporate & Democratic Core		11,899	(396)	11,503
3,405	323	3,728	Non-Distributed Costs	3	3,656	3,798	7,454
0	0	0	Exceptional Item	3	187,392	0	187,392
<b>1,049,558</b>	<b>(476,330)</b>	<b>573,228</b>	<b>Net Cost of Services</b>	4	<b>1,341,430</b>	<b>(505,554)</b>	<b>835,876</b>
26,411	0	26,411	Police and Crime Commissioner for South Wales	6	27,880	0	27,880
256	0	256	Community Council Precepts	6	290	0	290
16,984	0	16,984	Levies & Contributions	6	16,798	0	16,798
1,586	(5,774)	(4,188)	(Gain)/loss on sale of non-current assets		10,618	(11,814)	(1,196)
<b>45,237</b>	<b>(5,774)</b>	<b>39,463</b>	<b>Other Operating Expenditure</b>		<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>
24,616	0	24,616	Interest Payable on debt	21	32,152	0	32,152
19,416	0	19,416	Interest on net defined benefit liability/(asset)	19	16,618	0	16,618
0	(1,091)	(1,091)	Interest & Investment Income		0	(1,272)	(1,272)
6,161	(12,391)	(6,230)	Change in fair value of Investment Properties		488	0	488
0	0	0	Other Investment Income		1,092	(1,282)	(190)
<b>50,193</b>	<b>(13,482)</b>	<b>36,711</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>50,350</b>	<b>(2,554)</b>	<b>47,796</b>

## Comprehensive Income and Expenditure Statement

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
0	(28,165)	(28,165)	Recognised Capital Grants & Contributions		0	(25,304)	(25,304)
0	(326,291)	(326,291)	Revenue Support Grant	32	0	(322,851)	(322,851)
0	(109,695)	(109,695)	Non-Domestic Rates	9	0	(101,253)	(101,253)
779	(165,499)	(164,720)	Council Tax Income	8	1,834	(175,121)	(173,287)
0	(13,608)	(13,608)	Other Central Grants	32	0	(3,344)	(3,344)
<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>1,834</b>	<b>(627,873)</b>	<b>(626,039)</b>
		<b>6,923</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>301,405</b>
		(937)	Revaluation Gains	31			(134,348)
		2,844	Revaluation Losses	31			73,310
		412	Impairment losses on non-current assets charged to the Revaluation Reserve	20			591
		(2,521)	(Surplus)/Deficit on revaluation of available for sale financial assets	31			1,484
		51,492	Actuarial (gains)/losses on pension assets/liabilities	19			(12,346)
		<b>51,290</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(71,309)</b>
		<b>58,213</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>230,096</b>

## Balance Sheet

31 March 2015 Restated £000		Note	31 March 2016 £000
	<b>Property Plant &amp; Equipment:</b>	20	
569,012	Council Dwellings		529,464
765,665	Other Land and Buildings		744,171
14,989	Vehicles, Plant, Furniture & Equipment		15,446
308,666	Infrastructure		298,598
19,206	Community Assets		19,620
11,757	Assets under construction (AUC)		31,048
37,024	Surplus assets not held for sale		36,299
	<b>Heritage Assets</b>		
50,884	Heritage Assets	20	51,278
	<b>Investment Property</b>		
100,787	Investment Properties	20	110,471
	<b>Intangible Assets</b>		
4,346	Intangible assets including AUC	20	3,179
20,731	Long-term Investments		18,214
4,107	Long-term Debtors		6,081
<b>1,907,174</b>	<b>Total Long Term Assets</b>		<b>1,863,869</b>
42,122	Short-term Investments		54,215
3,040	Assets held for Sale	22	2,819
2,109	Inventories		2,139
91,045	Short-term Debtors	23	86,498
23,137	Cash and Cash Equivalents	24	17,352
<b>161,453</b>	<b>Total Current Assets</b>		<b>163,023</b>
(12,964)	Short-term Borrowing	21	(16,148)
(94,801)	Short-term Creditors	25	(85,297)
(2,830)	Pension Strain	28	(2,354)
(9,011)	Provisions	27	(10,486)
(1,024)	Deferred Liabilities	29	(986)
<b>(120,630)</b>	<b>Total Current Liabilities</b>		<b>(115,271)</b>
(464,808)	Long-term Borrowing	21	(659,408)
(31,399)	Provisions	27	(28,325)
(7,217)	Deferred Liabilities	29	(6,617)
(10,095)	Capital Contributions Receipts in Advance	32	(9,933)
(3,734)	Revenue Grants Receipts in Advance	32	(2,526)
(2,160)	Capital Grants Receipts in Advance	32	(1,791)

## Balance Sheet

31 March 2015 Restated £000		Note	31 March 2016 £000
(6,252)	Pensions Strain	28	(4,891)
(539,786)	Net Pensions Liability	19	(545,680)
<b>(1,065,451)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,259,171)</b>
<b>882,546</b>	<b>NET ASSETS</b>		<b>652,450</b>
	<b>Financed by:</b>		
13,154	Council Fund Balance		15,255
33,824	Council Fund Earmarked Reserves		51,637
8,438	Housing Revenue Account Balance		8,438
238	Housing Revenue Account Earmarked Reserves		954
1,336	Capital Receipts Reserve		5,423
<b>56,990</b>	<b>Usable Reserves</b>	30	<b>81,707</b>
201,371	Revaluation Reserve		254,122
1,164,708	Capital Adjustment Account		856,975
87	Deferred Capital Receipts		2,049
18,295	Available for Sale Financial Instruments Reserve		16,811
(2,367)	Financial Instruments Adjustment Account		0
(548,868)	Pensions Reserve		(552,925)
(7,670)	Accumulated Absences Adjustment Account		(6,289)
<b>825,556</b>	<b>Unusable Reserves</b>	31	<b>570,743</b>
<b>882,546</b>	<b>TOTAL RESERVES</b>		<b>652,450</b>



## Cash Flow Statement

2014/15 £000		Note	2015/16 £000
<b>6,923</b>	<b>Net (Surplus) /Deficit on the provision of services</b>		<b>301,405</b>
(89,240)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	34	(185,603)
19,305	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(177,892)
<b>(63,012)</b>	<b>Net cash flows from operating activities</b>		<b>(62,090)</b>
(1,112)	Interest Received		(1,196)
24,728	Interest Paid		30,034
(86,628)	Net cash flow from other operating activities		(90,928)
<b>67,618</b>	<b>Investing activities</b>		<b>276,948</b>
70,700	Purchase of property, plant and equipment, investment property and intangible assets		89,521
29,047	Purchase of short-term and long-term Investments		31,146
9,922	Other payments for investing activities		200,875
(5,774)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,814)
(33,754)	Capital Grants		(31,744)
(2,523)	Capital Contributions		(1,504)
0	Proceeds from short-term and long-term investments		(1,282)
0	Other receipts from investing activities		(250)
<b>14,018</b>	<b>Financing activities</b>		<b>(209,073)</b>
(5,700)	Cash receipts from short-term and long-term borrowing		(201,611)
0	Other receipts from financing activities		(13,454)
0	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
7,820	Repayments of short-term and long-term borrowing		5,992
11,898	Other payments for financing activities		0
<b>(18,624)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>5,785</b>
<b>41,761</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>23,137</b>
<b>23,137</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>17,352</b>
182	Cash		233
11,051	Bank (including cheque book schools)		13,108
11,904	Short-term deposits with banks and building societies		4,011

# Notes to the Core Financial Statements

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## Notes to the Core Financial Statements

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

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

2015/16	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of Non-Current Assets	44,012	12,134	0	(56,146)
Revaluation losses of Non-Current Assets	21,688	108,260	0	(129,948)
Reverse previous impairment on revaluation	(6,843)	(345)	0	7,188
Amortisation of Intangible Assets	1,104	120	0	(1,224)
Movements in the market value of Investment Properties	488	0	0	(488)
Movement in the value of Held for Sale Assets	904	0	0	(904)
Capital grants and contributions applied	(15,122)	(10,181)	0	25,303
Revenue expenditure funded from capital under statute	4,879	187,392	0	(192,271)
Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,938	522	0	(6,460)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(23,664)	(7,912)	0	31,576
Statutory repayment of debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the Council Fund and HRA balances	(1,136)	(4,818)	0	5,954
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(5,857)	5,857
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	32	(32)	0
Capital receipts set aside for the repayment of debt	48	0	(1,433)	1,385
<b>Adjustments involving the Revaluation Reserve</b>				
Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	(3,741)	(2,380)	11,371	(5,250)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(2,400)	33	0	2,367
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	57,077	2,814	0	(59,891)
Employer's contributions to the Pension Scheme	(39,020)	(2,630)	0	41,650
Pension strain future years	(1,781)	(56)	0	1,837
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on	(1,409)	28	0	1,381

## Notes to the Core Financial Statements

2015/16	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.				
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	38	(38)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	(2,000)	0	0	2,000
<b>Total Adjustments</b>	<b>39,022</b>	<b>283,013</b>	<b>4,087</b>	<b>(326,122)</b>

### Comparative Movements in 2014/15

2014/15	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation and impairment of Non-Current Assets	47,830	14,475	0	(62,305)
Revaluation losses of Non-Current Assets	780	1,380	0	(2,160)
Reverse previous impairment on revaluation	(950)	(1)	0	951
Amortisation of Intangible Assets	801	45	0	(846)
Movements in the market value of Investment Properties	(6,310)	80	0	6,230
Movement in the value of Held for Sale Assets	504	0	0	(504)
Capital grants and contributions applied	(16,685)	(11,480)	0	28,165
Revenue expenditure funded from capital under statute	396	353	0	(749)
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	268	1,145	0	(1,413)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(23,374)	(2,899)	0	26,273
Statutory repayment of Debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the Council Fund and HRA balances	(1,819)	(3,761)	0	5,580
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(4,753)	4,753
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	35	(35)	0
Capital Receipts set aside for the repayment of debt	113	0	(1,231)	1,118
<b>Adjustments involving the Revaluation Reserve</b>				

## Notes to the Core Financial Statements

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	(1,802)	(3,964)	5,939	(173)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	55,881	1,290	0	(57,171)
Employer's contributions to the Pension Scheme	(40,396)	(1,507)	0	41,903
Pension strain future years	844	(14)	0	(830)
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	884	(3)	0	(881)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	17	(17)
<b>Total Adjustments</b>	<b>16,625</b>	<b>(4,828)</b>	<b>(63)</b>	<b>(11,734)</b>

### 2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to fund future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2015/16.

	Balance 31 March 2015 £000	Contributions		Balance 31 March 2016 £000
		From Revenue £000	To Revenue £000	
<b>SCHOOLS BALANCES</b>				
Schools Reserves	(613)	4,011	(1,671)	1,727
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	95	509	(582)	22
	<b>(515)</b>	<b>4,520</b>	<b>(2,253)</b>	<b>1,752</b>
<b>SCHOOLS RESERVES</b>				
Schools Formula Funding	1,687	1,001	(760)	1,928
Out of School Childcare	111	25	(17)	119
Schools Catering	544	160	0	704
Schools Organisational Plan*	4,006	10,157	(6,040)	8,123
Special Educational Needs Unit	102	0	0	102
	<b>6,450</b>	<b>11,343</b>	<b>(6,817)</b>	<b>10,976</b>
<b>OTHER EARMARKED RESERVES</b>				
Apprenticeship	482	0	(55)	427

## Notes to the Core Financial Statements

	Balance 31 March 2015 £000	Contributions		Balance 31 March 2016 £000
		From Revenue £000	To Revenue £000	
Bereavement Services	21	227	(205)	43
Building Control Fee Earning	381	213	0	594
Bute Park Match Funding	228	0	(25)	203
Cardiff Academy Training	95	50	0	145
Cardiff Dogs Home Legacy	33	85	0	118
Cardiff Enterprise Zone	2,929	624	(38)	3,515
Cardiff Insurance	4,245	1,542	(3)	5,784
Central Market Minor Works	1	41	0	42
Central Transport Service	166	402	0	568
City Deal	150	18	(55)	113
City Wide Management and Initiatives	45	479	(45)	479
Community Based Transitional	474	0	0	474
Community Safety	30	51	0	81
Connect to Cardiff Refurbishment	120	0	(110)	10
Corporate Events and Cultural Services	0	680	0	680
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	125	148	(61)	212
Employee Changes	81	1,632	(81)	1,632
Energy Conservation	208	500	(190)	518
Energy/Carbon Reduction	789	0	(339)	450
Equal Pay	282	0	0	282
Flatholm	24	0	0	24
Fraud Detection	193	0	0	193
Harbour Authority	697	10	(63)	644
Highways Local Government Borrowing Initiative	1,047	1,047	(1,047)	1,047
HMO Licensing	63	0	0	63
Homelessness*	1,188	364	0	1,552
House Mortgage	29	0	0	29
Housing Options Centre *	694	501	(136)	1,059
Housing Support*	1,382	348	(326)	1,404
ICT Holding Account	206	582	(4)	784
Inspectorate Support	336	0	(28)	308
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	126	69	0	195
Kitchen Improvement	332	125	0	457
Legal Services	260	200	0	460
Local Lend a Hand Mortgage Scheme	132	45	0	177
Local Plan	170	0	(72)	98
Major Projects	1,705	0	(484)	1,221
Members Development	45	50	(14)	81
Municipal Election	293	351	(45)	599

## Notes to the Core Financial Statements

	Balance 31 March 2015 £000	Contributions		Balance 31 March 2016 £000
		From Revenue £000	To Revenue £000	
Non-Domestic Rates Due Diligence	60	0	0	60
Organisational Development Programme	1,232	106	(61)	1,277
Parking & Enforcement	69	4,957	(4,656)	370
Projects, Design & Development - Impact on Design	75	62	0	137
Public Service Board Initiative	46	0	0	46
Property Asset Management	22	107	0	129
Registration Service Improvement	46	0	0	46
Resources	992	664	(75)	1,581
Scrutiny Development & Training	72	10	0	82
Social Care Technology	761	0	0	761
Waste Management/Prosiect Gwyrdd	2,020	1,704	(1,154)	2,570
Welfare Reform	1,608	1,799	0	3,407
Workshops Asset Maintenance	12	0	0	12
Youth and Community Education	259	190	0	449
	<b>27,562</b>	<b>19,983</b>	<b>(9,372)</b>	<b>38,173</b>
<b>CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES</b>				
Central South Consortium	170	0	(28)	142
Glamorgan Archives	98	0	(1)	97
Prosiect Gwyrdd	37	24	0	61
Regional Adoption Service	0	50	0	50
Shared Regulatory Service	0	386	0	386
Welsh Purchasing Consortium	22	0	(22)	0
	<b>327</b>	<b>460</b>	<b>(51)</b>	<b>736</b>
<b>Total Council Fund Reserves</b>	<b>33,824</b>	<b>36,306</b>	<b>(18,493)</b>	<b>51,637</b>
<b>HOUSING REVENUE ACCOUNT (HRA) RESERVES</b>				
Repairs & Building Maintenance Services	0	516	0	516
IT Reserve	238	0	0	238
Tackling Overcrowding	0	200	0	200
<b>Total HRA Reserves</b>	<b>238</b>	<b>716</b>	<b>0</b>	<b>954</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>34,062</b>	<b>37,022</b>	<b>(18,493)</b>	<b>52,591</b>

\* Reserves that had previously been temporarily utilised to fund voluntary severance costs have now been fully repaid.

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

The **Schools' Balances** figure of £1.727 million debit consists of two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2016 Schools' own balances, including the balances of nursery schools amounted to a surplus of £2.521 million for **individual schools** (£1.287 million in 2014/15 surplus). However, a deficit balance of £794,000 (£1.9 million in 2014/15) exists, which is the amount of severance and exit costs paid out in 2014/15 remaining to be paid back by schools over the next two financial years. In addition, the Council has established reserves to allow for contingencies affecting schools. Details of individual school balances will be available from 30 September 2016 on the Council's Schools Budget Forum website.

## Notes to the Core Financial Statements

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

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

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

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

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

**Central Transport Service Reserve** - to fund initiatives and costs in connection with the Council's vehicle fleet management.

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

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

**Energy Conservation Reserve** - to fund initiatives in connection with energy conservation.

**Harbour Authority Project & Contingency Fund** - to fund initiatives and one-off costs in connection with the Cardiff Harbour Authority.

**Highways Local Government Borrowing Initiative Reserve** - to fund future years' revenue borrowing costs arising from the Welsh Government Local Government Borrowing Initiative for Highways.

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

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

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

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

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

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

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



## Notes to the Core Financial Statements

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

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

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

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

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

### Parking & Enforcement Reserve

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.

2014/15 £000		2015/16 £000
	<b>Income</b>	
(3,917)	On-street pay car parking fees	(4,271)
(2,077)	Penalty charge notices	(2,085)
(254)	Residents parking permits	(309)
(667)	Off-Street car parking fees	(805)
(848)	Moving Traffic Offences	(2,840)
(54)	Other income	(2)
<b>(7,817)</b>	<b>Total Income</b>	<b>(10,312)</b>
	<b>Expenditure</b>	
1,341	Operational costs and Traffic Regulation Orders	1,484
2,602	Enforcement service	3,871
<b>3,943</b>	<b>Total Expenditure</b>	<b>5,355</b>
<b>(3,874)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(4,957)</b>
	Appropriations to Parking Reserve:	
<b>121</b>	<b>Balance 1 April 2015</b>	<b>69</b>
3,874	Contributions from CPE	4,957
(3,926)	Contributions to revenue*	(4,656)
<b>69</b>	<b>Balance 31 March 2016</b>	<b>370</b>

\* Eligible expenditure totalling £4.656 million was drawn down from the reserve leaving a balance of £370,000 at the 31 March 2016. The budgeted drawdown of £4.656 million was used to support a range of Council services including on-going support and improvements to transport, parking, highways and environmental services.

### 3. Non-Distributed Costs and Exceptional Items

Non-Distributed Costs (NDC) amount includes expenditure of £3.419 million in relation to IAS 19 past service costs, £4.084 million in relation to accommodation and income of £49,000 income in relation to Carbon Reduction.

The Exceptional Item in 2015/16 amounts to £187.392 million and relates to the Council's settlement payment to Welsh Government to facilitate the exit of the HRA Subsidy System. Whilst this means that the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council will have to pay additional costs for the borrowing undertaken to fund this payment. This includes additional costs for interest and also setting aside from any income additional amounts for reducing the amount borrowed and outstanding. Any financial benefit from this transaction on an ongoing basis is proposed to be re-invested into the housing stock.

### 4. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice 2015/16. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

The service analysis, HRA and Harbour figures in the first two columns of the reconciliation to subjective analysis tables on pages 52 to 53 are based on the reported Outturn for Council Fund services which was reported to the Cabinet Meeting of the Council in June 2016. The Outturn for the Housing Revenue Account (HRA) is reported separately at the same meeting. These figures include some depreciation charges and the corresponding reversing entry which is required in order to neutralise the impact on Council Tax.

#### Not included in Net Cost of Services

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

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

#### Amounts not reported to management for decision making

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

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

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

Other items include:

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

## Notes to the Core Financial Statements

### Adjustment for recharges

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

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

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

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

2014/15 £000		2015/16 £000
583,547	Net expenditure in Service Area Analysis (including Harbour)	568,523
(314)	Services not included in Service Area Analysis (HRA)	0
(16,893)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	388,983
6,888	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(121,630)
0	Amounts in respect of presentation of internal recharges	0
<b>573,228</b>	<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>835,876</b>

The income and expenditure of the Council's principal Directorates recorded in the budget reports for 2015/16 is as follows:

	Social Services £000	Education* £000	City Operations £000	Economic Development £000	Communities, Housing & Customer Services £000	Resources £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,011)	(23,094)	(46,757)	(30,442)	(7,403)	(6,239)	(5,488)	<b>(125,434)</b>
Government grants	(13,530)	(53,781)	(28,058)	(930)	(178,878)	(14,905)	(11,001)	<b>(301,083)</b>
<b>Total Income</b>	<b>(19,541)</b>	<b>(76,875)</b>	<b>(74,815)</b>	<b>(31,372)</b>	<b>(186,281)</b>	<b>(21,144)</b>	<b>(16,489)</b>	<b>(426,517)</b>
Employee expenses	32,738	229,958	50,223	12,116	23,347	30,639	8,957	<b>387,978</b>
Other service expenses	127,347	77,957	66,801	20,915	209,044	20,164	83,222	<b>605,450</b>
Support service recharges	1,521	3,439	7,693	459	(20)	(14,059)	2,579	<b>1,612</b>
<b>Total Expenditure</b>	<b>161,606</b>	<b>311,354</b>	<b>124,717</b>	<b>33,490</b>	<b>232,371</b>	<b>36,744</b>	<b>94,758</b>	<b>995,040</b>
<b>Net Expenditure</b>	<b>142,065</b>	<b>234,479</b>	<b>49,902</b>	<b>2,118</b>	<b>46,090</b>	<b>15,600</b>	<b>78,269</b>	<b>568,523</b>

\*Staff employed at Voluntary Aided/Foundation schools are not employees of the Authority. However, within the figures above they have been included as if they were.

## Notes to the Core Financial Statements

Comparative data for 2014/15 is as follows:

	Social Services £000	Education* £000	City Operations £000	Economic Development £000	Communities, Housing & Customer Services £000	Resources £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,359)	(28,590)	(45,493)	(28,773)	(15,810)	(7,477)	(4,978)	(137,480)
Government grants	(12,947)	(50,225)	(13,443)	(917)	(180,359)	(15,752)	(11,123)	(284,766)
<b>Total Income</b>	<b>(19,306)</b>	<b>(78,815)</b>	<b>(58,936)</b>	<b>(29,690)</b>	<b>(196,169)</b>	<b>(23,229)</b>	<b>(16,101)</b>	<b>(422,246)</b>
Employee expenses	36,902	233,386	58,372	12,516	29,351	33,247	9,447	413,221
Other service expenses	123,010	70,650	59,133	20,301	213,272	22,891	82,175	591,432
Support service recharges	1,977	5,537	7,947	495	578	(14,265)	(1,129)	1,140
<b>Total Expenditure</b>	<b>161,889</b>	<b>309,573</b>	<b>125,452</b>	<b>33,312</b>	<b>243,201</b>	<b>41,873</b>	<b>90,493</b>	<b>1,005,793</b>
<b>Net Expenditure</b>	<b>142,583</b>	<b>230,758</b>	<b>66,516</b>	<b>3,623</b>	<b>47,031</b>	<b>18,644</b>	<b>74,393</b>	<b>583,547</b>

\*Staff employed at Voluntary Aided/Foundation schools are not employees of the Authority. However, within the figures above they have been included as if they were.

## Notes to the Core Financial Statements

### Reconciliation to Subjective Analysis

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

2015/16	Directorate analysis (including Harbour) £000	HRA £000	Not included in Net Cost of Services £000	Allocation of recharges £000	Not reported to management for decision making £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(106,399)	(67,139)	(4,587)	166,029	(187,091)	<b>(199,187)</b>	0	<b>(199,187)</b>
Interest & investment income	(999)	(72)	1,067	0	4	0	(1,462)	<b>(1,462)</b>
Income from Council Tax	0	0	0	0	0	0	(173,288)	<b>(173,288)</b>
Government grants & contributions	(301,083)	(643)	29,095	0	(33,736)	<b>(306,367)</b>	(452,751)	<b>(759,118)</b>
Capital Financing reversals (Net)	(18,036)	(32)	18,068	0	0	0	0	0
Gain/loss on disposal of non-current assets	0	0	1,479	0	(1,479)	0	(1,196)	<b>(1,196)</b>
<b>Total Income</b>	<b>(426,517)</b>	<b>(67,886)</b>	<b>45,122</b>	<b>166,029</b>	<b>(222,302)</b>	<b>(505,554)</b>	<b>(628,697)</b>	<b>(1,134,251)</b>
Employee expenses	387,977	17,247	0	(12,129)	17,949	<b>411,044</b>	0	<b>411,044</b>
Other service expenses	505,832	17,750	(728)	(84,819)	110,836	<b>548,871</b>	0	<b>548,871</b>
Support service recharges	1,612	6,458	(19,032)	(61,893)	72,855	0	0	0
Depreciation, amortisation, impairment & REFCUS	0	0	0	(7,188)	388,703	<b>381,515</b>	0	<b>381,515</b>
Interest payments	19,137	13,015	(32,152)	0	0	0	32,152	<b>32,152</b>
Interest on net defined benefit liability/asset	0	0	(16,610)	0	16,610	0	16,618	<b>16,618</b>
Precepts & levies	16,798	0	(16,798)	0	0	0	44,968	<b>44,968</b>
Change in fair value of investment properties	0	0	(488)	0	488	0	488	<b>488</b>
Capital financing	63,684	13,416	(77,479)	0	379	0	0	0
<b>Total expenditure</b>	<b>995,040</b>	<b>67,886</b>	<b>(163,287)</b>	<b>(166,029)</b>	<b>607,820</b>	<b>1,341,430</b>	<b>94,226</b>	<b>1,435,656</b>
<b>(Surplus)/deficit on provision of services</b>	<b>568,523</b>	<b>0</b>	<b>(118,165)</b>	<b>0</b>	<b>385,518</b>	<b>835,876</b>	<b>(534,471)</b>	<b>301,405</b>

## Notes to the Core Financial Statements

2014/15	Directorate analysis (including Harbour) £000	HRA £000	Not included in Net Cost of Services £000	Allocation of recharges £000	Not reported to management for decision making £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(109,208)	(64,674)	2,097	168,892	(183,915)	<b>(186,808)</b>	0	<b>(186,808)</b>
Interest & investment income	(165)	(65)	68	0	162	<b>0</b>	(1,091)	<b>(1,091)</b>
Income from Council Tax	0	0	0	0	0	<b>0</b>	(164,720)	<b>(164,720)</b>
Government grants & contributions	(284,766)	(748)	12,262	0	(16,270)	<b>(289,522)</b>	(477,759)	<b>(767,281)</b>
Capital Financing reversals (Net)	(28,107)	(481)	23,224	0	5,364	<b>0</b>	0	<b>0</b>
Change in fair value of investment properties	0	0	(80)	0	80	<b>0</b>	(6,230)	<b>(6,230)</b>
Gain/loss on disposal of fixed assets	0	0	(4,189)	0	4,189	<b>0</b>	(4,188)	<b>(4,188)</b>
<b>Total Income</b>	<b>(422,246)</b>	<b>(65,968)</b>	<b>33,382</b>	<b>168,892</b>	<b>(190,390)</b>	<b>(476,330)</b>	<b>(653,988)</b>	<b>(1,130,318)</b>
Employee expenses	413,221	10,487	0	(14,723)	15,253	<b>424,238</b>	0	<b>424,238</b>
Other service expenses	498,663	37,910	(1,870)	(96,608)	122,359	<b>560,454</b>	0	<b>560,454</b>
Support service recharges	1,140	5,789	(2,111)	(56,611)	51,793	<b>0</b>	0	<b>0</b>
Depreciation, amortisation, impairment & REFCUS	0	0	0	(950)	65,816	<b>64,866</b>	0	<b>64,866</b>
Interest payments	19,818	4,806	(4,806)	0	(19,818)	<b>0</b>	24,616	<b>24,616</b>
Interest on net defined benefit liability/asset	0	0	0	0	0	<b>0</b>	19,416	<b>19,416</b>
Precepts & levies	16,984	0	0	0	(16,984)	<b>0</b>	43,651	<b>43,651</b>
Capital financing	55,967	6,662	(17,707)	0	(44,922)	<b>0</b>	0	<b>0</b>
<b>Total expenditure</b>	<b>1,005,793</b>	<b>65,654</b>	<b>(26,494)</b>	<b>(168,892)</b>	<b>173,497</b>	<b>1,049,558</b>	<b>87,683</b>	<b>1,137,241</b>
<b>(Surplus)/deficit on provision of services</b>	<b>583,547</b>	<b>(314)</b>	<b>6,888</b>	<b>0</b>	<b>(16,893)</b>	<b>573,228</b>	<b>(566,305)</b>	<b>6,923</b>

## Notes to the Core Financial Statements

### 5. Harbour Authority & Associated Activities

Income, expenditure and assets relating to functions transferred to the Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000 are included within the Council's overall accounts. However a separate set of accounts are required to be prepared in accordance with the Harbours Act 1964 and can be seen from page 187. It should be noted that the Harbour Authority accounts have been prepared on a Companies Act 2006 basis and not in accordance with the Code.

### 6. Precepts and Levies

	2014/15 £000	2015/16 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	26,411	27,880
Community Councils:		
Lisvane	34	34
Pentyrch	80	85
Radyr	79	108
St Fagans	18	18
Old St Mellons	26	26
Tongwynlais	19	19
	<b>26,667</b>	<b>28,170</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire & Rescue Service	16,650	16,507
Natural Resources Wales	171	141
Cardiff Port Health Authority	158	144
Newport Health Authority	5	6
	<b>16,984</b>	<b>16,798</b>

### 7. Participation in Joint Committees

During 2015/16 the Council was lead Authority (\*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees:

Committee	Purpose	2014/15 £000	2015/16 £000
Glamorgan Archives*	Management and administration of the Glamorgan Records Office (GRO)	218	218
Prosiect Gwyrdd*	To manage residual waste treatment facility	26	49
Welsh Purchasing Consortium*	Deliver joint, collaborative contracts and frameworks for procurement of goods and services	12	0
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	1,550	1,571
Regional Adoption Service	To develop and improve adoption services and share best practice	0	393
Shared Regulatory Service	To provide a shared regulatory service to Bridgend, Cardiff and the Vale of Glamorgan	0	5,100
<b>Total</b>		<b>1,806</b>	<b>7,331</b>

The Council has included its share of the transactions and balances of each Joint Committee in its 2015/16 accounting statements on a line-by-line basis.

## Notes to the Core Financial Statements

### 8. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police and Crime Commissioner for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2015/16 was 139,500 (138,759 for 2014/15).

The amounts for a band D property in Cardiff during 2015/16 were as follows:

Band D Council Tax:	2014/15 £	2015/16 £
Cardiff Council	974	1,022
Police and Crime Commissioner for South Wales	190	200
<b>TOTAL</b>	<b>1,164</b>	<b>1,222</b>

The above amount (£1,222) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from council tax:

	2014/15 £000	2015/16 £000
Council Tax collectable	(165,499)	(175,121)
Provision for non-payment of Council Tax	779	1,834
<b>Net proceeds from Council Tax</b>	<b>(164,720)</b>	<b>(173,287)</b>

The net proceeds from Council Tax figure of £173.287 million includes precepts of £28.170 million and a transfer to the bad debt provision of £1.055 million. This remaining balance of £144.062 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2015/16.

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

31 March 2015 £000		31 March 2016 £000
(5,596)	Council Tax Bad Debt Provision	(4,915)

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

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.2p in 2015/16 and 47.3p in 2014/15) and, subject to the effects of transitory arrangements; local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to local Authorities on the basis of a fixed amount per head of population.

The NDR income of £193.334 million for 2015/16 (£178.576 million for 2014/15) was based on a total rateable value of £476.309 million for 2015/16 (£467.399 million for the year 2014/15).



## Notes to the Core Financial Statements

Analysis of the net proceeds from non-domestic rates:

	2014/15 £000	2015/16 £000
Non-Domestic Rates collectable	178,576	193,334
Cost of collection allowance	(879)	(886)
Provision for non payment of NDR	(4,305)	(3,774)
<b>Payment into national pool</b>	<b>173,392</b>	<b>188,674</b>
<b>Redistribution from national pool</b>	<b>(109,695)</b>	<b>(101,253)</b>

### 10. Agency Income & Expenditure

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

#### Welsh Government

- Non Domestic Rates collection. A net debtor of £8.773 million at 31 March 2016 (£22.227 million at 31 March 2015) 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 2016 the Welsh Government had provided £3.236 million of funding of which £2.040 million is outstanding as loans provided. The balance available for new loans was £1.196 million (£68,000 at 31 March 2015).
- Home Improvement loans - provide loans for home improvements. At 31 March 2016 the Welsh Government had provided £1.062 million of funding. No loans have been issued by the Council to date. This was a new allocation in 2015/16.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £445,000 in 2015/16 (£538,000 in 2014/15).

### 11. Remuneration

**11.1.** The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2015/16 was 1:8. The median full time equivalent earnings for 2015/16 was £20,849.

**11.2.** The Accounts and Audit (Wales) Regulations 2014 also requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff that falls within this category including teaching staff and those whose remuneration is disclosed in more detail in [note 11.3](#).

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

The figures also include individuals directly employed by the governing bodies of several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, rather than by the Council. The employee costs relating to these individuals are included with the Authority's Net Cost of Services and, therefore, these individuals are included in the table below.

## Notes to the Core Financial Statements

Remuneration band £	Number of Employees	
	2014/15	2015/16
60,000-64,999	90	46
65,000-69,999	28	44
70,000-74,999	8	14
75,000-79,999	15	4
80,000-84,999	6	10
85,000-89,999	6	3
90,000-94,999	8	3
95,000-99,999	0	3
100,000-104,999	2	0
105,000-109,999	2	2
110,000-114,999	1	1
115,000-119,999	10	1
120,000-124,999	1	8
125,000-129,999	0	1
130,000-134,999	0	0
135,000-139,999	1	0
140,000-144,999	1	0
145,000-149,999	0	1
150,000-154,999	1	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	1	0
170,000-174,999	0	2
175,000-179,999	1	0
180,000-184,999	0	0

**11.3.** Further disclosure is required in respect of the individual remuneration details of senior employees (Directors, Assistant Directors and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000, identified by job title. Employees whose salary is £150,000 or more on an annualised basis are required to be identified by name. These figures also contain the cost of the additional contributions the Authority is required to make to the Pension Fund in respect of the individuals who are leaving the Authority. In the table this has been called Enhancement of Retirement Benefits but this is also known as the Pension Strain cost.

No bonuses have been paid during 2015/16 (2014/15 - £nil)

The following persons fell within this definition for 2015/16:

## Notes to the Core Financial Statements

2015/16	£ Salary, fees and allowances	£ Taxable benefits	Compensation for loss of employment			Employers pension contribution (23.9% of salary)	£ Total
			Received via payroll (taxable) (a)	Received via creditors (non taxable)	Enhancement of Retirement Benefits		
Post title	£	£	£	£	£	£	£
Paul Orders, Chief Executive	170,000	0	0	0	0	38,930	208,930
Corporate Director Resources & Section 151 Officer (a)	130,000	0	0	0	0	29,770	159,770
Assistant Director Children's Services (Commenced 27/04/2015) (b)	129,800	0	0	0	0	0	129,800
Director Education & Lifelong Learning	120,000	55	0	0	0	27,480	147,535
Director Social Services, Director Children's Services (c)	120,000	47	0	0	0	27,480	147,527
Director Communities, Housing & Customer Services	120,000	0	0	0	0	27,480	147,480
Director Economic Development	120,000	0	0	0	0	27,480	147,480
Director City Operations, Director Strategic Planning, Highways, Traffic & Transport (d)	120,000	0	0	0	0	27,480	147,480
Director Governance & Legal Services, County Clerk & Monitoring Officer (e)	110,000	0	31,000	30,000	0	24,287	195,287
Assistant Director Education & Lifelong Learning	81,989	64	0	0	0	18,776	100,829
Assistant Director Housing & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Customer Services & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Environment	81,989	0	0	0	0	18,776	100,765
Chief HR Officer	81,989	0	0	0	0	18,417	100,406
County Solicitor (Leaving Date 12/09/2015) (f)	60,129	0	0	2,138	0	12,366	74,633
Interim Assistant Director Adult Services (Commenced 05/08/2015) (g)	53,523	0	0	0	0	12,257	65,780
Head of Service, Finance (Commenced 10/08/2015) (h)	52,426	0	0	0	0	12,087	64,513
Chief Officer Change & Improvement (Leaving Date 20/09/2015) (i)	38,922	0	0	0	0	8,913	47,835
Director Sport, Leisure & Culture (Leaving Date 24/07/2015) (j)	37,742	2	0	19,594	169,553	8,643	235,534
Director Environment (Leaving Date 24/07/2015) (k)	36,361	4	0	7,125	0	8,643	52,133
Director Health & Social Care (Leaving Date 24/07/2015) (l)	36,135	40	0	10,688	82,861	8,643	138,367
Head of Performance & Partnerships (Commenced 15/02/2016) (m)	10,317	0	0	0	0	2,363	12,680
Interim Monitoring Officer (Commenced 01/03/2016) (n)	6,800	0	0	0	0	1,557	8,357

## Notes to the Core Financial Statements

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

### Comparative Data for 2014/15

2014/15  Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment		Employers pension contribution (23.9% of salary) £	£ Total
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £		
Paul Orders, Chief Executive	166,937	0	0	0	38,228	205,165
Corporate Director Resources & Section 151 Officer (a)	127,658	0	0	0	29,233	156,891
Director Children's Services	118,551	20	0	0	26,985	145,556
Director Education & Lifelong Learning	117,990	59	0	0	26,985	145,034
Director Health & Social Care	118,008	8	0	0	26,985	145,001
Director Environment	117,962	42	0	0	26,985	144,989
Director Communities, Housing & Customer Services	117,838	0	0	0	26,985	144,823
Director Sport, Leisure & Culture	117,838	0	0	0	26,985	144,823
County Clerk & Monitoring Officer	117,838	0	0	0	26,985	144,823
Director Strategic Planning, Highways, Traffic & Transport	117,838	0	0	0	26,985	144,823
County Solicitor	117,838	0	0	0	26,985	144,823
Director Economic Development	117,378	0	0	0	26,880	144,258
Assistant Director Environment	78,559	399	0	0	17,990	96,948

## Notes to the Core Financial Statements

2014/15	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.9% of salary)	Total
			Received via payroll (taxable) (a)	Received via creditors (non taxable)		
Post title						
Assistant Director Housing & Communities	78,559	0	0	0	17,990	96,548
Assistant Director Customer Services & Communities	78,559	0	0	0	17,990	96,548
Chief Officer Change & Improvement	78,559	0	0	0	17,990	96,548
Chief HR Officer	78,252	0	0	0	17,920	96,172
Assistant Director Education & Lifelong Learning (Commenced 01.09.2014) (a)	45,405	0	0	0	10,398	55,803

- a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £13,080 (£1,957 in 2013/14).
- b) Assistant Director Education & Lifelong Learning commenced 01/09/2014. Annualised Salary £77,838.

As the result of a one-off budget saving implemented for 2014/15 all Council officers' salaries were reduced by 1.8% in 2014/15. Therefore none of the officers identified above achieved their normal annualised salaries in 2014/15. Normal annualised salaries for the officers identified above would have been as follows:

- Chief Executive - £170,000
- Corporate Director Resources - £130,000
- Directors, County Clerk & Monitoring Officer, County Solicitor - £120,000
- Assistant Directors & Chief Officers - £80,000

### 11.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies for 2014/15 and 2015/16 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. In comparing year-on-year figures, it should be noted that, following a review of the voluntary severance scheme, the multiplier used against the statutory scheme reduced from 3 to 1.5, as of 1 April 2015.

2015/16	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
Exit package cost band (including special payments)				
£0 - £20,000	27	100	127	857,681
£20,001 – £40,000	2	28	30	824,167
£40,001 – £60,000	2	8	9	445,424
£60,001 – £80,000	0	2	3	187,296
£80,001 – £100,000	1	1	2	190,626
£100,001 – £150,000	0	0	0	0

## Notes to the Core Financial Statements

2015/16 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	£ Total cost of exit packages in each band
£150,001 – £200,000	1	0	1	189,147
<b>Total</b>	<b>33</b>	<b>139</b>	<b>172</b>	<b>2,694,341</b>

2014/15 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	£ Total cost of exit packages in each band
£0 - £20,000	36	295	331	2,841,328
£20,001 – £40,000	21	215	236	6,512,672
£40,001 – £60,000	2	46	48	2,363,107
£60,001 – £80,000	1	15	16	1,123,442
£80,001 – £100,000	0	12	12	1,088,877
£100,001 – £150,000	2	7	9	1,067,185
<b>Total</b>	<b>62</b>	<b>590</b>	<b>652</b>	<b>14,996,611</b>

### 11.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2015/16 was £1,293,164 (£1,289,268 in 2014/15). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances, and expenses which are directly reimbursed.

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

The Cardiff and Vale Joint Equipment Store 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 Authority's transactions are included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2016 is as follows:

2014/15 £000		2015/16 £000
	<b>Expenditure</b>	
1,639	Equipment	1,685
124	Contribution to Overheads	124
<b>1,763</b>	<b>Total Expenditure</b>	<b>1,809</b>
	<b>Funding</b>	
1,194	Cardiff and Vale University Health Board	1,214
418	Cardiff Council	405
277	Vale of Glamorgan Council	259
<b>1,889</b>	<b>Total Funding</b>	<b>1,878</b>
<b>126</b>	<b>Surplus transferred to JES Partnership Reserve</b>	<b>69</b>

## Notes to the Core Financial Statements

### 13. Related Parties

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

**Central Government** has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in [note 32](#) on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in [note 32](#).

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2015/16 is shown in [note 11](#). Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2015/16, goods and services totalling £7,054,814 were commissioned from companies in which members had an interest (£8,065,836 in 2014/15). Grants totalling £1,798,344 (£2,627,448 in 2014/15) were paid to voluntary organisations in which members had an interest.

**Officer's** emoluments are shown in [note 11](#) to the Core Financial Statements. In 2015/16, goods and services of £1,423 were commissioned from companies in which Chief Officers had an interest. (£nil in 2014/15).

**Subsidiary Companies** - the Council has three subsidiary companies, Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. Details of transactions with these companies are shown in [note 26](#) to the Core Financial Statements.

**Cardiff Medicentre** was a joint venture between the Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. Details of transactions with Medicentre are shown in [note 26](#) to the Core Financial Statements. The Council disposed of its interest in the Medicentre on 31 March 2016.

**Pension Fund** contributions paid to the Pension Fund are shown in [note 19](#) to the Core Statements.

**Precepts and Levies** – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in [note 6](#) to the Core Financial Statements. This includes the precept for the Police and Crime Commissioner for South Wales. In addition to this, the Council made payments of £135,000 to Police and Crime Commissioner for South Wales during 2015/16 (£197,000 in 2014/15).

#### Related Party Balances

The following balances were held in respect of related parties:

31 March 2015			31 March 2016	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
30,604	(5,675)	Central Government Grants	18,415	(5,484)
29	(117)	Cardiff City Transport Services Ltd	0	(87)
144	(55)	Medicentre/CBTC/Cardiff Business Council	1	0
3	0	Chief Officers and above – outstanding car loan balances	1	0
0	0	Precepting Bodies	0	0
185	(26)	Companies in which members' interests declared/other	204	(5)

## Notes to the Core Financial Statements

### 14. External Audit Costs

	2014/15 £000	2015/16 £000
Fees payable to Wales Audit Office for external audit services	421	400
Fees payable to Wales Audit Office for the certification of grant claims and returns	118	84
<b>Total</b>	<b>539</b>	<b>484</b>

### 15. Trading Accounts Summary

The following table summarises the results of the Council's trading activities in those areas where it is operating in a commercial environment. The following figures have been compiled in accordance with the requirements of the 2015/16 Code and SERCOP. Net capital charges, which include depreciation and impairment, are shown separately.

	2014/15 Restated	2015/16			
	Trading (Surplus) /Deficit	Income	Net Capital Charges	Other Expenditure	Trading (Surplus) /Deficit
	£000	£000	£000	£000	£000
Bereavement & Registration	220	(3,318)	1,661	3,201	<b>1,544</b>
Cardiff Castle	(357)	(3,414)	(83)	2,853	<b>(644)</b>
Commercial Catering	(38)	(1,500)	0	1,270	<b>(230)</b>
Land & Buildings & Workshops	(3,076)	(5,732)	2,087	1,953	<b>(1,692)</b>
Leisure Centres	7,279	(5,663)	3,769	9,953	<b>8,059</b>
New Theatre	1,019	(5,022)	577	5,513	<b>1,068</b>
Non Housing Building Maintenance	(282)	(12,852)	0	12,345	<b>(507)</b>
Non Schools Cleaning	163	(5,603)	0	5,467	<b>(136)</b>
Schools Catering	593	(9,864)	(77)	9,989	<b>48</b>
St. David's Hall	2,323	(6,481)	1,390	7,781	<b>2,690</b>
Other Trading Accounts*	5,803	(13,948)	1,267	18,067	<b>5,386</b>
<b>Total</b>	<b>13,647</b>	<b>(73,397)</b>	<b>10,591</b>	<b>78,392</b>	<b>15,586</b>

\* Other trading accounts totalled 14 in 2015/16 (15 in 2014/15).

Community Maintenance Services is no longer treated as a trading account and the Education and Non-Schools Cleaning were merged in 2015/16.

### 16. Leasing

#### Authority as Lessee

#### **Operating leases**

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2015/16:



## Notes to the Core Financial Statements

	2014/15 Restated £000	2015/16 £000
Property leases	1,886	1,553
Other leases	1,371	2,365

The Council was committed at 31 March 2016 to making payments of £3.700 million under operating leases in 2016/17 (£2.912 million at 31 March 2015 for 2015/16) comprising the following elements:

	2014/15		2015/16	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	8	433	0	131
Leases expiring between 2 and 5 years	583	797	518	1,979
Leases expiring after 5 years	1,091	0	905	167

### Finance Leases

There were no finance leases at 31 March 2016 (none in 2014/15) and there are no future obligations under finance leases.

### Authority as Lessor

#### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £6.352 million in 2015/16 (£5.903 million in 2014/15)

The Council was committed as at 31 March 2016 to receiving income of £5.856 million (£5.377 million as at 31 March 2015) under operating leases for Land & Buildings comprising the following elements:

	2014/15 £000	2015/16 £000
Leases expiring within 1 year	863	221
Leases expiring between 2 and 5 years	641	1,171
Leases expiring after 5 years	3,873	4,464

### Finance Leases

The Council does not provide any leases of this type.

### 17. Investment Properties

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

	2014/15 £000	2015/16 £000
Rental income from investment property	(5,166)	(5,511)
Direct operating expenses arising from investment property	1,911	1,861
<b>Net (gain) / loss</b>	<b>(3,255)</b>	<b>(3,650)</b>

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

### 18. Prudent Revenue Provision

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

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

	2014/15 £000	2015/16 £000
Non Housing revenue provision	23,374	23,664
Housing Revenue Account provision	2,899	7,912
<b>Prudent revenue provision</b>	<b>26,273</b>	<b>31,576</b>

The increase in the provision for HRA is in relation to borrowing undertaken to meet the settlement payment to exit the housing subsidy system.

### 19. Pensions

#### Participation in Pension Schemes

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

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

- Teachers' Pension Scheme
- The Local Government Pension Scheme

#### The Teachers' Pension Scheme

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

In 2015/16 the Council paid £17.499 million in respect of teachers' pension costs, which represents 15.5% of teachers' pensionable pay (£15.917 million representing 14.1% of teachers' pensionable pay in 2014/15) In addition, the Authority is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

#### The 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, for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Authority and

## Notes to the Core Financial Statements

the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

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

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

### Transactions relating to retirement benefits

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

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

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

	2014/15			2015/16		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
<b>Comprehensive Income Expenditure Statement (CI&amp;E Statement)</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	34,857	0	<b>34,857</b>	40,082		<b>40,082</b>
Past Service Costs	2,778	120	<b>2,898</b>	2,666	720	<b>3,386</b>
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)	17,876	1,540	<b>19,416</b>	15,438	1,180	<b>16,618</b>
<b>Net charge to C I&amp;E Statement</b>	<b>55,511</b>	<b>1,660</b>	<b>57,171</b>	<b>58,186</b>	<b>1,900</b>	<b>60,086</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(55,511)	(1,660)	<b>(57,171)</b>	(58,186)	(1,900)	<b>(60,086)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	38,403	0	<b>38,403</b>	38,535	0	<b>38,535</b>
Payments in respect of	0	3,500	<b>3,500</b>		3,310	<b>3,310</b>

## Notes to the Core Financial Statements

	2014/15			2015/16		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
unfunded pensions liabilities *						
	<b>38,403</b>	<b>3,500</b>	<b>41,903</b>	<b>38,535</b>	<b>3,310</b>	<b>41,845</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 Taff (RCT) Council on behalf of the Council.

### Contributions for year ending 31 March 2017

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2017 are estimated to be £36.61 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 2017 the Council expects to pay £3.31 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The latest actuarial valuation of the County Council of the City and County of Cardiff's liabilities in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2013. The latest actuarial valuation of unfunded benefits took place as at 31 March 2016.

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

#### (a) Principal financial assumptions

	31 March 2015 % pa	31 March 2016 % pa
Rate of inflation - RPI	2.9	2.9
Rate of inflation - CPI	1.8	1.8
Rate of general increase in salaries *	2.8	2.8
Rate of increase to pensions in payment**	1.8	1.8
Rate of increase to deferred pensions	1.8	1.8
Discount rate for scheme liabilities	3.2	3.4

\*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2013 valuation

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

#### (b) Mortality assumptions

	31 March 2015		31 March 2016	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.8	26.7	23.8	26.8
Currently age 45	25.8	29.0	25.9	29.1

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

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

## Notes to the Core Financial Statements

### Asset Allocation

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

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

	31 March 2015	31 March 2016		
	Approx. split of assets %	Quoted %	Unquoted %	Total %
Equities	77.4	70.1	5.0	75.1
Property	5.9	7.3	0	7.3
Government Bonds	6.8	8.1	0	8.1
Corporate Bonds	7.9	7.2	0	7.2
Cash	1.7	2.3	0	2.3
Other *	0.3	0.0	0	0.0
<b>Total</b>	<b>100</b>	<b>95.0</b>	<b>5.0</b>	<b>100</b>

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

### Reconciliation of funded status to balance sheet

	31 March 2015			31 March 2016		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,027,052	0	<b>1,027,052</b>	1,014,120	0	<b>1,014,120</b>
Present value of liabilities	(1,528,588)	(38,250)	<b>(1,566,838)</b>	(1,513,150)	(46,650)	<b>(1,559,800)</b>
<b>Net pension asset/(liability)</b>	<b>(501,536)</b>	<b>(38,250)</b>	<b>(539,786)</b>	<b>(499,030)</b>	<b>(46,650)</b>	<b>(545,680)</b>

### Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2015			31 March 2016		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,344,170)	(38,450)	<b>(1,382,620)</b>	(1,528,588)	(38,250)	<b>(1,566,838)</b>
Current service cost	(34,858)	0	<b>(34,858)</b>	(40,082)	0	<b>(40,082)</b>
Interest cost	(56,995)	(1,540)	<b>(58,535)</b>	(48,345)	(1,180)	<b>(49,525)</b>
Contributions by participants	(9,882)	0	<b>(9,882)</b>	(9,802)	0	<b>(9,802)</b>

## Notes to the Core Financial Statements

Remeasurements in Other Comprehensive Income (OCI)	(128,181)	(1,640)	<b>(129,821)</b>	69,957	(9,810)	<b>60,147</b>
Net benefits paid out *	48,276	3,500	<b>51,776</b>	46,376	3,310	<b>49,686</b>
Past service cost	(2,778)	(120)	<b>(2,898)</b>	(2,666)	(720)	<b>(3,386)</b>
<b>Closing present value of liabilities</b>	<b>(1,528,588)</b>	<b>(38,250)</b>	<b>(1,566,838)</b>	<b>(1,513,150)</b>	<b>(46,650)</b>	<b>(1,559,800)</b>

\* Includes changes to the actuarial assumptions.

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

	<b>31 March 2015 Restated £000</b>	<b>31 March 2016 £000</b>
Opening fair value of assets	909,593	1,027,052
Interest income on assets	39,119	32,908
Remeasurement gains/(losses) on assets	78,330	(47,801)
Contributions by employer	41,903	41,845
Contributions by participants	9,883	9,802
Net benefits paid out *	(51,776)	(49,686)
<b>Closing fair value of assets</b>	<b>1,027,052</b>	<b>1,014,120</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.

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

	<b>31 March 2015</b>		<b>31 March 2016</b>	
	<b>Funded Scheme £000</b>	<b>Unfunded Liabilities £000</b>	<b>Funded Scheme £000</b>	<b>Unfunded Liabilities £000</b>
Return on plan assets (in excess of) / below that recognised in net interest	(78,330)	0	47,801	0
Actuarial (gains)/losses due to change in financial assumptions	136,019	2,000	(56,824)	(1,000)
Actuarial (gains)/losses due to changes in demographic assumptions	0	0	0	0
Actuarial (gains)/losses due to liability experience	(7,838)	(360)	(13,133)	10,810
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	0
<b>Total amount recognised in OCI</b>	<b>49,851</b>	<b>1,640</b>	<b>(22,156)</b>	<b>9,810</b>

### Actual return on assets

	<b>31 March 2015 £000</b>	<b>31 March 2016 £000</b>
Interest income on assets	39,119	32,908
Remeasurement gain/(loss) on assets	78,330	(47,801)
<b>Actual return on assets</b>	<b>117,449</b>	<b>(14,893)</b>

## Notes to the Core Financial Statements

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

	31 March 2015			31 March 2016		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000
<b>Total Actuarial Gain/(Loss)</b>	(49,852)	(1,640)	(51,492)	22,156	(9,810)	12,346

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

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Total gain/(loss) –funded scheme	(132.77)	(47.19)	263.70	(49.85)	22.16
Total gain/(loss) –unfunded liabilities	(3.04)	(2.56)	2.76	(1.64)	(9.81)
<b>Cumulative gain/(loss)</b>	<b>(516.25)</b>	<b>(566.00)</b>	<b>(299.54)</b>	<b>(351.03)</b>	<b>(338.68)</b>

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

	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000
Fair value of assets	711,530	818,465	906,610	1,027,052	1,014,120
Present value of funded liabilities	(1,303,680)	(1,482,889)	(1,341,187)	(1,528,588)	(1,513,150)
Present value of unfunded liabilities	(41,850)	(42,890)	(38,450)	(38,250)	(46,650)
<b>Surplus/(deficit)</b>	<b>(634,000)</b>	<b>(707,314)</b>	<b>(473,027)</b>	<b>(539,786)</b>	<b>(545,680)</b>

### History of experience gains and losses

	Year ending 31.3.12 £m	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m
Experience gains/(losses) on funded assets	(37.93)	67.92	47.95	78.33	(47.80)
Experience gains/(losses) on funded liabilities	(8.24)	1.55	34.60	8.21	13.39
Experience gains/(losses) on unfunded liabilities	(0.94)	0.08	0.04	(0.36)	10.81

### Sensitivity Analysis

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

#### Discount rate assumption

Adjustment to discount rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,481,370	1,537,490
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	37,450	39,870
Approximate % change in projected service cost	-3.1%	3.2%

## Notes to the Core Financial Statements

### Rate of general increase in salaries

<b>Adjustment to salary increase rate</b>	<b>+0.1% p.a. £000</b>	<b>-0.1% p.a. £000</b>
Present value of total obligation	1,516,560	1,501,860
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	38,650	38,650
Approximate % change in projected service cost	0.0%	0.0%

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

<b>Adjustment to pension increase rate</b>	<b>+0.1% p.a. £000</b>	<b>-0.1% p.a. £000</b>
Present value of total obligation	1,530,030	1,488,610
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	39,870	37,450
Approximate % change in projected service cost	3.2%	-3.1%

### Post retirement mortality assumption

<b>Adjustment to mortality age rating assumption</b>	<b>-1 year £000</b>	<b>+1 year £000</b>
Present value of total obligation	1,547,550	1,470,660
% change in present value of total obligation	2.5%	-2.6%
Projected service cost	39,890	37,400
Approximate % change in projected service cost	3.2%	-3.2%

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



## Notes to the Core Financial Statements

### 20. Non-Current Assets

#### Non-Current assets valuation

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

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	604,426	805,389	41,388	575,174	19,206	37,024	11,757	<b>2,094,364</b>
Additions	16,866	18,251	4,739	11,284	389	2,103	25,540	<b>79,172</b>
Impairment (losses)/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment (losses) / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(9,605)	0	0	(3,200)	0	<b>(17,820)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	<b>(2,282)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,001)	0	0	0	(415)	0	<b>49,404</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(25,998)	0	0	0	(2,452)	0	<b>(172,160)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>773,882</b>	<b>37,178</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>2,023,133</b>
<b>Depreciation</b>								
At 1 April 2015	35,414	39,724	26,399	266,508	0	0	0	<b>368,045</b>
Depreciation charge	8,298	16,905	4,862	22,238	0	0	0	<b>52,303</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(9,529)	0	0	0	0	<b>(9,576)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,675)	0	0	0	0	0	<b>(61,089)</b>
<b>At 31 March 2016</b>	<b>8,298</b>	<b>29,711</b>	<b>21,732</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,487</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>744,171</b>	<b>15,446</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>1,674,646</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>765,665</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,726,319</b>

\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Comparative Movements in 2014/15

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	772,948	44,172	557,909	18,734	55,403	24,036	<b>2,062,956</b>
Additions	17,777	24,410	3,966	16,785	472	785	8,795	<b>72,990</b>
Impairment (losses)/reversals to RR *	0	(21)	0	0	0	(389)	0	<b>(410)</b>
Impairment (losses) / reversals to SDPS **	(1,770)	(6,144)	(16)	0	0	(260)	0	<b>(8,190)</b>
Derecognition - disposals	(1,335)	(214)	(6,753)	0	0	(25)	0	<b>(8,327)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications	0	15,487	19	480	0	(13,237)	(21,074)	<b>(18,325)</b>
Revaluation increases /(decreases) to RR*	0	217	0	0	0	(1,796)	0	<b>(1,579)</b>
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	<b>(1,247)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>805,389</b>	<b>41,388</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,094,364</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,656	28,779	243,043	0	0	0	<b>320,839</b>
Depreciation charge	12,106	14,567	4,373	23,465	0	0	0	<b>54,511</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
Derecognition - disposals	(53)	(67)	(6,753)	0	0	0	0	<b>(6,873)</b>
Depreciation written out to SDPS **	0	(397)	0	0	0	0	0	<b>(397)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,724</b>	<b>26,399</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368,045</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>765,665</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,726,319</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>747,292</b>	<b>15,393</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>1,742,117</b>

\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Property, Plant & Equipment

The table below highlights some of the main assets included within Property, Plant & Equipment:

Allotment Gardens	Indoor Market
Caravan Park	Libraries/Hubs
Cardiff Bay Barrage	New Theatre
Cardiff Castle	Parks & Public Open Spaces
Cardiff International Swimming Pool	Play Centres
Cardiff International Sports Stadium	Roads, footpaths, structures and highway infrastructure
Cardiff International White Water Centre	Road Safety Centre & Cycle Track
Cardiff Story Museum	Schools buildings and land where owned
Cemeteries	Sports and Leisure Centres
Council Dwellings	St David's Hall
Crematorium	Storey Arms Outdoor Pursuits Centre
Day Centres	Surface Car Parks
Depots and Industrial Workshops	Traveller Sites
Eastern Park & Ride	Administrative and Civic Buildings
Family Centres	Vehicles, Plant, Furniture & Equipment
Horse Riding School	Youth and Community Halls

### Heritage Assets

2014/15 £000		2015/16 £000
50,789	<b>Balance at 1 April</b>	50,884
95	Additions	348
0	Other Reclassifications	46
<b>50,884</b>	<b>Balance at 31 March</b>	<b>51,278</b>

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

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

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

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

**Public Art** - There are over 100 pieces of public art owned by the Council across the City, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site [www.cardiff.gov.uk](http://www.cardiff.gov.uk) under the Resident, Planning, City Design and Public Art section.

**Scheduled Ancient Monuments** - The Council is responsible or part responsible for 17 of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred

## Notes to the Core Financial Statements

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.

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

The following table lists Heritage Assets and their treatment in the Council's accounts

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

## Notes to the Core Financial Statements

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

### Investment Properties

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

2014/15 £000		2015/16 £000
75,625	<b>Balance at 1 April</b>	100,787
726	Additions	8,713
(121)	Disposals	(617)
0	Reclassified (to)/ from Held for Sale	(301)
18,326	Other Reclassifications	2,377
(117)	Revaluation increases /(decreases) to RR*	(66)
6,348	Revaluation increases /(decreases) to SDPS**	(422)
<b>100,787</b>	<b>Balance at 31 March</b>	<b>110,471</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## Notes to the Core Financial Statements

### Intangible Assets

Movements in Intangible assets during 2015/16 are summarised as follows:

	Other Intangible Assets £000	Intangible AUC £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2015	4,523	3,112	7,635
Additions	98	377	475
Other reclassifications	1,790	(1,931)	(141)
Impairment (Losses) / reversals to SDPS	0	(277)	(277)
<b>At 31 March 2016</b>	<b>6,411</b>	<b>1,281</b>	<b>7,692</b>
<b>Amortisation</b>			
At 1 April 2015	3,289	0	3,289
Amortisation	1,224	0	1,224
<b>At 31 March 2016</b>	<b>4,513</b>	<b>0</b>	<b>4,513</b>
<b>Net Book Value:</b>			
<b>At 31 March 2016</b>	<b>1,898</b>	<b>1,281</b>	<b>3,179</b>
<b>At 31 March 2015</b>	<b>1,234</b>	<b>3,112</b>	<b>4,346</b>

Comparative Movements in 2014/15:

	Other Intangible Assets £000	Intangible AUC £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2014	4,523	2,668	7,191
Additions	0	444	444
Other reclassifications	0	0	0
<b>At 31 March 2015</b>	<b>4,523</b>	<b>3,112</b>	<b>7,635</b>
<b>Amortisation</b>			
At 1 April 2014	2,443	0	2,443
Amortisation	846	0	846
<b>At 31 March 2015</b>	<b>3,289</b>	<b>0</b>	<b>3,289</b>
<b>Net Book Value:</b>			
<b>At 31 March 2015</b>	<b>1,234</b>	<b>3,112</b>	<b>4,346</b>
<b>At 31 March 2014</b>	<b>2,080</b>	<b>2,668</b>	<b>4,748</b>

## Notes to the Core Financial Statements

### 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 Authority that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

2014/15 £000		CFR exc. landfill 2015/16 £000	Landfill CFR 2015/16 £000	Total CFR 2015/16 £000
<b>513,068</b>	<b>Opening Capital Financing Requirement</b>	<b>496,301</b>	<b>25,689</b>	<b>521,990</b>
	<b>Capital Expenditure:</b>			
72,991	Property, Plant and Equipment	78,705	0	<b>78,705</b>
95	Heritage Assets	348	0	<b>348</b>
0	Assets Held for Sale	0	0	<b>0</b>
726	Investment Properties	8,753	0	<b>8,753</b>
444	Intangible Assets	474	0	<b>474</b>
50	Loans	590	0	<b>590</b>
8,208	Expenditure on REFCUS	200,432	0	<b>200,432</b>
	<b>Sources of Finance:</b>			
(4,754)	Capital Receipts	(5,857)	0	<b>(5,857)</b>
(35,624)	Government grants and other contributions	(33,034)	0	<b>(33,034)</b>
(5,580)	Direct revenue contributions and reserves	(5,954)	0	<b>(5,954)</b>
(27,634)	Prudent revenue and capital provision for loan repayment	(31,924)	(1,156)	<b>(33,080)</b>
<b>521,990</b>	<b>Closing Capital Financing Requirement</b>	<b>708,834</b>	<b>24,533</b>	<b>733,367</b>
	<b>Explanation of movements in year:</b>			
(7,248)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(7,264)	0	(7,264)
16,170	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	219,797	(1,156)	218,641
<b>8,922</b>	<b>Increase in Capital Financing Requirement</b>	<b>212,533</b>	<b>(1,156)</b>	<b>211,377</b>

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

## Notes to the Core Financial Statements

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

The following amounts were treated as capital expenditure to be paid for from capital resources. It includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from resources that can only be used to pay for capital expenditure. In 2015/16 it included the one off settlement payment of £187.4 million to exit the Housing Revenue Account Subsidy system, as well as a Capitalisation direction that allowed the Council to meet revenue costs of service reform from capital receipts.

	2014/15 £000	2015/16 £000
Expenditure:		
Housing Improvement Grants	5,219	6,645
Buildings not owned by Cardiff Council	886	2,293
Capitalisation Direction - Service Reform	0	2,435
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	0	187,392
Grants awarded (not Housing Grants)	2,103	1,667
<b>Charged to Income and Expenditure Statement</b>	<b>8,208</b>	<b>200,432</b>
Funded by:		
Grants and Contributions	(7,460)	(8,161)
Borrowing, Receipts and Other Capital Resources	(748)	(192,271)
	<b>(8,208)</b>	<b>(200,432)</b>

### Non-Current Asset Disposals

The main disposals during the year are identified below:-

- Sale of land Schooner Way adjacent to County Hall
- Sale Central Bus Station site
- Sale of Council Dwellings
- Sale of land at International Sports Village
- Sale of former Dome community centre, Pentwyn
- Sale of former Dorothy Lewis care home
- Sale of former vehicle maintenance depot – Clare Road
- Sale of 26 Hampton Court Road – Former Caretakers House
- Sale of former Johnston's Buildings - City Centre

### Significant capital expenditure contractual commitments

At 31 March 2016 the figure for significant capital expenditure commitments scheduled for completion in 2016/17 and future years is £26.222 million (£32.767 million 2014/15) and includes the following:

	£000
Phase 1 Public Realm Ceiling – Central Square	8,620
STAR Community Hub	2,779
Adamsdown Primary School Refurbishment and Extension	2,179
Public Housing – Secure by Design Fire Doors	1,992
South Morgan and Edinburgh Court Refurbishment	1,873
Eastern Leisure Centre Refurbishment	1,847
Trowbridge Mawr Refurbishment Phase 2	1,763
Sandown Court Sheltered Housing Refurbishment	1,542
Ysgol Y Wern Extension	1,318
A469/A470 Bus Corridor	1,255
Llandaff North Hub Conversion of Library / Day Centre	1,054



## Notes to the Core Financial Statements

### 21. Financial Instruments

#### Financial Instrument Balances

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

	31 March 2015 Restated			31 March 2016		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments/Financial Assets</b>						
Loans & Receivables at amortised cost	2,803	65,738	<b>68,541</b>	2,250	71,953	<b>74,203</b>
Investments at Fair Value	19,730	0	<b>19,730</b>	17,214	0	<b>17,214</b>
<b>Total</b>	<b>22,533</b>	<b>65,738</b>	<b>88,271</b>	<b>19,464</b>	<b>71,953</b>	<b>91,417</b>
<b>Borrowings/Financial Liabilities</b>						
Financial Liabilities at Amortised Cost	<b>(464,808)</b>	<b>(12,964)</b>	<b>(477,772)</b>	<b>(659,408)</b>	<b>(16,148)</b>	<b>(675,556)</b>

#### Investments / Financial Assets

##### Loans and receivables include:

- **Cash and bank including temporary investments** of £72 million. £58 million is deposited for various maturities with financial institutions.
- **Car loans** to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement.
- **Loans to Organisations** include a £1 million loan repayable to Cardiff Bus for investment in vehicles and depot facilities. Loan of £910,000 to various companies including £500,000 towards the redevelopment of the Tramshed in Grangetown.

	Valuation Method - Level	31 March 2015		31 March 2016	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	Cost	23,137	23,137	17,352	17,352
Deposits with banks and building societies	Level 2	42,088	42,108	53,093	53,138
Local Authority Mortgage Scheme	Level 2	1,042	1,109	1,042	1,076
Assisted Car Purchase Loans	Cost	900	900	726	726
Loan to Cardiff Bus	Cost	1,000	1,000	1,000	1,000
Loans to External Organisations / Subsidiary	Cost	374	374	990	990
<b>Financial assets</b>		<b>68,541</b>	<b>68,628</b>	<b>74,203</b>	<b>74,282</b>

##### Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The estimate value in 2014/15 accounts has been restated to £18.295 million from £13.563 million. The valuation is estimated using inputs other than quoted prices (Level 2), with the inputs being Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), as well

## Notes to the Core Financial Statements

as estimates of a Multiplier to determine an enterprise value. These variables can fluctuate dependent on the company's performance and economic climate and so any accounting valuation may vary significantly from year to year. Accordingly, any valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Available for Sale Financial Instruments Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2016 is estimated to be £16.8 million (£18.3 million 2014/15).

- The Council's Medicentre shareholding of 44.5%, included in the 2014/15 accounts is £1.1 million and was sold in 2015/16. This is shown in the accounts at cost. Various minority equity holdings in companies are included either at cost or at quoted prices where available.

### Borrowings / Financial Liabilities include:

- Borrowing is undertaken to fund the long term capital expenditure requirements of the Council and any short term cash flow requirements. It includes Lender Option Borrower Option Loans which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. The carrying amounts below also include accrued interest payable at 31 March 2016 and the additional borrowing in 2015/16 to make the Housing Revenue Account Subsidy exit settlement payment.

	Valuation Method - Level	31 March 2015		31 March 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Public Works Loan Board Loans	Level 2	(423,181)	(599,216)	(620,098)	(839,641)
Lender Option Borrower Option Loans	Level 2	(51,636)	(61,610)	(51,634)	(63,468)
Market loans, Bonds and Temporary Balances	Level 2	(2,955)	(3,092)	(3,824)	(3,655)
<b>Financial liabilities</b>		<b>(477,772)</b>	<b>(663,918)</b>	<b>(675,556)</b>	<b>(906,764)</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 2016. An exit price fair value of £984.718 million is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.

### Financial Instrument Gains/Losses

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

## Notes to the Core Financial Statements

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
	£000	£000	£000	£000	Restated £000	£000	£000	£000
Interest Expense	24,616	32,152	0	0	0	0	24,616	32,152
Impairment Losses	0	0	0	0	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>24,616</b>	<b>32,152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,616</b>	<b>32,152</b>
Interest / Dividend Income	0	0	(832)	(1,039)	0	0	(832)	(1,039)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(832)</b>	<b>(1,039)</b>	<b>0</b>	<b>0</b>	<b>(832)</b>	<b>(1,039)</b>
(Surplus) / Loss on Disposal	0	0	0	0	0	(190)	0	(190)
(Surplus) / Loss on Revaluation	0	0	0	0	(2,521)	1,484	(2,521)	1,484
<b>(Surplus) / Loss arising on revaluation or Disposal of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,521)</b>	<b>1,294</b>	<b>(2,521)</b>	<b>1,294</b>
<b>Net (gain) / loss for the year</b>	<b>24,616</b>	<b>32,152</b>	<b>(832)</b>	<b>(1,039)</b>	<b>(2,521)</b>	<b>1,294</b>	<b>21,263</b>	<b>32,407</b>

Gains and losses include interest payable on borrowing, amounts receivable on investments including a dividend of £250,000 from Cardiff Bus, gain 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 Authority'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 Authority. It arises from lending of temporary cash balances as part of the Council's Treasury Management Activities, from exposure to the Authority's customers and from organisations to whom a loan has been provided.

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

## Notes to the Core Financial Statements

Credit Risk	Likelihood of Default	31 March 2015 £000	31 March 2016 £000																											
Deposits – banks, buildings societies	Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. Ratings are regularly reviewed. A risk of non-recoverability applies to all of the Authority's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the Authority has not experienced default of any institution and as the counterparty exposure following table shows this is not deemed to be a significant factor for investments held. Accordingly no provisions or losses are to be recognised.	65,079	70,334																											
Local Authority Mortgage Scheme (LAMS)	The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. The Authority will only incur a loss if a house is repossessed and sale proceeds are insufficient to cover the debt. No defaults have occurred to date and an earmarked reserve for this purpose, should this be the case.	1,000	1,000																											
Car Loans	Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	900	726																											
Loans to External Bodies	Includes primarily loans to SME's £910,000 and loan to Cardiff Bus £1 million. Repayments on loans are dependent on financial and operating performance, which are monitored closely for large amounts. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	1,380	1,910																											
Customers	<p>The Authority does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.</p> <p>The bad debt provision for 2015/16 was based on the adjusted age profile disclosed in the following table.</p> <table border="1"> <thead> <tr> <th></th> <th>2014/15</th> <th>2015/16</th> </tr> <tr> <th></th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td>10,708</td> <td>14,180</td> </tr> <tr> <td>1 – 2 years</td> <td>734</td> <td>593</td> </tr> <tr> <td>2 – 3 years</td> <td>553</td> <td>426</td> </tr> <tr> <td>3 – 4 years</td> <td>133</td> <td>448</td> </tr> <tr> <td>4 – 5 years</td> <td>153</td> <td>100</td> </tr> <tr> <td>Over 5 years</td> <td>298</td> <td>372</td> </tr> <tr> <td><b>Total</b></td> <td><b>12,579</b></td> <td><b>16,119</b></td> </tr> </tbody> </table> <p>Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non-payment is not usually considered necessary.</p>		2014/15	2015/16		£000	£000	Less than 1 year	10,708	14,180	1 – 2 years	734	593	2 – 3 years	553	426	3 – 4 years	133	448	4 – 5 years	153	100	Over 5 years	298	372	<b>Total</b>	<b>12,579</b>	<b>16,119</b>	12,599	16,119
	2014/15	2015/16																												
	£000	£000																												
Less than 1 year	10,708	14,180																												
1 – 2 years	734	593																												
2 – 3 years	553	426																												
3 – 4 years	133	448																												
4 – 5 years	153	100																												
Over 5 years	298	372																												
<b>Total</b>	<b>12,579</b>	<b>16,119</b>																												
<b>Total</b>		<b>80,958</b>	<b>90,089</b>																											

## Notes to the Core Financial Statements

### Counterparty Exposure at 31 March 2016

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland plc	UK	A+	5,000
Barclays Bank	UK	A	5,000
Commonwealth Bank of Australia	Australia	AA-	8,000
Development Bank Singapore	Singapore	AA-	10,000
Goldman Sachs International Bank	UK	A	5,000
Insight - Money Market Fund	Domiciled in Ireland	AAA	4,000
Lloyds - LAMS	UK	A+	1,000
Nationwide Building Society	UK	A	5,000
Oversea-Chinese Banking Corp	Singapore	AA-	5,000
Santander UK plc	UK	A	10,000
<b>Total</b>			<b>58,000</b>

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2016, the probability of any default is 0.022% or £12,760.

### Liquidity and Refinancing Risk

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

31 March 2015 £000	Loans Outstanding	31 March 2016 £000
418,077	Public Works Loans Board	612,826
51,000	Lender Option Borrower Option	51,000
1,468	Market Debt / Bonds	2,348
<b>470,545</b>	<b>Total</b>	<b>666,174</b>
5,737	Under 12 months	6,766
6,726	12 months and within 24 months	5,594
10,941	24 months and within 5 years	5,680
15,150	5 years and within 10 years	20,276
86,306	10 years and within 20 years	144,214
80,602	20 years and within 30 years	164,000
133,049	30 years and within 40 years	178,689
93,034	40 years and within 50 years	123,955
34,000	50 years and within 60 years	12,000
5,000	60 years and within 70 years	5,000
<b>470,545</b>	<b>Total</b>	<b>666,174</b>

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £7.914 million and miscellaneous short term borrowing of £1.468 million.

## Notes to the Core Financial Statements

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

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	01/09/2016	6 months	23/05/2067
6	21/05/2016	6 months	21/11/2041
6	21/05/2016	6 months	21/11/2041
6	21/05/2016	6 months	23/05/2067
5	05/01/2018	5 years	17/01/2078
22	21/11/2020	5 years	23/11/2065

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

### Interest Rate Risk

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

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

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

To give an indication of the Authority's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2015/16 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	(301)
Interest in interest receivable on investments	338
<b>Impact on Income and Expenditure Statement</b>	<b>37</b>

## Notes to the Core Financial Statements

Increase in interest transferred to HRA	(58)
Increase in interest transferred to other balances and accounts	(65)
<b>Net Income / (Expenditure)</b>	<b>(86)</b>

<b>Changes in Fair Value</b>	<b>£000</b>
Decrease in Fair Value of Fixed Rate Investments	163
Decrease in Fair Value of Fixed Rate Borrowings	134,981

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

### Foreign exchange risk

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

### Price Risk

This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. 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 £157,000 which are quoted on a recognised stock exchange at 31 March 2016.

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 £839,000 gain or loss being recognised in the Movement in Reserves Statement.

## 22. Held for Sale Assets

2014/15 £000		2015/16 £000
380	<b>Balance at 1 April</b>	3,040
(10)	De-recognition	(1,751)
3,504	Reclassified to/(from) Held for Sale	2,553
(330)	Revaluation increases /(decreases) to RR*	(119)
(504)	Revaluation increases /(decreases) to SDPS**	(904)
<b>3,040</b>	<b>Balance at 31 March</b>	<b>2,819</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## 23. Debtors

31 March 2015 Restated £000		31 March 2016 £000
53,746	Central Government Bodies	43,059
7,008	Other Local Authorities	13,242
4,883	NHS Bodies	4,691
38	Public Corporations & Trading Funds	34
25,370	Other Entities and Individuals	25,472
<b>91,045</b>	<b>Total Debtors Net of Impairments</b>	<b>86,498</b>

## Notes to the Core Financial Statements

### 24. Cash and Cash Equivalents

31 March 2015 £000		31 March 2016 £000
182	Cash	233
11,051	Bank (including cheque book schools)	13,108
11,904	Short-term deposit with banks and building societies	4,011
<b>23,137</b>	<b>Total Cash and Cash Equivalents</b>	<b>17,352</b>

Included within the bank figure above are bank balances of chequebook schools totalling £859,000 (£1.644 million in 2014/15).

In addition to the above, at 31 March 2016 the Council held £883,000 (£1.114 million at 31 March 2015) 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.

### 25. Creditors

31 March 2015 £000		31 March 2016 £000
(11,252)	Central Government Bodies	(13,498)
(6,576)	Other Local Authorities	(11,518)
(860)	NHS Bodies	(1,424)
(12)	Public Corporations & Trading Funds	(9)
(76,101)	Other Entities and Individuals	(58,848)
<b>(94,801)</b>	<b>Total Creditors</b>	<b>(85,297)</b>

### 26. Interests in other companies and other organisations

The Council had interests in 3 subsidiary companies and one joint venture during 2015/16. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 127 to 147. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2015/16.

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

Cardiff City Transport Services Limited is a private limited company with a share capital £4.618 million, which is wholly owned by the Council. Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2015/16 as summarised below:

	Year to 31 March 2015 Restated £000	Year to 31 March 2016 £000
Turnover and other income	(34,016)	(30,991)
Operating and other expenditure	31,358	30,627
<b>Net (Profit) / Loss before Taxation</b>	<b>(2,658)</b>	<b>(364)</b>
Less: Taxation	594	0
<b>(Profit) / Loss after Taxation</b>	<b>(2,064)</b>	<b>(364)</b>



## Notes to the Core Financial Statements

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

	31 March 2015 Restated £000	31 March 2016 £000
Bus and other operating assets	19,940	21,882
Current Assets	6,717	6,071
Less Current Liabilities	(4,991)	(4,782)
Creditors: Amounts falling due after more than one year	(4,292)	(6,252)
Provisions & Long term liabilities	(1,576)	(1,308)
Deferred Taxation	(1,232)	(863)
Pension Liability	(3,753)	(2,233)
<b>Total Assets less liabilities</b>	<b>10,813</b>	<b>12,515</b>
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	6,718	6,860
IAS19 Pension Reserve	(3,753)	(2,233)
Revaluation Reserve	3,230	3,270
<b>Net Worth</b>	<b>10,813</b>	<b>12,515</b>

In 2015/16 the Council made payments totalling £9.308 million to Cardiff Bus (£10.004 million in 2014/15), of which £8.655 million related to concessionary fares payments (£9.140 million in 2014/15). The Council also received income of £326,000 (£463,000 in 2014/15). During 2015/16 Cardiff Bus paid a dividend of £250,000 to the Council (£nil in 2014/15).

At 31 March 2016, Cardiff Bus had inter-company balances with the Council as follows: debtors £87,000 (£117,000 in 2014/15) and creditors £0 (£29,000 in 2014/15).

The accounts for year ended 31 March 2016 have not yet been audited. The company's auditors are Deloitte.

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

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

	Year to 31 March 2015 £000	Year to 31 March 2016 £000
Net (Profit)/Loss before taxation	(59)	(79)
Less: Taxation	2	11
<b>(Profit)/Loss for year after taxation</b>	<b>(57)</b>	<b>68</b>

## Notes to the Core Financial Statements

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

	31 March 2015 £000	31 March 2016 £000
Total assets less current liabilities	956	850
Creditors: falling due after more than one year	(7)	(7)
Provision for taxation	(6)	(4)
<b>Total Assets less liabilities</b>	<b>943</b>	<b>839</b>
Represented by:		
Retained Profit	223	269
Revaluation Reserve	720	570
<b>Net Worth</b>	<b>943</b>	<b>839</b>

During 2015/16 the Council received income of £36,000 (£36,000 in 2014/15) from CBTC Ltd. At 31 March 2016 CBTC Ltd. Owed the Council £792 (£125,965 at 31 March 2015) and was owed £0 (£10,851 at 31 March 2015).

The company's auditors are Gerald Thomas & Co. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2016.

### Cardiff Business Council

Cardiff Business Council is a company that was set up during 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. It is a wholly owned arms-length company of the Council limited by guarantee. This company is due to close in 2016/17 and is not considered a going concern. The company's closing operating results, as summarised as follows, are provisional:

	Year to 31 March 2015 £000	Year to 31 March 2016 £000
Net (Profit)/Loss before taxation	47	108
Taxation	0	0
<b>(Profit)/Loss for year after taxation</b>	<b>47</b>	<b>108</b>

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

	31 March 2015 £000	31 March 2016 £000
Total assets less current liabilities	150	42
<b>Total assets less liabilities</b>	<b>150</b>	<b>42</b>
Represented by		
Retained Profit	(150)	(42)
<b>Balance</b>	<b>(150)</b>	<b>(42)</b>

During the year the Council made core funding payments totalling £340,000 to Cardiff Business Council and received income from the Company totalling £40,036. The Council incurred other expenditure in connection with Cardiff Business Council totalling £177,092. At 31 March 2016 the Company owed the Council £0 (£17,717 at 31 March 2015) and was owed £0 (£43,895 at 31 March 2015) by the Council.

The company's auditors are Broomfield & Alexander Ltd. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2016.

## Notes to the Core Financial Statements

### Cardiff Medicentre Joint Venture

Cardiff Medicentre was originally established to provide facilities for small firms in the medical and health care sector. This was a joint collaboration between the Council, Cardiff University, Welsh Government and the Cardiff and Vale University Health Board, with the Council owning a 44.5% share in the Council's balance sheet as an investment.

At the end of 2015/16, Cardiff University purchased the Council's interest in the Medicentre and a consideration payable (£1.282 million, net of fees) to the Council was agreed representing the net worth of the Joint Venture to cessation. This amount reflected the updated and independent valuation for the fixed assets and the Council's share of the revenue reserves. The latter included the distribution of profits for the 2015/16 financial year, being a net surplus of £180,325 (£163,365 in 2014/15).

During the year the Council received a total income of £4,750 from the Medicentre (£4,750 in 2014/15). The Medicentre's auditors are Gerald Thomas & Co. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2016.

### 27. Provisions

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(11,334)	5,533	(4,641)	(10,442)
MMI Scheme of Arrangement Levy	(704)	0	(162)	(866)
Termination Benefits Provision	(59)	59	0	0
Ferry Road Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(16,993)	419	0	(16,574)
Other Provisions	(2,224)	1,411	(1,020)	(1,833)
<b>Total Provisions</b>	<b>(40,410)</b>	<b>7,422</b>	<b>(5,823)</b>	<b>(38,811)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(4,760)	(5,682)	(10,442)
MMI Scheme of Arrangement Levy	(297)	(569)	(866)
Ferry Road Landfill Provision	(69)	(9,027)	(9,096)
Lamby Way Landfill Provision	(3,586)	(12,988)	(16,574)
Other Provisions	(1,774)	(59)	(1,833)
<b>Total Provisions</b>	<b>(10,486)</b>	<b>(28,325)</b>	<b>(38,811)</b>

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

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'. In total, insurance is provided for 32 different types of risk which have the potential to have a serious effect on the financial position of individual establishments and Directorates. These risks have been selected for insurance after consultation with the Council's insurance brokers.

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

## Notes to the Core Financial Statements

**Municipal Mutual Scheme (MMI) of arrangement levy provision** represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in [note 33](#).

**Landfill Aftercare Provision** - the Council has numerous landfill sites throughout the City's boundaries and whilst many are historic and have no obligations, others such as Lamby Way and Ferry Road require the Council to address restoration and after care in accordance with obligations made to Natural Resources Wales as part of initial permits. Such financial obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure obligations. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will be reviewed in 2016/17.

Included within Other Provisions is a new provision (£522,000) in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

### 28. Pension Strain

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

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

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

	Balance at 31 March 2015 £000	Balance at 31 March 2016 £000
Pension Strain due within 1 year	2,830	2,354
Pension Strain due later than 1 year	6,252	4,891
<b>Total Pension Strain</b>	<b>9,082</b>	<b>7,245</b>

### 29. Deferred Liabilities

These are primarily amounts provided by external bodies towards future year's maintenance costs.

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(8,241)	1,163	(525)	(7,603)
<b>Total Deferred Liabilities</b>	<b>(8,241)</b>	<b>1,163</b>	<b>(525)</b>	<b>(7,603)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(986)	(6,617)	(7,603)
<b>Total Deferred Liabilities</b>	<b>(986)</b>	<b>(6,617)</b>	<b>(7,603)</b>

## Notes to the Core Financial Statements

### 30. Usable Reserves

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

#### Usable Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
<b>1,399</b>	<b>Balance as at 1 April</b>	<b>1,336</b>
	Movements during Year:	
3,825	Sale of Land, Buildings and other assets	8,739
2,022	Sale of Council Dwellings	2,426
13	Private Mortgage Repayments	0
204	Recoupments of grant/other	283
<b>6,064</b>		<b>11,448</b>
(4,753)	Finance Capital Expenditure	(5,857)
(1,361)	Provide for Repayment of External Loans	(1,504)
<b>(6,114)</b>		<b>(7,361)</b>
(13)	Additional set aside from Private Mortgage Repayments	0
<b>1,336</b>	<b>Balance as at 31 March</b>	<b>5,423</b>

The balance held at 31 March 2016 relates primarily to earmarked capital receipts to be used for future capital expenditure.

### 31. Unusable Reserves

#### Revaluation Reserve

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

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

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

2014/15 £000		2015/16 £000
<b>206,879</b>	<b>Balance as at 1 April</b>	<b>201,371</b>
937	Upward revaluation of assets	134,348
(3,256)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(73,901)
<b>(2,319)</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>60,447</b>
(3,017)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,446)
(172)	Accumulated gains on assets sold or scrapped	(5,250)
<b>(3,189)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(7,696)</b>
<b>201,371</b>	<b>Balance as at 31 March</b>	<b>254,122</b>

#### Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It

## Notes to the Core Financial Statements

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.

2014/15 £000		2015/16 £000
<b>1,156,598</b>	<b>Balance as at 1 April</b>	<b>1,164,708</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(62,305)	Charges for depreciation and impairment of non-current assets	(56,146)
951	Reverse previous impairment on revaluation	7,188
(2,160)	Revaluation losses on Property, Plant and Equipment	(129,948)
(846)	Amortisation of intangible assets	(1,224)
(749)	Expenditure on REFCUS	(192,271)
(1,413)	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	(6,460)
<b>(66,522)</b>		<b>(378,861)</b>
3,017	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,446
<b>(63,505)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(376,415)</b>
	Capital financing applied in the year:	
4,753	Capital Receipts	5,857
4,621	Direct Revenue Financing	5,233
959	Reserves and provisions	721
31	Insurance settlement	42
28,134	Grants and contributions	25,261
26,273	Prudent Revenue Provision	31,576
1,361	Capital receipts to provide for repayment of external loans	1,504
(243)	Reduction in loan debtors	(120)
<b>65,889</b>		<b>70,074</b>
6,230	Movements in the value of Investment Properties	(488)
(504)	Movement in the value of Held for Sale assets	(904)
<b>1,164,708</b>	<b>Balance as at 31 March</b>	<b>856,975</b>

### Deferred Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
<b>104</b>	<b>Balance as at 1 April</b>	<b>87</b>
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,000
(17)	Transfers to the Capital Receipts Reserve upon receipt of cash	(38)
<b>87</b>	<b>Balance as at 31 March</b>	<b>2,049</b>

## Notes to the Core Financial Statements

The balance has increased due to the deferred payment from disposal of the Central Bus Station site.

### Available for Sale Financial Instruments Reserve

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

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

2014/15 Restated £000		2015/16 £000
15,774	<b>Balance as at 1 April</b>	18,295
2,521	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,484)
<b>18,295</b>	<b>Balance as at 31 March</b>	<b>16,811</b>

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

### Financial Instruments Adjustment Account

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

2014/15 £000		2015/16 £000
(2,709)	<b>Balance as at 1 April</b>	(2,367)
342	Proportions of premiums and discounts incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	2,367
<b>(2,367)</b>	<b>Balance as at 31 March</b>	<b>0</b>

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

### Pensions Reserve

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

## Notes to the Core Financial Statements

2014/15 £000		2015/16 £000
(481,278)	<b>Balance as at 1 April</b>	(548,868)
(51,492)	Actuarial gains or losses on pensions assets and liabilities	12,347
(57,171)	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 *	(60,086)
(830)	Reversal of amounts accrual in respect of pension strain for future years	1,837
41,903	Employer's pensions contributions and direct payments to pensioners payable in the year	41,845
<b>(548,868)</b>	<b>Balance as at 31 March</b>	<b>(552,925)</b>

### Accumulated Absences Account

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

2014/15 £000		2015/16 £000
(6,789)	<b>Balance as at 1 April</b>	(7,670)
(881)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,381
<b>(7,670)</b>	<b>Balance as at 31 March</b>	<b>(6,289)</b>

### 32. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15 £000	2015/16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(326,291)	(322,851)
Outcome Agreement Grant	(3,305)	(3,344)
Concessionary Fares Grant*	(10,303)	0
Council Tax Reduction Scheme	0	0
Non-Domestic Rates	(109,695)	(101,253)
Capital Grants	(26,340)	(23,613)
Developers' Contributions	(1,825)	(1,691)
<b>Total</b>	<b>(477,759)</b>	<b>(452,752)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(268,462)	(277,944)
Other Local Authorities	(6,995)	(3,282)
NHS Bodies	(7,498)	(9,022)
Public Corporations & Trading Funds	(108)	(216)
Other Entities and Individuals	(6,459)	(15,903)
<b>Total</b>	<b>(289,522)</b>	<b>(306,367)</b>

\*The Concessionary Fares Grant, which was credited to the taxation and non-specific grant income line in 2014/15, has been credited to services in 2015/16.



## Notes to the Core Financial Statements

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

31 March 2015 £000		31 March 2016 £000
	<b>Capital Grants Receipts in Advance</b>	
(2,160)	Central Government Bodies	(1,791)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
<b>(2,160)</b>	<b>Total</b>	<b>(1,791)</b>

31 March 2015 £000		31 March 2016 £000
	<b>Revenue Grants and Contributions Receipts in Advance</b>	
(3,005)	Central Government Bodies	(2,056)
0	Other Local Authorities	0
0	NHS Bodies	(29)
0	Public Corporations and Trading Funds	(199)
(729)	Other Entities and Individuals	(242)
<b>(3,734)</b>	<b>Total</b>	<b>(2,526)</b>

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

31 March 2015 £000		31 March 2016 £000
<b>(9,724)</b>	<b>Balance as at 1 April</b>	<b>(10,095)</b>
	Movements during Year:	
(2,523)	Contributions received during the year	(1,504)
1,850	Contributions applied to expenditure during the year	1,284
302	Reclassification	382
<b>(10,095)</b>	<b>Balance as at 31 March</b>	<b>(9,933)</b>

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure. Schemes to be funded are specific and very often time limited.

### 33. Contingent Assets & Liabilities

#### Assets

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

## Notes to the Core Financial Statements

as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2016 is £5.247 million.

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

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

### Liabilities

As at 31 March 2016 there existed 14 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, disability discrimination, council house disrepairs, personal injury claims and breach of contract. The potential liability in respect of the 14 claims is estimated to be £526,000, although some are unknown and the Council is resisting liability.

The former Authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims. As at 31 March 2016 this liability amounted to £2.790 million for the former South Glamorgan County Council (shared 72/28 with the Vale of Glamorgan) and £229,691 for the former Cardiff City Council.

The Scheme was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of any future claims. A 15% levy has been paid and open and new claims will be paid at 85%. The Council has recognised as a provision the sum of £866,494 as at 31 March 2016 (as disclosed at [note 27](#) of the Notes to the Statement of Accounts). Additional levies may be imposed on Authorities. A further 10% is due to be paid in April 2016 bringing the total levy to 25% but the value and timing of future levies is not yet known.

### 34. Notes to Cash Flow Statement

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

	2014/15 £000	2015/16 £000
Depreciation, impairment & amortisation	(58,635)	(181,572)
Charges made for retirement benefits (IAS19) less employers contributions	(20,238)	(15,023)
Contributions (to)/from provisions	5,153	5,683
Gain/loss on disposal of non-current assets	(1,586)	(11,710)
Increase/(decrease) in stock	(588)	(30)
Increase/(decrease) in debtors (exc capital)	1,247	12,863
(Increase)/decrease in creditors (exc capital creditors) & super fund	(14,593)	4,186
	<b>(89,240)</b>	<b>(185,603)</b>

## Notes to the Core Financial Statements

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

	2014/15 £000	2015/16 £000
REFCUS	(749)	(192,271)
Net gain/(loss) on sale of non-current assets	5,774	11,096
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	28,165	25,304
Other cash items which effect investing or financing activities	(13,885)	(22,021)
	<b>19,305</b>	<b>(177,892)</b>

#### 35. Events after the Reporting Period

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on 29 September 2016 by Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

## Housing Revenue Account

The **HRA Income and Expenditure Account** shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

During 2015/16, the Council paid a Settlement payment of £187.392 million to Welsh Government to exit the Housing Revenue Account Subsidy (HRAS) system. Whilst this means that the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council will have to pay additional costs for the borrowing undertaken to fund this payment for many years to come. This includes additional costs for interest and also setting aside from any income additional amounts for reducing the amount borrowed and outstanding. These changes can be seen in the note below for 2015/16. Any financial benefit from this transaction on an ongoing basis is proposed to be re-invested into the housing stock.

2014/15			2015/16
£000		Note	£000
	<b>Expenditure</b>		
20,739	Repairs and maintenance		22,740
17,833	Supervision and management		17,862
128	Rents, rates, taxes and other charges		133
14,464	Housing Revenue Account subsidy payable		32
523	Provision for bad and doubtful debts		565
15,899	Depreciation, impairment and revaluation of non-current assets	8	120,169
353	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	0
0	Housing Revenue Account settlement payment	9	187,392
32	Debt management costs		66
<b>69,971</b>	<b>Total Expenditure</b>		<b>348,959</b>
	<b>Income</b>	2	
(58,586)	Dwelling rents		(61,103)
(67)	Non-dwelling rents		(89)
(6,578)	Charges for services and facilities		(6,444)
<b>(65,231)</b>	<b>Total Income</b>		<b>(67,636)</b>
4,740	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		281,323
42	HRA Services' share of Corporate and Democratic Core		67
<b>4,782</b>	<b>Net Cost for HRA Services</b>		<b>281,390</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(2,819)	(Gain)/loss on sale of HRA non-current assets		(1,855)
4,806	Interest payable and similar charges		13,015
80	Changes in fair value of investment properties		0
(65)	Interest and Investment income		(72)
(11,480)	Capital Grants and Contributions applied		(10,181)
<b>(4,696)</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>282,297</b>

## Notes to Housing Revenue Account

### MOVEMENT ON HRA STATEMENT

2014/15 £000		Note	2015/16 £000
(8,124)	<b>Balance on the HRA at the end of the previous year</b>		(8,438)
(4,696)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		282,297
4,828	Adjustments between accounting basis and funding basis under regulations	1	(283,013)
132	<b>Net (increase)/decrease before transfers to or from reserves</b>		(716)
(446)	Transfers to/(from) reserves		716
(314)	<b>Increase or decrease in the year on the HRA</b>		0
(8,438)	<b>Balance on the HRA at the end of the current year</b>		(8,438)

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

2014/15 £000		Note	2014/15 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	Reversal of items debited or credited to the HRA Income and Expenditure Statement:		
15,899	Charges for depreciation and impairment of non-current assets	8	120,169
80	Movement in the market value of investment properties		0
353	Sums directed by Welsh Government	9	187,392
1,145	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		0
(11,480)	Capital grants and contributions applied		(10,181)
	<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement:</b>		
(2,899)	Prudent Provision for the financing of capital investment		(7,912)
(3,761)	Capital expenditure funded by the HRA		(4,818)
	<b>Adjustments involving the Pensions Reserve:</b>		
1,290	Net Retirement Benefits per IAS19		2,758
(14)	Pension Strain Accrual – future years		0
(1,507)	Employers Contributions to pension schemes		(2,630)
	<b>Adjustments involving the Capital Receipts Reserve:</b>		
(4,101)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(2,149)
35	Credit for disposal costs that qualify to be met from the resulting capital receipts		32
	<b>Adjustments involving the Revaluation Reserve:</b>		
137	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		290
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
(3)	Amount by which officer remuneration charged to the HRA Income & Expenditure Account on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		28
	<b>Adjustments involving the Financial Instruments Adjustment Account:</b>		
(2)	Amortisation of premiums and discounts		34
(4,828)	<b>Total Adjustments</b>		<b>283,013</b>

## Notes to Housing Revenue Account

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.03% of rental income (2.04% in 2014/15). Average rents were £88.23 per week (£84.33 in 2014/15) based on a 52 week year.

### 3. Rent Arrears and Bad Debt Provision

	As at 31 March 2015		As at 31 March 2016	
	Rent arrears	Bad debt provision	Rent arrears	Bad debt provision
	£000	£000	£000	£000
Ordinary HRA	2,459	1,929	2,795	2,189
Leasehold properties	44	44	41	41
Hostels	121	121	156	156
<b>Total</b>	<b>2,624</b>	<b>2,094</b>	<b>2,992</b>	<b>2,386</b>

In addition the following sums were also due from tenants:

	As at 31 March 2015		As at 31 March 2016	
	Arrears	Bad debt provision	Arrears	Bad debt provision
	£000	£000	£000	£000
Service Charges	55	33	81	49
Tenants recoverables	294	294	358	358
<b>Total</b>	<b>349</b>	<b>327</b>	<b>439</b>	<b>407</b>

During 2015/16 a number of old debts totalling £195,202 were written off as irrecoverable (£221,951 in 2014/15).

### 4. Pension Costs

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

	2014/15 £000	2015/16 £000
Cost of employer's contributions plus discretionary benefits	1,507	2,630
Current service cost	(1,290)	(2,758)
Pension Strain Accrual - Future Years	14	0
<b>Net transfer to Pensions Reserve</b>	<b>231</b>	<b>(128)</b>

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

## Notes to Housing Revenue Account

### 5. Housing Stock

The Council's housing stock is shown below:

	31 March 2015	31 March 2016
Houses	7,268	7,251
Bungalows	624	624
Flats/Bedsits	5,110	5,083
Maisonettes	240	168
Retirement complexes	358	357
<b>Total</b>	<b>13,600</b>	<b>13,483</b>

During the year the Council has demolished a number of units in preparation for new build schemes as part of the Housing Partnership Project.

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

	31 March 2015	31 March 2016
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

### 6. Capital Expenditure and Capital Financing

2014/15 £000		2015/16 £000
<b>96,360</b>	<b>Opening Capital Financing Requirement</b>	<b>94,518</b>
	Capital Expenditure:	
17,777	Council dwellings	16,867
22	Other land & buildings	352
1	Vehicles, plant & equipment	786
422	Surplus assets	94
1,029	Assets under construction	1,259
61	Intangible Assets including intangible AUC	118
353	REFCUS	0
0	REFCUS - Housing Revenue Account settlement payment	187,392
1,100	Appropriation of Land	0
	Sources of Finance:	
(3,237)	Capital Receipts	(1,876)
(11,480)	Government grants and other contributions *	(10,181)
(3,761)	Direct revenue contributions and reserves	(4,818)
(4,129)	Prudent revenue and capital provision for loan repayment	(7,912)
<b>94,518</b>	<b>Closing Capital Financing Requirement</b>	<b>276,599</b>
0	Debt Cap at 31 March	316,554
<b>0</b>	<b>Headroom</b>	<b>39,955</b>
	<b>Explanation of Movements in Year:</b>	
(2,850)	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	0
1,008	Increase in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	182,081
<b>(1,842)</b>	<b>Movement in capital financing requirement</b>	<b>182,081</b>

## Notes to Housing Revenue Account

\*£9.614 million (£9.6 million in 2014/15) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council must adhere to a debt cap set by Welsh Government. This is based on the Housing Capital Financing Requirement (CFR) calculation and at 31 March 2016, the cap was £316.554 million. The table above shows the Council remained within its cap. Breach of the cap could result in financial penalties imposed on the Council by Welsh Government.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2015/16 were as follows:

- Council Dwellings and Home Purchase Contributions £2.426 million (£2.022 million in 2014/15)
- Land £0.207 million (£2.061 million in 2014/15)

### 8. Depreciation, Impairment and Revaluation charged

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

	2014/15 £000	2015/16 £000
Council dwellings	13,877	119,841
Land and buildings	1,901	(80)
Vehicles, plant & equipment	123	408
<b>Total depreciation, impairment and revaluation</b>	<b>15,901</b>	<b>120,169</b>

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

### 9. Sums directed by the Welsh Government

Revenue expenditure funded from capital under statute charged to the Housing Revenue Account in 2015/16 was £187.392 million (£353,000 in 2014/15). The amount charged to the HRA in 2015/16 relates to the settlement payment made for the exit from the HRA Subsidy system.

	2014/15 £000	2015/16 £000
<b>Expenditure:</b>		
Buildings not owned by the Council	353	0
Capitalisation Direction – Housing Revenue Account Subsidy System Settlement Payment	0	187,392
Charged to Income and Expenditure Account	<b>353</b>	<b>187,392</b>
<b>Funded by:</b>		
Borrowing, receipts and other capital resources	353	187,392
	<b>353</b>	<b>187,392</b>



## Foreword

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

The Pension Fund's assets fell by 1.6% during 2015/16, from £1.68 billion to £1.65 billion mainly as a result of 2015/16 having been a difficult year for global equity markets, with periods of significant volatility during the year. Over the longer term the Fund's assets have grown, averaging 6.5% per annum over the past three years, but the continuing low interest rates and expectations of lower investment returns in the future are likely to result in increased liabilities at this year's triennial valuation.

In July 2015 the UK Government announced that all LGPS funds in England and Wales must join together to form investment pools. The eight funds in Wales have been working together for several years and had already made significant progress towards collaborative investing. An outline proposal was submitted in February 2016 for a Wales Investment Pool with assets of around £13 billion. The Department for Communities and Local Government (DCLG) have responded positively to the submission and detailed proposals will be submitted in July this year. The pooling arrangement will have a significant impact on how investments are managed in the future but each individual LGPS fund will continue to set its own investment strategy in the light of its specific funding position and liability profile. New investment regulations are expected towards the end of this year.

The Fund's Local Pension Board was established in 2015. The Board comprises three employer representatives, three scheme member representatives and an independent (non-voting) chair. The Board's role is to assist the Council in securing compliance with the LGPS regulations and related legislation. Members were appointed from 1 July 2015 and the Board held its first meeting on 30 July. The Board will meet at least three times a year.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 37,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

**Christine Salter**  
**Corporate Director Resources**  
**29 September 2016**

## Actuarial Statement

### Cardiff and Vale of Glamorgan Pension Fund

#### Introduction

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

#### Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date (of £1,369M) covering 82% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2014 was:
  - 15.4% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
  - Plus
  - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2014, amounting to £16.9M in 2014/15, and increasing by 3.4% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 22.2% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.4% p.a.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt's report dated 28 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.
5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.9% p.a.
Rate of pay increases	3.4% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report of the valuation and the Rates and Adjustment Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20Valuation%20Report%20-%2031%20March%202013.pdf>

**Aon Hewitt Limited**  
**June 2016**

# Cardiff and Vale of Glamorgan Pension Fund

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2016

2014/15 Restated £000		2015/16 £000
	<b>CONTRIBUTIONS AND BENEFITS</b>	
	<b>Contributions receivable</b>	
58,471	from employers (note 5)	60,370
16,026	from employees (note 5)	16,360
2,978	Transfers in	5,034
5,134	Other Income (Capitalised Payments and interest on deficit funding)	2,134
<b>82,609</b>		<b>83,898</b>
	<b>Benefits Payable</b>	
(55,983)	Pensions (note 6)	(59,118)
(19,439)	Lump Sums (note 6)	(16,910)
	Payments to and on account of leavers	
(76)	Refunds of contributions	(136)
(3,204)	Transfers out	(8,220)
<b>(78,702)</b>		<b>(84,384)</b>
<b>3,907</b>	Net Additions/(Withdrawals) from dealings with Members of the Fund	<b>(486)</b>
	<b>RETURNS ON INVESTMENT</b>	
17,388	Investment Income (note 9)	18,176
176,648	Change in market value of investments (note 10)	(31,716)
(10,929)	Management expenses (note 8)	(12,520)
<b>183,107</b>	Net Returns on Investments	<b>(26,060)</b>
<b>187,014</b>	Net Increase/(Decrease) in the Fund During Year	<b>(26,546)</b>
1,492,503	Opening Net Assets of the Scheme	1,679,517
<b>1,679,517</b>	<b>Closing Net Assets of the Scheme</b>	<b>1,652,971</b>

# Cardiff and Vale of Glamorgan Pension Fund

## NET ASSET STATEMENT AS AT 31 MARCH 2016

2014/15 £000		2015/16 £000
1,616,090	Investments at market value (note 10)	1,599,878
37,061	Cash & investment proceeds due (note 10)	29,002
<b>1,653,151</b>		<b>1,628,880</b>
	<b>Current assets</b>	
121	UK & Overseas Tax	128
4,488	Contributions due from Employers and deficit funding	4,533
793	Sundry Debtors (note 14)	602
3,078	Pension Strain costs due within one year	2,886
<b>8,480</b>		<b>8,149</b>
	<b>Non-current assets</b>	
15,618	Deficit funding (former employers)	13,386
6,253	Pension strain costs due after one year	4,891
<b>21,871</b>		<b>18,277</b>
	<b>Current liabilities</b>	
(3,055)	Unpaid Benefits	(1,550)
(930)	Sundry Creditors (note 14)	(785)
<b>(3,985)</b>		<b>(2,335)</b>
<b>1,679,517</b>	<b>Net Assets of the Scheme</b>	<b>1,652,971</b>

## NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2015/16. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The actuarial position is summarised in the Actuarial Statement which is included on pages 105 and 106. This shows that the overall funding level as at 31 March 2013 is 82%.

## 2. Accounting Policies

### (a) Basis of Preparation

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

### (b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2016 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

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

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2016 was **£83 million** (£87 million at 31 March 2015).

Pension fund liability - This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 105 and 106. This estimate is based on significant variances based on changes to the underlying assumptions.

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

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

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actual present value of promised retirement benefits</b>	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
<b>Private Equity Valuations</b>	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £83 million. There is a risk that this investment may be under, or overstated in the accounts.

**(e) Acquisition costs of Investments**

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

### 3. Taxation

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

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

**(b) Value Added Tax**

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

**(c) Overseas Withholding Tax**

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

### 4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2016 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

# Cardiff and Vale of Glamorgan Pension Fund

## 5. Employing Bodies – Contributions

	No. of contributors at 31.03.16	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	13	27.0%	0	75	18	93
Cardiff and Vale College	374	13.6%	260	1,293	484	1,777
Cardiff City Transport	27	25.4%	480	689	55	744
City of Cardiff Council	9,987	22.9%	0	35,625	9,714	45,339
Cardiff Metropolitan University	743	13.6%	527	3,299	1,390	4,689
Cowbridge Town Council	4	27.0%	0	18	4	22
Dinas Powys Community Council	1	27.0%	0	7	2	9
Lisvane Community Council	1	27.0%	0	3	1	4
Llantwit Major Town Council	4	27.0%	0	18	4	22
Penarth Town Council	14	27.0%	0	78	18	96
Penllyn Community Council	1	27.0%	0	1	0	1
Public Services Ombudsman for Wales	1	32.3%	266	290	6	296
Radyr & Morganstown Community Council	1	27.0%	0	7	1	8
St Davids Sixth Form College	39	13.6%	14	126	51	177
Stanwell School	78	16.4%	13	171	56	227
Vale Of Glamorgan Council	3,317	22.7%	0	13,258	3,672	16,930
Wenvoe Community Council	1	27.0%	0	2	0	2
<b>Sub-total</b>	<b>14,606</b>			<b>54,960</b>	<b>15,476</b>	<b>70,436</b>
<b>ADMITTED BODIES:</b>						
APP Clean UK	5	21.5%	0	6	2	8
Cardiff Business Technology Centre	4	28.7%	0	22	5	27
Cardiff Gypsy & Traveller Project	0	23.4%	0	1	0	1
Cardiff Institute For The Blind	2	20.6%	59	68	3	71
Cardiff University	54	27.3%	1,300	1,654	82	1,736
Careers Wales (Cardiff & Vale)	78	18.1%	0	389	138	527
Children In Wales	25	27.3%	0	153	36	189
Civic Trust For Wales	0	23.4%	8	8	0	8
Colleges Wales	6	19.8%	9	57	19	76
Design Commission for Wales	4	20.3%	0	34	13	47
Mirus Wales	6	23.4%	0	58	22	80
National Trust	9	20.7%	0	34	10	44
One Voice	2	19.4%	6	23	7	30
Play Wales	6	24.0%	8	54	14	68



## Cardiff and Vale of Glamorgan Pension Fund

	No. of contributors at 31.03.16	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
Royal National Eisteddfod	13	25.5%	32	150	36	186
Sport Wales	129	20.2%	1,050	1,866	281	2,147
Wales & West Housing	1	20.6%	105	133	15	148
Welsh Council For Voluntary Action	59	21.4%	36	455	131	586
Workers Education Association	52	22.3%	6	245	70	315
<b>Sub-total</b>	<b>455</b>			<b>5,410</b>	<b>884</b>	<b>6,294</b>
<b>Total</b>	<b>15,061</b>			<b>60,370</b>	<b>16,360</b>	<b>76,730</b>

### Additional deficit funding

There was no additional deficit funding in 2015/16.

### Comparative note for 2014/15

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	13	27.0%	0	74	18	92
Cardiff and Vale College	392	13.6%	259	1,254	464	1,718
Cardiff City Transport	30	25.4%	480	729	65	794
City of Cardiff Council	9,519	22.9%	0	35,608	9,791	45,399
Cardiff Metropolitan University	790	13.6%	527	3,108	1,288	4,396
Cowbridge Town Council	4	27.0%	0	18	4	22
Dinas Powys Community Council	1	27.0%	0	7	1	8
Lisvane Community Council	1	27.0%	0	1	0	1
Llantwit Major Town Council	4	27.0%	0	18	4	22
Penarth Town Council	14	27.0%	0	73	17	90
Penllyn Community Council	1	27.0%	0	1	0	1
Public Services Ombudsman for Wales	3	32.3%	254	290	9	299
Radyr & Morganstown Community Council	1	27.0%	0	6	1	7
St David's Sixth Form College	39	13.6%	14	114	47	161

## Cardiff and Vale of Glamorgan Pension Fund

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo)	Employers	Employees	Total
Stanwell School	76	16.4%	13	167	55	222
Vale Of Glamorgan Council	3,253	22.7%	0	12,037	3,332	15,369
Wenvoe Community Council	1	27.0%	0	2	0	2
<b>Sub-total</b>	<b>14,142</b>			<b>53,507</b>	<b>15,096</b>	<b>68,603</b>
<b>ADMITTED BODIES:</b>						
Cardiff Business Technology Centre	3	28.7%	0	14	3	17
Cardiff Gypsy & Traveller Project	1	23.4%	3	8	1	9
Cardiff Institute For The Blind	2	20.6%	57	66	3	69
Cardiff University	57	27.3%	1,300	1,684	89	1,773
Careers Wales (Cardiff & Vale)	83	18.1%	0	397	138	535
Children In Wales	22	24.7%	0	142	38	180
Civic Trust For Wales	0	23.4%	4	4	0	4
Colleges Wales	6	19.8%	9	67	23	90
Design Commission for Wales	4	20.3%	0	30	12	42
Memorial Hall	5	17.8%	0	17	6	23
Mirus Wales	6	23.4%	0	56	20	76
National Trust	11	20.7%	0	43	13	56
One Voice	2	19.4%	3	19	8	27
Play Wales	5	24.0%	4	57	17	74
Royal National Eisteddfod	12	25.5%	32	142	33	175
Sport Wales	130	20.2%	500	1,323	286	1,609
Wales & West Housing	1	20.6%	102	139	16	155
Welsh Council For Voluntary Action	74	21.4%	43	500	149	649
Workers Education Association	50	22.3%	5	256	75	331
<b>Sub-total</b>	<b>474</b>			<b>4,964</b>	<b>930</b>	<b>5,894</b>
<b>Total</b>	<b>14,616</b>			<b>58,471</b>	<b>16,026</b>	<b>74,497</b>

### Additional deficit funding

There was no additional deficit funding in 2014/15

# Cardiff and Vale of Glamorgan Pension Fund

## 6. Employing Bodies - Benefits Paid

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

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Glamorgan Holiday Hotel	60	47	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	202	30	0	0
Intervol	22	0	0	0
Land Authority for Wales	304	0	0	0
National Eisteddfod	71	0	0	0
National Trust	10	91	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	839	64	0	23
STAR	7	0	0	0
Wales & West Housing	139	(7)	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	189	173	0	0
Workers Education Association	28	141	0	0
<b>Sub-total</b>	<b>4,232</b>	<b>937</b>	<b>65</b>	<b>14</b>
<b>TOTAL</b>	<b>59,118</b>	<b>14,829</b>	<b>1,519</b>	<b>562</b>

### Comparative note for 2014/15

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>SCHEDULED BODIES:</b>				
Barry Town Council	77	14	0	0
Cardiff City Transport	2,228	1,012	8	0
City of Cardiff Council	36,222	11,070	1,147	337
Cardiff and Vale College	562	211	0	0
Cardiff Metropolitan University	1,373	657	0	0
Cowbridge Town Council	11	0	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	14	0	0	0
Penarth Town Council	42	5	0	0
Probation Service	250	8	0	0
Public Services Ombudsman for Wales	182	75	0	0
Radyr & Morganstown Community Council	17	0	0	0
Royal Welsh College of Music & Drama	76	0	0	0
S Wales Magistrates Courts	316	348	0	34

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
St Cyres School	47	14	0	0
St David's Sixth Form College	63	32	0	0
Stanwell School	43	102	0	17
Vale of Glamorgan Council	10,497	3,066	319	97
<b>Sub-total</b>	<b>52,047</b>	<b>16,614</b>	<b>1,474</b>	<b>485</b>
<b>ADMITTED BODIES:</b>				
Cardiff Bay Arts Trust	11	0	0	0
Cardiff Bay Development Corp	489	15	0	0
Cardiff Business Technology Centre	12	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,014	156	61	10
Careers Wales (Cardiff & Vale)	293	87	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	13	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	10	11	0	0
Civic Trust for Wales	16	33	0	0
Colleges Wales	49	180	0	0
Design Commission for Wales	3	0	0	0
Dimensions	9	0	0	0
Glam & Gwent Housing Assoc	58	0	0	0
Glamorgan Holiday Hotel	54	0	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	196	0	0	0
Intervol	22	0	0	0
Land Authority for Wales	318	22	0	0
National Eisteddfod	76	3	0	0
National Trust				
Memorial Hall	3	75	0	0
Mirus Wales (Opportunity Housing Trust)	22	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	757	163	3	6
STAR	7	0	0	0
Wales & West Housing	139	7	0	0
Wales Youth Agency	55	0	0	0
Welsh Council for Voluntary Action	164	27	7	0
Workers Education Association	14	0	0	0
<b>Sub-total</b>	<b>3,936</b>	<b>779</b>	<b>71</b>	<b>16</b>
<b>TOTAL</b>	<b>55,983</b>	<b>17,393</b>	<b>1,545</b>	<b>501</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 7. Membership of the Fund

Fund membership at 31 March 2016 is as follows:

	2014/15 (Restated)	2015/16
Contributing Employers	33	36
Contributors	14,616	15,061
Pensioners	10,281	10,626
Deferred pensioners	12,073	12,308
<b>Total membership</b>	<b>36,970</b>	<b>37,995</b>

## 8. Management Expenses

Management Expenses fully charged to the Fund are:

	2014/15 Restated £000	2015/16 £000
Administration Costs	789	912
Investment Management Expenses	10,016	11,484
Oversight & Governance Costs	124	124
<b>TOTAL</b>	<b>10,929</b>	<b>12,520</b>

## 9. Investment Income

	2014/15 £000	2015/16 £000
UK Fixed Interest Securities	5,277	5,098
Overseas Fixed Interest Securities	2,345	2,663
UK Equities & Private Equity Funds	3,105	3,209
Pooled investments	1,278	1,432
Overseas Equities (net of irrecoverable tax)	3,682	3,817
Property Unit Trust Income	1,529	1,700
Interest on UK cash	75	132
Securities Lending	97	125
<b>TOTAL</b>	<b>17,388</b>	<b>18,176</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 10. Investments at Market Value

2014/15 £000		2015/16 £000
	UK Fixed Interest:	
53,976	Public Sector	66,966
129,201	Other (Pooled)	93,423
<b>183,177</b>		<b>160,389</b>
	Overseas Fixed Interest:	
61,913	Public Sector (Pooled)	86,645
<b>61,913</b>		<b>86,645</b>
101,886	UK quoted Equities & Convertibles	95,636
174,678	Foreign quoted Equities	161,746
<b>276,564</b>		<b>257,382</b>
<b>99,211</b>	UK & Global Property (Pooled)	<b>118,632</b>
<b>87,433</b>	Private Equity	<b>83,101</b>
	Pooled Funds	
484,258	UK	470,172
423,534	Overseas	423,557
<b>907,792</b>		<b>893,729</b>
(2,209)	Derivatives: Forward Currency Contracts	(2,273)
<b>(2,209)</b>		<b>(2,273)</b>
	Cash:	
24,110	UK	24,267
13,559	Overseas	5,059
1,601	Net investment proceeds due	1,949
<b>39,270</b>		<b>31,275</b>
<b>1,653,151</b>	<b>TOTAL</b>	<b>1,628,880</b>

Gross purchases in the year (excluding cash and forward currency) were £178.949 million, whilst sales were £177.987 million. From these a net realised loss was accrued to the Fund of £798,000. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

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

## Cardiff and Vale of Glamorgan Pension Fund

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

Comparative data for 2014/15:

	Value at 31/03/14	Purchase at cost Restated	Sale Proceeds	Change in Market Value Restated	Value at 31/03/15
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	220,062	65,699	(57,319)	16,648	245,090
Equities	235,397	66,497	(59,102)	33,772	276,564
Pooled Funds	814,008	784	0	93,000	907,792
Property unit trusts	79,897	5,779	0	13,535	99,211
Private equity	92,925	2,686	(24,878)	16,700	87,433
<b>Sub total</b>	<b>1,442,289</b>	<b>141,445</b>	<b>(141,299)</b>	<b>173,655</b>	<b>1,616,090</b>
Forward Currency	884	2,089,769	(2,098,490)	5,628	(2,209)
Futures	0	286,496	(286,496)	0	0
<b>Total Derivatives</b>	<b>884</b>	<b>2,376,265</b>	<b>(2,384,986)</b>	<b>5,628</b>	<b>(2,209)</b>
Debtors	812				1,742
Creditors	0				(141)
Managers' Cash	9,049				7,700
Internal Cash	12,625				24,110
Currency Overlay	466				5,859
<b>Total Cash</b>	<b>22,952</b>			<b>(2,635)</b>	<b>39,270</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>23,836</b>			<b>2,993</b>	<b>37,061</b>
<b>Total</b>	<b>1,466,125</b>			<b>176,648</b>	<b>1,653,151</b>



Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £258,473. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

## Analysis of derivatives

### Objectives and policies for holding derivatives

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

### Forward foreign currency

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

## 11. Summary of Manager's Portfolio Values at 31 March 2016

	£000	% of Fund
Aberdeen Asset Management	247,805	15.2
Aberdeen Emerging Markets	54,952	3.4
Blackrock Investment Management	181,088	11.1
Invesco Perpetual	91,944	5.6
J P Morgan	67,666	4.2
Majedie	98,197	6.0
Nikko	88,371	5.4
Schroder Investment Managers	76,851	4.7
State Street Global Advisers	498,078	30.6
Property	118,632	7.3
Private Equity Managers	83,101	5.1
Mesirow currency overlay & cash with custodian	(2,072)	(0.1)
Internally managed (Cash)	24,267	1.5
<b>Total</b>	<b>1,628,880</b>	<b>100</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 12. Financial Instruments

### a) Classification of financial instruments

31/03/2015				31/03/2016		
Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs		Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs
£000	£000	£000		£000	£000	£000
			<b>Financial assets</b>			
245,090	0	0	Fixed Interest Securities	247,034	0	0
276,564	0	0	Equities	257,382	0	0
907,792	0	0	Pooled Funds	893,729	0	0
99,211	0	0	Property Unit Trusts	118,632	0	0
87,433	0	0	Private Equity	83,101	0	0
156,416	0	0	Derivatives	168,982	0	0
0	37,669	0	Cash	0	29,326	0
1,601	0	0	Other investments	1,949	0	0
0	30,351	0	Debtors	0	26,426	0
<b>1,774,107</b>	<b>68,020</b>	<b>0</b>		<b>1,770,809</b>	<b>55,752</b>	<b>0</b>
			<b>Financial liabilities</b>			
(158,625)	0	0	Derivatives	(171,255)	0	0
0	0	0	Other investments	0	0	0
0	0	(3,985)	Creditors	0	0	(1,812)
0	0	0	Borrowings	0	0	0
<b>(158,625)</b>	<b>0</b>	<b>(3,985)</b>		<b>(171,255)</b>	<b>0</b>	<b>(1,812)</b>
<b>1,615,482</b>	<b>68,020</b>	<b>(3,985)</b>		<b>1,599,554</b>	<b>55,752</b>	<b>(1,812)</b>

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

31/03/2015 £000		31/03/2016 £000
	<b>Financial Assets</b>	
294,432	Fair value through profit and loss	(21,259)
0	Loans and receivables	0
	<b>Financial liabilities</b>	
(117,769)	Fair value through profit and loss	(12,630)
(15)	Loans and receivables	2,173
<b>176,648</b>	<b>Total</b>	<b>(31,716)</b>

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

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

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

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

Values as at 31st March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	
<b>Financial assets</b>				
Financial assets at fair value	679,529	718,616	372,664	1,770,809
Loans and receivables	55,752	0	0	55,752
<b>Total financial assets</b>	<b>735,281</b>	<b>718,616</b>	<b>372,664</b>	<b>1,826,561</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	0	0	(171,255)	(171,255)
Financial liabilities at amortised cost	(1,812)	0	0	(1,812)
<b>Total financial liabilities</b>	<b>(1,812)</b>	<b>0</b>	<b>(171,255)</b>	<b>(173,067)</b>
<b>Net financial assets</b>	<b>733,469</b>	<b>718,616</b>	<b>201,409</b>	<b>1,653,494</b>

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

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

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

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

# Cardiff and Vale of Glamorgan Pension Fund

## Market Risk

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

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

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

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

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

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

2014/15 Comparative:

Asset Type	Carrying amount as at 31.03.2015	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,061	371	(371)
Fixed interest securities	245,090	2,451	(2,451)
<b>Total</b>	<b>282,151</b>	<b>2,822</b>	<b>(2,822)</b>

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

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

## Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 6.35%. A 6.35% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

## Cardiff and Vale of Glamorgan Pension Fund

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

	Asset value as at 31.03.2015	Change to net assets available to pay benefits	
<b>Currency exposure – asset type</b>		3.49%	-3.49%
	£000	£000	£000
Overseas quoted securities	616,984	638,493	595,476
<b>Total change in assets available</b>	<b>616,984</b>	<b>638,493</b>	<b>595,476</b>

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

### Price risk sensitivity analysis

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

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

Asset type	Value as at 31.03.2015 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,653,151</b>	<b>6.65%</b>	<b>1,763,086</b>	<b>1,543,216</b>
UK Equities	586,144	9.73%	643,176	529,112
Overseas Equities	598,212	9.68%	656,119	540,305
Total Bonds	245,090	3.78%	254,354	235,826
Cash	37,061	0.01%	37,065	37,057
Alternatives	87,433	3.35%	90,362	84,504
Property	99,211	2.25%	101,443	96,979

# Cardiff and Vale of Glamorgan Pension Fund

## Credit Risk

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

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2016 was £24.8 million (£24.6 million at 31.03.2015). This was held with the following institutions:

	Rating	Balance at 31.03.2015 £000	Balance at 31.03.2016 £000
<b>Money market funds</b>			
Ignis	AAA	12,000	<b>12,000</b>
Deutsche	AAA	12,000	<b>920</b>
Blackrock	AAA	650	<b>11,950</b>
<b>Bank current account</b>			
Lloyds Bank	A	6	<b>(80)</b>
<b>Total</b>		<b>24,656</b>	<b>24,790</b>

## Liquidity Risk

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

## 14. Sundry Debtors & Creditors

	2014/15 £000	2015/16 £000
<b>Debtors</b>		
Pensions Administration	26	0
Miscellaneous	767	602
	<b>793</b>	<b>602</b>
<b>Creditors</b>		
Management & Custody Fees	(899)	(785)
Miscellaneous	(31)	0
	<b>(930)</b>	<b>(785)</b>
<b>Total</b>	<b>(137)</b>	<b>(183)</b>

## 15. Additional Voluntary Contributions

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

The amount of AVC contributions paid during the year amounted to £416,000 and the market value of separately invested AVC's as at 31 March 2016 was £3.225 million.

### 16. Commitments

As at 31 March 2016 the Fund had outstanding private equity commitments of a maximum of £38.64 million (£40.57 million at 31 March 2015).

As at 31 March 2016 the Fund had forward currency contracts amounting to £168.98 million of purchases and £171.26 million of sales, showing an unrealised loss of £2.27 million.

### 17. Securities Lending

At the year end the value of quoted equities on loan was £40.42 million (£38.00 million at March 2015) in exchange for which the custodian held collateral of £42.54 million (£40.35 million at March 2015). For the year ending 31 March 2016, the Fund received income of £120,991 from the lending of stock.

### 18. Contingent Liabilities

The Fund has no contingent liabilities.

### 19. Related Party Transactions

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

Other related party transactions with the Council are:

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

### 20. Post Balance Sheet Events

The United Kingdom held a referendum on 23 June 2016 on future membership of the European Union and the result was a 52% majority in favour of leaving the EU. The result had an immediate impact on financial markets but the long term impact is still unknown. Markets have continued to be volatile in response to the ongoing political and economic uncertainty. The pound has lost value against other major currencies resulting in an increase in the value of overseas investments held by UK investors. The total market value of the Cardiff & Vale of Glamorgan Pension Fund's investment assets has increased since the referendum result but no adjustments have been made to valuations as at 31 March 2016 to reflect this increase.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2015/16 Code that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of The County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus). At the point of drafting these accounts, the accounts for Cardiff Bus had not been audited and, therefore, the draft figures have been consolidated within the Group Accounts.

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. In addition, the Council had an interest in the Cardiff Medicentre Joint Venture during 2015/16, however this interest had been sold as at 31 March 2016. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2015/16. Details of the Council's interests in these organisations are included in note 26 to the Core Financial Statements.

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### Basis of Consolidation

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

### Accounting policies

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

#### 1. Retirement Benefits

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

#### 2. Value Added Tax

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

#### 3. Goodwill

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

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

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

#### 5. Derivatives Financial Instruments

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



## Group Accounts

### GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
<b>Balance at 31 March 2014 carried forward (restated)</b>	11,413	30,559	8,124	684	1,399	52,179	883,737	935,916
<u>Movement in Reserves during 2014/15 (restated)</u>								
Surplus or (deficit) on the provision of Services	(11,619)	0	4,696	0	0	<b>(6,923)</b>	2,065	<b>(4,858)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	(55,994)	<b>(55,994)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,619)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(6,923)</b>	<b>(53,929)</b>	<b>(60,852)</b>
Adjustments between accounting basis & funding basis under regulations	16,625	0	(4,828)	0	(63)	<b>11,734</b>	(11,734)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>5,006</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,811</b>	<b>(65,663)</b>	<b>(60,852)</b>
Transfers to/(from) Earmarked Reserves	(3,265)	3,265	446	(446)	0	<b>0</b>	0	<b>0</b>
Other Movements in Reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>3,265</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,811</b>	<b>(65,663)</b>	<b>(60,852)</b>
<b>Balance at 31 March 2015 carried forward (restated)</b>	<b>13,154</b>	<b>33,824</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,990</b>	<b>818,074</b>	<b>875,064</b>
<u>Movement in Reserves during 2015/16</u>								
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	<b>(301,405)</b>	364	<b>(301,041)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	74,169	<b>74,169</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(19,108)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(301,405)</b>	<b>74,533</b>	<b>(226,872)</b>

## Group Accounts

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
Adjustments between accounting basis & funding basis under regulations	39,022	0	283,013	0	4,087	<b>326,122</b>	(326,122)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(251,589)</b>	<b>(226,872)</b>
Transfers to/(from) Earmarked Reserves	(17,813)	17,813	(716)	716	0	<b>0</b>		<b>0</b>
Other Movements in Reserves						<b>0</b>		<b>0</b>
<b>Increase/(Decrease) in 2015/16</b>	<b>2,101</b>	<b>17,813</b>	<b>0</b>	<b>716</b>	<b>4,087</b>	<b>24,717</b>	<b>(251,589)</b>	<b>(226,872)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>51,637</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>81,707</b>	<b>566,485</b>	<b>648,192</b>

## Group Accounts

### THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
51,243	(17,958)	<b>33,285</b>	Central Services to the Public		47,725	(14,023)	<b>33,702</b>
58,205	(27,886)	<b>30,319</b>	Cultural & Related Services		59,698	(28,652)	<b>31,046</b>
58,059	(23,779)	<b>34,280</b>	Environmental & Regulatory Services		65,347	(35,041)	<b>30,306</b>
20,081	(19,905)	<b>176</b>	Planning Services		27,263	(23,349)	<b>3,914</b>
404,770	(98,704)	<b>306,066</b>	Children's and Education Services		404,264	(108,102)	<b>296,162</b>
85,101	(42,017)	<b>43,084</b>	Highways & Transport Services		85,035	(53,994)	<b>31,041</b>
69,971	(65,231)	<b>4,740</b>	Housing Revenue Account		161,633	(67,635)	<b>93,998</b>
181,640	(175,755)	<b>5,885</b>	Housing Services (General Fund)		182,799	(177,143)	<b>5,656</b>
127,857	(25,777)	<b>102,080</b>	Adult Social Care		125,100	(22,556)	<b>102,544</b>
9,982	(2,004)	<b>7,978</b>	Corporate & Democratic Core		11,899	(396)	<b>11,503</b>
3,405	323	<b>3,728</b>	Non-Distributed Costs		3,656	3,798	<b>7,454</b>
0	0	<b>0</b>	Exceptional Item	6	187,392	0	<b>187,392</b>
<b>1,070,314</b>	<b>(498,693)</b>	<b>571,621</b>	<b>Net Cost of Services</b>		<b>1,361,811</b>	<b>(527,093)</b>	<b>834,718</b>
26,411	0	<b>26,411</b>	South Wales Police Authority Precept		27,880	0	<b>27,880</b>
256	0	<b>256</b>	Community Council Precepts		290	0	<b>290</b>
16,984	0	<b>16,984</b>	Levies & Contributions		16,798	0	<b>16,798</b>
1,589	(5,774)	<b>(4,185)</b>	(Gain)/loss on sale of non-current assets		10,618	(11,814)	<b>(1,196)</b>
<b>45,240</b>	<b>(5,774)</b>	<b>39,466</b>	<b>Other Operating Expenditure</b>		<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>
24,734	0	<b>24,734</b>	Interest Payable on debt		32,318	0	<b>32,318</b>
16	0	<b>16</b>	Interest element of finance leases	4	16	0	<b>16</b>
21,970	(3,728)	<b>18,242</b>	Interest on net defined benefit liability/(asset)	5	18,728	(1,735)	<b>16,993</b>
0	(1,106)	<b>(1,106)</b>	Interest & Investment Income			(1,035)	<b>(1,035)</b>
0	0	<b>0</b>	Other Investment Income		1,092	(1,282)	<b>(190)</b>
6,161	(12,391)	(6,230)	Change in fair value of Investment Properties		488	0	488

## Group Accounts

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
52,881	(17,225)	35,656	Financing and Investment Income & Expenditure		52,642	(4,052)	48,590
0	(28,165)	<b>(28,165)</b>	Recognised Capital Grants & Contributions			(25,304)	<b>(25,304)</b>
0	(326,291)	<b>(326,291)</b>	Revenue Support Grant			(322,851)	<b>(322,851)</b>
0	(109,695)	<b>(109,695)</b>	Non-Domestic Rates			(101,253)	<b>(101,253)</b>
779	(165,499)	<b>(164,720)</b>	Council Tax Income		1,834	(175,121)	<b>(173,287)</b>
0	(13,608)	<b>(13,608)</b>	Other Central Grants			(3,344)	<b>(3,344)</b>
779	(643,258)	<b>(642,479)</b>	Taxation & Non-Specific Grant Income		1,834	(627,873)	<b>(626,039)</b>
<b>594</b>	<b>0</b>	<b>594</b>	Tax expenses - Corporation Tax payable			<b>0</b>	<b>0</b>
		<b>4,858</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>301,041</b>
		<b>(937)</b>	Revaluation Gains				<b>(134,348)</b>
		<b>2,844</b>	Revaluation Losses				<b>73,310</b>
		<b>412</b>	Impairment losses on non-current assets charged to the Revaluation Reserve				<b>591</b>
		<b>0</b>	(Surplus)/Deficit on revaluation of available for sale financial assets				<b>(37)</b>
		<b>51,491</b>	Actuarial gains/losses on pension assets/liabilities				<b>(12,346)</b>
		<b>2,184</b>	Share of other comprehensive income & expenditure of subsidiaries				<b>(1,339)</b>
		<b>55,994</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>(74,169)</b>
		<b>60,852</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>226,872</b>

## Group Accounts

### GROUP BALANCE SHEET AS AT 31 MARCH 2016

31 March 2015 Restated £000		Note	31 March 2016 £000
	<b><u>Property Plant &amp; Equipment:</u></b>	7	
569,012	Council Dwellings		529,464
771,195	Other Land and Buildings		749,640
29,398	Vehicles, Plant, Furniture & Equipment		31,858
308,666	Infrastructure		298,598
19,206	Community Assets		19,620
11,757	Assets under construction (AUC)		31,048
37,024	Surplus assets not held for sale		36,299
50,884	Heritage Assets		51,278
100,787	Investment Properties		110,471
4,346	Intangible Non-Current Assets including AUC		3,179
3,754	Long-term Investments		1,441
2,790	Long-term Debtors		5,081
938	Deferred tax asset		558
<b>1,909,757</b>	<b>Total Long-Term Assets</b>		<b>1,868,535</b>
42,122	Short-term Investments		54,215
3,040	Assets held for Sale		2,819
2,446	Inventories		2,398
92,028	Short-term Debtors	9	87,215
28,446	Cash and Cash Equivalents	10	22,360
<b>168,082</b>	<b>Total Current Assets</b>		<b>169,007</b>
(12,964)	Short-term Borrowing		(16,147)
(97,296)	Short-term Creditors	11	(87,291)
(2,830)	Pension Strain		(2,354)
(10,300)	Provisions	12	(11,556)
(1,746)	Deferred Liabilities	13	(2,224)
(397)	Deferred tax liability		(393)
<b>(125,533)</b>	<b>Total Current Liabilities</b>		<b>(119,965)</b>
(465,808)	Long Term Borrowing		(659,408)
(32,975)	Provisions	12	(29,633)
(10,509)	Deferred Liabilities	13	(11,869)
(10,095)	Capital Contributions Receipts in Advance		(9,933)
(3,734)	Revenue Grants Receipts in Advance		(2,526)
(2,160)	Capital Grants Receipts in Advance		(1,791)
(6,252)	Pensions Strain		(4,891)

## Group Accounts

31 March 2015 Restated £000		Note	31 March 2016 £000
(544,477)	Net Pensions Liability		(548,471)
(1,232)	Deferred tax liability		(863)
<b>(1,077,242)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,269,385)</b>
<b>875,064</b>	<b>NET ASSETS</b>		<b>648,192</b>
	<b>Financed by:</b>		
13,154	Council Fund Balance		15,255
33,824	Council Fund Earmarked Reserves		51,637
8,438	Housing Revenue Account Balance		8,438
238	Housing Revenue Account Earmarked Reserves		954
1,336	Capital Receipts Reserve		5,423
<b>56,990</b>	<b>Usable Reserves</b>		<b>81,707</b>
204,601	Revaluation Reserve		257,392
1,164,708	Capital Adjustment Account		856,975
87	Deferred Capital Receipts		2,049
4,618	Available for Sale Financial Instruments Reserve		4,656
(2,367)	Financial Instruments Adjustment Account		0
(552,621)	Pensions Reserve		(555,158)
(7,670)	Accumulated Absences Adjustment Account		(6,289)
6,718	Cardiff Bus Retained Earnings		6,860
<b>818,074</b>	<b>Unusable Reserves</b>		<b>566,485</b>
<b>875,064</b>	<b>TOTAL RESERVES</b>		<b>648,192</b>

## Group Accounts

### GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2016

2014/15 Restated £000		Note	2015/16 £000
4,858	<b>Net (Surplus) /Deficit on the provision of services</b>		<b>301,041</b>
(92,628)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(186,431)
21,712	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	(178,498)
<b>(66,058)</b>	<b>Net cash flows from operating activities</b>		<b>(63,888)</b>
(1,126)	Interest Received		(1,209)
24,744	Interest Paid		30,050
118	Finance lease interest paid		166
0	Dividends received		0
56	Taxation (group only)		234
(89,850)	Net cash flow from other operating activities		(93,129)
<b>69,447</b>	<b>Investing activities</b>		<b>281,522</b>
72,585	Purchase of property, plant and equipment, investment property and intangible assets		93,760
29,047	Purchase of short-term and long-term Investments		31,231
9,922	Other payments for investing activities		200,875
(5,830)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,814)
(33,754)	Capital Grants		(31,744)
(2,523)	Capital Contributions		(1,504)
0	Proceeds from short-term and long-term investments		(1,282)
<b>13,707</b>	<b>Financing activities</b>		<b>(211,548)</b>
(6,902)	Cash receipts from short-term and long-term borrowing		(205,399)
	Other receipts from financing activities		(13,454)
891	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,313
7,820	Repayments of short-term and long-term borrowing		5,992
11,898	Other payments for financing activities		0
<b>17,096</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>6,086</b>
<b>45,542</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>28,446</b>
<b>28,446</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>22,360</b>
182	Cash		233
13,842	Bank (including cheque book schools)		15,513
14,422	Short-term deposits with banks and building societies		6,614

## NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 41 to 98 apply also to the Group Accounts with the following additions and exceptions:

### 1. Remuneration

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

Remuneration band £	Number of Employees	
	2014/15	2015/16
60,000-64,999	91	46
65,000-69,999	28	44
70,000-74,999	8	14
75,000-79,999	17	5
80,000-84,999	6	10
85,000-89,999	6	3
90,000-94,999	8	3
95,000-99,999	0	3
100,000-104,999	3	1
105,000-109,999	2	2
110,000-114,999	1	1
115,000-119,999	10	1
120,000-124,999	1	8
125,000-129,999	0	1
130,000-134,999	0	0
135,000-139,999	1	0
140,000-144,999	1	0
145,000-149,999	0	1
150,000-154,999	1	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	1	0
170,000-174,999	0	2
175,000-179,999	1	0
180,000-184,999	0	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2015/16 Financial Statements.

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

### 2. Related Parties Disclosures

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

### 3. External Audit Costs

In 2015/16 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:



## Notes to Group Accounts

	2014/15 £000	2015/16 £000
Fees payable to Wales Audit Office for external audit services	421	400
Fees Payable to other external auditors in respect of external audit services	24	32
Fees payable to external auditors for the certification of grant claims and returns	118	84
Fees payable in respect of other services provided by external auditors	3	3
<b>Total</b>	<b>566</b>	<b>519</b>

### 4. Leasing

#### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2015/16 were as follows:

	2014/15 (Restated) £000	2015/16 £000
Property Leases	1,886	1,553
Other Leases	1,371	2,365

The group was committed at 31 March 2016 to making payments of £3.700 million under operating leases in 2016/17 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	0	131
Leases expiring within 2 and 5 years	518	1,979
Leases expiring after 5 years	905	167

#### Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2015/16 were as follows:

	2014/15 £000	2015/16 £000
Vehicles, Plant & Equipment	118	116

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

2014/15 £000		2015/16 £000
8,934	Vehicles, Plant, Furniture and Equipment	11,620

## Notes to Group Accounts

Obligations under finance leases:

2014/15 Restated £000		2015/16 £000
722	Obligations payable within 1 year	1,238
3,111	Obligations payable between 2 and 5 years	4,679
181	Obligations payable after 5 years	573
<b>4,014</b>	<b>Total liabilities as at 31st March</b>	<b>6,490</b>

### 5. Pensions

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

	2014/15 £000	2015/16 £000
<i>Net Cost of Services</i>		
Past and current service cost and total operating charge	38,663	44,407
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	18,242	16,993
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>56,905</b>	<b>61,400</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(15,268)	(18,241)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	1,872	340
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>43,509</b>	<b>43,499</b>
<b>Represented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(38,403)	(38,535)
Payments in Respect of Unfunded Pensions Liabilities	(3,500)	(3,310)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,606)	(1,654)
	<b>(43,509)</b>	<b>(43,499)</b>

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2015/16 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced. This closed to new members in July 2013. The total cost charged in the profit and loss account for the money purchase scheme of £554,000 (£682,000 in 2014/15) represents contributions payable during the year. At 31 March 2016, contributions of £70,000 (£89,000 in 2014/15) due in respect of the current reporting period had not been paid over to the scheme.

### Cardiff City Transport Services Limited Pension Scheme

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

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

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

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

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2014	31 March 2015	31 March 2016
Rate of increase in salaries	3.9% per annum	3.5% per annum	3.1% per annum
Discount rate	4.4% per annum	3.3% per annum	3.5% per annum
Inflation assumption	3.4% per annum	3.0% per annum	3.1% per annum
Pension increases	2.7% per annum	2.0% per annum	2.1% per annum
Inflation assumption (CPI)	2.7% per annum	2.0% per annum	2.1% per annum

### Mortality assumption

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

## Notes to Group Accounts

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

	2013/2014		2014/2015		2015/2016	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets*	Fair value £000
Equities	7.0% pa	7,341	6.5% pa	13,020	N/A	13,734
Diversified growth	6.8% pa	12,937	6.3% pa	15,742	N/A	15,348
Convertible Bonds	6.5% pa	9,748	6.0% pa	4,001	N/A	3,759
Bonds	N/A	0	N/A	0	N/A	0
Cash	2.0% pa	60	2.0% pa	32	N/A	83
		<b>30,086</b>		<b>32,795</b>		<b>32,924</b>

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

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Total market value of assets	30,086	32,795	32,924
Present value of scheme liabilities	(29,914)	(34,276)	(32,046)
<b>Net IAS19 Scheme Deficit</b>	<b>172</b>	<b>(1,481)</b>	<b>878</b>

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(644)	(588)	(669)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,941	2,018	835
Interest on pension scheme liabilities	(1,251)	(1,304)	(1,120)
<b>Net finance income/(charge)</b>	<b>690</b>	<b>714</b>	<b>(285)</b>

### Analysis of amount recognised in the primary statements

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Actual return less expected return on pension assets	(474)	974	(315)
Changes in financial assumptions underlying the scheme/(liabilities)	245	(3,599)	2,664
Actuarial gain/(loss) recognised in the primary statements	<b>(229)</b>	<b>(2,625)</b>	<b>2,349</b>

## Notes to Group Accounts

### Movements in scheme deficit during the year

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>At 1 April b/f</b>	(546)	172	(1,481)
Movement in year:			
Total operating charge	(644)	(588)	(669)
Contributions	901	846	964
<b>Net finance income/(charge)</b>	690	714	(285)
Actuarial gain/(loss) in the primary statements	(229)	(2,625)	2,349
<b>At 31 March c/f</b>	<b>172</b>	<b>(1,481)</b>	<b>878</b>

### Cardiff and Vale of Glamorgan Pension Fund

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

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

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2011 continuing into 2016/17. In addition to this rate, Cardiff City Transport Services Limited is required to pay £480,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

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

April 2016 to March 2017 25.4% of pensionable pay plus £480,000.

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

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

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

	At 31 March 2014	At 31 March 2015	At 31 March 2016
Rate of increase in salaries	3.9% pa	3.5% pa	3.1% pa
Discount rate	4.4% pa	3.3% pa	3.5% pa
Rate of increase in pensions in payment	2.7% pa	2.0% pa	2.1% pa
Rate of increase in deferred pensions	2.7% pa	2.0% pa	2.1% pa
Rate of inflation (RPI)	3.4% pa	3.0% pa	3.1% pa
Rate of inflation (CPI)	2.7% pa	2.0% pa	2.1% pa

## Notes to Group Accounts

### Mortality assumption

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

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

	2013/14		2014/15		2015/16	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets*	Fair value £000
The assets in the fund and expected rates of return were:						
Equities	7.6% pa	19,888	7.6% pa	21,285	N/A	19,917
Government bonds	3.4% pa	1,753	3.4% pa	1,870	N/A	2,148
Corporate bonds	4.0% pa	2,032	4.0% pa	2,173	N/A	1,909
Property	6.9% pa	1,372	6.9% pa	1,622	N/A	1,936
Cash	0.9% pa	330	0.9% pa	467	N/A	610
Other assets	7.6% pa	25	7.6% pa	83	N/A	0
		<b>25,400</b>		<b>27,500</b>		<b>26,520</b>

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

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Total market value share of assets	25,400	27,500	26,520
Present value of scheme liabilities	(29,210)	(30,710)	(30,190)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,810)</b>	<b>(3,210)</b>	<b>(3,670)</b>

Analysis of amount charged to operating profit:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Current service cost/Past Service Cost	(310)	(320)	(270)
<b>Total Operating Charge</b>	<b>(310)</b>	<b>(320)</b>	<b>(270)</b>

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

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Expected return on pension scheme assets	1,610	1,710	900
Interest on pension scheme liabilities	(1,320)	(1,250)	(990)
<b>Net Finance Income/(Charge)</b>	<b>290</b>	<b>460</b>	<b>(90)</b>

## Notes to Group Accounts

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

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Actual return less expected return on pension assets/(liabilities)	840	1,500	(1,300)
Changes in financial assumptions underlying the scheme (liabilities)/assets	2,240	(1,800)	510
Actuarial (loss)/gain recognised in the primary statements.	3,080	(300)	(790)

### Movements in scheme deficit during the year:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>At 1 April</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>
Movement in year:			
Total operating charge	(310)	(320)	(270)
Contributions	800	760	690
Net finance income/(charge)	290	460	(90)
Actuarial (loss)/gain in the primary statements	3,080	(300)	(790)
<b>At 31 March</b>	<b>(3,810)</b>	<b>(3,210)</b>	<b>(3,670)</b>

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

	31 March 2015 £000	31 March 2016 £000
The Group and the Company		
Cardiff City Transport Scheme	1,481	(878)
Cardiff & Vale of Glamorgan Pension Scheme	3,210	3,670
Deferred Tax Asset	(938)	(558)
<b>Total</b>	<b>3,753</b>	<b>2,234</b>

### 6. Exceptional Item

There are no exceptional items reported in the 2015/16 Cardiff Bus Accounts.

## Notes to Group Accounts

### 7. Non-Current Assets note

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	604,426	810,949	77,813	575,174	19,206	37,024	11,757	<b>2,136,349</b>
Additions	16,866	18,251	8,948	11,284	389	2,103	25,540	<b>83,381</b>
Impairment (losses)/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(10,777)	0	0	(3,200)	0	<b>(18,992)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	<b>(2,282)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,001)	0	0	0	(415)	0	<b>49,404</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(26,058)	0	0	0	(2,452)	0	<b>(172,220)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>779,382</b>	<b>76,640</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>2,068,095</b>
<b>Depreciation</b>								
At 1 April 2015	35,414	39,754	48,415	266,508	0	0	0	<b>390,091</b>
Depreciation charge	8,298	17,011	7,058	22,238	0	0	0	<b>54,605</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(10,691)	0	0	0	0	<b>(10,738)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,780)	0	0	0	0	0	<b>(61,194)</b>
<b>At 31 March 2016</b>	<b>8,298</b>	<b>29,742</b>	<b>44,782</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>371,568</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>749,640</b>	<b>31,858</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>1,696,527</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>771,195</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,746,258</b>

\* RR = Revaluation Reserve

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



## Notes to Group Accounts

### Comparative information for 2014/15:

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	778,553	80,926	557,909	18,734	55,403	24,036	<b>2,105,315</b>
Additions	17,777	24,410	5,849	16,785	472	785	8,795	<b>74,873</b>
Impairment (losses)/reversals to RR *	0	(21)	0	0	0	(389)	0	<b>(410)</b>
Impairment losses / reversals to SDPS **	(1,770)	(6,144)	(16)	0	0	(260)	0	<b>(8,190)</b>
Derecognition - disposals	(1,335)	(214)	(8,965)	0	0	(25)	0	<b>(10,539)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications	0	15,487	19	480	0	(13,237)	(21,074)	<b>(18,325)</b>
Revaluation increases /(decreases) to RR*	0	172	0	0	0	(1,796)	0	<b>(1,624)</b>
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	<b>(1,247)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>810,949</b>	<b>77,813</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,136,349</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,793	50,947	243,043	0	0	0	<b>343,144</b>
Depreciation charge	12,106	14,567	6,392	23,465	0	0	0	<b>56,530</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
Derecognition -disposals	(53)	(67)	(8,924)	0	0	0	0	<b>(9,044)</b>
Depreciation written out to SDPS **	0	(397)	0	0	0	0	0	<b>(397)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(107)	0	0	0	0	0	<b>(107)</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,754</b>	<b>48,415</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,091</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>771,195</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,746,258</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>752,760</b>	<b>29,979</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>1,762,171</b>

\* RR = Revaluation Reserve

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

## Notes to Group Accounts

### 8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

#### Consolidation Adjustment

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

#### Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2016, the company had no contracts to buy fuel.

### 9. Debtors

31 March 2015 Restated £000		31 March 2016 £000
53,976	Central Government Bodies	43,210
7,168	Other Local Authorities	13,278
4,883	NHS Bodies	4,691
38	Public Corporations & Trading Funds	34
25,963	Other Entities and Individuals	26,002
<b>92,028</b>	<b>Total Debtors Net of Impairments</b>	<b>87,215</b>

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.596 million (£2.512 million in 2014/15) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.603 million (£2.519 million in 2014/15) in money market accounts that are not instant access.

### 11. Creditors

31 March 2015 Restated £000		31 March 2016 £000
(11,252)	Central Government Bodies	(13,498)
(6,576)	Other Local Authorities	(11,518)
(860)	NHS Bodies	(1,424)
(12)	Public Corporations & Trading Funds	(9)
(78,596)	Other Entities and Individuals	(60,842)
<b>(97,296)</b>	<b>Total Creditors</b>	<b>(87,291)</b>

### 12. Provisions

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(11,334)	5,533	(4,641)	(10,442)
MMI Scheme of Arrangement Levy	(704)	0	(162)	(866)

## Notes to Group Accounts

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Bus Insurance Provision	(2,865)	1,227	(740)	(2,378)
Termination Benefits Provision	(59)	59	0	0
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(16,993)	419	0	(16,574)
Other Provisions	(2,224)	1411	(1,020)	(1,833)
<b>Total Provisions</b>	<b>(43,275)</b>	<b>8,649</b>	<b>(6,563)</b>	<b>(41,189)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(4,760)	(5,682)	<b>(10,442)</b>
MMI Scheme of Arrangement Levy	(297)	(569)	<b>(866)</b>
Cardiff Bus Insurance Provision	(1,070)	(1,308)	<b>(2,378)</b>
Termination Benefits Provision			<b>0</b>
Ferry Rd Landfill Provision	(69)	(9,027)	<b>(9,096)</b>
Lamby Way Landfill Provision	(3,586)	(12,988)	<b>(16,574)</b>
Other Provisions	(1,774)	(59)	<b>(1,833)</b>
<b>Total Provisions</b>	<b>(11,556)</b>	<b>(29,633)</b>	<b>(41,189)</b>

### 13. Deferred Liabilities

	Balance 1 April 2014 (Restated) £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(8,241)	1,163	(525)	(7,603)
Cardiff Bus Finance Lease Liability	(4,014)	1,312	(3,788)	(6,490)
<b>Total Deferred Liabilities</b>	<b>(12,255)</b>	<b>2,475</b>	<b>(4,313)</b>	<b>(14,093)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(986)	(6,617)	(7,603)
Cardiff Bus Finance Lease Liability	(1,238)	(5,252)	(6,490)
<b>Total Deferred Liabilities</b>	<b>(2,224)</b>	<b>(11,869)</b>	<b>(14,093)</b>

## Notes to Group Accounts

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

	2014/15 Restated £000	2015/16 £000
Depreciation, impairment & amortisation	(60,581)	(183,867)
Charges made for retirement benefits (IAS19) less employers contributions	(20,713)	(13,949)
Contributions (to)/from provisions	5,153	5,683
Gain/loss on disposal of Non-Current Assets	(1,589)	(11,710)
Cardiff Bus Taxation	(594)	0
Increase/(decrease) in stock	(515)	(108)
Increase/(decrease) in debtors (exc capital)	899	12,595
(Increase)/decrease in creditors (exc capital creditors) & super fund	(14,688)	4,925
	<b>(92,628)</b>	<b>(186,431)</b>

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

	2014/15 £000	2015/16 £000
REFCUS	(749)	(192,271)
Net gain/(loss) on sale of non-current assets	5,774	11,096
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	28,165	25,304
Other cash items which affect investing or financing activities	(11,478)	(22,627)
	<b>21,712</b>	<b>(178,498)</b>

### 15. Segmental Reporting

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

## Trust Funds

During 2015/16, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

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

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

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

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

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

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

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31 March 2016 have yet to be examined. This is to be undertaken in January 2017 which is within the statutory deadlines set.

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

Christine Salter  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

## Trust Funds

	Balance as at 31 March 2015 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2016 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,443	8	0	(11)	1,440
Maindy Park Foundation	78,095	265	0	(11)	78,349
Norwegian Church Preservation Trust	(105)	71,073	0	(71,073)	(105)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	21,185,393	131,993	(213,799)	(248,677)	20,854,910
<b>Total funds for which the Council is sole trustee</b>	<b>21,264,826</b>	<b>203,339</b>	<b>(213,799)</b>	<b>(319,772)</b>	<b>20,934,594</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	63,348	2,162	(3,731)	(2,168)	<b>59,611</b>
The Howardian Trust	29,695	934	(871)	(353)	<b>29,405</b>
<b>Total other funds which are administered by the Council</b>	<b>93,043</b>	<b>3,096</b>	<b>(4,602)</b>	<b>(2,521)</b>	<b>89,016</b>
<b>Total</b>	<b>21,357,869</b>	<b>206,435</b>	<b>(218,401)</b>	<b>(322,293)</b>	<b>21,023,610</b>

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31 March 2016 have yet to be examined. This is to be undertaken in January 2017 which is within the statutory deadlines set.

## Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The Cardiff Harbour Authority (Harbour Authority) is subsumed within the Council. The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund, Harbour Authority and CPHA. Within the Statement of Accounts, the Annual Return of the CPHA includes a corresponding Annual Governance Statement with additional supporting governance information. There are further specific requirements for the Pension Fund which are:

- The Statement of Investment Principles;
- Funding Strategy Statement;
- A full Actuarial Valuation to be carried out every third year

4. During 2015/16 the Council did not review the governance arrangements in its three subsidiary companies, namely Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. The subsidiary companies are subject to periodic reviews, and Internal Audit has scheduled a review of Cardiff Bus for 2016/17. Cardiff Business Council is due to close in 2016/17.

5. The Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit Manager.

6. The CIPFA/SOLACE framework has been subject to consultation for revision, with the intention of building on the *'International Framework: Good Governance in the Public Sector'* (CIPFA/IFAC 2014). The International Framework places sustainable economic, societal and environmental outcomes as a key focus for governance processes and structures. It emphasises the importance of considering the longer term and the links between governance and public financial management. CIPFA has confirmed that the existing framework should be used for the purpose of the Annual Governance Statement (AGS) for 2015/16.

7. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

## The Purpose of the Governance Framework

8. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled together with its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

9. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being

realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

10. The following paragraphs summarise the core principles of the Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and Officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

### **Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

11. The Council's vision is an integral part of the city's 10 Year What Matters Strategy (2010-2020) which has been developed in conjunction with public, private and voluntary sector stakeholders and following citizen engagement.

12. The What Matters Strategy brings together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering 7 shared outcomes. The Council participated in the development of seven Citizen Outcomes with the Cardiff Partnership Board partners.

13. The Council approved a strategic and focused Corporate Plan in March 2015 for the period 2015 - 2017 setting out the strategic direction and providing a framework for more detailed service plans and performance management objectives. The Corporate Plan provides a road map for meeting the twin challenges of facing increasing demand for services from a growing population, whilst funding is reducing, to enable the Council to continue to deliver great public services with the vision to build on successes to become Europe's most liveable capital city. The four Corporate Plan priorities which have been maintained in the 2015 – 2018 Corporate Plan are identified as below to be delivered as part of the public service values of "open", "fair" and "together":

- Better education and skills for all;
- Supporting vulnerable people;
- Creating more jobs and better paid jobs;
- Working together to transform services.

14. Under each of these priorities sit a number of improvement objectives which set out the specific outcomes which the Council has agreed to focus on. In turn these improvement objectives have associated activities and performance indicators. This level of information will be used to evaluate the Council's performance in delivering both the improvement objectives and the agreed priorities. For each priority, improvement objectives have been established, with high level commitments and performance indicators identified for each improvement objectives

15. To ensure there is clear accountability for delivering each objective a Lead Member, or in some instances Members, are identified. The delivery of the revised Corporate Plan is monitored through the Council's Performance Management Framework, including:

- Performance Challenge sessions of the Council's Senior Management Team;
- Joint Cabinet and Senior Management Team Performance Challenge meetings;
- A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan.



16. Delivery against the What Matters outcomes is subject to an annual review, and the 2015 review was presented to the Policy Review and Performance Scrutiny Committee. In May 2015 the Policy Review and Performance Scrutiny Committee was asked to take overarching responsibility for scrutiny of the Council's partnership work, specifically scrutiny of the Cardiff Partnership Board (CPB). On publication of the Improving Scrutiny Project in September 2015, the transfer of responsibilities from a decommissioned Local Service Board Scrutiny Panel was agreed.

17. The Council's Constitution provides each of the Council's five scrutiny Committees with authority to scrutinise partnership activity within their terms of reference, and so, complementing this Committee's strategic overview of partnership activity, all Council scrutiny committees will continue to factor scrutiny of relevant What Matters work streams into their forward work programmes.

18. The CPB is the successor to the Cardiff Local Service Board, set up in 2007 as part of a Welsh Assembly Government initiative across Wales. The CPB consists of South Wales Police, South Wales Fire & Rescue Service, The City of Cardiff Council, Cardiff Third Sector Council, Cardiff and Vale University Health Board, the National Probation Service, Wales Community Rehabilitation Company and Natural Resources Wales. The CPB strengthens local public service management to tackle 'fundamental and unmet' challenges from a citizen perspective. To achieve this, the Board is responsible for overseeing the performance of city-wide programmes and work streams to address major issues in Cardiff.

19. The Well-being of Future Generations Act (which comes into force from April 2016) is to ensure that the governance arrangements in public bodies for improving the well-being of Wales take into account the needs of future generations. The aim is for public bodies to improve the economic, social and environmental well-being of Wales in accordance with the detailed sustainable development principles and well-being goals that are prescribed by the Act.

20. From April 2016 the CPB will become a statutory Public Service Board and its work will contribute to achieving the seven well-being goals for Wales. The Well-being goals for Wales align well with Cardiff's seven citizen outcomes, providing an opportunity for our strategy to not only deliver those priorities that will improve quality of life in Cardiff, but also make a contribution towards the seven Well-being goals for all of Wales as follows:

- A prosperous Wales;
- A resilient Wales;
- A healthier Wales;
- A more equal Wales;
- A Wales of cohesive communities;
- A Wales of vibrant culture and thriving Welsh Language;
- A globally responsible Wales.

21. Since the publication of the first What Matters Strategy in 2010 there has been an increased recognition that local areas are best placed to respond to local need. Within Cardiff the Neighbourhood Partnership model has become significant in providing a coherent structure for allowing organisations to work together and problem solve within localities to deliver the priorities for different communities. The Building Communities – A New Approach to Neighbourhood Working White Paper was published in 2013 and facilitated improvements to the existing model by strengthening local engagement, including the identification of a 'Lead Elected Member' to work with other elected members and partners to agree priorities set out in each of the six Neighbourhood Partnership Action Plans.

22. Neighbourhood Partnership teams exist in each of the six localities across Cardiff and are made up of multi-agency staff working together to share local intelligence to solve problems for their particular neighbourhood. This means that a range of expertise from across the public and voluntary sectors is brought to bear on the issues that really matter to communities. The initiative has increased partners' awareness and understanding of their respective roles and activities, leading to more collaborative and responsive working. It has also redefined the conventional way of working by concentrating on bringing decision-making and resources closer to communities through a model tailored specifically to Cardiff.

23. The model, in addition to being successful in delivering tangible improvements in each neighbourhood has helped shape the work of some of our delivery programmes such as Families First, Communities First, Flying Start and Youth Engagement Panels to target our resources where they are needed most to support a preventative approach, reduce duplication of provision and identify gaps in service. This approach has also been embraced by other partners, and NHS primary and community care services are organised into 6 matching clusters with a GP lead for each. Clusters provide an easily recognisable level of aggregation of GP practices and Cluster Plans address population health priorities, reflecting issues specific to the area and the actions required to be taken forward with partners to provide improved outcomes.

24. 'Joined-up' thinking and cutting across the traditional lines of responsibility for service funding and provision, has also encouraged some of our core services to take an area based approach and ensure that services are being delivered to those most in need. Cardiff's Community Hubs are an example of locality based partnership working and have delivered tangible benefits to meet identified needs within communities. Building on this model will ensure that the diverse needs of Cardiff's population continue to be met.

25. Neighbourhood delivery is influencing the way in which services are being redesigned such as waste collections, street cleansing and highways maintenance. New multi-skilled teams are now developing a neighbourhood approach to tackling different issues and needs and this approach is already leading to increased financial savings and improved satisfaction through increased efficiency. Neighbourhood delivery has formed a part of the consideration for alternative models of service delivery.

26. The Executive adopted a Community Councils Charter ("the Charter") in March 2012, following consultation with relevant stakeholders, including the six Community Councils within the Council's area and the Standards and Ethics Committee. The Charter reflects the model Charter issued by the Welsh Government under section 130-133 of the Local Government (Wales) Measure 2011. The aim of the Charter is to support structured, regular engagement and communication between the County Council and the six Community Councils in Cardiff, based on the key principle of equality of partnership between the two tiers of local government.

27. In June 2015 the Cabinet reaffirmed its commitment to the aims of the Charter; and delegated authority to the Monitoring Officer (in consultation with the relevant Cabinet Member, the Standards and Ethics Committee and the six Community Councils), to update the Charter for authorisation by the relevant Cabinet Member. Discussions have been held with the Clerks of the six Community Councils and the Monitoring Officer has produced a revised draft which was presented to the Standards and Ethics Committee in December 2015.

28. The City Deal for the Cardiff Capital Region has also made good progress, with the Council and nine other participating local authorities currently working on proposals to support investment in infrastructure and skills development across the city-region. Underpinning the proposals is a £1.229bn fund. The projects which will have the biggest impact on the city-region economy will be prioritised. Supporting this, new governance arrangements were established at the end of the 2015/16 financial year, including a Joint Cabinet made up of the Leaders of the ten local authorities to oversee investment across the city-region.

29. The Council recognises the need to change the way it delivers many services to ensure that their long term sustainability is secured and that underperformance in some statutory services is addressed. In order to do so, a rolling three year Organisational Development Programme has been established to:

- Review the shape and scope of the organisation and the way in which services are currently delivered to meet demand;
- Enhance citizen engagement and widen opportunities for people and communities to shape services around their needs;
- Identify delivery models that may be established to meet demand pressures and reflect budgetary realities;
- Significantly strengthen performance management, workforce development and staff engagement arrangements;

- Identify opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery and better use of assets and infrastructures.

30. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order together with local indicators which will enable a wider understanding of performance. The annual Outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality Plan, Directorate Delivery Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

31. The Corporate Plan and Directorate Delivery Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.

32. Enhancements were made in 2014/15 to strengthen the performance management arrangements given the range of challenges facing the Council, examples include the Star Chamber Sessions chaired by the Leader and Improvement Boards chaired by the Chief Executive for each Directorate.

33. An annual Improvement Report sets out the progress over the previous financial year in terms of:

- a review against the key objectives;
- progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan;
- an account of the challenges for the future to be part of the requirements of the Corporate Planning regime.

34. The Corporate Assessment Follow On report issued in February 2016 by the Wales Audit Office has made proposals to further strengthen performance management and performance reporting arrangements to enable further enhancements to processes.

35. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. The Auditor General for Wales' is required to issue Certificates of Compliance to the Council to discharge his requirements under the Local Government (Wales) Measure 2009. The Council also receives reports regarding key elements of governance i.e. finance and performance management. The proposals for improvement in these reports help to /shape the processes and outputs of the Council.

### **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

36. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee and recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.

37. The Council's Constitution sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:

- Functions and subsections delegated to officers;
- Members' Code of Conduct;

- Employees' Code of Conduct;
- Protocol on Member / Officer Relations;
- Cardiff Undertaking - upon election all Members sign "The Cardiff Undertaking" which underlines their duties to the City and its citizens.

38. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the Independent Remuneration Panel for Wales in any annual or supplementary reports. Information relating to officers' pay levels is included in the Council's Annual Pay Policy Statement as required by the Localism Act 2011 and also in the annual Statement of Accounts.

39. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Council's strategic policy priorities and improvement objectives, and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.

40. The Annual Improvement Report 2014/15 was approved by the Council in October 2015 and incorporated several proposals for improvement raised by the Auditor General which have been instigated, including ensuring:

- actions and targets support the delivery of, and determine progress against the improvement objectives;
- baseline data and targets are included for all improvement objectives;
- comparative data is represented for all performance indicators and is consistently presented;
- progress against the Outcome Agreement is presented to support the explanation of progress against the improvement objectives;
- an assessment of performance for each of the improvement objectives is provided;
- performance indicators have a target and that where targets have not been set that there is an explanation

41. The Council has responded positively to the findings of the Corporate Assessment in 2014, of the Wales Audit Office and put in place better arrangements to support improvement and address longstanding issues. The Corporate Assessment Follow On, issued in February 2016, concluded that: 'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'. This progress is made against the 2014 report concluded that 'fragmented leadership and management have meant that weak performance in key service areas has not improved'.

42. The Budget Strategy for 2016/17 and the medium term was approved by Cabinet and Council in July 2015. It set out how the Council's Aggregate External Finance (AEF) was decreased by £12.516 million or 2.9% in cash terms over 2014/15, and when measured on a per capita basis resulted in Cardiff being ranked as 21 out of the 22 councils in relation to the per capita funding it received from the Welsh Government.

43. In response to increasing financial pressures, an updated approach to identifying savings targets was acknowledged in the 2015/16 Budget Report in consideration of the future shape of the Council. This was taken forward as a Reshaping the Base Budget exercise. The exercise identified services at the minimum statutory level and considered whether discretionary services could be covered by income. The difference between this picture and the current shape of services highlighted the opportunities for budget reductions over both one and three years against the following four savings drivers:

- Policy led savings;
- Business process efficiency savings
- Discrete Directorate led savings;
- Income / commercialisation.

44. A robust budget setting process was developed to deliver a balanced budget for 2015/16, given the scale of the Budget Reduction Requirement. This required the use of a number of positive practices, including:

- Setting budget strategy planning assumptions for both one and three years. This led to earlier engagement on choices in respect of council tax, employment costs, schools pressures and balance sheet assumptions;
- High level consideration of savings proposals against the Council's proposed target operating model as part of Budget Strategy development;
- Use of market place sessions for members to review the budget proposals for 2015/16, with budgetary analysis sheets provided for context;
- An extensive engagement exercise with citizens, business, partners and staff through The Cardiff Debate;
- An eleven week consultation process on the proposed savings for 2015/16 including the preparation and consideration of an extensive feedback report for Cabinet to consider;
- A due diligence process on the proposed savings, which resulted in a number of savings being removed or reduced due to concerns in respect of their achievability;
- A future year's outlook section up until 2029/30 being included in the Medium Term Financial Plan (MTFP);
- The inclusion of opportunities for further savings in respect of 2016/17 and 2017/18 in the Budget Report.

45. The Council's Budget for 2016/17 was presented to Cabinet in February 2016. The Final Local Government Settlement is usually received in December of each year providing the Council with a firm figure of Aggregate External Finance (AEF) for the forthcoming financial year. However, Welsh Government did not provide the Final Local Government Settlement until February 2016. This caused some uncertainty, which was managed through regular consultation with the Welsh Government and prudence in the budget setting process.

46. The Corporate Plan 2016-2018 was approved by Cabinet in February 2016. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. It is supported by individual Directorate Delivery Plans which contain detailed objectives and outcomes and integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.

47. In January 2015, Cabinet considered a report from the Chief Executive with proposals for an amended senior management structure, designed to meet the Council's objectives, the changing requirements of service delivery and the proposed budget saving. This was outlined in the Cabinet report '2015/16 Budget proposals – For Consultation' which was considered in November 2014, together with the objectives set out in the Cabinet report 'Senior Management Arrangements' considered in January 2015. The proposed restructure was supported by Hay Group benchmarking analysis which compared the management structure of Cardiff Council with other Core City Councils and a selection of other Unitary/City Councils of a similar size (in terms of population).

48. The subsequent restructure reduced the number of Director (Tier 1) posts from eleven to seven. It involved the creation of three new roles, namely the Director of City Operations, Director of Social Services and Director of Governance & Legal Services (reporting to Corporate Director Resources). Appointments were made to these roles in June 2015. Throughout the financial year (2015/16) a number of Tier 2 (Assistant Director) posts have been filled, in creating a remodelled management structure which is closer aligned with the benchmark Unitary/City Councils.

49. All employees, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.

50. On 19 February 2015 the Cabinet approved an Officers' Personal Interests & Secondary Employment Policy. All Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's

rules on the registration and declaration of financial and non-financial interests (paragraph 8(1) of the Code). The Standards and Ethics Committee reviewed the draft policy which was also shared with Audit Committee members. Measures have been undertaken to make all officers aware of the new policy, including providing awareness information enclosed with payslips.

51. Under the policy, staff are required to disclose any personal interest which actually or potentially conflict with their duties to the Council and all secondary employment. Their manager must then decide, in consultation with the staff member, whether an actual conflict exists. If it's decided that there is a conflict then a decision must be taken on how that conflict should be managed, which may include the re-allocation of duties.

52. The Cabinet at their meeting on 2 April 2015 agreed a Workforce Strategy in order to strengthen links between business, financial and workforce planning, particularly during the current period of financial challenge and rapid organisational change. An integral part of the strategy is the Employee Charter. The Charter is a response to a series of challenges the Council has faced and issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier WLGA Peer Review. The Employee Charter, founded on the Council's values, sets out the expectations of employees, managers and senior managers.

53. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. Additionally, a Head of Finance has been appointed in 2015/16 in order to strengthen financial control. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

54. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.

55. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the Council's Financial Procedure Rules (FPR) and the Contract Standing Order and Procurement Rules (CSO&PR). Both the FPR and CSO&PR are in a process of review to ensure an appropriate balance between financial probity, compliance and effective and efficient operations in forthcoming revisions. It is anticipated that the revised rules will be in place by the end of 2016/17.

56. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also included within the Cabinet Report template to ensure the Council meets its statutory duties.

### **Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

57. In October 2014, the Cabinet agreed a renewed set of Values for the organisation, focusing on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council. The organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.

58. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place

for working relationships between Members and Officers e.g. Officer-Member Protocol. A Member Enquiry System logs Member enquiries and the responses from Officers.

59. In April 2015, the Standards and Ethics Committee was presented with a report on the revised guidance on member code of conduct. This revised Guide provides an overview of the Model Code of Conduct (“the Code”) introduced in 2008. It is intended to help members understand their obligations under the Code. The Ombudsman reinforces the importance of member training on the Code whether by the Monitoring Officer or from a representative body.

60. The Corporate Assessment Follow-on, issued in February 2016, recognised the Council’s governance arrangements, such as the ‘Cardiff Undertaking’ for Members, which sets out expectations in relation to conduct, in addition to the ‘10 Principles of Public Life’. However, it has been concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking.

61. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to review, scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members and a full induction programme is provided to all members. There have been vacancies with 1 elected and 1 independent lay member being unoccupied for much of the municipal year 2015/16. In June 2015, Sir Jon Shortridge stepped down as Chairperson of the Audit Committee. Ian Arundale was elected as Chairperson, with Professor Maurice Pendlebury appointed as Deputy Chairperson. Both the Chair and Deputy Chairperson of the Audit Committee are independent lay members.

62. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Committee is supported by the Council’s Section 151 Officer as the principal advisor, the Audit Manager, who provides technical support and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are available on the Council’s Website.

63. The Audit Committee has participated in a response to the Draft Local Government (Wales) Bill Consultation in February 2016, which will see the Committee change name to Governance and Audit Committee and a widening of responsibilities. The Monitoring Officer has presented the requirements of the draft bill to the Audit Committee and consideration will be made in 2016/17 as to the most opportune time for potential early adoption of the Bill.

64. All staff undertake induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security.

65. The Council takes fraud, corruption and maladministration very seriously and takes a zero tolerance approach to this, with the following policies to prevent, and deal with, such occurrences:

- Financial Procedure Rules;
- Contract Standing Order and Procurement Rules;
- Whistleblowing Policy;
- Fraud, Bribery & Corruption Policy;
- Anti-Money Laundering Policy;
- HR policies regarding discipline of staff involved in such incidents;
- Local Government Code of Conduct (for employees).

66. An Anti-Fraud Bribery and Corruption Policy and a Money Laundering Policy and Procedure were approved by Cabinet in June 2015 following consideration by the Audit Committee in March. The policy

review has been supported by a mandatory fraud training programme, developed to ensure consistently high professional standards within fraud investigating activities and application of the policy. All Investigating Officers will be required to receive mandatory fraud training. Developments have been made within the DigiGOV system to enhance the availability and visibility of investigation records and to improve the timescales of actions.

67. Cabinet approved the revised Disciplinary Policy in January 2016, following a detailed review involving key stakeholder groups, with a view to streamlining the current procedure, improve efficiencies and ensuring a standardised process. New elements of the policy include the provision of a twenty four hour, seven day a week counselling support service via the Employee Assistance Programme and a new Fast Track process, to promptly modify behaviour around misconduct issues. The main aim of the Disciplinary Policy is to improve an employee's performance or correct their behaviour. However, grievance procedures are in place for issues or problems to be raised concerning their employment. Workplace investigations, as part of Grievance or Disciplinary Procedures are designed to enable quick, cost-effective resolution to problems in the workplace.

68. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.

69. In 2014, an Information Governance Strategy was approved and adopted, which includes a suite of Information Governance Policies setting out the responsibilities of the corporate body and staff. These policies, which are subject to annual review, provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice, the Freedom of Information Act, and Environmental Information Regulations.

70. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receive training in respect of their employment within the Council in addition to training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with 'level one' being mandatory for all staff who use a PC as part of their duties. Compliance reports for 'level one' training are regularly distributed to Directors and Operational Managers. All other staff are provided with a booklet which sets out the Council's Policies and outlines their responsibilities. They are required to attend a briefing session and sign for receipt of the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.

71. The Council has continued to strengthen information governance arrangements and capabilities, for instance, by assigning directorate representatives to be Service Information Asset Owners, providing them with training and key tasks. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area. The reports were implemented during 2015/16.

72. Members are registered with the Information Commissioner as individual Data Controllers.

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

73. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.



74. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.

75. To assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model (ADM) Evaluation Methodology was developed by the Commissioning and Procurement Service. This methodology has been approved by the Commissioning Programme Board and reviewed by Informal Cabinet and the Council's Policy Review and Performance Scrutiny Committee. The methodology, together with the other elements of the options appraisal process, has also been subject to external challenge and review by Local Partnerships and has also been subject to consultation with the Trade Unions which has included a series of meetings and workshops. The methodology was piloted throughout the 2015/16 financial year and notably on the Infrastructure ADM.

76. Organisational Development (OD) programmes and projects are an essential mechanism for delivering a robust approach to enabling business change. The Project Quality Assurance (PQA) approach (based on the principles of PRINCE2) is the framework adopted by the Council. This provides an effective framework for planning, monitoring and delivery of projects demonstrating probity, accountability and transparency. Internal Audit has engaged with OD management, and developed a Control Risk Self Assessment (CRSA) audit approach which is being used to provide assurance on a range of projects at varying stages in their lifecycles.

77. The Organisational Development Programme (ODP) has robust and effective governance arrangements in place. In 2015/16 appointments were made of two Operational Managers who each have a portfolio of responsibility. These Operational Managers commenced in April and August 2015 respectively. The due process is for all new programmes as part of the ODP to be approved by SMT, with individual projects approved by their respective boards. Additionally, the Investment Review Board (IRB) approves all programmes and projects for which there is a financial implication. Senior Management Team (SMT) acts as the Organisational Development Board and receives monthly updates. Key risks are reported to SMT, as and when required, and 'deep dives' take place on requested projects to provide SMT with an update of progress.

78. The ODP has two portfolios of work; i) Enabling and Commissioning Services (Led by the Corporate Director Resources) and ii) Reshaping Services (Led by the Director of Communities, Housing and Customer Services). Each portfolio has its own Programme Board that meets on a monthly basis to review each project within its respective programme. The Investment Review Board is also provided with updates on specific projects as and when required. Additionally, an annual review of the ODP is undertaken and reported to members and SMT. It has been recognised that there is the opportunity to develop more explicit links between the Medium Term Financial Plan and the OD Plan, given that it is a key driver for reviewing the shape and scope of services within available budgets.

79. Scrutiny Services plays an important role in facilitating robust challenge to the organisation through the work of the Scrutiny Committees and a variety of informal scrutiny panels and activities. The Council has appointed five standing Scrutiny Committees, each of which meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Scrutiny is an integral part of the Wales programme for improvement, and its challenge is designed to support the cabinet in providing accessible, efficient and effective services for citizens.

80. The Council's Scrutiny Committee Work Programmes for the municipal year 2015/16 were published on the Council's website by way of a forward plan, which gave details of the task and finish inquiries to be undertaken through the year and the associated timescales for delivery.

81. Each Committee launches a number of in depth inquiries each year to help the Cabinet develop and review robust, evidence driven policies and services. The Committees provide recommendations to the Cabinet following Scrutiny Inquiries, the majority of which are fully accepted. Each Inquiry is formally

presented to Cabinet and a formal response given, detailing exactly how many recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward, often annually.

82. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations.

83. The Council has collaborative scrutiny arrangements with its partners. Examples include the Prosiect Gwyrd five Council Joint Scrutiny Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.

84. In January 2015, a project brief for Improving Scrutiny was presented to the Governance and Member Engagement Programme Board. The purpose of the Project is to ensure that scrutiny remains agile and able to play its role as a critical friend, in an environment that will see greater emphasis on partnerships, collaboration, commissioning and other alternative delivery models This Improving Scrutiny Project has concluded, with actions approved by Committee Members.

85. In addition to the Council's five Scrutiny Committees the Audit Committee provides a role in challenging and scrutinising the Council's governance, risk management and internal control arrangements. The work of the Audit Committee is very much informed by the work of the Internal Audit Team. The Audit Committee has reinforced the work of the Internal Audit Team, by writing to the Chief Executive or relevant Scrutiny or Cabinet Members, following reports which have been presented to the Committee.

86. Scrutiny Services and Internal Audit have collaborated in the development of a Scrutiny and Audit Protocol. This is in recognition that, with a limited Scrutiny and Audit resource, there is an increasing need for engagement and cooperative working in order to maximise collective assurance. The protocol addresses issues arising from the Wales Audit Office Annual Improvement Report including the Corporate Assessment 2014 relating to agenda management, the inefficiencies of reports being presented to multiple Committees and detailed reports being presented for information only. It is anticipated that this protocol will be approved in the beginning of 2016/17, which aims to:

- clarify the purpose and objectives of Audit and Scrutiny Committees;
- provide detail of which Committee is responsible for certain key roles;
- facilitate sharing of information and work programming;
- outline the option to refer matters between Committees;
- facilitate Committee engagement at Member and Officer levels.

87. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, which has been rolled out and delivered to over 300 middle managers across the Council. The programme delivered training on a number of themes including financial understanding, the management of budgets, evaluating and managing risks, financial compliance, commercial awareness and business case management. The programme provides a benchmark of information and understanding to enable managers to make informed and transparent decisions. Cohorts commenced on the programme in the autumn of 2014 which continued through 2015/16, with positive feedback from attendees. A wider role out of the training programme will commence from May 2016.

88. For several years each Director has been asked to complete a Senior Management Assurance Statement (SMAS), with responses reviewed by the Audit Manager. The statements received contribute to ongoing reviews of governance and risk management.

89. The purpose of the SMAS exercise is to provide a true reflection of the governance arrangements in place within the Council. Good governance ensures that as a Council we are open and transparent in our affairs and any areas which are of concern at a corporate level are identified and managed.

90. Completion of the SMAS requires each Director to respond to a number of statements with regards to the functions for which they have been responsible during the financial period. In addition, there is a requirement to declare if any significant governance issues have occurred during the period, which may merit inclusion on the Annual Governance Statement Action Plan, in addition to providing updated comments on four ongoing significant governance issues.

91. In 2015/16 the SMAS pro forma was refreshed to require Directors to provide examples and comments in support of their responses. Audit Relationship Managers have met with their respective Directors to discuss SMAS responses. This involved attendance at many Directorate Management Team meetings where Directorate responses were discussed, challenged where appropriate and collated. A Chief Executive Assurance Statement has also been developed and introduced to ensure a complete set of assurance statements from Senior Management at the year end position.

92. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. Councillor Graham Hinchey is the nominated Member Risk Champion and the Corporate Director Resources has continued as Senior Officer Risk Champion through 2015/16. The work of the Risk Management Steering Group is cascaded to the network of Risk Champions who assist with identifying, assessing and managing risks at a Directorate level.

93. In recent years, the Audit and Risk Manager role had been undertaken through a job share arrangement, which in May 2015 became a part-time post as a result of one retirement in May 2015. The remaining post holder of Audit and Risk Manager retired on 31 March 2016. This has presented an opportunity to reassign risk management responsibilities outside of Internal Audit and to strengthen the independence and objectivity of the Internal Audit function. The Head of Finance has taken on the responsibility for leading on risk management, supported by a small dedicated team, enabling the Internal Audit function to focus on risk management assurance and other core elements of its role.

94. Efforts have been made to contribute to the formal definition and communication of Cardiff Council's risk appetite. A risk appetite review has been prepared and completed by the Senior Management Team and the Risk Management Steering Group. In the current economic climate, the Council is required to make decisions which contain increasing inherent risks, and the senior management team have consistently recognised this need. The establishment of a formal risk appetite will support officers and Members in the application of the existing risk management framework. It will support them in their decision making considerations and rationale, and help to provide a balance between consideration of opportunities for innovation and change and risk exposure. Work is ongoing, and a position paper will be provided to Cabinet in 2016/17 to seek formal approval of a corporate risk appetite.

95. During the financial year the Risk Management Steering group has created a draft partnership and collaborative working protocol and toolkit, to provide a consistent and practical approach to considering the viability of, and risk management arrangements in, partnership and collaborative working arrangements. Work is ongoing to finalise the document through the Risk Management Steering Group.

96. The Council has a Risk Management Policy, Strategy and Methodology, which was last reviewed in 2013/14. The Cabinet approved the revised document on 13 March 2014. Audit Committee members were also provided with risk management training during the year.

97. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. Each year an assessment is undertaken to cross reference the CRR to the Corporate Plan which incorporates the strategic objectives. This forms the focus for senior managers in identifying their business risks, as detailed in their Directorate Delivery Plans.

98. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.

99. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

### **Developing the capacity and capability of Members and Officers to be effective**

100. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.

101. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be undertaken in a group environment or one to one with officers. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements.

102. As part of a Governance and Member Engagement Programme Board supporting the Enabling and Commissioning Organisational Development portfolio a number of activities have taken place in the financial year 2015/16 in order to enhance member development, and support the upholding of high standards of conduct and behaviour including the introduction of appraisals for all Committee chairs and executive members.

103. Following an all Member survey in January 2014, the Democratic Services Committee established a Task and Finish Group with a remit to develop and deliver a Member Development Strategy. This Strategy provides a framework for ensuring Members are provided with a full range of development opportunities to enable them to effectively carry out their many roles as Community Leaders and representatives of the Council. In July 2015 Members approved the Member Development Strategy for 2015/16. The adoption of the Member Development Strategy and Member Charter supports the importance of Elected Member development and appraisal programmes and in particular supports Senior Councillors on their roles and responsibilities.

104. The Democratic Services Committee has approved the use of the WLGA Continuing Professional Development for Councillors Competency Framework in order to inform the preparation of the 2015/16 Member Development Programme. The framework sets out the range of skills and knowledge required by Members. It provides a 'curriculum' of areas that authorities can consider when developing local strategies on Member Development including generic and specific competencies. Many of these competencies form part of the key themes identified in the Member Development Strategy.

105. The Council has joined the All Wales Academy for Local Government is a collaboration of Local Authorities, Welsh Local Government Association, Wales TUC and Skills for Justice. It is an e-learning site available in English and Welsh to all 22 Local Authorities with 24/7 access for Local Government staff and Elected Members which has just been launched.

106. A task and finish inquiry was led by the Council's Scrutiny Committee Chairs as part of the 2015/16 Improving Scrutiny Project. This work in partnership with the Centre for Public Scrutiny aimed to ensure that Cardiff's Scrutiny Function remains agile and able to play its role as a critical friend, in a future environment that will see greater emphasis on partnership, collaboration, commissioning and other alternative models of delivery.

107. The Chairs have delivered on this project plan, and summarised their findings in a draft report. In the report the Chairs set out a series of actions to directly address four areas of concern about governance issues raised by the Wales Audit Office in their September 2014 Annual Cardiff Improvement Report on Cardiff Council following their Corporate Assessment visit. Committee Member access to information has been enhanced through the launch of the Modern.Gov platform in June 2015, giving Members access to a wider range of opportunities to access information about the Council and public policy in Wales. The Members' Online Library is available from the Council's website. Additionally, an Audit Committee Member site has been created to enable access to audit related information, reports and other publications.

108. The Corporate Assessment Follow On, issued in February 2016, recognised the development of a more engaged culture and good Member and officer commitment to attending and engaging in full Council meetings. It was reported that more variable Member engagement and attendance was observed at Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. It was also reported that some roles and responsibilities within the Council's decision making framework require clarification.

109. The Council operates a Personal Performance and Development which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Development Reviews are also in place and seen as a means to help Members update their knowledge and learn new skills to help them to be more effective in supporting their communities.

110. The City of Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.

111. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.

112. In some areas compliance with Council rules has been identified an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A Risk Management training workshop was delivered to a Directorate Management Team upon identifying compliance gaps and training sessions are also delivered on Financial Procedure and Contract Standing Orders and Procurement Rules where needs are identified.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

113. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.

114. In October 2014, the Cabinet agreed a renewed set of Cooperative Values for the organisation, focusing on fairness, openness and working together. The values mention specifically the importance of being "open and honest about the difficult choices we face, and leading a debate where people can have their say on what's important to them and their communities." Greater consultation, engagement and joint working with citizens are at the heart of these values, particularly being an Open Council.

115. The Cardiff Debate was launched with partners in June 2014 as a three year 'conversation' about the future of public services in Cardiff. The first phase of engagement involved 37 events across the city, covering every Neighbourhood Partnership area and ward. The events involved a combination of 'on-street' sessions which were at existing community events, festivals or at community facilities such as supermarkets and a number of 'Drop-In' Workshops. The sessions focussed on which services mattered most; how the public service can save money and do things differently, and how can the community get more involved.

116. For the 2016/17 budget consultation 3,348 people recently completed a 'Changes for Cardiff' questionnaire and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The survey included 49 questions specific to the budget proposals plus demographic monitoring information. Of these, 20 were qualitative questions allowing the public the opportunity to explain any specific reasons for their opposition to proposed

changes or provide additional commentary regarding local services. The consultation ran for more than four weeks and included 20 community engagement events, a youth council event, an online questionnaire, a video, social media promotion and hard copy questionnaires distributed across the city.

117. The Council webcasts Council and Planning Committee meetings, which can be watched live, or viewed retrospectively, via the library of webcasts which are available online from September 2015 to date. Relevant documents or presentations discussed can additionally be downloaded. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions are made, whilst also giving the public the chance to feedback on items being discussed.

118. Scrutiny meetings are held in public, with annual reports published by each of the Council's five Scrutiny Committees presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts, and public and third sector leaders on topics of their expertise.

119. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by Directorates are in accordance with the Council's Corporate Consultation Strategy.

120. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.

121. The system 'Modern.gov' was implemented in November 2014 and has increased the efficiency of the Democratic Services Team in administering meeting papers. The system stores all committee reports, back dated to May 2012 and is publically accessible.

122. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate the engagement of local people and other stakeholders in the identification of local priorities and solutions.

123. The Council publishes a newsletter 'Capital Times' which is distributed six times a year on alternate months to 150,000 homes in Cardiff and all council buildings providing up to date information on the Council's vision, priorities, news and events.

124. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.

125. Institutional stakeholders to whom the Council is accountable include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.

126. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.

127. The Council's Ambassador Network continues to grow with over 130 employees at all levels from across the Council helping to take forward the Employee Engagement agenda. In addition 'Have Your Say' sessions have been introduced as a response to employees' preference for face to face communication. The Employee Survey, launched in May 2015, provides an opportunity to better engage with and understand the needs of employees going forward.

128. The Council regularly engages in consultation with the Trade Unions. Consultation with Trade Unions has taken place through 2015/16, particularly with regards to budget saving proposals. The Partnership for Change Agreement was signed off as part of the Council's final budget setting at Council on 26 February 2015. The agreement sets out details of the joint partnership approach between the Council and Trade Unions in relation to budget savings for 2015/16 on the basis that the Trade Unions did not wish any impact on employees' terms and conditions.

129. Progress has been made as part of this agreement, laying the groundwork to address the difficult challenges ahead around how, irrespective of any service delivery models agreed, the Council will jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction.

130. A Joint Partnership Board has been established to support the reform agenda. The Terms of Reference and proposed dates for fortnightly meetings were agreed in February 2015 to ensure that partnership working is supported and that 2 way communication is maintained between the Council and Trade Unions on key planned and emerging issues.

### **Review of Effectiveness**

131. The Accounts and Audit (Wales) Regulations 2014 requires Councils to carry out an annual review of the effectiveness of the system of internal control. This is informed by:

- The senior managers within the Council who have responsibility for the development and maintenance of the internal control environment;
- The opinion of the Audit Committee;
- The outcome of any Scrutiny reviews;
- Views or comments from any Committee, the Cabinet or Council;
- The work of the Internal Auditors;
- The external auditors and other review agencies and inspectorates.

### **An Internal Control Self Assessment**

132. On a biannual basis, Directors are required to complete a Senior Management Assurance Statement, reflecting on the internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues will be highlighted in the Assurance Statement.

133. A Chief Executive Assurance Statement has also been developed and introduced to ensure a complete set of assurance statements from Senior Management at the year end position.

134. Building on previous work of the Annual Governance Statement 2014/15, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. The Chief Executive and Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing.

135. Any new issues captured on individual Senior Management Assurance Statements, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

### **Assurance Mapping**

136. During a period of unprecedented financial challenge and stretched resources, providing Council wide assurance is becoming a challenge. This is being managed through an assurance mapping process. The Audit Manager has created a panel of audit management, who are responsible for the delivery of an ongoing assurance map and to assist with risk based audit planning.

137. The assurance map begins with the contents of the corporate risk register, senior management assurance statements and significant governance issues arising from the annual governance statement. The outputs of different sources of assurance are populated on the assurance map, utilising a three lines of defence model. This model considers the assurance gained from management / internal controls, inspection / regulatory / compliance activities and the work of external audit.

138. During a time of limited audit resources, with a strong ongoing need for audit assurance, the assurance map considers the work of others in providing assurance in relation to governance, risk and internal control matters. This is used to shape Internal Audit priorities and impact on the work and timing of the Internal Audit Team, to avoid duplication and ease pressure on Directorates, who may be subject to both internal and external assurance reviews.

139. Sources of assurance have been mapped and collated to inform this annual governance statement, through a review of key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure that key sources of assurance are captured in this statement.

### External Audit and Inspection

140. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.

141. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.

142. During the financial year 2015/16 the Wales Audit Office completed the Corporate Assessment Follow On of the Council. The follow-on assessment reviewed the extent to which the Council was effectively addressing the issues raised in the Corporate Assessment where in September 2014 it was concluded that 'Fragmented leadership and management have meant that weak performance in key service areas has not improved'.

143. The follow-on review concluded that 'The Council has put in place better arrangements to support improvement and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes.' It was reported that the Wales Audit Office came to this conclusion because:

- 'overall, the Council has responded positively to the Corporate Assessment findings, and put better arrangements in place to support improvement and address longstanding issues; and
- the Council is now at a critical point in ensuring that improved arrangements are embedded and implemented consistently and constructively across the organisation in order to achieve a step change in delivering improved outcomes.'

144. A tracker system has been introduced to monitor external regulator reports and Council actions in respect of relevant recommendations and proposals for improvement.

### Internal Audit

145. Based on the programme of audit and investigatory work undertaken, and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for financial control within the Council for 2015-16 remains satisfactory. This opinion has taken into consideration the existing complement of audit posts and focussed on priority areas and identifying productivity improvement opportunities as they arise through improved performance management.

146. It is becoming increasingly difficult to provide a satisfactory opinion, as whilst the financial control framework remains robust, audits continue to highlight system weakness in some areas and / or compliance issues which identify further opportunities to enhance control. There is a huge pressure on budgets and inevitably there are significant cuts being made to posts at a time where demands are steady or increasing and there is an appetite for change which brings with it new challenges and risks that needs to be managed.

147. It is noted that there has been an increase in the percentage of audits completed where a "Limited or No assurance" opinion was provided, which it is felt reflects to a degree, the pressure on resources across directorates, to maintain a sound control environment while struggling to retain efficient and



effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.

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

- The Control Risk Self-Assessment approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangements and has been well received. The approach was used for all school audits undertaken in 2015/16, and has been rolled out for the audit of a number of fundamental systems. In schools it has provided an overview of key governance issues and in some individual schools follow up visits have identified some significant weaknesses in different aspects of governance and financial control. This continues to be closely monitored and the Group Auditor meets regularly with the Director of Education and now attends School Budget Forum. Audit also inputs to Head teacher briefings.
- Work on contracts has identified concerns over contract management skills as new ways of operating are being explored. Some Social Service audits highlighted some contract related matters and how these need addressing given the significance of the contract sums.
- In some audits it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact, with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

149. On a positive note the opportunity for Internal Audit to provide training on risk management and internal control as part of the Cardiff Manager programme to over 300 middle managers in 2015/16 is seen as a major step forward in raising awareness with managers around key areas of governance and has helped clarify and set out their responsibilities for leading on compliance

### **Audit Committee**

150. At the strategic level, based on the evidence presented to the Audit Committee during 2015/16, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks are well captured and reviewed on a regular basis and these represent the true challenges facing the Council at the present time. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2016/17, include:

#### Organisational Development Programme

151. The Organisational Development Programme (ODP) has been discussed at Audit Committee meetings in 2015/16. This is with the clear recognition that delivery against the Organisational Development Plan is being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee).

152. Although some assurance can be placed on the work of Scrutiny, the Audit Committee has expressly noted that the importance of this programme of work for the Council on its improvement journey. The programme has a key role in moving the Council towards its new shape and is acknowledged as a critical savings enabler.

153. At a time when Audit Committee has continued to challenge the budget position when faced with unprecedented financial pressure, the recently issued Corporate Assessment Follow On report from the Wales Audit Office has highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

154. Audit Committee will reflect on the comments raised by the Wales Office, and will seek assurance from relevant management and through the work of Internal Audit, that the ODP is clearly aligned to and monitored against critical business objectives. In the forthcoming year, Audit Committee intends to invite the Leader and Chief Executive to attend and answer questions related to the Corporate Assessment Follow On.

155. In recognising the critical importance of the ODP to the Council, Internal Audit has initiated a Control Risk Self-Assessment (CRSA) approach to auditing an initial pilot of ODP projects and regular engagement with Management in the OD Team. Audit Committee anticipates the findings of Internal Audit and the ongoing assurance from the roll-out of the audit approach throughout 2016/17.

### Financial / Internal Control

156. The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. The Committee continues to receive regular updates from the Corporate Director Resources and other senior managers to seek assurances around governance and fundamental financial control.

157. Audit Committee receives regular reports in respect of the budget, treasury management and financial resilience. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired in the use of public monies.

158. Over 2015/16 there has been an increase in limited or no assurance audit reports from the Internal Audit Section. This is a concern that will require regular review by the Audit Committee, particularly when some isolated functions have repeatedly failed to maintain the required standards of internal control. The number of such reports is not yet at a level of significant concern, but the trend of limited assurance being reported has captured the attention of the Audit Committee. In instances where improvements are not promptly made we will be inviting those accountable to attend Audit Committee and explain the reasons for control weaknesses and to provide a firm commitment to improvement. This is with strong support and commitment from the Chief Executive to support management and the Audit Committee in driving improvements.

### Contract and Procurement Matters

159. Through a number of Internal Audits completed this year a consistent weakness has been contract management and performance monitoring. Some areas of the Council such as Social Services rely heavily on commissioned services for certain aspects of their services and spend a significant amount of money on this purpose. Internal Audit reports are regularly reporting limitations to assurance on the basis of a lack of clear contracts for high value spend and instances of lapsed contracts, in addition to weaknesses in contract management where contracts are in place.

160. The Building Maintenance Framework contract involves a significant amount of spending with a limited number of contractors for services under different lots. For some time, Audit Committee members have identified and raised concerns about the cost effectiveness and quality of work carried out by contractors within the current Framework. This has been based on Member observations of elderly and/or vulnerable tenants receiving substandard work or delays from contractors and sub-contractors. Some of these delays have been significant i.e. for weeks if not months. Many Members have also reported poor communication and situations where tenants have been left waiting in their homes all day for services which were not received when arranged.

161. Members have sought assurances that the quality of the work would be monitored more closely in future and welcomed the commissioning of the independent review by Constructing Excellence Wales (CEW). Far from being dismissive of concerns, the report echoed members' concerns and made a series of recommendations such as a Building Maintenance Project Board, which includes a Principal Auditor, to develop a series of actions and targets to address all the highlighted issues.

162. A presentation by the Assistant Director Housing and Communities and the Senior Category Manager (commissioning and Procurement) was made on the Building Maintenance Framework in November 2015 and the reasoning behind the five contract categories explained. With the help of OMs in Facilities Management and Community Maintenance, the Committee received a detailed explanation of the CEW remit, its findings and the resulting action plan. Members have raised observations and the expectation that updated processes and standardisation will ensure effective management of contractor performance. This needs to be enabled through embedding clear and accessible processes to raise

concerns, issues or feedback which are consistently and transparently managed and responded to in a timely manner. Improvements are needed in monitoring and accountability to ensure that quality, time and cost issues are identified and rectified promptly, with lessons learnt from the existing framework and external (CEW) review and with contractors held to account for substandard performance through enactment of contractual terms and clauses. In November 2015, Audit Committee Members welcomed a communication from management involving the introduction of 'mini-tendering' within each five categories as a means of introducing competition and hopefully value for money within the Framework arrangements.

163. The Audit Committee is seeking greater engagement with the Building Maintenance Framework Programme Board and such arrangements for the clear communication of concerns and also demonstration and assurance of progress made by the Board have been initiated following the year end.

164. The commissioning of the CEW review represents positive steps in seeking to improve contract management processes, but on a Council-wide basis there are areas where significant amounts of money are being spent without clear contracts, or where contracts are not being sufficiently monitored and managed. This is a finding which is consistently being reported.

At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Framework Project Board.

### Schools Governance & Compliance

Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' audit reports in relation to schools, compared to the rest of the Authority. This trend has not improved in 2015/16, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.

165. The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. Although practices can only be commended, given the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and commending of best practice guidance to schools in the interests of strengthening financial control.

166. Effective financial management is another important element of governance in schools. Audit Committee has received a position statement on schools in deficit in June 2015. The Committee was advised that there are only a small number of schools that continue to cause concern to the Council. The Committee will continue to receive information on schools balances as part of the Director of Education & Life Long learning's report on governance in schools.

### Internal Audit Resources

167. The financial challenges facing the Council are having an impact across all services resulting in the reduction of resources. The Internal Audit section like others has seen a significant reduction in the number of staff in recent years, and a loss of experienced officers. Reliance is placed on the Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Council.

168. The Audit Committee has continued to express concern about the reducing number of audit staff, requesting that this is expressly stated in the Annual Governance Statement 15/16. Audit Committee members have also questioned if Internal Audit has sufficient resource to discharge its responsibility. The Head of Finance has assured the Audit Committee that although resourcing concerns are valid, post reductions in Internal Audit have not related to its core function. The Audit Committee will continue to require details of the Internal Audit resources available relative to its required activities, and the management of staffing limitations and risks through the Audit Manager's quarterly progress reports.

## Annual Governance Statement

169. At a time of financial pressure and significant change, with lots of officers leaving who have many years of experience, it is considered vital that a strong audit presence is maintained.

### Significant Governance Issues

170. Included in the Chief Executive and Senior Management Assurance Statements returned were twelve new issues which were discussed at a Senior Management meeting in May 2016. At this meeting, having considered each, it was decided that one new issue relating to progressing the recommendation and proposals for improvement in the WAO Corporate Assessment Follow On report should feature as a new significant governance issue in the Annual Governance Statement. The majority of the other issues presented were not considered strategic and were felt, best addressed within Directorates. The rest were mainly linked to Corporate risks (some of which may need changing to reflect new pressures).

171. There were four significant issues carried forward into 2015/16. Work has continued to be done on all of these with the issue relating to the Organisational Development Plan considered to be at a stage where issues have been addressed. The other three issues are considered to be ongoing at the end of the financial year 2015-16, together with the new governance issue identified through the review. Further work will be done in order to ensure these issues are addressed. As a result of the review, the four issues to carry forward at the year end position and details of these, with an updated position, are shown below.

Significant issue	Year End Position 2015/16	Responsible Officer
<p><u>WAO Corporate Assessment Follow On Report</u></p> <p>The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues.</p> <p><b>New issue</b></p>	<p><u>WAO Corporate Assessment Follow On Report</u></p> <p>The Statement of Action in response to the WAO recommendations was agreed by Cabinet on 21 March 2016 for implementation during 2016/17. WAO to review position in 12 months. Progress will be monitored by the Senior Management Team during 2016/17.</p>	<p>Senior Management Team</p>
<p><u>Capacity &amp; Decision Making</u></p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice.</p> <p><u>Action at year end position 2015/16</u></p> <p>Reviewing delivery plans to ensure they remain fit for purpose when considering the likely amount of resources available in future years.</p>	<p><u>Capacity and Decision Making</u></p> <p>Continued reductions in resources (including staff) across the Council has reduced capacity and increased pressures on staff to provide professional and sound advice. Directorates have continued to mitigate against this by revising their service delivery plans and streamlining their activities to reflect the resources available. Much work has been done on identifying key activities to ensure efficient and effective use of reducing resources.</p> <p>Much work has been done on improving performance management arrangements and reporting thereof with a number of completed or ongoing restructures</p>	<p>Senior Management Team</p>

## Annual Governance Statement

Significant issue	Year End Position 2015/16	Responsible Officer
	<p>to deliver services most effectively with limited resources.</p> <p>Decision making has improved through prioritising work and restructuring teams to make the best use of internal expertise.</p> <p>In 2016/17 Directorates will be required to further tighten, rationalise and prioritise their work through their delivery plans and review action plans and consider what they can restructure or stop doing. Improvements will be monitored through performance management arrangements ensuring that there is clear visibility and management of risks. Further embedding of technology such as SharePoint and Online Services will improve access to information for staff and customers and therefore increase capacity for staff to provide advice.</p>	
<p><u>Organisational Development (OD) Programme</u></p> <p>The Cabinet acknowledges the range of critical challenges facing the Council. In order to respond to these challenges an ambitious programme of organisational change has been established to reflect the transformational ambition for the Council and for Cardiff. This includes a wide number of capital and other projects. We need to ensure that projects are commissioned through proper arrangements and that their subsequent sponsorship ensures that project objectives are met. The requirement to have sound processes and governance arrangements are critical to the success of the Programme.</p> <p><u>Action at year end position 2015/16</u></p> <p><b>Completed</b></p>	<p><u>Organisational Development (OD) Programme</u></p> <p>The OD programme is embedded in Year 2 of a 3 year programme, with programme management arrangements effectively in place. This view is supported by WAO recognition in their follow on corporate assessment that although there is work to do the OD programme is providing the direction of travel for organisation.</p>	<p>Senior Management Team</p>
<p><u>Commissioning Capability and Capacity</u></p>	<p><u>Commissioning Capability and Capacity</u></p>	

## Annual Governance Statement

Significant issue	Year End Position 2015/16	Responsible Officer
<p>In the new Organisational Framework this will be a critical competency and capability. The success of a number of programmes depends on having this capability and capacity in place e.g. Health &amp; Social Care transformation.</p> <p><u>Action at year end position 2015/16</u></p> <p>Building on the framework and developments there will be a further embedding of Strategic Commissioning across the Council.</p>	<p>The Council has pursued a more effective strategic commissioning approach. Directorates have worked with the Commissioning and Procurement team to develop the new Commissioning Framework. Whilst work has been ongoing there remains opportunity for enhancement as strategic commissioning becomes further embedded and formalised across the Council.</p> <p>Health and Social Care have developed commissioning models for residential and nursing care, domiciliary care and supported living.</p> <p>In 2015/16 Social Services has refocussed existing senior management resources to support a more effective strategic commissioning approach. A Central Social Service Business Unit is being developed and this will include the commissioning function.</p>	Senior Management Team
<p><u>Transparency of Internal Market Costing</u></p> <p>The Council's internal charging arrangements are not always sufficiently transparent in terms of rate setting, monitoring and charging. Some council wide arrangements, for instance the timescales operated by Service Desks are not always sufficiently aligned to the requirements of business critical services within Directorates.</p> <p><u>Action at year end position 2015/16</u></p> <p>Reviews continuing to be carried out to improve costing arrangements in the most critical areas.</p> <p>Building on the exercise with schools, there will be further work on other charging arrangements in 2016/17.</p>	<p><u>Transparency of Internal Market Costing</u></p> <p>Where possible Directorates have used in-house support and advice teams but have challenged some costs. Reviews in areas such as Central Transport Service remain ongoing in order to increase the transparency of charging.</p> <p>Internal charges to schools were reviewed in order to ensure full transparency and alignment of costs with income.</p>	Senior Management Team

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

172. During 2015/16, the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Board members were appointed from 1 July 2015 and the Board first met on 30 July. The Board will meet three times a year.

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

Issue	Action	Responsible Officer
<p><u>Welsh Local Government Pension Funds Working Together – Wales Investment Pool.</u></p> <p>During 2014/15 Mercers were commissioned to work on the detailed business case for a collaborative investment vehicle for the eight LGPS Funds in Wales. The report was published in May 2015.</p> <p>In July 2015 the UK Government announced that all LGPS Funds in England and Wales would be required to join investment pools. Criteria for the pools were published in November.</p> <p>The Welsh Funds submitted their outline proposal to the DCLG in February 2016 and received a positive response in March. A detailed pooling proposal must be submitted in July 2015.</p> <p>The proposal will include a Joint Governance Committee of elected members from each Administering Authority supported by an Officer Working Group.</p>	<p><u>Welsh Local Government Pension Funds Working Together – Wales Investment Pool.</u></p> <p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of the Wales Investment Pool.</p> <p>Developments are regularly reported to the Pension Fund's Investment Advisory Panel and the Local Pension Board.</p>	<p>Corporate Director Resources</p>
<p><u>Pension Committee</u></p> <p>The Council's current constitution does not include a Pension Committee and all pensions functions are delegated to the Corporate Director Resources. It is proposed to establish a Pension Committee with responsibility for strategic issues whilst operational matters continue to be covered by officer delegations.</p>	<p><u>Pension Committee</u></p> <p>Amendment to the Council's Constitution to establish a Pension Committee in July 2016.</p>	<p>Corporate Director Resources</p>

## **Cardiff Port Health Authority (CPHA)**

174. During 2015/16, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

### **Monitoring**

175. We propose over the coming year to continue to take the steps required in order to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

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

176. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Management Team.

177. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the review of effectiveness based on the systems of internal control. There are plans to provide improvements in review processes and address weaknesses to ensure continuous improvement of the system of internal control.

178. On the basis of this process, the legal and financial advice of the statutory officers, and the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2015/16.

**Paul Orders, Chief Executive**

**Date: 29 September 2016**

**Councillor Phil Bale, Leader of the City of Cardiff Council**

**Date: 29 September 2016**



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

### **Accruals Basis**

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

### **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 Authority 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**

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

### **Capital Receipts**

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

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.

## **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**

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**

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 Authority has made proper arrangements to secure value for money in its use of resources.

## **Fair Value**

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

## **Finance Lease**

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

## **Financial Instruments**

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

## **Heritage Asset**

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

## **Highways Network Asset**

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include

## Glossary of Local Government Accountancy Terms

carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

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

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Assets**

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

### **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.

### **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.

### **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 Authority must maintain as a matter of prudence.

### **Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Authority 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 Authority e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

### **Revenue Support Grant**

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

### **Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

### **Term Deposits**

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

### **Treasury Management**

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

### **Trust Funds**

Funds held in trust which are administered by the Council.

**ANNUAL RETURN**

**2015/16**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

## NARRATIVE REPORT

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

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

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

## ACCOUNTING POLICIES

### 1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014 (as amended).

### 2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

### 3. Support Services Costs

The Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2015/16 (SERCOP). This applies to support service recharges from the Council directorates to the Port Health Authority.



# Cardiff Port Health Authority

## Section 1 – Accounting statements for Cardiff Port Health Authority:

	Year ending	
	31 March 2015 (£)	31 March 2016 (£)
1. Balances brought forward	93,268	133,210
2. (+) Income from local taxation and/or levy	175,825	159,850
3. (+) Total other receipts	1,837	1,314
4. (-) Staff costs	108,011	125,428
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	29,709	17,725
7. (=) Balances carried forward	133,210	151,221
8. (+) Debtors and stock balances	72	0
9. (+) Total cash and investments	143,916	154,637
10. (-) Creditors	10,778	3,416
11. (=) Balances carried forward	133,210	151,221
12. Total non-current assets and long-term assets	0	0
13. Total borrowing	0	0

## Section 2 – Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2016, that:

	Agreed?	
	Yes	No
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	Yes	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes	
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	
6. We have maintained an adequate and effective system of internal audit of the Body's accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes	
7. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes	
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	Yes	

## Section 3 – Certification and approval

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

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

- summarises the Body's accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are important to the external auditor's responsibilities.

<b>Certification by the RFO</b>  <b>Certificate under Regulation 15(1) Accounts and Audit (Wales) Regulations 2014</b>  I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2016.	<b>Approval by the Body</b>  <b>Approval of accounting statements under Regulation 15(2) Accounts and Audit (Wales) Regulations 2014 and the Annual Governance Statement</b>  I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
<b>RFO signature:</b>	<b>Chair signature:</b>
<b>Name: Christine Salter</b>	<b>Name: Councillor Monica Walsh, Lord Mayor</b>
<b>Date: 29 September 2016</b>	<b>Date: 29 September 2016</b>

### External Audit Certificate

The external auditor conducts the audit in accordance with guidance issued by the Auditor General for Wales.

On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met. We certify that we have completed the audit of the Annual Return for the year ended 31 March 2016 of Cardiff Port Health Authority:

### External auditor's report

On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the Body are included in our report to the Body dated 29 September 2016.

<b>External auditor's signature:</b>		
<b>For and on behalf of the Auditor General for Wales</b>		
<b>External auditor's name:</b>		<b>Date:</b>

### Electronic Publication of Financial Statements

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

**STATEMENT OF ACCOUNTS**

**2015/16**

**OF**

**CARDIFF HARBOUR AUTHORITY**

## Foreword

### Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared on an IFRS basis, in line with the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is, therefore, not a company. As a result, this foreword is in place of the director's report required by the Companies Act 2006.

### Agreement

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25 August 2006 and made between the National Assembly for Wales and the Council.
- Dated 27 March 2007 and made between the National Assembly for Wales and the Council.
- Dated 15 September 2009 and made between the Welsh Ministers and the Council.
- Dated 5 April 2011 and made between the Welsh Ministers and the Council.
- Dated 3 April 2014 and made between the Welsh Ministers and the Council.

### Review of the Financial Year

The existing three year budget, which was agreed with the Welsh Ministers, covers the period 2014/15 to 2016/17. The revised budget for 2015/16 was set at £6.253 million which represented a reduction of £0.144 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement.

An amount of £10,000 was received in respect of the share of previous years underspend against the fixed cost budget. This increased the budget allocation to £6.263 million.

The financial deficit for the year ended 31 March 2016 was £2.852 million (£2.429 million in 2014/15).

Total Capital Expenditure incurred and funded by Harbour Grant during the year was £312,000. This forms part of a three year programme to 2016/17 for works at the harbour, barrage and surrounding environmental infrastructure. Works included in the programme are: barrage crane, catamaran survey vessel, public realm improvements and replacement of water quality monitoring equipment.

## Key Achievements

During 2015/16 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. The achievements against the Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Operated with a budget reduction and delivered the business plan within budget at year end.
- The resilience of the Barrage and Harbour Master teams has been further enhanced by the recruitment of a mechanical engineering apprentice and a marine engineer apprentice.
- In June 2015 the Extreme Sailing Series (ESS) returned to Cardiff. This was the first year as a stand alone event – without the support of the Bay Beach or Harbour Festival. The marketing and PR campaign was successfully delivered as per the ESS contract. Also the new format proved popular with visitors, with a variety of positive feedback, and the footfall over the three day event was a success with over 65,000 attendees.
- The community liaison team created a partnership with the Reardon Smith Nautical Trust to deliver the 'Reardon Smith Sailing Academy' with the Cardiff Sailing School. Over the next year RSNT will invest £10,000 to cover the cost of a variety of courses and equipment to give school children the opportunity to complete courses for free. The objective of the academy is to encourage the participants to forge a career in the sailing industry.
- With a significant amount of time and effort from the Barrage engineering team they have managed to considerably increase the efficiency of the Pont y Werin fibre optic link and replaced the pedestrian gates which were previously problematic.
- High river flows have been discharged in the last 5 months without any issues affecting residents on the rivers. There have been several unexpected issues with the Sluice gates however due to the efforts of the Engineering and Operational teams any potential serious events have been mitigated.
- 2015 saw the return of the Welsh Schools Indoor Rowing Championships & Welsh Indoor Rowing Championships to the Water Activity centre after a two year absence. Both returned with excellent entry levels to establish its position as one of the premier events within the indoor rowing schedule, being extremely popular with competitors and spectators alike.

## **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. For reference, the Annual Governance Statement can be found with the Statement of Accounts for the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are not recognised by International Financial Reporting Standards.

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

### **The Corporate Director Resources responsibilities**

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

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

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

The Corporate Director Resources has also:

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

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

The financial statements for the Cardiff Harbour Authority give a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016

**Christine Salter**  
Corporate Director Resources

**Date: 29 September 2016**



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

I have audited the accounting statements and related notes of Cardiff Harbour Authority for the year ended 31 March 2016 under the Public Audit (Wales) Act 2004.

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

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

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

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 191, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

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

### **Scope of the audit of the accounting statements**

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

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

### **Opinion on the accounting statements of Cardiff Harbour Authority**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2016 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **Opinion on other matters**

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

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

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

### **Certificate of completion of audit**

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

**For and on behalf of  
Huw Vaughan Thomas  
Auditor General for Wales  
24 Cathedral Road  
Cardiff CF11 9LJ  
30 September 2016**

## Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:-

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

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

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

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

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to expenditure.

#### **3. Grants - Revenue**

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

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

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

#### **4. Grants and Contributions – Capital**

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

#### **5. Inventories**

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

#### **6. Operating Leases**

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

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

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

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

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

### Recognition:

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

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

### Measurement:

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

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

- Infrastructure assets – depreciated historical cost. Balance sheet values reflect historic expenditure incurred on such assets from a point in time. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to change in future years,
- Community Assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage Assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.

### Revaluation:

Assets included in the Balance Sheet at fair value are revalued as part of a three year rolling programme.

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

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

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

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

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

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

### Impairment and Downward Revaluation:

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

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

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

## Depreciation:

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

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	5
Land	n/a
Buildings	17-70
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

## 9. Reserves

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

## 10. Value Added Tax

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

## Guide to the Financial Statements

### **Comprehensive Income and Expenditure account**

This statement shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices.

### **Balance Sheet**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Harbour Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves comprise both those reserves that may be used to provide services and those that the Authority is not able to use to provide services. Reserves also include those that hold unrealised gains and losses.

### **Cashflow Statement**

A Cashflow statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Information in relation to the cashflows of the Harbour Authority can be found within the Council's Statement of Accounts.

### **Notes to the Core Financial Statements**

These notes provide any further analysis required to explain those figures contained in the financial statements.

# Cardiff Harbour Authority

## Comprehensive Income and Expenditure Account for the year ended 31 March 2016

2014/15 £000		2015/16 £000
	<b>Income</b>	
(6,044)	Government Grants	(5,930)
(280)	Grants Relating to Previous Years	0
(324)	Capital Grants Applied	(312)
(884)	Fees and Charges	(876)
<b>(7,532)</b>	<b>Total Income</b>	<b>(7,118)</b>
	<b>Expenditure</b>	
2,664	Employees	2,616
1,298	Premises	1,461
73	Transport	172
2,269	Supplies and Services	2,049
628	Support Services	558
3,029	Capital Charges	3,114
<b>9,961</b>	<b>Total Expenditure</b>	<b>9,970</b>
<b>2,429</b>	<b>Net Expenditure for the year</b>	<b>2,852</b>

**Balance Sheet as at 31 March 2016**

31 March 2015 £000		Note Ref	31 March 2016 £000
	<u>Property, plant and equipment</u>		
7,532	Land and Buildings	2	6,725
338	Vehicles, Plant, Furniture & Equipment	2	404
163,218	Infrastructure	2	160,876
1,103	Community Assets	2	1,103
475	Investment Assets		358
<b>172,666</b>			<b>169,466</b>
56	Heritage Assets	2	56
128	Intangible Assets	2	64
<b>172,850</b>	<b>Long-term assets</b>		<b>169,586</b>
485	Stocks and Work in Progress	3	382
537	Debtors	4	589
1,986	Cash		2,238
<b>3,008</b>	<b>Current assets</b>		<b>3,209</b>
(2,424)	Creditors	5	(2,558)
<b>(2,424)</b>	<b>Current liabilities</b>		<b>(2,558)</b>
<b>173,434</b>	<b>Net assets</b>		<b>170,237</b>
	<b>Reserves:</b>		
168,501	General Reserve	1	165,649
4,933	Revaluation Reserve	1	4,588
<b>173,434</b>	<b>Total Reserves</b>		<b>170,237</b>



## Notes to the Core Financial Statements

### 1. Reserves

2015/16	General Reserve £000	Revaluation Reserve £000
<b>Balance at 1 April 2015</b>	168,501	4,933
Movements in Reserves	(2,852)	(345)
<b>Closing Balance at 31 March 2016</b>	165,649	4,588

Comparative movements for 2014/15:

2014/15	General Reserve £000	Revaluation Reserve £000
<b>Balance at 1 April 2014</b>	170,930	4,933
Surplus/(Deficit) for the year	(2,429)	0
<b>Closing Balance at 31 March 2015</b>	168,501	4,933

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £756,000 as at 31 March 2016 (£697,000 as at 31 March 2015).

## 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.

2015/16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
At 1 April 2015	7,774	504	218,563	1,103	475	0	<b>228,419</b>	56	319
Additions	55	161	95	0	0	0	<b>311</b>	0	0
Impairment (losses)/reversals to RR*	(445)	0	0	0	0	0	<b>(445)</b>	0	0
Impairment (losses) / reversals to SDPS **	(304)	0	0	0	0	0	<b>(304)</b>	0	0
Disposals	0	0		0	(117)	0	<b>(117)</b>	0	0
Other reclassifications	0	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases /(decreases) to RR*	(142)	0	0	0	0	0	<b>(142)</b>	0	0
Revaluation increases /(decreases) to SDPS**	(156)	0	0	0	0	0	<b>(156)</b>	0	0
<b>At 31 March 2016</b>	<b>6,782</b>	<b>665</b>	<b>218,658</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>227,566</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
At 1 April 2015	242	166	55,345	0	0	0	<b>55,753</b>	0	191
Depreciation charge	57	95	2,437	0	0	0	<b>2,589</b>	0	64
Depreciation written out on impairment	0	0	0	0	0	0	<b>0</b>	0	0
Disposals	0	0	0	0	0	0	<b>0</b>	0	0
Depreciation written out on revaluation	(242)	0	0	0	0	0	<b>(242)</b>	0	0
<b>At 31 March 2016</b>	<b>57</b>	<b>261</b>	<b>57,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,100</b>	<b>0</b>	<b>255</b>
<b>Net Book Value:</b>									
<b>At 31 March 2016</b>	<b>6,725</b>	<b>404</b>	<b>160,876</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>169,466</b>	<b>56</b>	<b>64</b>
<b>At 31 March 2015</b>	<b>7,532</b>	<b>338</b>	<b>163,218</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>172,666</b>	<b>56</b>	<b>128</b>

\* RR = Revaluation Reserve

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

Comparative movements for 2014/15:

2014/15 Restated	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
At 1 April 2014	7,759	1,057	218,409	1,103	0	475	<b>228,803</b>	56	319
Additions	15	155	154	0	0	0	<b>324</b>	0	0
Impairment (losses)/reversals to RR*	0	0	0	0	0	0	<b>0</b>	0	0
Impairment (losses)/reversals to SDPS **	0	0	0	0	0	0	<b>0</b>	0	0
Disposals	0	(708)	0	0	0	0	<b>(708)</b>	0	0
Other reclassifications	0	0	0	0	475	(475)	<b>0</b>	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	0	<b>0</b>	0	0
<b>At 31 March 2015</b>	<b>7,774</b>	<b>504</b>	<b>218,563</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>228,419</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
At 1 April 2014	188	802	52,506	0	0	0	<b>53,496</b>	0	127
Depreciation charge	54	72	2,839	0	0	0	<b>2,965</b>	0	64
Depreciation written out on impairment	0	0	0	0	0	0	<b>0</b>	0	0
Disposals	0	(708)	0	0	0	0	<b>(708)</b>	0	0
Depreciation written out on revaluation	0	0	0	0	0	0	<b>0</b>	0	0
<b>At 31 March 2015</b>	<b>242</b>	<b>166</b>	<b>55,345</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,753</b>	<b>0</b>	<b>191</b>
<b>Net Book Value:</b>									
<b>At 31 March 2015</b>	<b>7,532</b>	<b>338</b>	<b>163,218</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>172,666</b>	<b>56</b>	<b>128</b>
<b>At 31 March 2014</b>	<b>7,571</b>	<b>255</b>	<b>165,903</b>	<b>1,103</b>	<b>0</b>	<b>475</b>	<b>175,307</b>	<b>56</b>	<b>192</b>

\* RR = Revaluation Reserve

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

## 3. Stock

Movements in stock during the financial year are as follows:

	2014/15 £000	2015/16 £000
At 1 April 2015	1,113	485
Stock transferred from CI&E	0	0
Stock transferred to Cardiff Bay Visitor Centre	(17)	0
Stock written off to the CI&E	(611)	(103)
<b>Balance carried forward</b>	<b>485</b>	<b>382</b>

## 4. Debtors

	31 March 2015 £000	31 March 2016 £000
Central Government Bodies	513	513
Trade Receivables	24	76
<b>Total</b>	<b>537</b>	<b>589</b>

## 5. Creditors

	31 March 2015 £000	31 March 2016 £000
Central Government Bodies	(2,001)	(1,978)
Trade Payables	(423)	(580)
<b>Total</b>	<b>(2,424)</b>	<b>(2,558)</b>