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**STATEMENT OF ACCOUNTS**

**2014/15**

**OF**

**THE CITY OF CARDIFF COUNCIL**



# Foreword

## 1.1 Foreword

### Introduction

This document presents the Statement of Accounts for The City of Cardiff Council. These are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

### The Financial Statements

The Council's financial statements covered by the Statement of Responsibilities and the Auditor's Report are set out on pages 21 to 162 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

The Council is Lead Authority for three Joint Committees: the Glamorgan Archives, Prosiect Gwyrdd, and the Welsh Purchasing Consortium. The City of Cardiff Council is also a member of the Central South Consortium Joint Education Service which was created on 1 September 2012, for which Rhondda Cynon Taf County Borough Council is the host Authority. The City of Cardiff Council's share of the transactions and balances of these Joint Committees are incorporated in these financial statements. Separate financial statements for each of the Joint Committees are also available.

An explanation of the statements, their purpose and relationship between them as well as the main accounting policies adopted and critical judgements made in compiling the financial statements are provided in sections that follow this foreword.

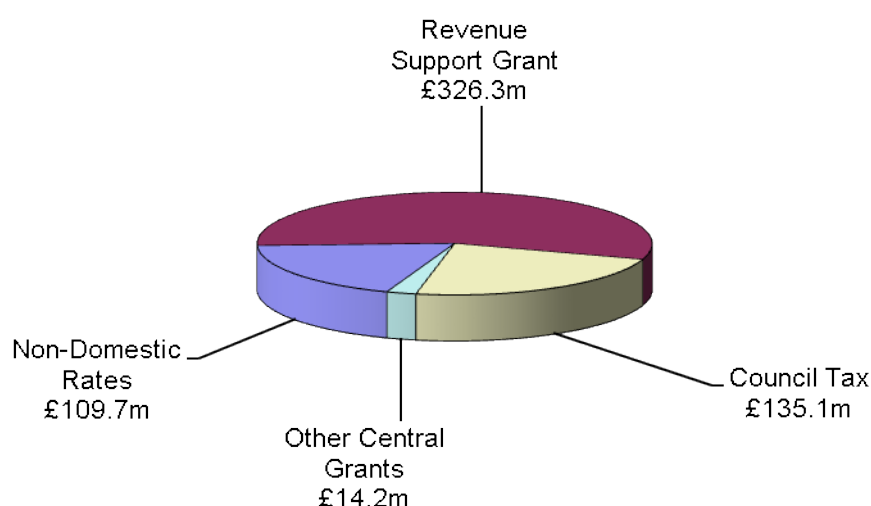
### Review of the financial year 2014/15

During 2014/15 the Authority faced reduced Welsh Government funding and increasing financial pressures, which presented a challenge for Directorates. The following paragraphs give a summary of the main aspects of the revenue Outturn and funding; capital expenditure and financing; treasury management; significant movements affecting the balance sheet including earmarked reserves and provisions; and the pension fund accounts.

### Revenue Funding and Revenue Expenditure Outturn

The City of Cardiff Council at its meeting on 28 February 2014 set a cash limit budget of £585.038 million for 2014/15. In addition a budget of £250,000 was set for discretionary rate relief which is outside the Budget Requirement. The chart that follows displays the revenue expenditure budget funding sources, including the proportion of collected Council Tax that contributes towards The City of Cardiff Council's expenditure.

## Foreword



### Directorate Outturn 2014/15

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Childrens Services	46,081	48,393	2,312
Communities, Housing & Customer Services	43,104	42,247	(857)
Corporate Management	26,596	26,454	(142)
County Clerk & Monitoring Officer	3,872	3,854	(18)
Economic Development	614	609	(5)
Education & Lifelong Learning	229,784	230,792	1,008
Environment	26,587	26,480	(107)
Health & Social Care	95,132	100,500	5,368
Resources	18,540	17,948	(592)
Sports, Leisure & Culture	15,321	16,008	687
Strategic Planning, Highways and Traffic & Transport	26,892	26,888	(4)
Capital Financing etc.	35,960	35,722	(238)
General Contingency	4,000	-	(4,000)
Summary Revenue Account	12,555	7,419	(5,136)
Discretionary Rate Relief	250	233	(17)
<b>Total as per Outturn report</b>	<b>585,288</b>	<b>583,547</b>	<b>(1,741)</b>

The final revenue Outturn position indicates that the Council has maintained its spending within its overall net budget of £585.3 million in 2014/15 with an overall underspend of £1.74 million after contributions to and from reserves.

As per the 2015/16 budget report that was approved by Council in February, of the £1.74 million underspend that has been taken to the Council Fund, £595,000 has been approved to be drawn down in 2015/16 to fund the budget.

## Foreword

The final revenue Outturn position shows a surplus of £1.741 million after contributions to and from reserves as compared to the balanced position reported at month nine. The change includes a significant improvement to the directorate positions with over-spends against these budgets reducing by £1.147 million compared to previous projections. This reflects a number of factors including the impact of the measures implemented by the Chief Executive as set out in the Month 9 monitoring report. Further savings were also identified as a result of a higher surplus on Council Tax and an increase in non-domestic rate (NDR) refunds on Council properties.

During the year the Council's monitoring process identified financial pressures in a number of Directorates, notably Health & Social Care, Children's Services, Education & Lifelong Learning and Sport, Leisure & Culture. 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 2014/15 budget. This is reflected in the Outturn position forming part of an overall overspend of £7.650 million on directorate budgets. Apart from Children's Services all these areas reported a reduced over-spend compared to the projections at Month 9. Additional pressures were identified in Children's Services during the final quarter including additional placements and costs for looked after children, which resulted in a significant increase in over-spend in this area. The overspend on directorate budgets was offset by the £4 million contingency sum, together with savings in other areas including Council Tax collection, NDR refunds on Council properties, capital financing and additional income arising from successful performance against the 2013/14 Outcome Agreement Grant.

The Council Fund Balance brought forward at 1 April 2015 was **£11.413 million**. The balance at 31 March 2015 has increased by £1.741 million to **£13.154 million**.

**The Housing Revenue Account (HRA)** shows a surplus for the year of **£314,000**. The surplus achieved included underspends on employee costs, supplies and services, capital financing costs and housing subsidy payable, income was also above target mainly due to lower than anticipated void levels. These were offset by additional spends on premises costs, which includes the Housing Repairs Account. This total sum has been transferred to the HRA Revenue Balance and is available for spending on HRA issues only.

The Housing Revenue Account balance increased to **£8.438 million** after taking into account the £314,000 surplus in 2014/15.

In England during 2011/12, those councils who owned and operated their own housing stock, moved to a system of self financing, whereby any net income paid to or received from Central Government was converted to a one off adjustment of borrowing. A similar process has been undertaken in Wales and the Council signed a voluntary agreement with Welsh Government in 2014/15. The loan debt contract will be recognised in 2015/16 with an increase in debt of the Council's Housing Revenue Account of **£187 million** as well as the implementation of an overall limit to borrowing for housing purposes.

### Revenue Outturn:

	Budget	Outturn	Variance
	£000	£000	£000
<i>Financing:</i>			
Revenue Support Grant (RSG)	(326,291)	(326,291)	0
Non-domestic Rates (NDR)	(109,695)	(109,695)	0
Council Tax	(135,120)	(138,052)	(2,932)
Other central grants	(14,182)	(15,005)	(823)
<b>Total Funding</b>	<b>(585,288)</b>	<b>(589,043)</b>	<b>(3,755)</b>
<i>Net Expenditure</i>			

## Foreword

	Budget £000	Outturn £000	Variance £000
Net budgeted expenditure	585,288		(585,288)
Net deficit on services on Comprehensive Income & Expenditure Statement		3,470	3,470
Adjust deficit figure for:			
Items shown separately as financing (above)		589,043	589,043
Adjustments between accounting and funding bases under regulations for the Council Fund Balance and HRA (as per Movement in Reserves Statement)		(7,029)	(7,029)
Transfers (to)/from Earmarked Reserves (as per note 2)		1,504	1,504
Remove surplus on HRA		314	314
<b>Total Expenditure</b>	<b>585,288</b>	<b>587,302</b>	<b>2,014</b>
<b>Net (surplus)/deficit for year transferred to Council Fund Balance</b>			<b>(1,741)</b>



## Foreword

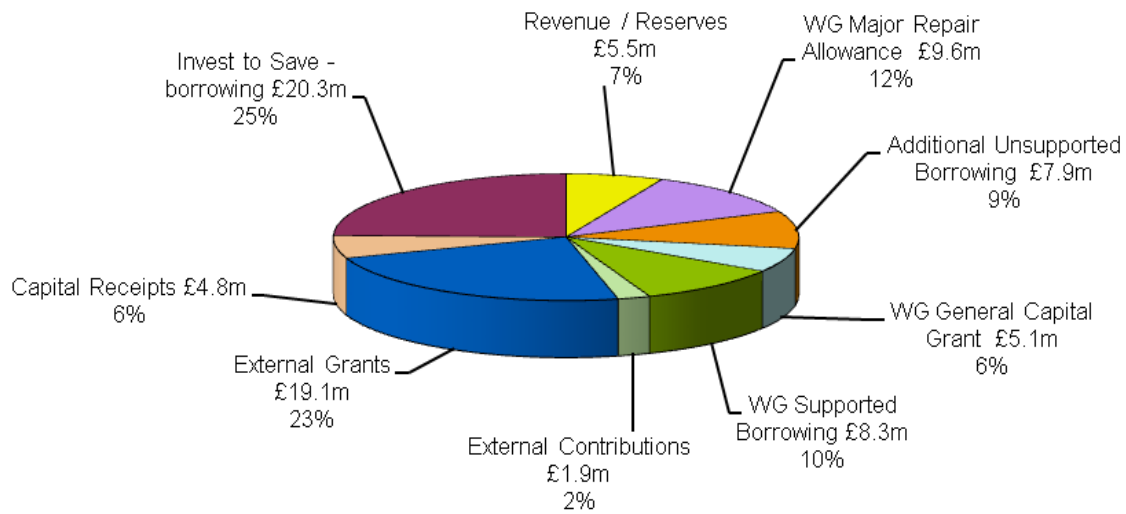
### Capital Programme

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. Capital expenditure during the year totalled £82.5 million, with the main items of expenditure described in the following table.

Schemes	Detail	£m
Housing & Neighbourhood Regeneration/Citizen Hubs	Public housing investment in kitchen and bathrooms, central heating, boiler replacement, estate regeneration, as well as energy efficiency schemes including Photovoltaic panels and over-cladding. Preparatory work across sites in the city as part of the Housing Partnership Programme. Disabled adaptations grants, allowing people to live independently in their homes, renewal area and other environmental improvements including a comprehensive regeneration scheme for Clare Road/Penarth Road District Shopping Centre. The development of citizen hubs at various locations around the city including Grangetown, The City Centre and on the site of the former Splott Pool.	27.2
Education & Lifelong Learning	Includes completion of a new school at St Teilo's as well as associated renovations and refurbishment of Llanishen High School and the establishment of Ysgol Bro Eder within the former premises of St Teilo's High School. Continued investment as part of the School Organisation Plan and 21st Century Schools Programme over a number of sites, including a new Pontprennau Primary School attached to the existing community centre and further investment in Ysgol Melin Gruffydd to accommodate the need for Welsh medium provision	24.8
Highways & Transportation	Road resurfacing, footpath and public realm improvements, road safety improvements, drainage, street lighting, public transport and telematics improvements. Implementation of the cycling strategy, Moving Traffic Offences, investment in safe routes in communities, as well as other pedestrian and junction improvements.	15.9
Economic Development	A voucher scheme to implement superfast broadband, WIFI on buses, Internet Exchange scheme and installation of WIFI in public buildings. Cardiff Enterprise Zone development including deposit paid for the purchase of Wood Street NCP car park, bus capacity enabling works and public realm design to create a new capital city gateway.	6.0
Culture, Leisure, Parks & Tourism	Completion of the High Ropes activity located at Cardiff International White Water. Play equipment replacement, improvements at Bute Park and other open space improvements.	2.9
Organisational Development & Property Rationalisation	Investment in replacing computer hardware and other ICT infrastructure to develop existing and new systems which will increase the number of digital services offered to citizens. Expenditure to maximise the use of existing office space in order to reduce costs of property estate or realise capital receipts from buildings.	1.6
Other	Including improvements to Thornhill Crematorium site, the Intermediate Care Fund grant to promote independent living. Financial support for small businesses from the Capital Cardiff Fund and waste management infrastructure.	4.1

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

## Funding of Capital Expenditure



The Council is undertaking a number of projects which are both complex in their accounting requirements and also in the financial risks they represent. Such projects invariably involve a great deal of uncertainty, consultation and often involve significant time and work before they can be implemented. Such ongoing schemes include investment in the 21<sup>st</sup> Century Schools programme, economic regeneration, creation of citizen hubs, Housing Partnership projects and investment in organisational development activities. Such commitments will require the Council to continue to significantly increase its need to borrow, impacting on future affordability. Some of this is on a basis that schemes will pay for themselves through income generation, savings or capital receipts and accordingly represent a significant financial risk to the Council. The risks within these invest to save schemes will be monitored and action taken if required reducing this risk which at present is deemed acceptable. However, overall, further action is required to accelerate a reduction in the Council's asset base within a limited timeframe. Unless assurance of progress in this regard can be demonstrated the affordability of the existing Capital Programme will need to be reviewed. Within this financial climate of reducing revenue resources all action necessary must be taken to reduce both initial capital expenditure and the subsequent need to borrow.

### Capital Receipts

The sale of surplus assets and other income treated as capital receipts generated usable capital receipts of £6.1 million. Whilst proceeds from assets sales such as land are required to minimise the level of borrowing and reduce property operating costs in future years the property market remains challenging and unpredictable. During the year land with a value of £1.1 million was internally transferred from the Council Fund to the Housing Revenue Account to support the Housing Partnership project proposals to increase the supply of affordable housing in the City.

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

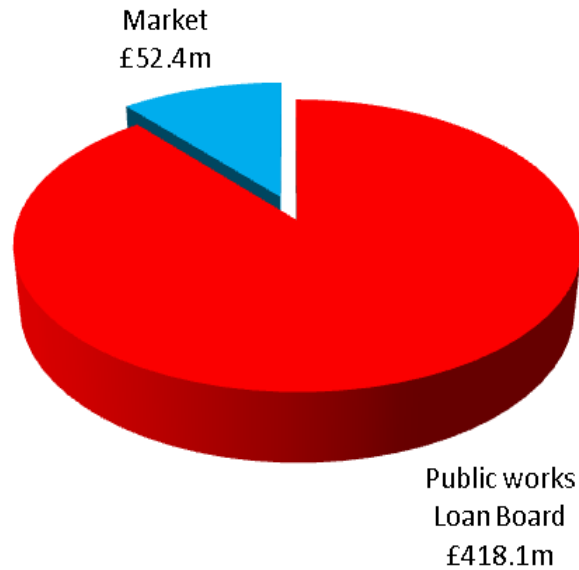
Assets deemed surplus to requirements and investment properties were re-valued during 2014/15 as part of a rolling programme of revaluation. Valuations of such assets involve a number of assumptions, however, movements in such asset valuations have no impact on the council tax or rent as they are required to be neutralised from capital reserves. In line with current guidance the value of infrastructure assets are required to be shown at historic cost. CIPFA considers that current value is a more appropriate measurement base with planned implementation in 2016/17. During 2014/15, CIPFA clarified their approach regarding Voluntary Aided (VA), Voluntary Controlled (VC) and Foundation Schools. This resulted in each school being required to be treated as a separate entity. This required a review of the ownership and operating arrangements of schools' land and buildings to determine whether or not such assets should be recognised on the Council's balance sheet. Further details of the assets recognised and derecognised from the Council's balance sheet can be found in note 20 of the accounts

## Foreword

### Treasury Management and Financial Instruments

The Council can borrow money to manage its daily cash flows and to pay for capital expenditure. The Council has loans of £470.5 million of fixed interest loans at the end of the year. Of this, £418.1 million is owed to the Public Works Loan Board (PWLB) and £52.4 million is owed to other bodies, primarily financial institutions. During the year external loans totalling £7.8 million were repaid and £5 million of new loans were raised. The Council continues to use some of its temporary cash balances to pay for capital expenditure. Total interest payable on borrowing was £24.7 million during 2014/15, of which £4.8 million was paid for by the Housing Revenue Account. The average rate on the Council's borrowing stood at 5.19% at the 31 March 2015 and the maturity profile of significant loans is shown in the chart in note 21 of the core financial statements.

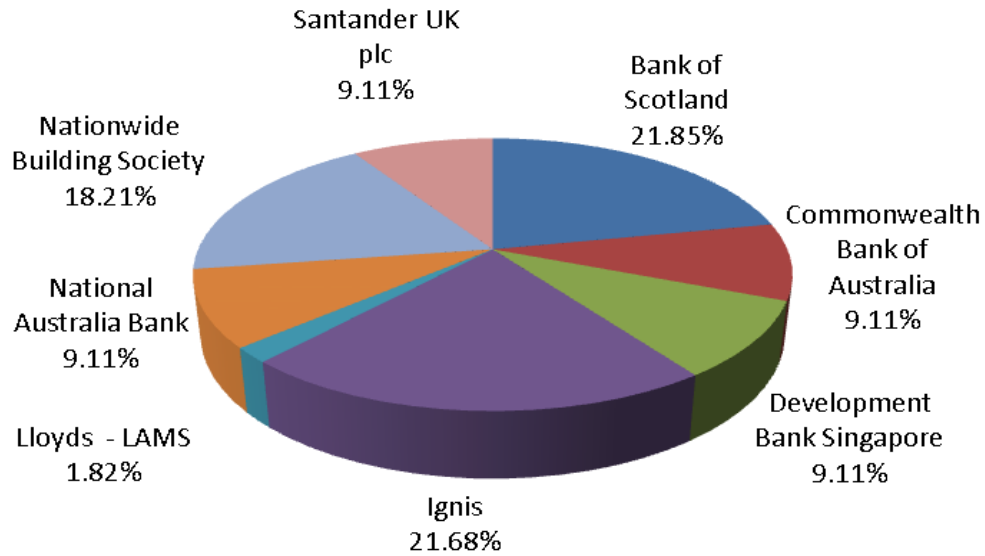
### Amounts of fixed rate debt



Investments of £54.9 million at 31 March 2015 are represented primarily by temporary cash balances, which are deposited for various maturities with Financial Institutions.

### Investments Held by Institution

## Foreword



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 is required to consider whether amounts included in its balance sheet are shown at their recoverable amount. Loan principal of £5.056 million and Interest of £1.356 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium at 31 March 2015 are 100% impaired. The total of principal and interest is £6.412 million. In March 2015, the Council considered a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. As the loan has been provided from capital resources, the loss on impairment was neutralised against capital reserves for the Loan Principal. In addition 100% provision for any interest due to the Council since the loan was granted had been made. The Council continues to adopt a prudent approach in its revenue budget to the repayment of both the principal and interest amounts due. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.924 million) remains 100% impaired, but is shown as a contingent asset in the statement of accounts.

The Council has worked actively with Welsh Government, Welsh Local Government Association and other Housing Stock retaining Authorities to secure exit from the Housing Revenue Account Subsidy System which has been in place for some time. This was achieved in England in 2012. The new arrangements will mean that from April 2015, the Council will no longer have to pay circa £15 million from tenant rents to the Welsh Government which is then passed on to UK Treasury each year. Instead, we would be required to make a one-off payment of £187 million as a "buy out" to the Welsh Government/UK Treasury on 2 April 2015. In accordance with Treasury and Welsh Government requirements, this is to be paid by undertaking borrowing from the Public Works Loan Board at interest rates determined by HM Treasury. The overriding principle of the subsidy reform is that no Welsh Authority will be worse off under the new Self Financing Scheme. The Council will have to operate within a debt cap allocated by the Welsh Government.

The move to self financing offers an opportunity for the Council to use its role as a landlord to help achieve their wider priorities and ambitions within the context of the ring-fenced HRA. These could include economic regeneration, improving health and well being, improving community safety and helping vulnerable people to live independently in the community.

## Foreword

### Reserves

Movements on earmarked reserves and schools balances are detailed in note 2 to the core statements. Details of movements of other usable and unusable reserves are shown in notes 29 and 30 to the Core Statements respectively. Total usable reserves at the commencement of the year amounted to £52.179 million, increasing by **£4.304 million** to **£56.483 million** at 31 March 2015.

Summary Reserves Movements:

	£000	£000
<b>Usable Reserves at 1 April 2014</b>		<b>52,179</b>
<b>Council Fund Earmarked Reserves</b>		
Movements to/(from) earmarked reserves:		
Cardiff Enterprise Zone Reserve	1,404	
Waste Management/Prosiect Gwyrdd Reserve	2,020	
Cardiff Insurance Reserve	1,034	
Schools Formula Funding Reserve	955	
Schools Organisational Plan Reserve	(1,276)	
Bereavement Services Reserve	(571)	
Dilapidation Reserve	(385)	
Other movements to/(from) earmarked reserves	(423)	
		<b>2,758</b>
Other movements to/(from) other useable reserves:		
<b>Council Fund Balance</b>	1,741	
<b>HRA Balance</b>	314	
<b>HRA Earmarked Reserves</b>	(446)	
<b>Usable Capital Receipts</b>	(63)	
		<b>1,546</b>
<b>Total Usable Reserves at 31 March 2015</b>		<b>56,483</b>

### Provisions

During 2014/15, total provisions decreased by **£2.061 million** to **£40.840 million**, which includes a number of movements. These include a net decrease in the insurance provision of £645,000 and a decrease in the termination benefits provision of £797,000. Details of the movement of individual provisions are shown in note 27 to the Core Statements.

### Contingencies

A number of contingent liabilities are disclosed in relation to issues where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Authority, where it is not probable an outflow of resources will be required or where the amount of obligation cannot be measured reliably. For 2014/15, disclosures covered:

- Legal claims against the Authority, where the Authority is resisting liability;
- The Municipal Mutual Insurance (MMI) run off claims;

## Foreword

The Authority also disclosed contingent assets in relation to a proportion of the market value of future disposals of properties where a proportion of the equity has been provided by the Authority; and potential claims that may be due from the HMRC to the Authority relating to outstanding VAT claims.

### Cardiff and Vale of Glamorgan Pension Fund

In 2014/15 the benefits payable by the Pension Fund totalled **£79.4 million** and the contributions receivable totalled **£82.6 million**. Net returns on investments totalled **£183.5 million** and the Fund's assets grew by **£186.6 million (12.5%)**, from **£1.49 billion** to **£1.68 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 liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

### Pensions Assets and Liabilities

Under International Accounting Standard 19 "Employee Benefits", local Authorities are required to account for the costs of pension entitlements earned in the year rather than the costs of contributions paid to the fund.

Further details are given in note 19 to the Core Financial Statements.

The Council's Actuary has estimated the Council's pension liability to be **£539.786 million** at 31 March 2015. The effect upon the net worth of the Council is as follows:

	£000
Net Worth Excluding Pensions Liability	1,420,611
Net Worth as per Balance Sheet	880,825

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

### Medium Term Financial Plan and Financial Resilience

The Corporate Plan for 2015/16 is a strategic outcome focused document with the following priorities:

- Education and Skills for all ages
- Supporting vulnerable people
- Sustaining economic development
- Working with people and partners to design, deliver and improve services

The financial challenges facing the Council over the life of the Corporate Plan are extremely challenging. Savings of £205 million have been found over the last 10 years to fund a combination of funding reductions and increases in financial pressures. The Medium Term Financial Plan identifies a further £120.1 million which may have to be found over the next three year period. Of this, £51.1 million needs to be delivered in 2016/17.

The Corporate Resources Director, as the Section 151 Officer, reiterated in the 2015/16 Budget Report in February 2015 the materiality of the service choices ahead of the Council. In particular, the advice given was that anything other than a radical reduction and reset of the Council's services would over the life of the Medium Term Financial Plan lead to financial resilience issues for the Council.

Since that date 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. The Budget Strategy Report in July 2015 is a key document considering the budget strategy for 2016/17 and the medium term.

## Foreword

### **Corporate Governance**

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. The Council also maintains a Corporate Risk Register (CRR) which highlights the strategic risks facing the Council. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 165 to 198.

### **Acknowledgements**

Finally, I wish to thank staff within Corporate Resources, and their colleagues throughout the Council, who have worked on the preparation of these statements and enabled this year's deadline for the accounts to be successfully met. 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**  
**Date**

## 1.2 Guide to the Financial Statements

### **Movement in Reserves Statement (page 39)**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and other reserves. 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 40)**

This statement shows the accounting cost in the year of providing services 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 42)**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. 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, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves include 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'.

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 Error! Bookmark not defined.)**

The Cash Flow Statement shows the 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 operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the Authority.

### **Housing Revenue Account Income & Expenditure Account (page 115)**

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.

### **Pension Fund Accounts (page 120)**

The accounts include a Fund Account and Net Assets Statement for the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers. The Cardiff & Vale of Glamorgan Pension Fund also publishes a separate, more detailed report.



### **Group Accounts (page 141)**

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 163)**

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.

# Statement of Responsibilities for the Financial Statements

## 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 this Council for 2014/15 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 as set out in pages 21 to 162

**Councillor David Walker**  
**Lord Mayor**

**Date:**

### The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code).

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 local Authority Code.

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for The City of Cardiff Council give a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

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

**Date:**

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

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 2015 under the Public Audit (Wales) Act 2004.

The City of Cardiff Council'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 City of Cardiff Council 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 the 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 2014-15 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 18, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City 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 City of Cardiff Council's; the City of Cardiff Council's Group and the Cardiff and the 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 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 the City of Cardiff Council**

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council as at 31 March 2015 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 2014-15.

# Auditors Report

## Opinion on the accounting statements of the City of Cardiff Council Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council Group as at 31 March 2015 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 2014-15.

## 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 2015 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 2014-15.

## 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 the City of Cardiff Council 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**  
**Wales Audit Office**  
**24 Cathedral Road**  
**CARDIFF**  
**CF11 9LJ**

**September 2015**

# Accounting Policies, critical judgements and estimations

## **3.1 Accounting policies, critical judgements and assumptions**

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

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

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes as detailed below.

**IFRS 13 Fair Value Measurement.** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

**IFRIC 21 Levies.** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

**Annual Improvements to IFRSs (2011 – 2013 Cycle).** These improvements are minor, principally providing clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation of these policies from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

#### **2. 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. 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 Authority.
- 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 Authority.
- 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 (including services provided by employees) 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. Carbon Reduction Commitment

The Authority is required to participate in the Carbon Reduction Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowance. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

### 4. Cash and Cash Equivalents

These are sums of money available for immediate use. 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 are highly liquid investments including Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### 5. Contingent assets and liabilities

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

### 6. 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 21.

### 7. Disposals and Capital Receipts

When non current assets are disposed of or decommissioned, 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.

Receipts from disposals are credited to 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). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Where sums are due but not yet received they are treated as deferred capital receipts. A proportion of receipts relating to Housing disposals (75% for dwellings – net of statutory deductions and allowances) are used to reduce the capital financing requirement of the Housing Revenue Account.

Receipts from disposals are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). The written-off value of disposals is not a charge against council tax, as the cost of non current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

### 8. 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 (e.g. cars) 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

## Accounting Policies, critical judgements and estimations

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 on 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 pension strain to the pension fund and is included in the Balance Sheet as a long-term creditor to the extent that it is repayable to the pension fund over 5 years. In the Movement in Reserves Statement, appropriations are made to or from the Pensions Reserve to neutralise the impact of this accrual on council tax.

### Post Employment Benefits

Employees of The City of Cardiff Council 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 City of Cardiff Council.

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 which is 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

## Accounting Policies, critical judgements and estimations

- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2014/15 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.

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

### 9. Events After the Balance Sheet Date

Events after the Balance Sheet date are those 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.

### 10. 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 Expenditure Statement as a separate line if that degree of prominence is necessary to give a fair presentation of the accounts.

### 11. 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

**Loans and Receivables:** Initially measured at fair value and carried at their amortised cost. 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.

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.



## Accounting Policies, critical judgements and estimations

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

Where loans or receivables are undertaken on behalf a third party or are legally required to be kept separate, interest on these balances has been paid to the relevant third parties accordingly.

**Investments at Fair Value:** available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are 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, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet 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 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 in the Statement of Total Recognised Gains and Losses.

**Investments at Fair Value through Profit and loss:** These are initially measured at 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.

### 12. 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.

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.

### 13. Foreign Currency Translation

## Accounting Policies, critical judgements and estimations

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.

### 14. Grants - Revenue

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

- the Council 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 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 as an Earmarked Reserve.

### 15. 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 a 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.

### 16. Intangible Fixed 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 revenue account over the economic life of the investment to reflect the pattern of consumption of benefits

## Accounting Policies, critical judgements and estimations

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.

### 17. 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.

### 18. 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.

### 19. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. 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 Financing and Investment Income 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.

### 20. 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. To date, no audit opinion has been issued in respect of the accounts of any of the Joint Committees.

### 21. Leases

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

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

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

#### The 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

## Accounting Policies, critical judgements and estimations

- 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-minimus 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 revenue account 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 posted 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 posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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).

## 22. Non-current Assets Held for Sale

## Accounting Policies, critical judgements and estimations

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. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

### 23. 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 2014/15* (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 Net Cost of Services.

### 24. 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.

### 25. Private Finance Initiative (PFI) and similar contracts

These are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor during the contract term. The Council does not have any such contracts at the balance sheet date.

### 26. 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.

## Accounting Policies, critical judgements and estimations

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 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 previously recognised Voluntary Aided, Voluntary Controlled and Foundation Schools on the Authority's Balance Sheet if it was deemed to have control of admissions policy. CIPFA has for a number of years been considering the approach to recognition of schools given inconsistency of approach across the UK and has issued revised guidance. This effectively requires schools to be considered as an entity and indicates that if the Council owns the land, it can direct the use of the assets and should thus recognise those assets in the balance sheet. Following a review, a number of schools assets have been brought into the balance sheet and this is explained further in the Property, Plant and Equipment notes to the accounts.

### 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 roads and infrastructure are included in the Balance Sheet as the balance sheet values reflect historic expenditure incurred on such assets from a point in time. Any roads adopted by the Council are not individually identified on the balance sheet and are effectively recorded at nil value. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to 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 41% to adjust beacon values to existing use value.
- The Code requires Surplus Assets to be valued at Existing Use Value (EUV) i.e. applying the same assumptions relating to the level of usage as those in the most recent revaluation as an operational asset. This is problematic in that by definition a surplus asset will not have an existing use. The main types of assets held in 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 Cardiff Partnering Scheme as well as former operational buildings awaiting disposal or alternative use.

Accordingly and for a number of other reasons, the Council values the assets within this category at Open Market Value rather than EUV. These reasons include: - former use of historic sites is not known; sites previously have been revalued on an open market basis and values may have changed in some cases significantly; to ensure consistency within the category e.g. where appropriations have been undertaken these would have been at Open Market Value; an approach that balances cost versus benefits compared to the approach in the Code, particularly for smaller sites.

The Council's alternative approach is deemed to give a fairer indication of the value of assets not used in service delivery. Whilst it is not reflected in the Code, there is a planned move away from current Code requirements by CIPFA, potentially in 2015/16 towards the approach adopted by the Council which will aim to address the issues currently being faced in relation to Surplus Assets.

## Accounting Policies, critical judgements and estimations

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, existing use value such as depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets such as plant and equipment have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. From 2013/14, a detailed approach to DRC, known as Modern Equivalent Asset (MEA) is used for the valuation of school land and buildings, due to the much specialised nature of these assets.

Assets included in the Balance Sheet at fair 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 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.

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.

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.

### 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. This is in accordance with the Council's rolling programme of three year revaluations.

### 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 Council is not required to raise council tax 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)

## Accounting Policies, critical judgements and estimations

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

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

### Depreciation:

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction). The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 also requires depreciation of buildings categorised as surplus assets. However, the Council does not depreciate these as by their very nature they are no longer used in service delivery, depreciation is not consistent with the valuation approach adopted and in the majority of cases, buildings on a site are planned to be demolished or are in a poor condition. 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.



## Accounting Policies, critical judgements and estimations

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

Revaluations of the Council's property assets will continue to be 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 to the useful life.

The Council does not currently undertake componentisation on Infrastructure assets.

The Code for 2010/11 requires a revaluation decrease or impairment loss charged to the Surplus or Deficit in the Provision of Services (SDPS) to be reversed where there is a subsequent revaluation gain on the same asset that removes the underlying reasons for the original loss. The Statement of Accounts complies with this requirement for revaluations undertaken from 2011/12 onwards.

### **27. Provisions, including back pay arising from unequal pay claims**

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 revenue account 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 revenue account.

### **28. 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.

### **29. Reserves**

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of 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 kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

### **30. Value Added Tax**

Apart from certain cases where the Council funds supplies of goods or services to other persons or organisations, the Council is reimbursed for VAT. The revenue accounts have, therefore been prepared exclusive of this tax.

# Accounting Policies, critical judgements and estimations

## 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 structure and the assets used to deliver services and 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 general 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.
- Due to declining capital resources and to meet the significant need for capital investment, the Council is significantly increasing the level of external borrowing that it will ultimately need to undertake. Such borrowing is required to be repaid from existing budgets, future savings, additional or existing income or from the sale of assets. The Council sets aside from its revenue budget each year a prudent amount for the eventual repayment of that borrowing. The Council's Capital Programme 2014/15 to 2019/20 was approved in February 2015. Whilst this is deemed affordable, unless there is demonstrable progress in 2015/16 to accelerate a reduction in the Council's asset base, the existing Capital Programme will need to be reviewed.
- 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. In respect of the Council's future obligations in respect of landfill sites, a provision was required to be made. The Council has implemented this in the knowledge that the approach to this issue is the subject of a consultation and further work by CIPFA. The Council also recognises that the suggested WAO treatment indicates that the Capital Financing Requirement (CFR) will increase for capital expenditure not yet incurred. The CFR is defined in the prudential code for Capital Finance as capital expenditure incurred but not yet paid for and such a scenario is not included in the relevant guidance notes.
- The Council still considers that there are a number of indicators of impairment at the balance sheet date for loans provided to Glamorgan County Cricket Club. This has resulted in the recoverable value reduced to nil at 31 March 2015.
- It is assumed that the accounts for the year reflect all financial obligations under a contract 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.

## Accounting Policies, critical judgements and estimations

- If information is misstated, that is omitted, incorrectly shown or not disclosed, that information has the potential to influence or change the decisions and or judgement of the majority of reasonable persons relying on the financial report or the discharge of the accountability by management 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 estimations

### 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 at 31 March 2015 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 41% to adjust beacon 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 has no impact on the level of Council Tax. Any 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;	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.

## Accounting Policies, critical judgements and estimations

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	this is detailed further in the provisions note.	
Provisions in relation to arrears	At 31 March 2015, 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 changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet 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 2013 carried forward (Restated)</b>	11,548	40,319	7,295	1,312	1,605	62,079	876,043	938,122
<b>Movement in Reserves during 2013/14 (Restated)</b>								
Surplus or (deficit) on the provision of Services	(159,973)	0	4,435	0	0	(155,538)	0	(155,538)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	158,174	158,174
<b>Total Comprehensive Income and Expenditure</b>	<b>(159,973)</b>	<b>0</b>	<b>4,435</b>	<b>0</b>	<b>0</b>	<b>(155,538)</b>	<b>158,174</b>	<b>2,636</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	150,078	0	(4,234)	0	(206)	145,638	(145,638)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(9,895)</b>	<b>0</b>	<b>201</b>	<b>0</b>	<b>(206)</b>	<b>(9,900)</b>	<b>12,536</b>	<b>2,636</b>
Transfers to/(from) Earmarked Reserves (note 2)	9,760	(9,760)	628	(628)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2013/14</b>	<b>(135)</b>	<b>(9,760)</b>	<b>829</b>	<b>(628)</b>	<b>(206)</b>	<b>(9,900)</b>	<b>12,536</b>	<b>2,636</b>
<b>Balance at 31 March 2014 carried forward</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>888,579</b>	<b>940,758</b>
<b>Movement in Reserves during 2014/15</b>								
Surplus or (deficit) on the provision of Services	(6,851)	0	4,696	0	0	(2,155)		(2,155)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(56,465)	(56,465)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,851)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(2,155)</b>	<b>(56,465)</b>	<b>(58,620)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	11,857	0	(4,828)	0	(63)	6,966	(6,966)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,006</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,811</b>	<b>(63,431)</b>	<b>(58,620)</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>(63,431)</b>	<b>(58,620)</b>
<b>Balance at 31 March 2015 carried forward</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>825,149</b>	<b>882,139</b>

# Comprehensive Income and Expenditure Account

Comprehensive Income and Expenditure Account for the Year Ended 31 March 2015

2013/14 (Restated)				Note	2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
54,712	(20,679)	34,033	Central Services to the Public		51,249	(17,958)	33,291
58,897	(25,426)	33,471	Cultural & Related Services		58,205	(27,886)	30,319
56,121	(19,586)	36,535	Environmental & Regulatory Services		58,066	(23,779)	34,287
32,169	(17,017)	15,152	Planning Services		22,261	(19,905)	2,356
504,795	(76,850)	427,945	Children's and Education Services		400,525	(98,971)	301,554
76,127	(18,719)	57,408	Highways & Transport Services		64,252	(19,387)	44,865
63,765	(62,124)	1,641	Housing Revenue Account		69,971	(65,231)	4,740
182,254	(175,897)	6,357	Housing Services (General Fund)		181,640	(175,755)	5,885
125,423	(23,029)	102,394	Adult Social Care		127,857	(25,777)	102,080
11,980	246	12,226	Corporate & Democratic Core		9,982	(2,004)	7,978
2,838	0	2,838	Non-Distributed Costs	3	3,405	323	3,728
5,056	0	5,056	Exceptional Item	3	0	0	0
<b>1,174,137</b>	<b>(439,081)</b>	<b>735,056</b>	<b>Net Cost of Services</b>	<b>4</b>	<b>1,047,413</b>	<b>(476,330)</b>	<b>571,083</b>
25,012	0	25,012	Police and Crime Commissioner for South Wales	6	26,411	0	26,411
252	0	252	Community Council Precepts	6	256	0	256
17,392	0	17,392	Levies & Contributions	6	16,984	0	16,984
2,150	(2,821)	(671)	(Gain)/loss on sale of non-current assets		1,586	(5,774)	(4,188)
<b>44,806</b>	<b>(2,821)</b>	<b>41,985</b>	<b>Other Operating Expenditure</b>		<b>45,237</b>	<b>(5,774)</b>	<b>39,463</b>
23,871	0	23,871	Interest Payable on debt	21	24,616	0	24,616
2	0	2	Interest element of finance leases	16	0	0	0
30,055	0	30,055	Interest on net defined benefit liability/(asset)	19	19,416	0	19,416
0	(1,199)	(1,199)	Interest & Investment Income		0	(1,091)	(1,091)
162	0	162	Change in fair value of Investment Properties		3,538	(12,391)	(8,853)
<b>54,090</b>	<b>(1,199)</b>	<b>52,891</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>47,570</b>	<b>(13,482)</b>	<b>34,088</b>

## Comprehensive Income and Expenditure Account

2013/14 (Restated)				Note	2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
0	(53,164)	(53,164)	Recognised Capital Grants & Contributions		0	(28,165)	(28,165)
0	(339,678)	(339,678)	Revenue Support Grant		0	(326,291)	(326,291)
0	(107,229)	(107,229)	Non-Domestic Rates	9	0	(109,695)	(109,695)
948	(158,206)	(157,258)	Council Tax Income	8	779	(165,499)	(164,720)
0	(17,065)	(17,065)	Other Central Grants		0	(13,608)	(13,608)
<b>948</b>	<b>(675,342)</b>	<b>(674,394)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>
		<b>155,538</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>2,155</b>
		(19,902)	Revaluation Gains	29			(937)
		127,299	Revaluation Losses	29			3,287
		352	Impairment losses on non-current assets charged to the Revaluation Reserve				412
		0	Reversal of revaluation losses recognised in the Comprehensive Income & Expenditure Statement				0
		488	(Surplus)/Deficit on revaluation of available for sale financial assets	29			2,211
		(266,411)	Actuarial (gains)/losses on pension assets/liabilities	19			51,492
		<b>(158,174)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>56,465</b>
		<b>(2,636)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>58,620</b>

\* The net cost of services includes IAS 19 Current Service Cost (CSC) which includes an allowance for the administration expenses of £470,000 in 2014/15 (£470,000 in 2013/14).



## Balance Sheet

31 March 2014 Restated £000		Note	31 March 2015 £000
	<u>Property Plant &amp; Equipment:</u>	20	
566,393	Council Dwellings		569,012
747,292	Other Land and Buildings		769,990
15,393	Vehicles, Plant, Furniture & Equipment		14,989
314,866	Infrastructure		308,666
18,734	Community Assets		19,206
24,036	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		37,024
	<u>Heritage Assets</u>		
50,789	Heritage Assets		50,884
	<u>Investment Property:</u>	17	
75,625	Investment Properties		100,787
	<u>Intangible Assets</u>		
4,748	Intangible assets including AUC	20	4,346
19,553	Long-term Investments		17,316
2,935	Long-term Debtors		2,790
<b>1,895,767</b>	<b>Total Long Term Assets</b>		<b>1,906,767</b>
28,895	Short-term Investments		42,185
380	Assets held for Sale	20	3,040
2,697	Inventories		2,109
72,101	Short-term Debtors	22	90,982
41,761	Cash and Cash Equivalents	23	23,137
<b>145,834</b>	<b>Total Current Assets</b>		<b>161,453</b>
(14,457)	Short Term Borrowing	21	(12,964)
(75,827)	Short Term Creditors	24	(94,801)
(2,486)	Pension Strain	26.1	(2,830)
(9,806)	Provisions	26	(9,011)
(1,210)	Deferred Liabilities	27	(1,024)
<b>(103,786)</b>	<b>Total Current Liabilities</b>		<b>(120,630)</b>
(465,486)	Long Term Borrowing	21	(464,808)
(33,095)	Provisions	26	(31,399)
(7,290)	Deferred Liabilities	27	(7,217)
(9,724)	Capital Contributions Receipts in Advance	30	(10,095)
(2,363)	Revenue Grants Receipts in Advance	30	(3,734)
(306)	Capital Grants Receipts in Advance	30	(2,160)

## Balance Sheet

31 March 2014 Restated		Note	31 March 2015
(5,766)	Pensions Strain	26.1	(6,252)
(473,027)	Net Pensions Liability		(539,786)
<b>(997,057)</b>	<b>Total Long Term Liabilities</b>		<b>(1,065,451)</b>
<b>940,758</b>	<b>NET ASSETS</b>		<b>882,139</b>
	<b>Financed by:</b>		
11,413	Council Fund Balance		13,154
30,559	Council Fund Earmarked Reserves		33,824
8,124	Housing Revenue Account Balance		8,438
684	HRA Earmarked Reserves		238
1,399	Capital Receipts Reserve		1,336
<b>52,179</b>	<b>Usable Reserves</b>	28	<b>56,990</b>
206,879	Revaluation Reserve		200,928
1,156,598	Capital Adjustment Account		1,169,476
104	Deferred Capital Receipts		87
15,774	Available for Sale Financial Instruments Reserve		13,563
(2,709)	Financial Instruments Adjustment Account		(2,367)
(481,278)	Pensions Reserve		(548,868)
(6,789)	Accumulated Absences Adjustment Account		(7,670)
<b>888,579</b>	<b>Unusable Reserves</b>	29	<b>825,149</b>
<b>940,758</b>	<b>TOTAL RESERVES</b>		<b>882,139</b>

## Cash Flow Statement

2013/14 £000		Note	2014/15 £000
155,538	Net (Surplus) /Deficit on the provision of services		2,155
(243,668)	Adjust net surplus or deficit on the provision of services for non-cash movements	32	(84,472)
50,587	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	19,305
<b>(37,543)</b>	<b>Net cash flows from operating activities</b>		<b>(63,012)</b>
(1,061)	Interest Received		(1,112)
24,852	Interest Paid		24,728
1	Finance lease interest paid		0
(61,336)	Net cash flow from other operating activities		(86,628)
<b>56,743</b>	<b>Investing activities</b>		<b>67,618</b>
81,893	Purchase of property, plant and equipment, investment property and intangible assets		70,700
3,232	Purchase of short-term and long-term Investments		29,047
20,579	Other payments for investing activities		9,922
(3,568)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(5,774)
(43,319)	Capital Grants		(33,754)
(2,006)	Capital Contributions		(2,523)
(68)	Proceeds from short-term and long-term investments		0
<b>(26,014)</b>	<b>Financing activities</b>		<b>14,018</b>
(18,383)	Cash receipts from short-term and long-term borrowing		(5,700)
(7,752)	Other receipts from financing activities		0
15	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
106	Repayments of short-term and long-term borrowing		7,820
0	Other payments for financing activities		11,898
<b>(6,815)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(18,624)</b>
34,946	<b>Cash and cash equivalents at the beginning of the reporting period</b>		41,761
<b>41,761</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>23,137</b>
323	Cash held e.g. Imprest Accounts		182
9,219	Cash and Bank		11,051
32,219	Short-term deposits with financial institutions		11,904

## Notes to the Core Financial Statements

### 3.6 INDEX OF NOTES TO THE CORE 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.

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £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	44,526	14,103	0	(58,629)
Revaluation losses of non-current assets	1,939	1,752	0	(3,691)
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	(8,933)	80	0	8,853
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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(23,374)	(2,899)	0	26,273
Statutory repayment of Debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the General 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>				
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>				

## Notes to the Core Financial Statements

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
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>11,857</b>	<b>(4,828)</b>	<b>(63)</b>	<b>(6,966)</b>

### Comparative Movements in 2013/14

2013/14 (Restated)	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets	186,073	13,113	0	(199,186)
Impairment/revaluation losses of non-current assets	5,056	0	0	(5,056)
Reverse previous impairment on revaluation	(14,931)	0	0	14,931
Amortisation of intangible assets	904	0	0	(904)
Movements in the market value of Investment properties	162	0	0	(162)
Movement in the value of Held for Sale Assets	1,033	0	0	(1,033)
Capital grants and contributions applied	(42,916)	(10,248)		53,164
Revenue expenditure funded from capital under statute	3,341	55	0	(3,396)
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	(109)	(561)	2,821	(2,151)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(21,577)	(4,074)	0	25,651
Statutory repayment of Debt (Finance Lease liabilities)	(13)	0	0	13
Capital expenditure charged against the General Fund and HRA balances	(1,891)	(2,198)	0	4,089
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(3,354)	3,354
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	18	(18)	0
Capital Receipts set aside for the repayment of debt	(103)	0	(402)	505
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(340)	(2)	0	342

## Notes to the Core Financial Statements

2013/14 (Restated)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	74,055	1,428	0	(75,483)
Employer's contributions to the Pension Scheme	(41,605)	(1,755)	0	43,360
Pension Strain Future Years	2,111	(15)	0	(2,096)
<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.	828	5	0	(833)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	747	(747)
<b>Total Adjustments</b>	<b>150,078</b>	<b>(4,234)</b>	<b>(206)</b>	<b>(145,638)</b>

## Notes to the Core Financial Statements

### 2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2014/15.

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
<b>SCHOOLS BALANCES</b>				
Schools Reserves inc. Nursery schools	334	3,179	(4,126)	(613)
Cathays HS – Maint. of Playing Field	3	0	0	3
Primary/Special DSU Contingency	373	422	(657)	138
	<b>710</b>	<b>3,601</b>	<b>(4,783)</b>	<b>(472)</b>
<b>SCHOOLS RESERVES</b>				
ICT Schools Practice Account	49	0	(49)	0
Schools Formula Funding Reserve (formerly LMS Contingency)	712	1,263	(308)	1,667
Out of School Childcare	102	22	(13)	111
Schools Catering Reserve	544	0	0	544
Cleaning Direct Service Unit	95	0	(95)	0
Schools Organisational Plan*	5,282	6,538	(7,814)	4,006
Special Educational Needs Unit	102	0	0	102
	<b>6,886</b>	<b>7,823</b>	<b>(8,279)</b>	<b>6,430</b>
<b>OTHER EARMARKED RESERVES</b>				
Apprenticeship Reserve	500	0	(18)	482
Bereavement Services Reserve	592	222	(793)	21
Building Control Fee Earning	145	236	0	381
Bute Park Match Funding Reserve	254	0	(26)	228
Cardiff Academy Reserve	85	10	0	95
Cardiff Dogs' Home Legacy	33	0	0	33
Cardiff Enterprise Zone	1,525	1,404	0	2,929
Cardiff Insurance Reserve	3,211	1,034	0	4,245
Central Market Minor Works Reserve	1	0	0	1
Central Transport Service Vehicle Reserve	66	100	0	166
Children's Play Sufficiency Assessment Reserve	20	0	(20)	0
City Deal Reserve	0	150	0	150
Community Safety	30	0	0	30
Connect to Cardiff Refurbishment Reserve	0	120	0	120
Discretionary Rate Relief Reserve	100	0	0	100
Employee Changes Reserve	250	8,011	(7,745)	516
Energy Conservation Reserve	208	0	0	208
Energy/Carbon Reduction Reserve	276	513	0	789
Equal Pay Reserve	409	0	(127)	282
Flatholm Reserve	24	0	0	24
Fraud Detection Reserve	182	11	0	193
Harbour Project & Contingency Fund	491	280	(74)	697
Highways Local Government Borrowing	698	1,047	(698)	1,047



## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Initiative Reserve				
HMO Licensing	0	63	0	63
Homelessness Reserve*	1,214	0	(26)	1,188
House Mortgage Reserve	32	0	(3)	29
Housing Benefit Reserve	1,856	52	(300)	1,608
Housing Options Centre Reserve *	834	0	(140)	694
Housing Support Reserve*	1,453	0	(71)	1,382
ICT Holding A/C Reserve	220	0	(14)	206
Inspectorate Support Reserve	332	28	(24)	336
Integrated Partnership Strategy	31	0	0	31
Invest to Save Reserve	350	0	0	350
Joint Equipment Store - Pooled Budget Reserve	0	126	0	126
Kitchen Improvement Reserve	214	95	0	309
Leisure Income Management System Reserve	150	0	(150)	0
Libraries Book Fund Reserve	10	0	(10)	0
Local Lend a Hand Mortgage Scheme	87	45	0	132
Local Plan Reserve	166	4	0	170
Local Service Board Initiative	46	0	0	46
Major Projects Reserve	2,462	0	(283)	2,179
Members Development	45	0	0	45
Municipal Election Reserve	96	197	0	293
Non-Domestic Rates Due Diligence Reserve	0	60	0	60
Org Development Programme	967	136	(306)	797
Parking Reserve	121	3,874	(3,926)	69
PDD – Impact on Design Reserve	75	0	0	75
Registration Service Improvement	46	0	0	46
Resources Reserve	863	423	(34)	1,252
Scrutiny Development & Training Reserve	72	0	0	72
Social Care - Safeguarding & Preventative Measures Reserve	0	125	0	125
Social Care Technology Reserve	854	0	(93)	761
Sport, Leisure & Culture Reserve	234	0	(189)	45
Valuers Reserve	39	0	(17)	22
Waste Management/Prosiect Gwyrdd Reserve	0	2,020	0	2,020
Workshops Asset Maintenance	12	0	0	12
Youth and Community Education Reserve	491	0	(232)	259
	<b>22,472</b>	<b>20,386</b>	<b>(15,319)</b>	<b>27,539</b>
<b>CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES</b>				
Central South Consortium	240	0	(70)	170
Glamorgan Archives	173	0	(75)	98
Prosiect Gwyrdd	53	0	(16)	37

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Welsh Purchasing Consortium	25	0	(3)	22
	491	0	(164)	327
<b>Total General Fund Reserves</b>	<b>30,559</b>	<b>31,810</b>	<b>(28,545)</b>	<b>33,824</b>
<b>HRA RESERVES</b>				
Dilapidation Reserve	385	0	(385)	0
HRA / Housing IT Reserve	299	0	(61)	238
<b>Total HRA Reserves</b>	<b>684</b>	<b>0</b>	<b>(446)</b>	<b>238</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>31,243</b>	<b>31,810</b>	<b>(28,991)</b>	<b>34,062</b>

\* These reserves have been utilised to fund voluntary severance, these will be repaid over the next three years, see employee changes reserve summary below.

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

The **Schools Balances** figure of £613,000 debit comprises 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 2015 Schools' own balances, including the balances of nursery schools amounted to a surplus of **£1.287 million** for **individual schools** (£334,000 in 2013/14 deficit). However, a deficit balance of £1.9 million has been set up which is the amount of severance and exit costs paid out in 2014/15 which will be paid back by schools over the next five financial years at £480,000 per annum. In addition, the Council has established reserves to allow for contingencies affecting schools. Further details of each individual school's balance at 31 March 2015 are shown on pages 53 to 56.

The **Schools Formula Funding Reserve** is an amount is set aside in order to deal with costs arising from schools that are unable to be met from the funding formula budget.

The **Schools Organisational Plan Reserve** has been set up 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.

The **Cardiff Enterprise Zone Reserve** was set-up 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.

The **Cardiff Insurance Reserve** has been set up to protect the Council from potential future liabilities based on current insurance policies.

The **Catering Reserve** is held in order to facilitate kitchen improvements as Health & Safety Inspections arise and to complete the roll out of cashless pay systems in secondary Schools. It is envisaged that all secondary schools will have cashless pay systems implemented no later than 31 March 2016. The amount held for kitchen improvements is anticipated to reduce considerably during the year.

The **Employee Changes Reserve** has been set up to meet the costs associated with Voluntary Severance and other employee costs.

The **Energy/Carbon Reduction Reserve** is used to fund any fluctuations to the Council's revenue budget for the payment of Carbon Reduction Allowances or energy costs.

The **Highways Local Government Borrowing Initiative Reserve** contains amounts provided by Welsh Government in the 2014/15 revenue settlement to be used to fund future years' revenue borrowing costs.

## Notes to the Core Financial Statements

The **Homelessness Reserve** was established in order 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.

The **Housing Benefit Reserve** will be used to fund home working and landlord liaison schemes and the training of new Benefits and Customer Services Assistants through to 2014/15. It will also be used to fund software development and office accommodation refurbishment costs and to provide further resources that may be required for Housing Benefit debt recovery.

The **Housing Options Centre Reserve** has been set up to fund the capital financing loan charges incurred in building the new Housing Options Centre.

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

The **Major Projects Reserve** was established to support the costs of major projects.

The **Organisational Development Programme Reserve** has been set up 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.

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

The **Social Care Technology Reserve** is required to meet future and potential IT and management information developments and requirements in relation to Adults and Children's Services (social care). The anticipated developments include electronic document and records management, information sharing, electronic time management and the possible replacement of the main social care case recoding system, Care First.

The **Waste Management/Prosiect Gwyrd Reserve** has been set-up to mitigate the financial impact associated with the volatility of waste tonnages.

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

## Notes to the Core Financial Statements

### Schools Balances

The individual balances of each school are as follows:

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
<b>Primary Schools</b>				
Adamsdown Primary School	72	0	(38)	34
Albany Primary School	94	0	(19)	75
All Saints C.W. Primary School	24	16	0	40
Allensbank Primary School	22	0	(2)	20
Baden Powell Primary School	32	116	0	148
Birchgrove Primary School	58	30	0	88
Bishop Childs C.W. Primary School	52	5	0	57
Bryn Celyn Primary School	(21)	29	0	8
Bryn Deri Primary School	27	0	(8)	19
Bryn Hafod Primary School	38	0	(41)	(3)
Christ The King R.C. Primary School	4	19	0	23
Coed Glas Primary School	38	0	(2)	36
Coryton Primary School	(16)	0	(11)	(27)
Creigiau Primary School	57	3	0	60
Danescourt Primary School	(48)	8	0	(40)
Fairwater Primary School	3	12	0	15
Gabalfa Primary School	51	0	(30)	21
Gladstone Primary School	35	29	0	64
Glan Yr Afon Primary School	(11)	25	0	14
Glyncoed Primary School	48	26	0	74
Grangetown Nursery School	19	29	0	48
Grangetown Primary School	29	97	0	126
Greenway Primary School	18	14	0	32
Gwaelod-y-Garth Primary School	23	0	(11)	12
Hawthorn Primary School	1	22	(15)	8
Herbert Thompson Primary School	20	30	0	50
Holy Family R.C. Primary School	15	0	(5)	10
Hywel Dda Primary School	62	14	0	76
ICC Ely/Vachell Rd Nursery	34	0	(77)	(43)
Kitchener Primary School	42	0	(39)	3
Lakeside Primary School	15	11	0	26
Lansdowne Primary School	(8)	10	0	2
Llandaff C.W. Primary School	22	0	(17)	5
Llanedeyrn Primary School	31	75	0	106
Llanishen Fach Primary School	7	49	0	56
Llysfaen Primary School	114	0	(52)	62
Marlborough Primary School	90	37	0	127
Meadowlane Primary School	(26)	88	0	62
Millbank Primary School	33	31	0	64

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Moorland Primary School	16	3	0	19
Mount Stuart Primary School	38	13	0	51
Ninian Park Primary School	2	44	0	46
Oakfield Primary School	(24)	0	(23)	(47)
Pencaerau Primary School	17	5	0	22
Pentrebane Primary School	57	41	(30)	68
Pentyrch Primary School	26	0	(4)	22
Pen-y-Bryn Primary School	30	0	(22)	8
Peter Lea Primary School	23	0	(52)	(29)
Radnor Primary School	34	0	(15)	19
Radyr Primary School	43	0	(14)	29
Rhiwbina Primary School	76	0	(26)	50
Rhydypenau Primary School	51	7	0	58
Roath Park Primary School	57	0	0	57
Rumney Primary School	17	0	(7)	10
Severn Primary School	56	0	(16)	40
Springwood Primary School	69	0	(3)	66
St Alban's R.C. Primary School	(176)	3	(20)	(193)
St Bernadette's R.C. Primary School	10	3	0	13
St Cadoc's R.C. Primary School	48	0	(17)	31
St Cuthbert's R.C. Primary School	46	28	0	74
St David's C.W. Primary School	2	4	(10)	(4)
St Fagan's C.W. Primary School	(26)	36	0	10
St Francis R.C. Primary School	56	0	(36)	20
St John Lloyd R.C. Primary School	45	23	0	68
St Joseph's R.C. Primary School	(75)	0	(38)	(113)
St Mary The Virgin C.W. Primary School	40	0	(25)	15
St Mary's R.C. Primary School	(46)	2	0	(44)
St Mellons C.W. Primary School	39	0	(8)	31
St Monica's C.W. Primary School	(48)	0	(45)	(93)
St Patrick's R.C. Primary School	29	0	(15)	14
St Paul's C.W. Primary School	53	5	0	58
St Peter's R.C. Primary School	47	44	0	91
St Philip Evans R.C. Primary School	(15)	109	0	94
Stacey Primary School	29	0	(19)	10
Thornhill Primary School	(7)	27	0	20
Tongwynlais Primary School	37	0	(19)	18
Ton-yr-Ywen Primary School	37	34	0	71
Tredegaville C.W. Primary School	49	0	(52)	(3)
Trelai Primary School	65	0	(27)	38
Tremorfa Nursery School	42	0	(6)	36
Trowbridge Infant School	0	0	0	0
Trowbridge Junior School	0	0	0	0
Trowbridge Primary School	33	0	(13)	20

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Whitchurch Primary School	58	79	0	137
Willowbrook Primary School	14	29	0	43
Windsor Clive Primary School	69	54	0	123
Ysgol Bro Eirwg	29	35	0	64
Ysgol Glan Ceubal	(5)	0	(12)	(17)
Ysgol Glan Morfa	(44)	53	0	9
Ysgol Gymraeg Coed-y-Gof	30	57	0	87
Ysgol Gymraeg Treganna	17	3	0	20
Ysgol Melin Gruffydd	45	4	0	49
Ysgol Mynydd Bychan	44	0	(33)	11
Ysgol Nant Caerau	(15)	1	0	(14)
Ysgol Pen y Groes	63	0	(31)	32
Ysgol Pen y Pil	50	0	(12)	38
Ysgol Pencae	9	10	0	19
Ysgol Pwll Coch	24	0	(8)	16
Ysgol Tan yr Eos	0	0	0	0
Ysgol-y-Berllan Deg	24	12	(29)	7
Ysgol-y-Wern	39	14	0	53
<b>Total Primary Schools (net)</b>	<b>2,453</b>	<b>1,607</b>	<b>(1,054)</b>	<b>3,006</b>
<b>Secondary Schools</b>				
Bishop Of Llandaff C.W. High School	(66)	0	(197)	(263)
Cantonian High School	(1,288)	61	0	(1,227)
Cardiff High School	(79)	122	0	43
Cathays High School	32	0	(3)	29
Corpus Christi R.C. High School	(42)	104	0	62
Eastern High School	0	140	0	140
Fitzalan High School	0	22	0	22
Glyn Derw High School	(161)	0	(150)	(311)
Llanedeyrn High School	0	0	0	0
Llanishen High School	73	0	(68)	5
Llanrumney High School	0	0	0	0
Mary Immaculate High School	(75)	141	0	66
Michaelston Community College	(550)	0	(317)	(867)
Radyr Comprehensive	99	15	(15)	99
Rumney High School	(381)	381	0	0
St Illtyd's R.C. High School	14	7	(8)	13
St Teilo's C.W. High School	(250)	337	0	87
Whitchurch High School	(80)	0	(125)	(205)
Willows High School	3	0	(47)	(44)
Ysgol Gyfun Bro Edern	47	13	0	60
Ysgol Gyfun Gymraeg Glantaf	98	105	0	203
Ysgol Gyfun Gymraeg Plasmawr	(65)	0	(110)	(175)
<b>Total Secondary Schools (net)</b>	<b>(2,671)</b>	<b>1,448</b>	<b>(1,040)</b>	<b>(2,263)</b>
<b>Special Schools</b>				

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Greenhill School	125	0	(29)	<b>96</b>
Meadowbank School	86	0	(13)	<b>73</b>
Riverbank School	59	15	0	<b>74</b>
The Court School	73	6	0	<b>79</b>
The Hollies School	79	5	(32)	<b>52</b>
Ty Gwyn School	62	98	0	<b>160</b>
Woodlands High School	68	0	(58)	<b>10</b>
<b>Total Special Schools (net)</b>	<b>552</b>	<b>124</b>	<b>(132)</b>	<b>544</b>
Amount in respect of schools voluntary severance	<b>0</b>	<b>0</b>	<b>(1,900)</b>	<b>(1,900)</b>
<b>Total Schools Balances (net)</b>	<b>334</b>	<b>3,179</b>	<b>(4,126)</b>	<b>(613)</b>

## Notes to the Core Financial Statements

### Parking Reserve

The Parking 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 improvement work.

2013/14 £000		2014/15 £000
	<b>Income</b>	
(4,029)	On-street pay car parking fees	(3,917)
(2,150)	Penalty charge notices	(2,077)
(142)	Residents parking permits	(254)
(230)	Off-Street car parking fees	(667)
0	Moving Traffic Offences	(848)
(48)	Other income	(54)
<b>(6,599)</b>	<b>Total Income</b>	<b>(7,817)</b>
	<b>Expenditure</b>	
947	Operational costs and Traffic Regulation Orders	1,341
2,775	Enforcement service	2,602
<b>3,722</b>	<b>Total Expenditure</b>	<b>3,943</b>
<b>(2,877)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(3,874)</b>
	Movements to/(from) Parking Reserve:	
<b>681</b>	<b>Balance 1 April 2014</b>	<b>121</b>
2,877	Contributions from CPE	3,874
(3,437)	Contributions to revenue*	(3,926)
<b>121</b>	<b>Balance 31 March 2015</b>	<b>69</b>

\* Eligible expenditure totalling £3.926 million was drawn down from the reserve leaving a balance of £69,000 at the 31 March 2015.

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

**Non-Distributed Costs (NDC)** amount is made up of £2.878 million in relation to IAS 19 past service costs, £663,027 in relation to accommodation, £150,930 in relation to Carbon Reduction and £35,181 in relation to Equal Pay compensation.

There are no **Exceptional Items** in 2014/15. Exceptional Items in 2013/14 include £5.056 million in relation to impairment of loans owed by Glamorgan County Cricket Club for the redevelopment of the stadium.

### 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. 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 three columns of the reconciliation to subjective analysis tables on pages 61 to 62 are based on the reported Outturn for Council Fund services which will be reported to the Cabinet Meeting of the Council in July 2015. The Outturn for the Housing Revenue Account (HRA) is reported separately at the same meeting. The figures for the Harbour Authority are based on the



## Notes to the Core Financial Statements

Council's ledger at the same date. 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 statutory adjustment accounts. 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 IFRS 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 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.

### **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.

## Notes to the Core Financial Statements

### 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.

2013/14 (Restated) £000		2014/15 £000
593,007	Net expenditure in Service Area Analysis (including Harbour)	583,547
(964)	Services not included in Service Area Analysis (HRA)	(314)
(527,286)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(19,038)
670,299	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	6,888
0	Amounts in respect of presentation of internal recharges	0
<b>735,056</b>	<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>571,083</b>

The income and expenditure of the Council's principal Directorates recorded in the budget reports for 2014/15 is as follows:

	Health & Social Care (including asylum seekers) £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,128)	(28,655)	(32,692)	(10,950)	(15,632)	(19,840)	(22,805)	<b>(136,702)</b>
Government grants	(10,058)	(50,225)	(2,672)	(9,171)	(191,614)	(2,399)	(19,405)	<b>(285,544)</b>
<b>Total Income</b>	<b>(16,186)</b>	<b>(78,880)</b>	<b>(35,364)</b>	<b>(20,121)</b>	<b>(207,246)</b>	<b>(22,239)</b>	<b>(42,210)</b>	<b>(422,246)</b>
Employee expenses	24,997	237,401	27,061	24,077	24,583	14,699	60,403	<b>413,221</b>
Other service expenses	89,206	66,569	23,007	17,234	224,326	32,615	138,442	<b>591,399</b>
Support service recharges	2,483	5,701	1,304	5,290	584	1,814	(16,003)	<b>1,173</b>
<b>Total Expenditure</b>	<b>116,686</b>	<b>309,671</b>	<b>51,372</b>	<b>46,601</b>	<b>249,493</b>	<b>49,128</b>	<b>182,842</b>	<b>1,005,793</b>
<b>Net Expenditure</b>	<b>100,500</b>	<b>230,791</b>	<b>16,008</b>	<b>26,480</b>	<b>42,247</b>	<b>26,889</b>	<b>140,632</b>	<b>583,547</b>

## Notes to the Core Financial Statements

Comparative data for 2013/14 is as follows:

	Health & Social Care (including asylum seekers) £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,669)	(27,579)	(31,309)	(8,753)	(15,222)	(17,014)	(31,144)	<b>(137,690)</b>
Government grants	(10,171)	(47,442)	(2,591)	(8,856)	(187,302)	(1,975)	(14,933)	<b>(273,270)</b>
<b>Total Income</b>	<b>(16,840)</b>	<b>(75,021)</b>	<b>(33,900)</b>	<b>(17,609)</b>	<b>(202,524)</b>	<b>(18,989)</b>	<b>(46,077)</b>	<b>(410,960)</b>
Employee expenses	27,623	234,214	29,442	27,210	24,497	16,742	65,330	<b>425,058</b>
Other service expenses	83,079	69,180	22,942	14,882	220,270	35,858	127,830	<b>574,041</b>
Support service recharges	3,314	5,157	1,248	4,669	716	2,199	(12,435)	<b>4,868</b>
<b>Total Expenditure</b>	<b>114,016</b>	<b>308,551</b>	<b>53,632</b>	<b>46,761</b>	<b>245,483</b>	<b>54,799</b>	<b>180,725</b>	<b>1,003,967</b>
<b>Net Expenditure</b>	<b>97,176</b>	<b>233,530</b>	<b>19,732</b>	<b>29,152</b>	<b>42,959</b>	<b>35,810</b>	<b>134,648</b>	<b>593,007</b>

## 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.

2014/15	Directorate analysis (inc 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	(107,191)	(64,674)	2,097	168,892	(183,854)	(184,730)	0	(184,730)
Interest & investment income	(874)	(65)	68	0	871	0	(1,091)	(1,091)
Income from Council Tax	0	0	0	0	0	0	(164,720)	(164,720)
Government grants & contributions	(285,545)	(748)	12,262	0	(15,491)	(289,522)	(477,759)	(767,281)
Capital Financing reversals (Net)	(28,636)	(481)	23,224	0	5,893	0	0	0
Change in fair value of investment properties	0	0	(80)	0	80	0	(8,853)	(8,853)
Gain/loss on disposal of fixed assets	0	0	(4,189)	0	4,189	0	(4,188)	(4,188)
<b>Total Income</b>	<b>(422,246)</b>	<b>(65,968)</b>	<b>33,382</b>	<b>168,892</b>	<b>(188,312)</b>	<b>(474,252)</b>	<b>(656,611)</b>	<b>(1,130,863)</b>
Employee expenses	413,219	10,487	0	(14,723)	15,255	424,238	0	424,238
Other service expenses	496,921	37,910	(1,870)	(96,608)	122,023	558,376	0	558,376
Support service recharges	1,172	5,789	(2,111)	(56,611)	51,761	0	0	0
Depreciation, amortisation, impairment & REFUS	0	0	0	(950)	63,671	62,721	0	62,721
Interest payments	19,818	4,806	(4,806)		(19,818)	0	24,616	24,616
Interest on net defined benefit liability/asset	0	0	0	0	0	0	19,416	19,416
Precepts & levies	16,984	0	0	0	(16,984)	0	43,651	43,651
Capital financing	57,679	6,662	(17,707)	0	(46,634)	0		0
<b>Total expenditure</b>	<b>1,005,793</b>	<b>65,654</b>	<b>(26,494)</b>	<b>(168,892)</b>	<b>169,274</b>	<b>1,045,335</b>	<b>87,683</b>	<b>1,133,018</b>
<b>(Surplus)/deficit on provision of services</b>	<b>583,547</b>	<b>(314)</b>	<b>6,888</b>	<b>0</b>	<b>(19,038)</b>	<b>571,083</b>	<b>(568,928)</b>	<b>2,155</b>

## Notes to the Core Financial Statements

2013/14	Directorate analysis incl. 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	(102,794)	(62,496)	724,085	186,532	(901,752)	(156,425)	0	(156,425)
Interest & investment income	(859)	(65)	162	0	762	0	(1,199)	(1,199)
Income from Council Tax	0	0	0	0	0	0	(157,258)	(157,258)
Government grants & contributions	(273,270)	(659)	746		(9,473)	(282,656)	(517,136)	(799,792)
Capital Financing reversals (Net)	(34,037)	(645)	60,592	0	(25,910)	0	0	0
Gain/loss on disposal of fixed assets	0	0	0	0	0	0	(671)	(671)
<b>Total Income</b>	<b>(410,960)</b>	<b>(63,865)</b>	<b>785,585</b>	<b>186,532</b>	<b>(936,373)</b>	<b>(439,081)</b>	<b>(676,264)</b>	<b>(1,115,345)</b>
Employee expenses	425,058	10,139	(43,360)	(14,235)	67,475	445,077		445,077
Other service expenses	493,083	36,058	(1,515)	(100,110)	119,697	547,213		547,213
Support service recharges	4,868	5,674	(1,723)	(57,256)	49,194	757		757
Depreciation, amortisation, impairment & REFUS	0	0	0	(14,931)	196,021	181,090		181,090
Interest payments	19,037	4,756	(4,782)	0	(19,011)	0	23,873	23,873
Interest on net defined benefit liability/asset	0	0	0	0	0	0	30,055	30,055
Precepts & levies	17,395	0	(17,395)	0		0	42,656	42,656
Change in fair value of investment properties	0	0	(80)	0	80	0	162	162
Capital financing	44,526	6,274	(44,167)	0	(6,633)	0		0
<b>Total expenditure</b>	<b>1,003,967</b>	<b>62,901</b>	<b>(113,022)</b>	<b>(186,532)</b>	<b>406,823</b>	<b>1,174,137</b>	<b>96,746</b>	<b>1,270,883</b>
<b>(Surplus)/deficit on provision of services</b>	<b>593,007</b>	<b>(964)</b>	<b>672,563</b>	<b>0</b>	<b>(529,550)</b>	<b>735,056</b>	<b>(579,518)</b>	<b>155,538</b>

## Notes to the Core Financial Statements

### 5. Harbour Authority & Associated Activities

The following accounts are extracted from the Council's accounts and relate to functions transferred to The City of Cardiff Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000. These accounts are required by the Welsh Government and comprise an Income and Expenditure Statement and Balance Sheet. They are consolidated into the accounts of The City of Cardiff Council but are shown separately for information purposes. A separate set of accounts have been prepared in accordance with the 1964 Harbours Act and can be seen from page 197.

2013/14 £000	Harbour Authority Income & Expenditure Statement	2014/15 £000
	Income	
(8,659)	Government Grants	(6,324)
(898)	Fees and Charges	(884)
(227)	Capital Grants Applied	(324)
<b>(9,784)</b>	<b>Total Income</b>	<b>(7,532)</b>
	<b>Expenditure</b>	
3,278	Employees	2,607
2,500	Premises	1,298
86	Transport	73
1,884	Supplies and Services	2,263
973	Support Services	628
7	Third Party Payments	6
4,489	Depreciation	3,029
<b>13,217</b>	<b>Total Expenditure</b>	<b>9,904</b>
<b>3,433</b>	<b>Net Expenditure for the year</b>	<b>2,372</b>
	<b>Appropriations from reserves:</b>	
	Contributions to/(from) Capital Adjustment Account in respect of	
(4,489)	- Depreciation charged to income & expenditure	(3,029)
227	- Capital Grants Applied	324
415	- Capital expenditure funded from revenue resources	0
4	Contribution from Accumulated Absences account	(4)
(86)	Contributions to/(from) Pensions Reserve	57
496	Contributions to/(from) Project & Contingency Fund	280
<b>0</b>	<b>(Surplus)/Deficit for the year</b>	<b>0</b>

2014/15 is the first year of a revised 3 year agreement with Welsh Government for the management of the Harbour Authority and associated activities.

## Notes to the Core Financial Statements

31 March 2014 £000	Harbour Authority Balance Sheet	31 March 2015 £000
	<b>Property, plant and equipment</b>	
7,571	Land and Buildings	7,532
255	Vehicles, Plant, Furniture & Equipment	338
165,903	Infrastructure	163,218
1,103	Community Assets	1,103
475	Surplus Assets	475
56	Heritage Assets	56
191	Intangible Assets	128
<b>175,554</b>	<b>Long-term assets</b>	<b>172,850</b>
1,113	Stocks and Work in Progress	485
951	Debtors	537
910	Cash	1,986
<b>2,974</b>	<b>Current assets</b>	<b>3,008</b>
(2,591)	Creditors	(2,424)
<b>(2,591)</b>	<b>Current liabilities</b>	<b>(2,424)</b>
<b>175,937</b>	<b>Net assets</b>	<b>173,434</b>
	<b>Financed by:</b>	
170,616	Capital Adjustment Account	167,946
4,863	Revaluation Reserve	4,828
491	Project & Contingency Fund	697
(33)	Accumulated absences account	(37)
<b>175,937</b>	<b>Total Reserves</b>	<b>173,434</b>

## Notes to the Core Financial Statements

### 6. Precepts and Levies

	2013/14 £000	2014/15 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	25,012	26,411
<b>Community Councils:</b>		
Lisvane	31	34
Pentyrch	80	80
Radyr	79	79
St Fagans	18	18
Old St Mellons	26	26
Tongwynlais	18	19
	<b>25,264</b>	<b>26,667</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire & Rescue Service	17,076	16,650
Caldicot & Wentloog Drainage Board	168	171
Cardiff Port Health Authority	144	158
Newport Health Authority	4	5
	<b>17,392</b>	<b>16,984</b>

### 7. Participation in Joint Committees

During 2014/15 the Council was lead Authority for three Joint Committees:

- **Glamorgan Archives Joint Committee** which is responsible for the management and administration of the Glamorgan Records Office (GRO).
- **Prosiect Gwyrdd** has been established in order to jointly procure a residual waste treatment facility.
- **The Welsh Purchasing Consortium** has been established to support the Member Authorities in delivering joint, collaborative contracts and framework agreements for the procurement of goods and services.

For 2014/15 the revenue contributions made to these Committees were: **Glamorgan Archives £218,141** (£242,378 in 2013/14); **Prosiect Gwyrdd £26,000** (£83,333 in 2013/14); **Welsh Purchasing Consortium £12,150** (£13,500 in 2013/14).

The City of Cardiff Council is also a member of the **Central South Consortium Joint Education Service** which was created on 1 September 2012. The revenue contributions made to this committee for 2014/15 were **£1.550 million** (£1.535 million in 2013/14).

The Council has included its share of the transactions and balances of each Joint Committee in its 2014/15 accounting statements on a line-by-line basis. The exception is the funding of the GRO, where each Authority included within its own accounts how it has paid for its contribution towards the GRO building.

### 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 Authority 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 2014/15 was **138,759** (137,979 for 2013/14).

The amounts for a band D property in Cardiff during 2014/15 were as follows:



## Notes to the Core Financial Statements

Band D Council Tax:	2013/14 £	2014/15 £
The City of Cardiff Council	937	974
Police and Crime Commissioner for South Wales	181	190
<b>TOTAL</b>	<b>1,118</b>	<b>1,164</b>

The above amount (£1,164) 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:

	2013/14 £000	2014/15 £000
Council Tax collectable	(158,206)	(165,499)
Provision for non-payment of Council Tax	948	779
	<b>(157,258)</b>	<b>(164,720)</b>

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

31 March 2014 £000		31 March 2015 £000
(5,996)	Council Tax Bad Debt Provision	(5,596)

### 9. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (47.3p in 2014/15 and 46.4p in 2013/14) 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, after relief and provision, of £178,575,755 for 2014/15 (£181,839,744 for 2013/14) was based on a total rateable value of £467,399,165 for 2014/15 (£468,945,159 for the year 2013/14).

Analysis of the net proceeds from non-domestic rates:

	2013/14 £000	2014/15 £000
Non-Domestic Rates collectable	181,840	178,576
Cost of collection allowance	(877)	(879)
Provision for non payment of NDR	(4,109)	(4,305)
Payment into national pool	176,854	173,392
<b>Redistribution from national pool</b>	<b>(107,229)</b>	<b>(109,695)</b>

### 10. Agency Income & Expenditure

## Notes to the Core Financial Statements

The City of Cardiff Council acts as an agent on behalf of the **Welsh Government** for the collection of **Non Domestic Rates**. A net debtor of **£22,227,015** (£11,274,484 in 2013/14) is shown in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.

During 2014/15, the Council carried out work on behalf of the **South Wales Trunk Road Agency** under an agency agreement. The Council is fully reimbursed for this work. The total reimbursement received **£538,353** in 2014/15 (£564,424 in 2013/14).

The Council acts as an agent on behalf of the **Welsh Government** to provide loans to bring back unused properties into homes. At 31/3/2014 the balance available for loans was £717,051. A further £495,000 was received from Welsh Government to provide additional loans. During the year **loans totalling £1,228,761** were awarded and **loans of £85,000 were repaid**, leaving a balance available for loans of **£68,290** at 31 March 2015.

### 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 2014/15 was 1:8. The median full time equivalent earnings for 2014/15 was £20,400.

**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 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 City of Cardiff 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.

Remuneration band £	Number of Employees	
	2013/14	2014/15
60,000-64,999	90	90
65,000-69,999	37	28
70,000-74,999	15	8
75,000-79,999	8	15
80,000-84,999	13	6
85,000-89,999	8	6
90,000-94,999	4	8
95,000-99,999	2	0
100,000-104,999	5	2
105,000-109,999	3	2
110,000-114,999	2	1
115,000-119,999	1	10
120,000-124,999	0	1
125,000-129,999	0	0
130,000-134,999	0	0

## Notes to the Core Financial Statements

Remuneration band £	Number of Employees	
	2013/14	2014/15
135,000-139,999	1	1
140,000-144,999	0	1
145,000-149,999	0	0
150,000-154,999	0	1
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	1
170,000-174,999	0	0
175,000-179,999	0	1

**11.3.** Further disclosure is required in respect of the individual remuneration details of senior employees (Chief Officers and Heads of Function and above) 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.

No bonuses have been paid during 2014/15 (2013/14 - £nil)

The following persons fell within this definition 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 Childrens 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
Chief HR Officer	78,252	0	0	0	17,920	96,172

## 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 £13,080 (£1,957 in 2013/14).

b) 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 will have achieved their normal annualised salaries in 2014/15. Normal annualised salaries for the officers identified above are as follows:

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

Comparative data for 2013/14 is as follows:

2013/14	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.9% of salary)	Salary, fees and allowances
			Received via payroll (taxable) (a)	Received via creditors (non taxable)		
Post title	£	£	£	£	£	£
Christine Salter, Interim Head of Paid Service, Corporate Director Resources and Section 151 Officer, Corporate Chief Officer, Corporate and Section 151 Officer (a)	136,957	0	0	0	32,733	169,690
Director Communities, Housing & Customer Services, Corporate Chief Officer, Communities (b)	115,787	0	0	0	27,673	143,460
Director Economic Development, Chief Officer, City Development (c)	111,990	0	0	0	26,766	138,756
Corporate Director Operations, Chief Operating Officer (Leaving Date 05/01/2014) (d)	103,338	0	0	0	23,771	127,109
Chief Officer, Legal and Democratic Services (Leaving Date 31/07/2013) (e)	42,531	0	61,968	0	10,592	115,091
Jonathan House, Chief Executive (Leaving Date 07/07/2013)(f)	96,285	0	0	0	11,804	108,089
Director Sport, Leisure & Culture (Commenced 15/07/2013) (g)	85,484	0	0	0	20,431	105,915
Chief HR Officer, Corporate Chief Officer, Shared (h)	84,935	0	0	0	20,299	105,235
Assistant Director Sport, Leisure & Culture, Chief Officer, City Management (i)	81,663	0	0	0	19,517	101,180
Director Health & Social Care (Commenced 29/07/2013) (j)	81,270	0	0	0	19,351	100,621
Assistant Director Environment, Chief Officer, City Services (k)	81,167	0	0	0	19,399	100,566
Director Children Services (Commenced 05/08/2013) (l)	78,710	52	0	0	18,812	97,574
Director Education & Lifelong Learning (Commenced 12/08/2013) (m)	76,571	0	0	0	18,272	94,843
Chief Officer, Adults Services (Leaving Date 03/06/2013) (n)	17,582	0	71,696	0	3,513	92,791
Director Environment (Commenced	74,194	0	0	0	17,732	91,926

## Notes to the Core Financial Statements

2013/14	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment		Employers pension contribution (23.9% of salary)	Salary, fees and allowances
			Received via payroll (taxable) (a)	Received via creditors (non taxable)		
Post title	£	£	£	£	£	£
19/08/2013) (o)						
County Clerk & Monitoring Officer (Commenced 19/08/2013) (p)	74,194	0	0	0	17,732	91,926
Assistant Director Customer Services & Communities, Head of Service, Customer Services (q)	73,583	0	0	0	17,586	91,169
Interim Section 151 Officer and Operational Manager Project & Technical Accountancy (r)	71,261	0	0	0	17,031	88,292
Head of Service, Internal Services (Leaving Date 31/10/2013) (s)	49,238	11	29,700	0	8,953	87,902
Head of Service, Regulatory and Supporting Services (t)	70,393	88	0	0	16,786	87,267
Head of Service, Scrutiny, Performance and Improvement	70,128	0	0	0	16,761	86,889
Director Strategic Planning, Highways, Traffic & Transport (Commenced 02/09/2013) (u)	69,637	0	0	0	16,650	86,287
County Solicitor (Commenced 09/09/2013) (v)	67,333	0	0	0	16,093	83,426
Head of Service, Community Facilities, Operational Manager Programme Manager (w)	64,459	18	0	0	15,348	79,825
Paul Orders, Chief Executive (Commenced 09/12/2013) (x)	53,011	0	0	0	12,670	65,681
Project Officer (Leaving Date 11/06/2013) (y)	19,671	0	0	29,700	4,701	54,072

- a) Interim Head of Paid Service from 08/07/2013 – 08/12/2013. Annualised salary of £156,000. Corporate Director Resources & Section 151 Officer from 03/06/2013 – 07/07/2013 and then from 09/12/2013. Annualised salary of £130,000. Corporate Chief Officer, Corporate and Section 151 Officer until 02/06/2013. Annualised salary of £107,088. In addition to the remuneration fees detailed in the table above, Christine Salter received fees relating to Returning Officer duties of £1,957 (£nil in 2012/13).
- b) Director Communities, Housing & Customer Services from 03/06/2013. Annualised salary of £120,000. Corporate Chief Officer, Communities until 02/06/2013. Annualised salary of £95,538.
- c) Director Economic Development from 03/06/2013. Annualised salary of £120,000. Chief Officer City Development until 02/06/2013. Annualised salary of £73,491.
- d) Corporate Director Operations from 03/06/2013 until leaving the Authority on 05/01/2014. Annualised salary of £120,000. Chief Operating Officer until 02/06/2013. Annualised salary of £131,235.
- e) Chief Officer, Legal & Democratic Services left the Authority on 31/07/2013. Annualised salary of £83,991.
- f) Jonathan House, Chief Executive left the Authority on 07/07/2013. Annualised salary of £183,726.
- g) Director Sport, Leisure & Culture commenced 15/07/2013. Annualised salary of £120,000.
- h) Chief HR officer from 03/06/2013. Annualised salary of £80,000. Corporate Chief Officer, Shared until 02/06/2013. Annualised salary of £99,741.

## Notes to the Core Financial Statements

- i) Assistant Director Sport, Leisure & Culture from 01/09/2013. Annualised salary of £80,000. Chief Officer City Management until 31/08/2013. Annualised salary of £83,991.
- j) Director Health & Social Care commenced 29/07/2013. Annualised salary of £120,000.
- k) Assistant Director Environment from 01/09/2013. Annualised salary of £80,000. Chief Officer City Services until 31/08/2013. Annualised salary of £82,800.
- l) Director Children's Services commenced 05/08/2013. Annualised salary of £120,000.
- m) Director Education & Lifelong Learning commenced 12/08/2013. Annualised salary of £120,000.
- n) Chief Officer Adult's Services left the Authority 03/06/2013. Annualised salary of £83,991.
- o) Director Environment commenced 19/08/2013. Annualised salary of £120,000.
- p) County Clerk & Monitoring Officer commenced 19/08/2013. Annualised salary of £120,000.
- q) Assistant Director Communities & Customer Services from 25/11/2013. Annualised salary of £80,000. Head of Service, Customer Services until 24/11/2013. Annualised salary of £70,128.
- r) Interim Section 151 Officer from 08/07/2013 until 08/09/2013. Annualised Salary of £76,838. Operational Manager Project & Technical Accountancy. Annualised Salary of £64,032.
- s) Head of Services, Internal Services left the Authority on 31/10/2013. Annualised salary of £64,218.
- t) Head of Service Regulatory & Supporting Services reports to Director Environment from 01/09/2013. Prior to this date the post reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13. Therefore to maintain consistency of treatment it was also disclosed for 2013/14.
- u) Director Strategic Planning, Highways, Traffic & Transport commenced 02/09/2013. Annualised salary of £120,000.
- v) County Solicitor commenced 09/09/2013. Annualised salary £120,000.
- w) Head of Service Community Facilities until 16/03/2014. Annualised salary of £64,218. This post no longer exists but reported to Corporate Director Communities, Housing & Customer Service from 03/06/2013 until 16/03/2014. Prior to this it reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13. Therefore to maintain consistency of treatment it was also disclosed for 2013/14. Post holder then occupied post of Operational Manager from 17/03/2014. Annualised salary of £51,945.
- x) Paul Orders, Chief Executive commenced 09/12/2013. Annualised salary of £170,000.
- y) Project Officer left the Authority on 11/06/2013. Annualised salary of £99,741. Project Officer post reported directly to the former Chief Executive and therefore remuneration was disclosed for 2013/14.
- z) In 2013/14 payments of £13,300 (£156,100 in 2012/13) were made to Windsor Transformational Education Services Ltd for payments to service as Corporate Director, People.

The numbers of **exit packages** with total cost per band and the total cost of the compulsory and other redundancies for 2013/14 and 2014/15 are set out in the tables below. The total costs of the exit packages identified below 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 Severance or Compulsory Redundancy. The second element is 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. This is known as the Pension Strain cost.

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>

## Notes to the Core Financial Statements

2013/14 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	21	257	278	2,739,392
£20,001 – £40,000	11	162	173	4,623,123
£40,001 – £60,000	0	50	50	2,454,227
£60,001 – £80,000	2	21	23	1,537,634
£80,001 – £100,000	0	11	11	980,211
£100,001 – £150,000	0	11	11	1,253,820
<b>Total</b>	<b>34</b>	<b>512</b>	<b>546</b>	<b>13,588,407</b>

The total amount of **Members' Allowances** (including basic and special responsibility) paid in 2014/15 was **£1,289,268** (£1,287,408 in 2013/14). 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 (JES) is a section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale UHB 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 Health and Social Care line of the income and expenditure account. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2015 is as follows:

2013/14 £000		2014/15 £000
	<b>Expenditure</b>	
1,673	Equipment	1,639
102	Contribution to Overheads	124
<b>1,775</b>	<b>Total Expenditure</b>	<b>1,763</b>
	<b>Funding</b>	
1,148	Cardiff and Vale UHB	1,194
426	Cardiff Council	418
201	Vale of Glamorgan Council	277
<b>1,775</b>	<b>Total Funding</b>	<b>1,889</b>
<b>0</b>	<b>Surplus transferred to JES Partnership Reserve</b>	<b>126</b>

### 13. Related Parties

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

**Central Government** has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, 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

## Notes to the Core Financial Statements

analysis in [note 31](#) on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in [note 31](#).

**Members of the Council** have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 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 2014/15, goods and services to the value of **£1,265,844** were commissioned from companies in which members had an interest (£1,289,574 in 2013/14). Grants totalling **£800,252** (£904,462 in 2013/14) were paid to voluntary organisations in which members had an interest.

**Officers** - details of Officers' emoluments are shown in [note 11](#) to the Core Financial Statements. During 2014/15, the Council received income of £1,530 from Chief Officers relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£128 in 2013/14). In 2014/15 no goods and services were commissioned from companies in which Chief Officers had an interest. (£nil in 2013/14).

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

**Cardiff Medicentre** is a joint venture between The City of Cardiff 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.

**Pension Fund** – details of pension contributions paid over to the Pension Fund are shown in [note 19](#) to the Core Financial 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.

**Police and Crime Commissioner for South Wales** – the precept paid to Police and Crime Commissioner for South Wales during 2014/15 is detailed in [note 6](#) to the Core Financial Statements. In addition to this, the Council made payments of £197,000 to SWPA during 2014/15 (£193,000 in 2013/14).

### Related Party Balances

As at 31 March 2015 the following balances were held in respect of related parties:

31 March 2014			31 March 2015	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
18,391	(7,223)	Central Government Grants	30,604	(5,675)
31	(206)	Cardiff City Transport Services Ltd	29	(117)
339	(13)	Medicentre/CBTC/Cardiff Business Council	144	(55)
4	0	Chief Officers and above – outstanding car loan balances	3	0
0	0	Precepting Bodies	0	0
0	(2)	Companies in which members' interests declared/other	3	(22)



## Notes to the Core Financial Statements

### 14. External Audit Costs

In 2014/15 the Council incurred the following fees relating to external audit and inspection:

	2013/14 £000	2014/15 £000
Fees payable to Wales Audit Office for external audit services	461	421
Fees payable to Wales Audit Office in respect of statutory inspection	0	0
Fees payable to Wales Audit Office for the certification of grant claims and returns	117	118
Fees payable in respect of Public Interest Disclosure Act	0	0
<b>Total</b>	<b>578</b>	<b>539</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 2014/15 Code and SERCOP. Net capital charges, which include depreciation and impairment, are shown separately.

	2013/14	2014/15			
	Trading (Surplus) /Deficit £000	Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
Bereavement & Registration Services	65	(11,473)	0	11,191	(282)
Cardiff Castle	821	(8,330)	0	8,923	593
Commercial Catering	6,072	(5,971)	2,245	11,005	7,279
Education Cleaning	5,944	(5,526)	440	2,010	(3,076)
Housing Community Maintenance Services	2,693	(5,397)	970	6,750	2,323
Land & Buildings & Workshops	415	(4,231)	0	4,389	158
Leisure Centres	1,068	(4,607)	101	5,526	1,019
New Theatre	437	(3,277)	206	3,291	220
Non Housing Building Maintenance	297	(2,381)	0	2,343	(38)
Non Schools Cleaning	95	(3,337)	51	2,929	(357)
Other trading accounts *	0	(8,203)	0	8,127	(76)
Schools Catering	(35)	(1,607)	0	1,612	5
St. David's Hall	1,670	(12,538)	541	17,799	5,803
<b>Total</b>	<b>19,542</b>	<b>(76,879)</b>	<b>4,553</b>	<b>85,896</b>	<b>13,570</b>

\* Other trading accounts totalled 15 in 2014/15 (17 in 2013/14). The Civil Parking Enforcement account is shown in note 2 to the accounts.

### 16. Leasing

Under IFRS, a number of leases that were previously accounted for as operating leases are now required to be accounted for as finance leases. Where applicable, the comparative figures below have been adjusted to reflect this reclassification.

## Notes to the Core Financial Statements

### 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 2014/15:

	2013/14 £000	2014/15 £000
Property leases	2,114	1,886
Other leases	460	416

The Council was committed at 31 March 2015 to making payments of £2.912 million under operating leases in 2015/16 (£2.265 million at 31 March 2014 for 2014/15) comprising the following elements:

	2013/14		2014/15	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	158	46	8	433
Leases expiring between 2 and 5 years	140	311	583	797
Leases expiring after 5 years	1,602	8	1,091	0

#### Finance Leases

The Council leases a number of its vehicles under contract hire arrangements. The vehicle leases have been reviewed under the Code and as a result a small number of leases have been reclassified from operating leases to finance leases.

There were **no finance leases** at 31 March 2015 (none in 2013/14).

The **aggregate finance charges** made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Vehicles	2	0

There are **no obligations** under finance leases:

### Authority as Lessor

#### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.903 million in 2014/15 (£5.748 million in 2013/14)

The Council was committed as at 31 March 2015 to receiving income of £5.377 million (£5.482 million as at 31 March 2014) under operating leases for Land & Buildings comprising the following elements:

	2013/14 £000	2014/15 £000
Leases expiring within 1 year	158	863
Leases expiring between 2 and 5 years	785	641
Leases expiring after 5 years	4,539	3,873

#### Finance Leases

The Council does not provide any leases of this type.

## Notes to the Core Financial Statements

### 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.

	2013/14 £000	2014/15 £000
Rental income from investment property	(4,747)	(5,166)
Direct operating expenses arising from investment property	2,191	1,911
<b>Net (gain) / loss</b>	<b>(2,556)</b>	<b>(3,255)</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 repairs, maintain or enhance certain properties.

### 18. Prudent Revenue Provision

The Council is required to set aside from its revenue budget a prudent amount for the repayment of external loans to be undertaken to pay for capital expenditure. The amount is set in accordance with Council policy approved in the February 2015 budget report and Welsh Government Guidance. It is used to reduce 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.

	2013/14 £000	2014/15 £000
Non Housing revenue provision	21,578	23,374
HRA provision	4,073	2,899
<b>Prudent revenue provision</b>	<b>25,651</b>	<b>26,273</b>

### 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:

#### The Local Government Pension Scheme

The Council's non-teaching employees have the option to join the Cardiff and Vale of Glamorgan Pension Fund, for which The City of Cardiff Council acts as Administering Authority. This is a defined benefit scheme based on final pensionable salary. Both the Authority and the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

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

#### Teachers' Pension Scheme

## Notes to the Core Financial Statements

Teachers employed by the Council are members of the Teachers' Pension Scheme unless they opt out. The scheme is administered by the Teachers' Pensions Agency (TPA) and provides teachers with defined benefits upon their retirement. The Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. Although the scheme is unfunded the TPA uses a notional fund as the basis for calculating the employers' contribution rate which is paid by local education Authorities to the Teachers Pension Scheme.

### The Local Government Pension Scheme

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:

	2013/14			2014/15		
	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	42,948	0	<b>42,948</b>	34,857	0	<b>34,857</b>
Past Service Costs	2,400	80	<b>2,480</b>	2,778	120	<b>2,898</b>
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)	28,365	1,690	<b>30,055</b>	17,876	1,540	<b>19,416</b>
<b>Net charge to C I&amp;E Statement</b>	<b>73,713</b>	<b>1,770</b>	<b>75,483</b>	<b>55,511</b>	<b>1,660</b>	<b>57,171</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(73,713)	(1,770)	<b>(75,483)</b>	(55,511)	(1,660)	<b>(57,171)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	39,910	0	<b>39,910</b>	38,403	0	<b>38,403</b>
Payments in respect of unfunded pensions liabilities **	0	3,450	<b>3,450</b>	0	3,500	<b>3,500</b>
	<b>39,910</b>	<b>3,450</b>	<b>43,360</b>	<b>38,403</b>	<b>3,500</b>	<b>41,903</b>

## Notes to the Core Financial Statements

\*\* 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 City of Cardiff Council.

### Contributions for year ending 31 March 2016

Local Government Scheme - **employer's regular contributions** to the Fund for the accounting period ending 31 March 2016 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 2016 the Council expects to pay £3.54 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The latest actuarial valuation of The City of Cardiff Council'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 2008.

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

#### (a) Principal financial assumptions

	31 March 2014 % pa	31 March 2015 % pa
Rate of inflation - RPI	3.4	2.9
Rate of inflation - CPI	2.4	1.8
Rate of general increase in salaries *	3.4	2.8
Rate of increase to pensions in payment**	2.4	1.8
Rate of increase to deferred pensions	2.4	1.8
Discount rate for scheme liabilities	4.3	3.2

\*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 2014		31 March 2015	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.7	26.6	23.8	26.7
Currently age 45	25.7	28.9	25.8	29.0

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

	31 March 2014	31 March 2015
Pre 2010	75%	75%
Post 2010	75%	75%

### 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.

## Notes to the Core Financial Statements

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 2014	31 March 2015		
	Approx. split of assets	Quoted	Unquoted	Total
	%	%	%	%
Equities	78.3	72.1	5.3	77.4
Property	5.4	5.9	0	5.9
Government Bonds	6.9	6.8	0	6.8
Corporate Bonds	8.0	7.9	0	7.9
Cash	1.3	1.7	0	1.7
Other *	0.1	0.3	0	0.3
<b>Total</b>	<b>100</b>	<b>94.7</b>	<b>5.3</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 2014 (Restated)			31 March 2015		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	909,593	0	909,593	1,027,052	0	1,027,052
Present value of liabilities	(1,344,170)	(38,450)	(1,382,620)	(1,528,588)	(38,250)	(1,566,838)
<b>Net pension asset/(liability)</b>	<b>(434,577)</b>	<b>(38,450)</b>	<b>(473,027)</b>	<b>(501,536)</b>	<b>(38,250)</b>	<b>(539,786)</b>

### Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2014 (Restated)			31 March 2015		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,485,030)	(42,890)	(1,527,920)	(1,344,170)	(38,450)	(1,382,620)
Current service cost	(43,145)	0	(43,145)	(34,858)	0	(34,858)
Interest cost	(64,585)	(1,690)	(66,275)	(56,995)	(1,540)	(58,535)
Contributions by participants	(9,991)		(9,991)	(9,882)	0	(9,882)
Remeasurements in Other Comprehensive Income (OCI)	215,584	2,760	218,344	(128,181)	(1,640)	(129,821)
Net benefits paid out **	45,400	3,450	48,850	48,276	3,500	51,776

## Notes to the Core Financial Statements

Past service cost	(2,403)	(80)	(2,483)	(2,778)	(120)	(2,898)
<b>Closing present value of liabilities</b>	<b>(1,344,170)</b>	<b>(38,450)</b>	<b>(1,382,620)</b>	<b>(1,528,588)</b>	<b>(38,250)</b>	<b>(1,566,838)</b>

\* Includes changes to the actuarial assumptions.

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

	31 March 2014 (restated) £000	31 March 2015 £000
Opening fair value of assets	820,605	909,593
Interest income on assets	36,220	39,119
Remeasurement gains/(losses) on assets	48,067	78,330
Contributions by employer	40,115	38,403
Contributions by participants	9,986	9,883
Net benefits paid out **	(45,400)	(48,276)
<b>Closing fair value of assets</b>	<b>909,593</b>	<b>1,027,052</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)

	31 March 2014 (restated)		31 March 2015	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities
Return on plan assets (in excess of) / below that recognised in net interest	(48,067)	0	(78,330)	0
Actuarial (gains)/losses due to change in financial assumptions	(129,510)	(2,020)	136,019	2,000
Actuarial (gains)/losses due to changes in demographic assumptions	(51,681)	(780)	0	0
Actuarial (gains)/losses due to liability experience	(34,393)	40	(7,838)	(360)
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	0
<b>Total amount recognised in OCI</b>	<b>(263,651)</b>	<b>(2,760)</b>	<b>49,851</b>	<b>1,640</b>

## Notes to the Core Financial Statements

### Actual return on assets

	31 March 2014 (restated) £000	31 March 2015 £000
Interest income on assets	36,110	39,119
Remeasurement gain/(loss) on assets	47,950	78,330
<b>Actual return on assets</b>	<b>84,060</b>	<b>117,449</b>

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

	31 March 2014 (restated)			31 March 2015		
	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>	263,651	2,760	266,411	(49,852)	(1,640)	(51,492)

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

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total gain/(loss) –funded scheme	53.43	(132.77)	(47.19)	263.70	(49.85)
Total gain/(loss) –unfunded liabilities	(1.56)	(3.04)	(2.56)	2.76	(1.64)
<b>Cumulative gain/(loss)</b>	<b>(380.44)</b>	<b>(516.25)</b>	<b>(566.00)</b>	<b>(299.54)</b>	<b>(351.03)</b>

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

	31 March 2011 £000	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000
Fair value of assets	690,680	711,530	818,465	906,610	1,027,052
Present value of funded liabilities	(1,145,070)	(1,303,680)	(1,482,889)	(1,341,187)	(1,528,588)
Present value of unfunded liabilities	(39,980)	(41,850)	(42,890)	(38,450)	(38,250)
<b>Surplus/(deficit)</b>	<b>(494,370)</b>	<b>(634,000)</b>	<b>(707,314)</b>	<b>(473,027)</b>	<b>(539,786)</b>

### History of experience gains and losses

	Year ending 31.3.11 £m	Year ending 31.3.12 £m	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m
Experience gains/(losses) on funded assets	5.93	(37.93)	67.92	47.95	78.33
Experience gains/(losses) on funded liabilities	52.02	(8.24)	1.55	34.60	8.21
Experience gains/(losses) on unfunded liabilities	(0.15)	(0.94)	0.08	0.04	(0.36)



## Notes to the Core Financial Statements

### 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	1,496,760	1,553,360
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	39,600	42,130
Approximate % change in projected service cost	-3.1%	3.1%

#### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a. (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,553,160	1,516,550
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	40,850	40,850
Approximate % change in projected service cost	0.0%	0.0%

#### Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a. (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,545,420	1,504,480
% change in present value of total obligation	1.4%	-1.3%
Projected service cost	42,130	39,600
Approximate % change in projected service cost	3.1%	-3.1%

#### Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year (£000)	+1 year (£000)
Present value of total obligation	1,564,830	1,484,670
% change in present value of total obligation	2.6%	-2.6%
Projected service cost	42,190	39,500
Approximate % change in projected service cost	3.3%	-3.3%

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

### The Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. 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 2014/15 the Council paid **£15.917 million** in respect of **teachers' pension costs**, which represents **14.1%** of teachers' pensionable pay (£15.926 million representing 14.1% of teachers' pensionable pay in 2013/14) In addition, the Authority is responsible for the costs of any additional benefits awarded on early retirement

## Notes to the Core Financial Statements

outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

### 20. Non-Current Assets

#### Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 21 to 38.

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	0	0	0	0	(389)	0	<b>(389)</b>
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(260)	0	<b>(3,708)</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>809,892</b>	<b>41,388</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,098,867</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	14,656	4,373	23,465	0	0	0	<b>54,600</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	(308)	0	0	0	0	0	<b>(308)</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>39,902</b>	<b>26,399</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368,223</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>769,990</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,730,644</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>

\*Further detail can be found in the narrative below.

## Notes to the Core Financial Statements

### Comparative Movements in 2013/14

2013/14 Restated	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2013	578,430	1,005,516	36,596	544,547	16,715	51,424	18,570	<b>2,251,798</b>
Additions	12,155	22,058	3,878	11,550	425	428	21,891	<b>72,385</b>
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)	0	<b>(363)</b>
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)	0	<b>(1,332)</b>
Derecognition - disposals	(399)	(447)	(49)	0	0	(914)	0	<b>(1,809)</b>
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013	0	<b>(513)</b>
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087	(16,425)	<b>(593)</b>
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384	0	<b>(121,617)</b>
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)	0	<b>(135,000)</b>
<b>At 31 March 2014</b>	<b>589,754</b>	<b>772,948</b>	<b>44,172</b>	<b>557,909</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>2,062,956</b>
<b>Depreciation</b>								
At 1 April 2013	11,569	34,149	24,621	217,036	0	0	0	<b>287,375</b>
Depreciation charge	11,800	13,747	4,207	26,007	0	0	0	<b>55,406</b>
Depreciation written out on impairment	0	(11)	0	0	0	0	0	<b>(11)</b>
Derecognition - disposals	(8)	(56)	(49)	0	0	0	0	<b>(113)</b>
Depreciation written out to SDPS **	0	(368)	0	0	0	0	0	<b>(368)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(21,805)	0	0	0	0	0	<b>(21,805)</b>
<b>At 31 March 2014</b>	<b>23,361</b>	<b>25,656</b>	<b>28,779</b>	<b>243,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>320,484</b>
<b>Net Book Value:</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>1,742,472</b>
<b>At 31 March 2013</b>	<b>566,861</b>	<b>929,612</b>	<b>11,975</b>	<b>327,511</b>	<b>16,715</b>	<b>51,424</b>	<b>7,079</b>	<b>1,911,177</b>

\*\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Intangible Assets

Movements in Intangible assets during 2014/15 are summarised as follows:

	Other 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>

Comparative Movements in 2013/14:

	Other Assets £000	Intangible AUC £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2013	3,926	2,344	6,270
Additions	12	909	921
Other reclassifications	585	(585)	0
<b>At 31 March 2014</b>	<b>4,523</b>	<b>2,668</b>	<b>7,191</b>
<b>Amortisation</b>			
At 1 April 2013	1,539	0	1,539
Amortisation	904	0	904
<b>At 31 March 2014</b>	<b>2,443</b>	<b>0</b>	<b>2,443</b>
<b>Net Book Value:</b>			
<b>At 31 March 2014</b>	<b>2,080</b>	<b>2,668</b>	<b>4,748</b>
<b>At 31 March 2013</b>	<b>2,387</b>	<b>2,344</b>	<b>4,731</b>

### Non-Current Assets

The non-current assets of the Council include the following:

Allotment Gardens (27)	Mental Health Day Centres (1)
Caravan Park	New Theatre
Cardiff Bay Barrage	Parks & Public Open Spaces (Approx 1500 ha)

## Notes to the Core Financial Statements

Cardiff Castle	Play Centres (7)
Cardiff International Swimming Pool	Residential Establishments (3)
Cardiff International Sports Stadium	Roads - Non-Principal (1,022 km)
Cardiff International White Water Centre	Roads - Principal (86 km)
Cardiff Story Museum	Schools - Nursery (2)
Cemeteries (5)	Schools - Primary (83)
Central Bus Station	Schools - Secondary (16)
City Hall	Schools - Special (7)
Civic Residence	Schools – Integrated Children’s Centre (1)
Community Halls (5)	Sports and Leisure Centres (8)
Council Dwellings	St David’s Hall
County Hall	Storey Arms Outdoor Pursuits Centre
Crematorium	Surface Car Parks (17)
Day Centres and Clubs (7)	Traveller Sites (2)
Depots (5) and Workshops (9)	Various Administrative Buildings
Eastern Park & Ride	Various Property & Land Holdings
Family Centres (2)	Vehicles, Plant, Furniture & Equipment
Horse Riding School	Works of Art, Civic Regalia & other heritage
Libraries/Hubs (20)	assets
Indoor Market	Youth & Neighbourhood Learning Centres (18)
Road Safety Centre & Cycle Track	

### Voluntary Aided/Voluntary Controlled/Foundation Schools Recognition changes

Based on responsibilities for maintenance, control of admissions policy or where Welsh Ministers have directed, the Council has not previously recorded the buildings used by Voluntary Aided (VA) and Foundation schools on its Balance Sheet.

Due to inconsistencies of approach throughout the UK, CIPFA has recently clarified their approach, with a very short timescale for inclusion in the 2014/15 Statement of Accounts, indicating that legal ownership is likely to be the key factor in determining balance sheet recognition.

It requires each school to be treated as / considered as a separate entity and a review of the ownership and operating arrangements to determine whether assets should be recognised on school balance sheets.

Legal ownership of land and property assets of 30 schools that fall within the definition of Voluntary Aided, Voluntary Controlled (VC) and Foundation schools was reviewed. The output is as follows with adjustments made to the Councils balance sheet at 01.04.2013 as prior year adjustments:-

- 6 schools building assets not previously recognised are to be recognised on the Council Balance Sheet with associated existing land to be revalued
- 5 school building and land assets not previously recognised are to be recognised on the Council Balance Sheet
- 2 school land assets to be de-recognised from the Council Balance Sheet as not owned by Council

### Valuation Basis

The timescales for achieving valuations and any changes has been short, given uncertainty re timing of clarification of CIPFA requirements in December 2014. The valuation basis used for these schools is similar to that used for schools valuations undertaken in 2013/14 to ensure a consistent basis.

Building valuation to be recognised using Modern Equivalent Asset Valuation approach £46.4 million. £19.7 million relates to St Teilo’s new school which was classified as an Asset Under Construction at 01.04.2013 and 01.04.2014.

## Notes to the Core Financial Statements

School	High/Primary
Corpus Christi Roman Catholic	High
St Teilo's Church in Wales	High
Whitchurch High School – Upper and Lower	High (Foundation)
Holy Family Roman Catholic	Primary
St Cadoc's Roman Catholic	Primary
St Cuthbert's Roman Catholic	Primary
St Francis Roman Catholic	Primary
St John Lloyd Roman Catholic	Primary
St Patrick's Roman Catholic	Primary
St Paul's Church in Wales	Primary
St Phillip Evans Roman Catholic	Primary

Additional Land valuation to be recognised £17 million

School	High/Primary
Corpus Christi Roman Catholic	High
St Teilo's Church in Wales	High
Whitchurch High School – Upper and Lower	High (Foundation)
Holy Family Roman Catholic	Primary
St Cadoc's Roman Catholic	Primary
St Cuthbert's Roman Catholic	Primary
St Francis Roman Catholic	Primary
St John Lloyd Roman Catholic	Primary
St Patrick's Roman Catholic	Primary
St Paul's Church in Wales	Primary
St Phillip Evans Roman Catholic	Primary

Land valuation to be derecognised £14,000

School	High/Primary
Llandaff Church in Wales	Primary
St Peter's Roman Catholic	Primary

The following approach has been adopted for any changes to the accounts:-

- St Teilos Buildings valuation at 1.04.2013 is £11.491m reflects the valuation less expenditure incurred in that year of £8.230m. This total valuation of £19.721m is shown as an asset under construction at 31 March 2014 and reclassified in 2014/15 to Land and buildings when it became operational
- All other buildings assets are deemed to be brought onto the balance sheet at 1 April 2013 (£24.726m) with valuation adjusted for reversal of REFCUS expenditure in 2013/14 which is now shown as an addition (£1.928m). One years accumulated depreciation (£355,000) is provided to be consistent with other schools assets.
- Land valuation (£17.029m) to be recognised at 1 April 2013.
- Recognition to be 'deemed cost' in accordance with CIPFA requirements i.e. opposite entry to the Capital Adjustment Account rather than Re-valuation reserve.

## Notes to the Core Financial Statements

The impact of the changes to opening balance sheet values, subtotals and totals at 1 April 2014 as a result of the changes are shown in the table below:-

	As Previously Stated 31 March 2014 £000	Movement at 1 April 2014 £000	As Restated 1 April 2014 £000
Other land and buildings	703,964	43,328	747,292
AUC	4,315	19,721	24,036
<b>Total Net Assets</b>	<b>877,709</b>	<b>63,049</b>	<b>940,758</b>
Capital Adjustment Account	1,093,549	63,049	1,156,598
Unusable Reserves	825,530	63,049	888,579
<b>Total Reserves</b>	<b>877,709</b>	<b>63,049</b>	<b>940,758</b>

### Heritage Assets

2013/14 £000		2014/15 £000
50,393	<b>Balance at 1 April</b>	50,789
3	Additions	95
393	Other Reclassifications	0
<b>50,789</b>	<b>Balance at 31 March</b>	<b>50,884</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 no material intangible heritage assets, however it does hold tangible heritage assets which can broadly, but not exclusively, be identified into three main categories:-

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

The Council is one of the constituent bodies of the Glamorgan Records Office (GRO) which holds assets and data accumulated over time. The GRO prepares a separate set of accounts, with only the Council's share of any asset values included in these accounts. No valuations are recorded by the GRO for heritage assets.

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

**Public Art** - In total there over 100 pieces of public art owned by the Council across the City. This includes freestanding artworks and significant pieces integrated into the design of buildings. Individually and in total, these assets are not identified or valued separately in the Council's balance sheet as the Council is of the opinion that 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 for a number of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge and culture

## Notes to the Core Financial Statements

and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Council's accounts at historic cost or value. Given the unique and often diverse nature of these assets, the Council is of the opinion that 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 Council's 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. Given limited resources and the cost of preserving heritage assets, the Council may consider various options such as community asset transfer and disposal to ensure the preservation of assets.

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, a function administered by CADW.

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



## 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
	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
	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:

2013/14 £000		2014/15 £000
57,809	<b>Balance at 1 April</b>	75,625
18,233	Additions	726
0	Impairment Losses / reversals to SDPS	0
(455)	Disposals	(121)
200	Other Reclassifications	18,326
0	Revaluation increases /(decreases) to RR*	(117)
(162)	Revaluation increases /(decreases) to SDPS**	6,348
<b>75,625</b>	<b>Balance at 31 March</b>	<b>100,787</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## Notes to the Core Financial Statements

### Capital Expenditure and Capital Financing

The total amount of 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.

2013/14 Restated £000		CFR exc. landfill 2014/15 £000	Landfill CFR 2014/15 £000	Total CFR 2014/15 £000
<b>503,702</b>	<b>Opening Capital Financing Requirement</b>	<b>486,169</b>	<b>26,899</b>	<b>513,068</b>
	<b>Capital Expenditure:</b>			
72,384	Property, Plant and Equipment	72,991	0	72,991
4	Heritage Assets	95	0	95
0	Assets Held for Sale	0	0	0
18,233	Investment Properties	726	0	726
921	Intangible Assets	444	0	444
1,332	Loans	50	0	50
12,645	Expenditure on REFCUS	8,208	0	8,208
	<b>Sources of Finance:</b>			
(3,354)	Capital Receipts	(4,754)	0	(4,754)
(62,413)	Government grants and other contributions	(35,624)	0	(35,624)
(4,089)	Direct revenue contributions and reserves	(5,580)	0	(5,580)
(26,297)	Prudent revenue and capital provision for loan repayment	(26,424)	(1,210)	(27,634)
<b>513,068</b>	<b>Closing Capital Financing Requirement</b>	<b>496,301</b>	<b>25,689</b>	<b>521,990</b>
	<b>Explanation of movements in year:</b>			
(6,463)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(7,248)	0	(7,248)
15,829	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	17,380	(1,210)	16,170
<b>9,366</b>	<b>Increase in Capital Financing Requirement</b>	<b>10,132</b>	<b>(1,210)</b>	<b>8,922</b>

## 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. This is expenditure on items that do not result in the creation or enhancement of an asset for the Council.

	2013/14 £000	2014/15 £000
<i>Movements in Year:</i>		
Housing Improvement grants	4,315	5,219
Buildings not owned by Cardiff Council	5,877	886
Grants awarded (not Housing grants)	2,453	2,103
Charged to Income and Expenditure Account	12,645	8,208
<i>Funded by:</i>		
Grants and Contributions	(9,249)	(7,460)
Borrowing, receipts and other capital resources	(3,396)	(748)
	(12,645)	(8,208)

### Asset Disposals

The main asset disposals during the year are identified below:-

- Sale of freeholds to Wales and West Housing Association
- Sale of 20 Council Dwellings
- Sale of land at Oxford Street
- Sale of units at Ipswich Road Industrial Estate
- Sale of 9 Birchgrove Road

### Significant capital expenditure contractual commitments

At 31 March 2015 the figure for significant capital expenditure commitments scheduled for completion in 2015/16 and future years is £32.767 million (£9.606 million 2013/14) and includes the following:

	£000
Pontprennau Primary School	5,034
Eastern Leisure Centre Refurbishment	5,984
Grangetown Community Hub Refurbishment and Extension	900
Radyr Hydro Scheme	2,690
Insole Court Restoration	2,074
Purchase of Wood Street NCP Car Park	8,325
Windsor Road Bridge Replacement Scheme	1,094
Public Housing - Roofing Contract	1,530
Public Housing – Secure by Design Fire Doors	2,337
Street Lighting Energy Reduction	1,292

## 21. Financial Instruments

### Financial Instrument Balances

The following table discloses the Council's Financial Instruments (Assets and Liabilities) at their carrying value in the accounts. 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. Debtors and Creditors, with the exception of car loans, are shown separately in the respective notes rather than as financial instruments:-

## Notes to the Core Financial Statements

	31 March 2014 (Restated)			31 March 2015		
	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	4,247	70,984	<b>75,231</b>	2,803	65,738	<b>68,541</b>
Investments at Fair Value	17,160	0	<b>17,160</b>	14,998	0	<b>14,998</b>
<b>Total</b>	<b>21,407</b>	<b>70,984</b>	<b>92,391</b>	<b>17,801</b>	<b>65,738</b>	<b>83,539</b>
<b>Borrowings/Financial Liabilities</b>						
Financial Liabilities at Amortised Cost	<b>(465,486)</b>	<b>(14,457)</b>	<b>(479,943)</b>	<b>(464,808)</b>	<b>(12,964)</b>	<b>(477,772)</b>

### Investments / Financial Assets

#### Loans and receivables include:

- **Cash and bank including temporary investments** of £65 million. £53.9 million is deposited for various maturities with financial institutions. In addition a sum of £1 million is placed with Lloyds Bank as an integral part of mortgage lending in relation to the Council's Local Authority Mortgage Scheme. This indemnity is repayable 24 April 2017, subject to any loss from mortgages approved within the scheme.
- **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. Over 300 such agreements existed during 2014/15 and the value of loans outstanding total £0.90 million as at 31 March 2015.
- **Loan of £1 million** repayable in June 2016 provided to Cardiff Bus to support investment in its fleet of vehicles and depot facilities.

There is little difference between the fair value calculation for loans and receivables and the balance sheet carrying amount.

	31 March 2014 (Restated)		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	41,761	41,761	23,137	23,137
Deposits with banks and building societies	30,040	30,045	42,088	42,108
Local Authority Mortgage Scheme	1,042	1,120	1,042	1,109
Assisted Car Purchase Loans	1,235	1,235	900	900
Loan to Cardiff Bus	1,000	1,000	1,000	1,000
Loans to External Organisations / Subsidiary	153	153	374	374
<b>Financial assets</b>	<b>75,231</b>	<b>75,314</b>	<b>68,541</b>	<b>68,628</b>

#### Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. Whilst the Council's shareholding is not listed on any quoted market, accounting rules require a valuation be estimated. Any change in value is offset by a corresponding movement the 'available for sale reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2015 is deemed to be £13.6 million (£15.8 million 2013/14). This value is determined by applying a multiplier to the Company's Earnings before Interest Tax Depreciation and Amortisation (EBITDA) all of which could fluctuate dependent on the company's performance and economic climate in which it operates. Accordingly, the accounting valuation may vary significantly from year to year.

## Notes to the Core Financial Statements

- A 44.5% interest in the Medicentre, a Joint Venture between the Council, University of Wales College of Medicine, the Welsh Government and the Cardiff and Vale NHS Trust (£1.09 million), and minority holdings in SMEs. Negotiations to dispose of the Council's stake in the Joint Venture are being undertaken.

### 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 totalling £51 million 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 2015.
- The Council has not granted financial guarantees of a significant value that warrants separate recognition on the Balance Sheet.
- 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. Interest rates on similar loans have seen a reduction compared to the same point last financial year. Where fair value is higher the Council would have to pay a premium or penalty in order exit the loans before natural maturity.

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board Loans	(425,849)	(500,795)	(423,181)	(599,216)
Lender Option Borrower Option Loans	(51,636)	(47,850)	(51,636)	(61,610)
Market loans, Bonds and Temporary Balances	(2,455)	(2,634)	(2,955)	(3,092)
Bank overdraft	0	0	0	0
<b>Financial liabilities</b>	<b>(479,940)</b>	<b>(551,279)</b>	<b>(477,772)</b>	<b>(663,918)</b>

Fair value calculations used the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing on 31 March 2015. The PWLB provided a fair value of £703.42 million based on the premature repayment rates in force at 31 March 2015.
- 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.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised.

### Financial Instrument Gains/Losses

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

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2013/14 £000	2014/15 £000	2013/14 '£000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000

## Notes to the Core Financial Statements

Interest Expense	23,871	24,616	0	0	0	0	23,871	24,616
Impairment Losses	0	0	5,056	0	0	0	5,056	0
<b>Interest Payable &amp; Similar Charges</b>	<b>23,871</b>	<b>24,616</b>	<b>5,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,927</b>	<b>24,616</b>
Interest / Dividend Income	0	0	(872)	(832)	0	0	(872)	(832)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(872)</b>	<b>(832)</b>	<b>0</b>	<b>0</b>	<b>(872)</b>	<b>(832)</b>
Losses on Revaluation	0	0	0	0	488	2,211	488	2,211
<b>(Surplus) / Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>488</b>	<b>2,211</b>	<b>488</b>	<b>2,211</b>
<b>Net (gain) / loss for the year</b>	<b>23,871</b>	<b>24,616</b>	<b>4,184</b>	<b>(832)</b>	<b>488</b>	<b>2,211</b>	<b>28,543</b>	<b>25,995</b>

In accordance with accounting requirements, the Council is required to consider whether amounts shown on its balance sheet are shown at their recoverable amount. At 31 March 2014, loans of £5.056 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium and shown within long term debtors were shown as an impairment loss following a number of indicators of impairment. During 2014/15, 70% of sums due under the contractual terms were agreed to be written off with the balance to be restructured. This is to be undertaken in 2015/16. As the loan had been provided from Capital resources, the loss on impairment during 2013/14 was neutralised against capital reserves, with a net nil impact in the year.

### 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. The Treasury Management Strategy is set at the start of the year which can be found on the Council's external website, [www.cardiff.gov.uk](http://www.cardiff.gov.uk). by selecting Your Council > Council Finance > Managing the Council's Finances > Treasury Management Strategy 2014-15.

Responsibility for the execution and administration of treasury management decisions rests with the Corporate Director Resources. Scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices are undertaken by the Council's Audit Committee.

Reports on the Council's borrowing and investments for Treasury Management Purposes are provided periodically to Council, Cabinet and Audit Committee.

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

### Credit Risk – further disclosures

This is the possibility that other parties may fail to pay amounts due to the Authority. For the Council it arises from lending of temporary cash balances to banks, building societies, other local Authorities and

## Notes to the Core Financial Statements

money market funds as part of the Council's Treasury Management Activities. It also arises from exposure to the Authority's customers and organisations to whom it may have provided a loan.

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

Credit Risk	Likelihood of Default	31 March 2014 Restated £000	31 March 2015 £000																											
Deposits – banks, buildings societies	<p>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.</p> <p>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.</p>	71,399	65,076																											
Local Authority Mortgage Scheme	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.	1,235	900																											
Loans to External Bodies	Includes primarily loans to SME's £380,000 and loan to Cardiff Bus £1 million. Repayments on loans are dependant 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.	1,516	1,380																											
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 2014/15 was based on the adjusted age profile disclosed in the following table.</p> <table border="1"> <thead> <tr> <th></th> <th>2013/14</th> <th>2014/15</th> </tr> <tr> <th></th> <th>£000</th> <th>£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td>11,211</td> <td>10,708</td> </tr> <tr> <td>1 – 2 years</td> <td>788</td> <td>734</td> </tr> <tr> <td>2 – 3 years</td> <td>225</td> <td>553</td> </tr> <tr> <td>3 – 4 years</td> <td>198</td> <td>133</td> </tr> <tr> <td>4 – 5 years</td> <td>128</td> <td>153</td> </tr> <tr> <td>Over 5 years</td> <td>291</td> <td>298</td> </tr> <tr> <td><b>Total</b></td> <td><b>12,841</b></td> <td><b>12,579</b></td> </tr> </tbody> </table>		2013/14	2014/15		£000	£000	Less than 1 year	11,211	10,708	1 – 2 years	788	734	2 – 3 years	225	553	3 – 4 years	198	133	4 – 5 years	128	153	Over 5 years	291	298	<b>Total</b>	<b>12,841</b>	<b>12,579</b>	12,912	12,599
	2013/14	2014/15																												
	£000	£000																												
Less than 1 year	11,211	10,708																												
1 – 2 years	788	734																												
2 – 3 years	225	553																												
3 – 4 years	198	133																												
4 – 5 years	128	153																												
Over 5 years	291	298																												
<b>Total</b>	<b>12,841</b>	<b>12,579</b>																												

## Notes to the Core Financial Statements

Credit Risk	Likelihood of Default	31 March 2014 Restated £000	31 March 2015 £000
	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 payments is not usually considered necessary.		
<b>Total</b>		<b>88,062</b>	<b>80,955</b>

### Counterparty Exposure at 31 March 2015

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland plc	UK	A	12,000
Commonwealth Bank of Australia	Australia	AA-	5,000
Development Bank Singapore	Singapore	AA-	5,000
National Australia Bank	Australia	AA-	5,000
Nationwide Building Society	UK	A	10,000
Santander UK plc	UK	A	5,000
Ignis - Money Market Fund	Domiciled in Ireland	AAA	11,900
Lloyds - LAMS	UK	A	1,000
<b>Total</b>			<b>54,900</b>

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2015, the probability of any default is 0.045% or £24,920.

### Liquidity and Refinancing Risk – further disclosures

This is the possibility that the Authority may not have funds available to meet its commitments to make payments or have to renew a financial instrument on maturity at disadvantageous interest rates or terms. The Council manages its daily liquidity position by undertaking cash flow modelling. 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 under financial instruments and for the purposes of the prudent management of its financial affairs. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. The amounts of fixed rate debt maturing in any period are disclosed in the following table:-

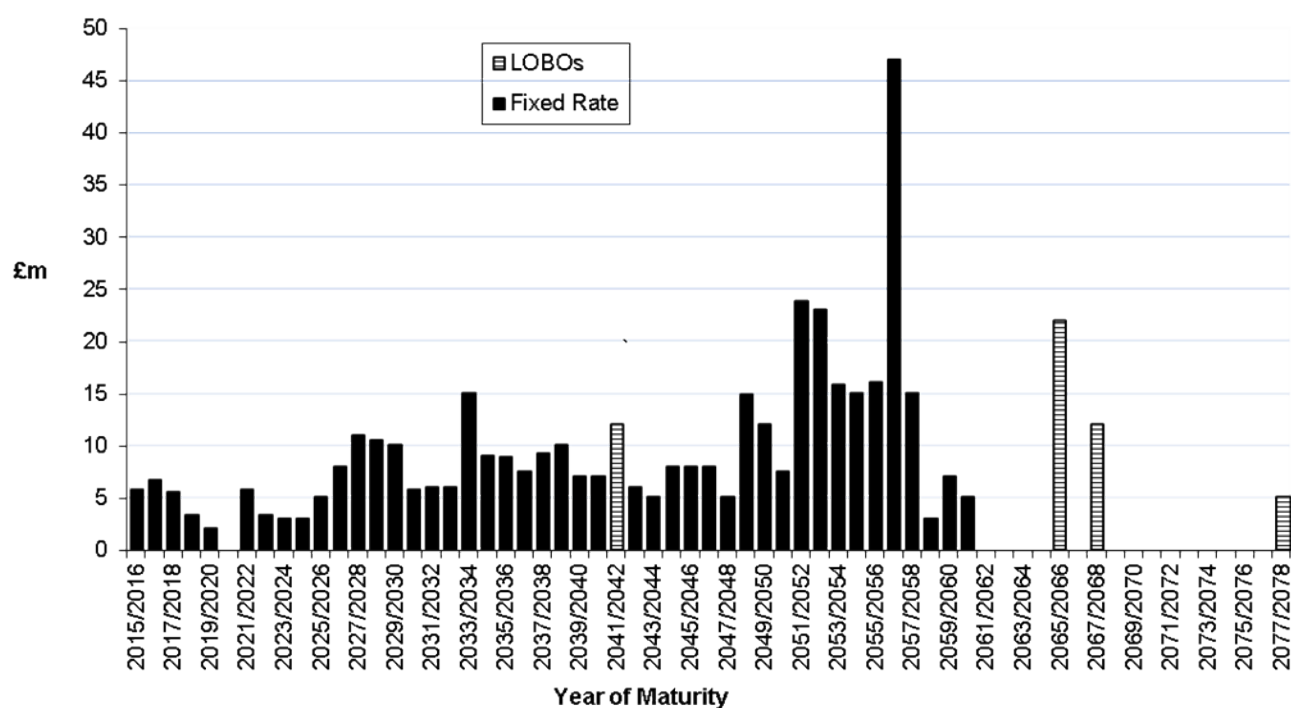


## Notes to the Core Financial Statements

31 March 2014 £000	Loans Outstanding	31 March 2015 £000
420,695	Public Works Loans Board	418,077
51,000	LOBO's	51,000
1,621	Market Debt / Bonds	1,468
<b>473,316</b>	<b>Total</b>	<b>470,545</b>
7,830	Under 12 months	5,737
5,719	12 months and within 24 months	6,726
15,629	24 months and within 5 years	10,941
14,147	5 years and within 10 years	15,150
80,306	10 years and within 20 years	86,306
76,602	20 years and within 30 years	80,602
126,049	30 years and within 40 years	133,049
108,034	40 years and within 50 years	93,034
34,000	50 years and within 60 years	34,000
5,000	60 years and within 70 years	5,000
<b>473,316</b>	<b>Total</b>	<b>470,545</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 £5.748 million and short term borrowing of £1.479 million. It should be noted that a further £187 million of borrowing will be undertaken in 2015/16 to make the settlement payment to HM Treasury to exit the Housing Finance Subsidy system.

The Council's debt maturity profile at 31 March 2015 is shown in the following graph on the assumption that all loans run to their final maturity.



## 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	01/09/2015	6 months	23/05/2067
6	21/05/2015	6 months	21/11/2041
6	21/05/2015	6 months	21/11/2041
6	21/05/2015	6 months	23/05/2067
22	21/11/2015	5 years	23/11/2065
5	05/01/2018	5 years	17/01/2078

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

### Interest Rate Risk – further disclosures

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 2014/15 been on average 1% higher with all other variables held constant.

## Notes to the Core Financial Statements

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(212)
Interest in interest receivable on investments	376
<b>Impact on Income and Expenditure Account</b>	<b>164</b>
Increase in interest transferred to HRA	(52)
Increase in interest transferred to other balances and accounts	(69)
<b>Net Income / (Expenditure)</b>	<b>43</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	240
Decrease in Fair Value of Fixed Rate Borrowings	99,222

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. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. Whilst the Council, excluding the pension fund, could invest directly in products such as Bank Certificates of Deposits and Gilts, at the Balance Sheet date, the Council did not have any direct holding.

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 £678,000 gain or loss being recognised in the Movement in Reserves Statement.

## 22. Held for Sale Assets

2013/14 £000		2014/15 £000
1,013	<b>Balance at 1 April</b>	380
0	De-recognition	(10)
513	Reclassified to/(from) Held for Sale	3,504
(123)	Revaluation increases /(decreases) to RR*	(330)
(1,023)	Revaluation increases /(decreases) to SDPS**	(504)
<b>380</b>	<b>Balance at 31 March</b>	<b>3,040</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## Notes to the Core Financial Statements

### 23. Debtors

31 March 2014 £000		31 March 2015 £000
38,268	Central Government Bodies	53,746
3,338	Other Local Authorities	7,008
5,235	NHS Bodies	4,883
17	Public Corporations & Trading Funds	38
25,243	Other Entities and Individuals	25,307
<b>72,101</b>	<b>Total Debtors Net of Impairments</b>	<b>90,982</b>

### 24. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2014 £000		31 March 2015 £000
323	Cash	182
9,219	Bank (including cheque book schools)	11,051
32,219	Short-term deposit with banks and building societies	11,904
<b>41,761</b>	<b>Total Cash and Cash Equivalents</b>	<b>23,137</b>

Included within the bank figure above are [bank balances of chequebook schools](#) totalling **£1.644 million** (£1.245 million in 2013/14).

In addition to the above, at 31 March 2015 the Council held **£1.114 million** (£938,000 at 31 March 2014) 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 2014 £000		31 March 2015 £000
(13,403)	Central Government Bodies	(11,252)
(2,120)	Other Local Authorities	(6,576)
(853)	NHS Bodies	(860)
(43)	Public Corporations & Trading Funds	(12)
(59,408)	Other Entities and Individuals	(76,101)
<b>(75,827)</b>	<b>Total Creditors</b>	<b>(94,801)</b>

### 26. Interests in companies and other organisations

The Council has interests in 3 subsidiary companies and one joint venture. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 141 to 162. 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 2014/15.

## Notes to the Core Financial Statements

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

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by The City of Cardiff 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 2014/15 as summarised below:

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Turnover	(35,054)	(36,571)
Operating and other expenditure	33,494	33,912
<b>Net (Profit) / Loss before Taxation</b>	<b>(1,560)</b>	<b>(2,659)</b>
Less: Taxation	345	0
<b>(Profit) / Loss after Taxation</b>	<b>(1,215)</b>	<b>(2,659)</b>

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

	31 March 2014 £000	31 March 2015 £000
Bus and other operating assets	20,055	19,940
Current Assets	5,409	6,663
Less Current Liabilities	(3,383)	(3,483)
Net Assets	22,081	23,120
Creditors: Amounts falling due after more than one year	(4,000)	(4,292)
Provisions & Long term liabilities	(3,060)	(2,865)
Deferred Taxation	(401)	(613)
Pension Liability	(2,910)	(3,753)
<b>Total Assets less liabilities</b>	<b>11,710</b>	<b>11,597</b>
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	6,111	6,685
IAS19 Pension Reserve	(2,910)	(3,753)
Revaluation Reserve	3,891	4,047
<b>Net Worth</b>	<b>11,710</b>	<b>11,597</b>

In 2014/15 the Council made payments totalling **£10.004 million** to Cardiff Bus (£11.068 million in 2013/14), of which £9.140 million related to concessionary fares payments (£10.052 million in 2013/14). The Council also received income of **£463,000** (£144,000 in 2013/14). During 2014/15 Cardiff Bus did not pay a dividend to the Council (£nil in 2013/14).

At 31 March 2015, Cardiff Bus had inter-company balances with The City of Cardiff Council as follows: debtors **£117,000** (£206,000 in 2013/14); creditors **£29,000** (£31,000 in 2013/14).

The accounts for year ended 31 March 2015 have not yet been audited.

### 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:

## Notes to the Core Financial Statements

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Net (Profit)/Loss before taxation	(46)	(59)
Less: Taxation	10	2
<b>(Profit)/Loss for year after taxation</b>	<b>(36)</b>	<b>(57)</b>

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

	31 March 2014 £000	31 March 2015 £000
Total assets less current liabilities	920	956
Creditors: falling due after more than one year	(7)	(7)
Provision for taxation	(4)	(6)
<b>Total Assets less liabilities</b>	<b>909</b>	<b>943</b>
Represented by:		
Retained Profit	189	223
Revaluation Reserve	720	720
<b>Net Worth</b>	<b>909</b>	<b>943</b>

During 2014/15 the Council received income of **£36,000** (£25,000 in 2013/14) from CBTC Ltd. At 31 March 2015 CBTC Ltd. owed The City of Cardiff Council **£125,965** (£150,174 at 31 March 2014) and was owed **£10,851** (£10,850 at 31 March 2014).

The company's auditors are Gerald Thomas & Co. The accounts ended 31 March 2015 have not yet been audited.

### 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. The company's closing operating results, as summarised as follows, are provisional:

	Period to 31 March 2014 £000	Year to 31 March 2015 £000
Net (Profit)/Loss before taxation	(197)	59
Taxation	0	0
<b>(Profit)/Loss for year after taxation</b>	<b>(197)</b>	<b>59</b>

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

	31 March 2014 £000	31 March 2015 £000
Total assets less current liabilities	197	137
<b>Total assets less liabilities</b>	<b>197</b>	<b>137</b>
Represented by		
Retained Profit	(197)	(137)
<b>Balance</b>	<b>(197)</b>	<b>(137)</b>

## Notes to the Core Financial Statements

During the year The City of Cardiff Council made core funding payments totalling **£500,000** to Cardiff Business Council and received income from the Company totalling **£92,165**. The Council incurred other expenditure in connection with Cardiff Business Council totalling **£104,792**. At 31 March 2015 the Company owed the Council **£17,717** (£73,130 at 31 March 2014) and was owed **£43,895** (£112,810 at 31 March 2014) by the Council.

The company's auditors are Broomfield & Alexander Ltd. The accounts ended 31 March 2015 have not yet been audited.

### Cardiff Medicentre Joint Venture

Cardiff Medicentre was established to provide facilities for small firms in the medical and health care sector and is the result of a joint collaboration between The City of Cardiff Council, Cardiff University, Welsh Government and the Cardiff and Vale University Health Board. The Council owns a 44.5% share which is shown in The City of Cardiff Council's balance sheet as an investment.

During 2014/15 the Council received a total income of **£4,750** from Medicentre (£4,500 in 2013/14). No decision has as yet been reached as to the profit distribution to be made in respect of the 2014/15 surplus (£nil in 2013/14). At 31 March 2015 Medicentre there is no outstanding money owing to the Council (£nil at 31 March 2014). A net **surplus of £163,365** was made in 2014/15 (net surplus of £137,895 in 2013/14).

The accounts for the year ended 31 March 2015 have not yet been audited.

### 27. Provisions

	Balance 1 April 2014	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2015
	£000	£000	£000	£000
Cardiff Insurance Provisions	(11,980)	5,810	(5,164)	(11,334)
MMI Scheme of Arrangement Levy	(450)	0	(254)	(704)
Termination Benefits Provision	(856)	856	(59)	(59)
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(18,088)	1,095	0	(16,993)
Other Provisions	(2,431)	1,547	(1,340)	(2,224)
<b>Total Provisions</b>	<b>(42,901)</b>	<b>9,308</b>	<b>(6,817)</b>	<b>(40,410)</b>

	Not later than one year	Later than one year	Balance 31 March 2015
	£000	£000	£000
Cardiff Insurance Provisions	(4,924)	(6,410)	(11,334)
MMI Scheme of Arrangement Levy	(50)	(654)	(704)
Termination Benefits Provision	(59)	0	(59)
Ferry Rd Landfill Provision	(45)	(9,051)	(9,096)
Lamby Way Landfill Provision	(2,064)	(14,929)	(16,993)
Other Provisions	(1,869)	(355)	(2,224)
<b>Total Provisions</b>	<b>(9,011)</b>	<b>(31,399)</b>	<b>(40,410)</b>

## Notes to the Core Financial Statements

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

The City of Cardiff 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 affect 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.

**Municipal Mutual Scheme of arrangement levy provision** represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims.

**Termination Benefits Provision** represents the obligation The City of Cardiff Council has following the decision to terminate an employee's employment, where the employee has not yet left the Authority, but there is a communication to the affected employee outlining a plan of termination.

**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 need to be professionally reviewed periodically.

Within other provisions is an amount of **£495,614** in respect of the potential early termination of the automated public conveniences contract.

### 27.1 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 City of Cardiff 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 2014 £000	Balance at 31 March 2015 £000
Pension Strain due within 1 year	2,486	2,830
Pension Strain due later than 1 year	5,766	6,252
<b>Total Pension Strain</b>	<b>8,252</b>	<b>9,082</b>

### 28. Deferred Liabilities

	Balance 1 April 2014	Utilised/ Released in	Transfers to Provisions	Balance 31 March 2015



## Notes to the Core Financial Statements

		year		
	£000	£000	£000	£000
Commuted Maintenance Sums	(8,500)	1,078	(819)	(8,241)
<b>Total Deferred Liabilities</b>	<b>(8,500)</b>	<b>1,078</b>	<b>(819)</b>	<b>(8,241)</b>

	Not later than one year	Later than one year	Balance 31 March 2015
Commuted Maintenance Sums	(1,024)	(7,217)	(8,241)
<b>Total Deferred Liabilities</b>	<b>(1,024)</b>	<b>(7,217)</b>	<b>(8,241)</b>

### 29. 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, after setting aside any amounts as provision to repay external loans. The movements are as follows:

2013/14 £000		2014/15 £000
<b>1,605</b>	<b>Balance as at 1 April</b>	<b>1,399</b>
	Movements during Year:	
2,696	Sale of Land, Buildings and other assets	3,825
854	Sale of Council Dwellings	2,022
3	Private Mortgage Repayments	13
143	Recoupments of grant/other	204
<b>3,696</b>		<b>6,064</b>
(3,354)	Finance Capital Expenditure	(4,753)
(545)	Provide for Repayment of External Loans	(1,361)
<b>(3,899)</b>		<b>(6,114)</b>
(3)	Additional set aside from Private Mortgage Repayments	(13)
<b>1,399</b>	<b>Balance as at 31 March</b>	<b>1,336</b>

The balance held at 31 March 2015 relates primarily to sums received for housing purposes and to be used for future housing capital schemes

### 30. 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. The movements are as follows:

2013/14 £000		2014/15 £000
<b>317,680</b>	<b>Balance as at 1 April</b>	<b>206,879</b>

## Notes to the Core Financial Statements

19,902	Upward revaluation of assets	937
(127,651)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,698)
<b>(107,749)</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>(2,761)</b>
(2,909)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(3,017)
(143)	Accumulated gains on assets sold or scrapped	(173)
<b>(3,052)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,190)</b>
<b>206,879</b>	<b>Balance as at 31 March</b>	<b>200,928</b>

### Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all of the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 (Restated) £000		2014/15 £000
<b>1,263,727</b>	<b>Balance as at 1 April 2014</b>	<b>1,156,598</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(56,725)	Charges for depreciation and impairment of non-current assets	(58,629)
14,931	Reverse previous impairment on revaluation	951
(142,461)	Revaluation losses on Property, Plant and Equipment	(3,691)
(904)	Amortisation of intangible assets	(846)
(3,396)	Expenditure on REFCUS	(749)
(2,008)	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	(1,413)
<b>(190,563)</b>		<b>(64,377)</b>
2,909	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	3,017
<b>(187,654)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(61,360)</b>
	Capital financing applied in the year:	
3,354	Capital Receipts	4,753
3,197	Direct Revenue Financing	4,621
892	Reserves and provisions	959
216	Insurance settlement	31
52,948	Grants and contributions	28,134
25,651	Prudent Revenue Provision	26,273
646	Capital receipts used to repay external loans	1,361
(5,056)	Impair Glamorgan County Cricket Club loan	0
(141)	Reduction in loan debtors	(243)
13	Leased vehicles	0

## Notes to the Core Financial Statements

2013/14 (Restated) £000		2014/15 £000
81,720		65,889
(162)	Movements in the market value of Investment Properties	8,853
(1,033)	Movement in the value of Held for Sale assets	(504)
<b>1,156,598</b>	<b>Balance as at 31 March</b>	<b>1,169,476</b>

\*Further detail on the recognition of VA/VC/Foundation Schools can be found in note 20.

### 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. The movements are as follows:

2013/14 £000		2014/15 £000
851	<b>Balance as at 1 April</b>	104
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(747)	Transfers to the Capital Receipts Reserve upon receipt of cash	(17)
<b>104</b>	<b>Balance as at 31 March</b>	<b>87</b>

Following consent given to Cardiff City Football Club for the development of the hotel site and former coach park in 2009/10, a £720,000 premium payable to the Council was paid to the Council in 2013/14.

### 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 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.

2013/14 £000		2014/15 £000
16,262	<b>Balance as at 1 April</b>	15,774
(488)	Downwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(2,211)
<b>15,774</b>	<b>Balance as at 31 March</b>	<b>13,563</b>

Whilst the Council's shareholding in Cardiff Bus is not listed on any quoted market, accounting rules require a valuation be 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 a corresponding reserve, the 'available for sale reserve' as it is required to be called. The fair value of the investment at 31 March 2015 is deemed to be £13.563 million, a decrease of £2.211 million from the value previously determined in 2013/14. This value is determined by applying a multiplier to the Company's EBITDA, both of which are likely to fluctuate.

### 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.

2013/14	2014/15
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## Notes to the Core Financial Statements

£000		£000
<b>(3,051)</b>	<b>Balance as at 1 April</b>	<b>(2,709)</b>
342	Proportions of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	342
<b>(2,709)</b>	<b>Balance as at 31 March</b>	<b>(2,367)</b>

### 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.

2013/14 (Restated) £000		2014/15 £000
<b>(713,470)</b>	<b>Balance as at 1 April</b>	<b>(481,278)</b>
266,411	Actuarial gains or losses on pensions assets and liabilities	(51,492)
(75,483)	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 *	(57,171)
(2,096)	Reversal of amounts accrual in respect of pension strain for future years	(830)
43,360	Employer's pensions contributions and direct payments to pensioners payable in the year	41,903
<b>(481,278)</b>	<b>Balance as at 31 March</b>	<b>(548,868)</b>

### Accumulated Absences Account

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

## Notes to the Core Financial Statements

2013/14 £000		2014/15 £000
(5,956)	<b>Balance as at 1 April</b>	(6,789)
(833)	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	(881)
(6,789)	<b>Balance as at 31 March</b>	(7,670)

### 31. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(339,678)	(326,291)
Outcome Agreement Grant	(3,303)	(3,305)
Concessionary Fares Grant	(11,220)	(10,303)
Council Tax Reduction Scheme	(2,542)	0
Non-Domestic Rates	(107,229)	(109,695)
Capital Grants	(26,406)	(26,340)
Developers' Contributions	(18,944)	(1,825)
<b>Total</b>	<b>(509,322)</b>	<b>(477,759)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(271,435)	(268,218)
Other Local Authorities	(4,916)	(6,995)
NHS Bodies	(7,235)	(7,498)
Public Corporations & Trading Funds	(67)	(108)
Other Entities and Individuals	(6,817)	(6,459)
<b>Total</b>	<b>(290,470)</b>	<b>(289,278)</b>

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 2014 £000		31 March 2015 £000
	<b>Capital Grants Receipts in Advance</b>	
(306)	Central Government Bodies	(2,404)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(306)	<b>Total</b>	<b>(2,404)</b>

## Notes to the Core Financial Statements

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

2013/14 £000		2014/15 £000
(25,404)	<b>Balance as at 1 April</b>	(9,724)
	Movements during Year:	
(3,724)	Contributions received during the year	(2,523)
19,093	Contributions applied to expenditure during the year	1,850
311	Reclassification	302
(9,724)	<b>Balance as at 31 March</b>	(10,095)

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. The overall reduction in 2013/14 was primarily because of the use of a £17 million contribution received from Welsh Government and used towards purchase of land as part of the redevelopment of Central Square.

31 March 2014 £000		31 March 2015 £000
	<b>Revenue Grants and Contributions Receipts in Advance</b>	
(1,447)	Central Government Bodies	(3,005)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(916)	Other Entities and Individuals	(729)
(2,363)	<b>Total</b>	(3,734)

### 32. Contingent Assets & Liabilities

#### Assets

The Council holds a proportion of equity in a number of properties arising primarily from the [affordable housing contribution](#) that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2015 is **£4.691 million**.

At 31 March 2015, Glamorgan County Cricket Club owed the Council a total of £6.412 million. In March 2015, the Council considered a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This is to be actioned in 2015/16 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% (£1.924 million) remains 100% impaired, but is shown as a contingent asset in the statement of accounts to reflect the amounts potentially receivable in accordance with the proposed restructured loan.

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.

## Notes to the Core Financial Statements

### Liabilities

As at 31 March 2015 there existed 98 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, racial and disability discrimination, repayment of hackney carriage licence fees, council house disrepairs, claims for refunds of searches carried out, outstanding equal pay claims and unsuccessful tender of procurement and breach of contract. The maximum liability in respect of the 98 claims is estimated to be £1.039 million although some are unknown. The Council is resisting liability in all cases, where appropriate the Council has included a provision for the estimated 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. As at 31 March 2015 this liability amounted to £2.513 million for the former South Glamorgan County Council (shared 72/28 with the Vale of Glamorgan) and £235,071 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 £704,349 as at 31 March 2015 (as disclosed at note 27 of the Notes to the Statement of Accounts). Additional levies may be imposed on Authorities. The value and timing of these is not yet known.

The Council continues to encourage expressions of interest in voluntary redundancy in order to meet future budget constraints. Expressions of interest are sought across the Council and business cases are assessed on a case by case basis. The cost of such cases is recognised and disclosed in the Statement of Accounts in the year in which the business case is approved since until that stage, any application for voluntary severance can be declined. Redundancies that have been approved in 2014-15 are included in the disclosure of exit packages at note 11.

### 33. Notes to Cash Flow Statement

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

	2013/14 (Restated) £000	2014/15 £000
Depreciation, impairment & amortisation	(191,410)	(53,867)
Charges made for retirement benefits (IAS19) less employers contributions	(35,052)	(20,238)
Contributions (to)/from provisions	3,273	5,153
Gain/loss on disposal of non-current assets	(2,150)	(1,586)
Increase/(decrease) in stock	(300)	(588)
Increase/(decrease) in debtors (exc capital)	(5,388)	1,247
(Increase)/decrease in creditors (exc capital creditors) & super fund	(12,641)	(14,593)
	<b>(243,668)</b>	<b>(84,472)</b>

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

	2013/14 (Restated) £000	2014/15 £000
REFCUS	(3,396)	(749)
Net gain/(loss) on sale of non-current assets	2,821	5,774
Repayments of liabilities under finance leases	14	0
Capital grants/contributions recognised in I&E	53,164	28,165
Other cash items which effect investing or financing activities	(2,016)	(10,759)

**34. Voluntary and Compulsory Severance**

During the year, circa **652 people** left the Council under its voluntary severance scheme. It is likely that this will continue during 2015/16. In total the severance costs incurred during the year amounted to **£11.900 million** (£9,742 million in 2013/14) of which **£0.402 million** (£0.292 million in 2013/14) related to staff working under the Asylum Seeker contract or the HRA. The balance of **£11.498 million** severance cost related to Council fund services. This was paid from within in-year revenue resources.

**35. Events after the Reporting Period**

The Council has worked actively with Welsh Government, Welsh Local Government Association and other Housing Stock retaining Authorities to secure exit from the Housing Revenue Account Subsidy System, which has been in place for some time. This was achieved in England in 2012. The new arrangements mean that, from April 2015, the Council will no longer have to pay circa £15 million from tenant rents to the Welsh Government, which is then passed on to UK Treasury each year. Instead, the Council has made a one-off payment of £187 million as a “buy out” to the Welsh Government/UK Treasury on 2 April 2015. In accordance with Treasury and Welsh Government requirements, this was paid by undertaking borrowing from the Public Works Loan Board at interest rates determined by HM Treasury. This will impact on Balance sheet liabilities as well as financial instruments notes for the 2015/16 Statement of Accounts in respect of Council borrowing.

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



## 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.

2013/14			2014/15
£000		Note	£000
	<b>Expenditure</b>		
18,524	Repairs and maintenance		20,739
17,255	Supervision and management		17,833
198	Rents, rates, taxes and other charges		128
15,062	Housing Revenue Account subsidy payable		14,464
446	Provision for bad and doubtful debts		523
13,113	Depreciation, impairment and revaluation of non-current assets	9	15,899
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	10	353
30	Debt management costs		32
<b>64,628</b>	<b>Total Expenditure</b>		<b>69,971</b>
	<b>Income</b>	2	
(56,398)	Dwelling rents		(58,586)
(81)	Non-dwelling rents		(67)
(6,508)	Charges for services and facilities		(6,578)
<b>(62,987)</b>	<b>Total Income</b>		<b>(65,231)</b>
1,641	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		4,740
42	HRA Services' share of Corporate and Democratic Core		42
<b>1,683</b>	<b>Net Cost for HRA Services</b>		<b>4,782</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(561)	(Gain)/loss on sale of HRA non-current assets		(2,819)
4,756	Interest payable and similar charges		4,806
0	Changes in fair value of investment properties		80
(65)	Interest and Investment income	3	(65)
(10,248)	Capital Grants and Contributions applied		(11,480)
<b>(4,435)</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>(4,696)</b>

## Notes to Housing Revenue Account

### MOVEMENT ON HRA STATEMENT

2013/14 £000		Note	2014/15 £000
(7,295)	<b>Balance on the HRA at the end of the previous year</b>		(8,124)
(4,435)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(4,696)
4,234	Adjustments between accounting basis and funding basis under regulations	1	4,828
(201)	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>132</b>
(628)	Transfers to/(from) reserves		(446)
(829)	<b>Increase or decrease in the year on the HRA</b>		<b>(314)</b>
(8,124)	<b>Balance on the HRA at the end of the current year</b>		<b>(8,438)</b>

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

2013/14 £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:		
13,113	Charges for depreciation and impairment of non-current assets	9	15,899
0	Movement in the market value of investment properties		80
55	Sums directed by Welsh Government	10	353
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,145
(10,248)	Capital grants and contributions applied		(11,480)
	Insertion of items not debited or credited to the HRA Income and Expenditure Statement:		
(4,074)	Prudent Provision for the financing of capital investment		(2,899)
(2,198)	Capital expenditure funded by the HRA		(3,761)
	<b>Adjustments involving the Pensions Reserve:</b>		
1,428	Net Retirement Benefits per IAS19		1,290
(15)	Pension Strain Accrual – future years		(14)
(1,755)	Employers Contributions to pension schemes		(1,507)
	<b>Adjustments involving the Capital Receipts Reserve:</b>		
(561)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(4,101)
18	Credit for disposal costs that qualify to be met from the resulting capital receipts		35
	<b>Adjustments involving the Revaluation Reserve:</b>		
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		137
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
5	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		(3)
	<b>Adjustments involving the Financial Instruments Adjustment Account:</b>		
(2)	Amortisation of premiums and discounts		(2)
(4,234)	<b>Total Adjustments</b>		<b>(4,828)</b>

## Notes to Housing Revenue Account

### Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.04% of rental income (2.52% in 2013/14). Average rents were £84.33 per week (£81.36 in 2013/14) based on a 52 week year.

### 2. Rent Arrears and Bad Debt Provision

	As at 31 March 2014		As at 31 March 2015	
	Rent arrears	Bad debt provision	Rent arrears	Bad debt provision
	£000	£000	£000	£000
Ordinary HRA	2,140	1,697	2,459	1,929
Leasehold properties	52	52	44	44
Hostels	89	89	121	121
<b>Total</b>	<b>2,281</b>	<b>1,838</b>	<b>2,624</b>	<b>2,094</b>

In addition the following sums were also due from tenants:

	As at 31 March 2014		As at 31 March 2015	
	Arrears	Bad debt provision	Arrears	Bad debt provision
	£000	£000	£000	£000
Service Charges	62	37	55	33
Tenants recoverables	299	299	294	294
<b>Total</b>	<b>361</b>	<b>336</b>	<b>349</b>	<b>327</b>

During 2014/15 a number of old debts totalling £221,951 were written off as irrecoverable (£384,880 in 2013/14).

### 3. Investment Income

The figure for HRA investment income includes mortgage interest, interest earned on notional cash balances and repayments of retained equity.

### 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:

	2013/14	2014/15
	£000	£000
Cost of employer's contributions plus discretionary benefits	1,755	1,507
Current service cost	(1,428)	(1,290)
Pension Strain Accrual - Future Years	15	14
<b>Net transfer to Pensions Reserve</b>	<b>342</b>	<b>231</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. Mortgages on Sold Council Houses

Mortgage arrears amounted to £15,621 (£17,333 in 2013/14) and prepayments were £1,759 (£17,595 in 2013/14).

### 6. Housing Stock

The Council's housing stock is shown below:

	31 March 2014	31 March 2015
Houses	7,286	7,268
Bungalows	624	624
Flats/Bedsits	5,113	5,110
Maisonettes	291	240
Retirement complexes	358	358
<b>Total</b>	<b>13,672</b>	<b>13,600</b>

The Council also had:

	31 March 2014	31 March 2015
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

### 7. Capital Expenditure and Capital Financing

2013/14		2014/15
£000		£000
<b>93,898</b>	<b>Opening Capital Financing Requirement</b>	<b>96,360</b>
	Capital Expenditure:	
12,154	Council dwellings	17,777
(314)	Other land & buildings	22
92	Vehicles, plant & equipment	1
428	Surplus assets	422
181	Assets under construction	1,029
232	Intangible Assets including intangible AUC	61
55	Expenditure on REFCUS	353
7,040	Appropriation of Land	1,100
	Sources of Finance:	
(375)	Capital Receipts	(3,237)
(10,268)	Government grants and other contributions *	(11,480)
(2,185)	Direct revenue contributions and reserves	(3,761)
(4,578)	Prudent revenue and capital provision for loan repayment	(4,129)
<b>96,360</b>	<b>Closing Capital Financing Requirement</b>	<b>94,518</b>
	<b>Explanation of Movements in Year:</b>	
(2,024)	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	(2,850)
4,486	Increase in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	1,008
<b>2,462</b>	<b>Movement in capital financing requirement</b>	<b>(1,842)</b>

## Notes to Housing Revenue Account

\*£9.6 million (£9.6 million in 2013/14) of Major Repairs Grant was received and applied in the year.

### 8. Capital Receipts

Proceeds from the disposal of HRA Assets during 2014/15 were as follows:

- Council Dwellings, Repayment of Discount & Home Purchase Contributions £2.022 million (£854,000 in 2013/14)
- Land £2.061 million (£207,000 in 2013/14)

### 9. Depreciation, Impairment and Revaluation charged

Depreciation and impairment was charged on HRA assets as follows:

	2013/14 £000	2014/15 £000
Council dwellings	12,232	13,877
Land and buildings	759	1,901
Vehicles, plant & equipment	122	123
<b>Total depreciation, impairment and revaluation</b>	<b>13,113</b>	<b>15,901</b>

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.

### 10. Sums directed by the Welsh Government

Revenue expenditure funded from capital under statute charged to the Housing Revenue Account in 2014/15 was **£353,000** (£55,000 in 2013/14).

	2013/14 £000	2014/15 £000
<b><i>Movements in Year:</i></b>		
Buildings not owned by The City of Cardiff Council	55	353
Charged to Income and Expenditure Account*	<b>55</b>	<b>353</b>
<b><i>Funded by:</i></b>		
Borrowing, receipts and other capital resources	55	353
	<b>55</b>	<b>353</b>

### Foreword

The City of 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 grew by 12.5% during 2014/15, from £1.49 billion to £1.68 billion. Despite periods of volatility, global equity markets performed well over the year with growth in asset values exceeding 20% in sterling terms in some overseas regions. The Fund has benefitted from the agreement of the Investment Advisory Panel to increase the proportion of assets invested overseas. The continuing low interest rates remain a concern while Fund liabilities are also estimated to have increased since the 2013 valuation. The next valuation will take place in 2016.

New regulations for the LGPS were introduced on 1 April 2014. The scheme is now a Career Average Revalued Earnings (CARE) arrangement which is linked to the State Pension Age, although benefits earned prior to that date are protected and will continue to be based on the member's service up to 31 March 2014 and final salary on retirement.

During the past year the Department for Communities and Local Government (DCLG) has continued to consult on issues affecting the governance and structure of the LGPS. In May and June 2014 consultations were issued on collaborative investments and draft regulations on scheme governance. Whilst the government has not made any further announcements in response to the consultation on investments, the governance regulations were finalised in January 2015. The regulations require each LGPS administering Authority to establish a Local Pension Board in compliance with the Public Services Pensions Act 2013.

The City of The City of Cardiff Council established its Local Pension Board on 29 January 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. Information about the Board's membership and activities will be made available via the Council web site.

Despite these changes, the Fund's key objective continues to be to provide pensions effectively and efficiently, with the aim of minimising the burden on contributing employers over the long term.

**Christine Salter**  
**Corporate Director Resources**  
**June 2015**

# Cardiff and Vale of Glamorgan Pension Fund

## 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.

## Cardiff and Vale of Glamorgan Pension Fund

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.

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**

**May 2015**



# Cardiff and Vale of Glamorgan Pension Fund

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000
	<b>CONTRIBUTIONS AND BENEFITS</b>	
	<b>Contributions receivable</b>	
58,961	from employers (note 5)	58,471
15,720	from employees (note 5)	16,026
3,872	Transfers in	2,978
23,630	Deficit Funding (note 5)	0
4,327	Other Income (Capitalised Payments and interest on deficit funding)	5,134
<b>106,510</b>		<b>82,609</b>
	<b>Benefits Payable</b>	
(52,321)	Pensions (note 6)	(55,983)
(16,784)	Lump Sums (note 6)	(19,439)
	Payments to and on account of leavers	
(10)	Refunds of contributions	(76)
(4,668)	Transfers out	(3,204)
<b>(73,783)</b>		<b>(78,702)</b>
	Net Additions/(Withdrawals) from dealings with Members of the Fund	
<b>32,727</b>		<b>3,907</b>
	<b>RETURNS ON INVESTMENT</b>	
12,746	Investment Income (note 9)	17,388
104,275	Change in market value of investments (note 10)	171,478
(5,048)	Management expenses (note 8)	(5,759)
<b>111,973</b>	Net Returns on Investments	<b>183,107</b>
<b>144,700</b>	Net Increase/(Decrease) in the Fund During Year	<b>187,014</b>
1,347,803	Opening Net Assets of the Scheme	1,492,503
<b>1,492,503</b>	<b>Closing Net Assets of the Scheme</b>	<b>1,679,517</b>

# Cardiff and Vale of Glamorgan Pension Fund

## NET ASSET STATEMENT AS AT 31 MARCH 2015

2013/14 £000		2014/15 £000
1,442,289	Investments at market value (note 10)	1,616,090
23,836	Cash & investment proceeds due (note 10)	37,061
<b>1,466,125</b>		<b>1,653,151</b>
	<b>Current assets</b>	
147	UK & Overseas Tax	121
4,471	Contributions due from Employers and deficit funding	4,488
118	Sundry Debtors (note 14)	793
2,733	Pension Strain costs due within one year	3,078
<b>7,469</b>		<b>8,480</b>
	<b>Non current assets</b>	
18,022	Deficit funding (former employers)	15,618
4,857	Pension strain costs due after one year	6,253
<b>22,879</b>		<b>21,871</b>
	<b>Current liabilities</b>	
(2,811)	Unpaid Benefits	(3,055)
(1,159)	Sundry Creditors (note 14)	(930)
<b>(3,970)</b>		<b>(3,985)</b>
<b>1,492,503</b>	<b>Net Assets of the Scheme</b>	<b>1,679,517</b>

## NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2014/2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2014/2015 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 121 and 122. 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 2015 (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 2015 was **£87 million** (93 million at 31 March 2014).

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 121 and 122. 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.

## Cardiff and Vale of Glamorgan Pension Fund

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 £87 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 2015 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 31.03.15	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	371	13.6%	259	1,254	464	1,718
Cardiff City Transport	30	25.4%	480	729	65	794
City of Cardiff Council	9,160	22.9%	0	35,608	9,791	45,399
Cardiff Metropolitan University	767	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 Davids Sixth Form College	37	13.6%	14	114	47	161
Stanwell School	75	16.4%	13	167	55	222
Vale Of Glamorgan Council	3,191	22.7%	0	12,037	3,332	15,369
Wenvoe Community Council	1	27.0%	0	2	0	2
<b>Sub-total</b>	<b>13,674</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)	84	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	4	17.8%	0	17	6	23

## 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
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	131	20.2%	500	1,323	286	1,609
Wales & West Housing	1	20.6%	102	139	16	155
Welsh Council For Voluntary Action	73	21.4%	43	500	149	649
Workers Education Association	47	22.3%	5	256	75	331
<b>Sub-total</b>	<b>471</b>			<b>4,964</b>	<b>930</b>	<b>5,894</b>
<b>Total</b>	<b>14,145</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

### 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	77	14	0	0
Cardiff City Transport	2,228	1,012	8	0
City of The 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 Davids Sixth Form Coll	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 Devt 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 Hsg 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>

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>TOTAL</b>	<b>55,983</b>	<b>17,393</b>	<b>1,545</b>	<b>501</b>

### 7. Membership of the Fund

Fund membership at 31 March 2015 is as follows:

	2013/14 Restated	2014/15
Contributing Employers	35	33
Contributors	13,922	14,145
Pensioners	9,866	10,194
Deferred pensioners	11,335	11,893
<b>Total membership</b>	<b>35,123</b>	<b>36,232</b>

### 8. Management Expenses

Management Expenses fully charged to the Fund are:

	2013/14 £000	2014/15 £000
Administration Costs	951	789
Investment Management Expenses	3,980	4,846
Oversight & Governance Costs	117	124
<b>TOTAL</b>	<b>5,048</b>	<b>5,759</b>

### 9. Investment Income

	2013/14 £000	2014/15 £000
UK Fixed Interest Securities	3,802	5,277
Overseas Fixed Interest Securities	1,120	2,345
UK Equities & Private Equity Funds	2,760	3,105
Pooled investments	1,134	1,278
Overseas Equities (net of irrecoverable tax)	3,234	3,682
Property Unit Trust Income	619	1,529
Interest on UK cash	66	75
Securities Lending	11	97
<b>TOTAL</b>	<b>12,746</b>	<b>17,388</b>

### 10. Investments at Market Value



## Cardiff and Vale of Glamorgan Pension Fund

2013/14 £000		2014/15 £000
	UK Fixed Interest:	
46,589	Public Sector	53,976
8,051	Non Govt	0
107,302	Other (Pooled)	129,201
<b>161,942</b>		<b>183,177</b>
	Overseas Fixed Interest:	
0	Public Sector (Pooled)	0
58,120	Other	61,913
<b>58,120</b>		<b>61,913</b>
77,425	UK quoted Equities & Convertibles	101,886
157,972	Foreign quoted Equities	174,678
79,897	UK & Global Property (Pooled)	99,211
<b>315,294</b>		<b>375,775</b>
92,925	Private Equity	87,433
	Pooled Funds	
446,157	UK	484,258
367,851	Overseas	423,534
<b>814,008</b>		<b>907,792</b>
884	Derivatives: Forward Currency contracts	(2,209)
	Cash:	
16,950	UK	24,110
5,190	Overseas	13,559
812	Net investment proceeds due	1,601
<b>22,952</b>		<b>39,270</b>
<b>1,466,125</b>	<b>TOTAL</b>	<b>1,653,151</b>

Gross purchases in the year (excluding cash and forward currency) were £146.615 million, whilst sales were £141.299 million. From these a net realised profit was accrued to the Fund of £16.0 million. 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 31/03/14	Purchase at cost	Sale Proceeds	Change in Market Value	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	7,856	(24,878)	11,530	87,433
<b>Sub total</b>	<b>1,442,289</b>	<b>146,615</b>	<b>(141,299)</b>	<b>168,485</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>171,478</b>	<b>1,653,151</b>

Comparative Data for 2013/14	Value at 31/03/13	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/14
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	219,150	77,421	(67,140)	(9,369)	220,062
Equities	207,401	88,401	(70,145)	9,740	235,397
Pooled Funds	711,647	18,695	0	83,666	814,008
Property unit trusts	75,238	0	(339)	4,998	79,897
Private equity	93,089	8,907	(14,874)	5,803	92,925
<b>Sub total</b>	<b>1,306,525</b>	<b>193,424</b>	<b>(152,498)</b>	<b>94,838</b>	<b>1,442,289</b>
Forward Currency	732	1,581,563	(1,592,067)	10,656	884
Futures	0	418,215	(418,215)	0	0
<b>Total Derivatives</b>	<b>732</b>	<b>1,999,778</b>	<b>(2,010,282)</b>	<b>10,656</b>	<b>884</b>
Debtors	1,754				812
Creditors	(9)				0
Managers' Cash	7,709				9,049
Internal Cash	16,288				12,625
Currency Overlay	6,929				466
<b>Total Cash</b>	<b>32,671</b>			<b>(1,219)</b>	<b>22,952</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>33,403</b>			<b>9,437</b>	<b>23,836</b>
<b>Total</b>	<b>1,339,928</b>			<b>104,275</b>	<b>1,466,125</b>

## Cardiff and Vale of Glamorgan Pension Fund

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £298,009. 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 2015

	£000	% of Fund
Aberdeen Asset Management	244,159	14.8
Aberdeen Emerging Markets	58,585	3.5
Blackrock Investment Management	188,209	11.4
Invesco Perpetual	93,847	5.7
J P Morgan	67,775	4.1
Majedie	104,072	6.3
Nikko	94,447	5.7
Schroder Investment Managers	84,854	5.1
State Street Global Advisers	499,375	30.2
Property	99,210	6.0
Private Equity Managers	87,433	5.3
Mesirow currency overlay & cash with custodian	7,074	0.4
Internally managed (Cash)	24,111	1.5
<b>Total</b>	<b>1,653,151</b>	<b>100</b>

## Cardiff and Vale of Glamorgan Pension Fund

### 12. Financial Instruments

#### a) Classification of financial instruments

31/03/2014				31/03/2015		
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	Financial assets	£000	£000	£000
220,062	0	0	Fixed Interest Securities	245,090	0	0
235,397	0	0	Equities	276,564	0	0
814,008	0	0	Pooled Funds	907,792	0	0
79,897	0	0	Property Unit Trusts	99,211	0	0
92,925	0	0	Private Equity	87,433	0	0
41,742	0	0	Derivatives	156,416	0	0
0	22,140	0	Cash	0	37,669	0
812	0	0	Other investments	1,601	0	0
0	30,348	0	Debtors	0	30,351	0
<b>1,484,843</b>	<b>52,488</b>	<b>0</b>		<b>1,774,107</b>	<b>68,020</b>	<b>0</b>
			<b>Financial liabilities</b>			
(40,858)	0	0	Derivatives	(158,625)	0	0
0	0	0	Other investments	0	0	0
0	0	(3,970)	Creditors	0	0	(3,985)
0	0	0	Borrowings	0	0	0
<b>(40,858)</b>	<b>0</b>	<b>(3,970)</b>		<b>(158,625)</b>	<b>0</b>	<b>(3,985)</b>
<b>1,443,985</b>	<b>52,488</b>	<b>(3,970)</b>		<b>1,615,482</b>	<b>68,020</b>	<b>(3,985)</b>

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

31/03/2014		31/03/2015
£000	Financial Assets	£000
94,041	Fair value through profit and loss	289,262
0	Loans and receivables	0
	<b>Financial liabilities</b>	
4,919	Fair value through profit and loss	(117,769)
5,315	Loans and receivables	(15)
<b>104,275</b>	<b>Total</b>	<b>171,478</b>

## Cardiff and Vale of Glamorgan Pension Fund

### c) Fair value of financial instruments and liabilities

31/03/2014			31/03/2015	
Carrying value	Fair value		Carrying value	Fair value
£000	£000		£000	£000
		<b>Financial assets</b>		
1,049,489	1,484,843	Fair value	1,069,969	1,774,107
52,488	52,488	Loans and receivables	68,020	68,020
<b>1,101,977</b>	<b>1,537,331</b>	<b>Total financial assets</b>	<b>1,137,989</b>	<b>1,842,127</b>
		<b>Financial liabilities</b>		
(40,858)	(40,858)	Fair value	(158,625)	(158,625)
(3,970)	(3,970)	Financial liabilities	(3,985)	(3,985)
<b>(44,828)</b>	<b>(44,828)</b>	<b>Total financial liabilities</b>	<b>(162,610)</b>	<b>(162,610)</b>

### d) 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 2015	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
<b>Financial assets</b>				
Financial assets at fair value	699,914	729,532	344,661	1,774,107
Loans and receivables	68,020	0	0	68,020
<b>Total financial assets</b>	<b>767,934</b>	<b>729,532</b>	<b>344,661</b>	<b>1,842,127</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	0	0	(158,625)	(158,625)
Financial liabilities at amortised cost	(3,985)	0	0	(3,985)
<b>Total financial liabilities</b>	<b>(3,985)</b>	<b>0</b>	<b>(158,625)</b>	<b>(162,610)</b>
<b>Net financial assets</b>	<b>763,949</b>	<b>729,532</b>	<b>186,036</b>	<b>1,679,517</b>

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

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

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

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

### Market Risk

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

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

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

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

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 31.03.2015 £000	Change in year in the net assets available to pay benefits	
		+ 100bps £000	- 100bps £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>

## Cardiff and Vale of Glamorgan Pension Fund

2013/14 Comparative:

Asset Type	Carrying amount as at 31.03.2014	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	23,836	238	(238)
Fixed interest securities	220,082	2,201	(2,201)
<b>Total</b>	<b>243,918</b>	<b>2,439</b>	<b>(2,439)</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 3.49%. A 3.49% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31.03.2015	Change to net assets available to pay benefits	
		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>

Currency exposure – asset type	Asset value as at 31.03.2014	Change to net assets available to pay benefits	
		3.09%	-3.09%
	£000	£000	£000
Overseas quoted securities	526,232	542,513	509,951
Overseas corporate bonds (quoted)	58,120	59,918	56,322
<b>Total change in assets available</b>	<b>584,352</b>	<b>602,431</b>	<b>566,273</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.

## Cardiff and Vale of Glamorgan Pension Fund

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	2.25%	101,443	96,979
Property	99,211	3.35%	90,362	84,504

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,466,125</b>	<b>8.04%</b>	<b>1,584,001</b>	<b>1,348,249</b>
UK Equities	539,453	11.42%	601,059	477,847
Overseas Equities	509,953	12.63%	574,360	445,546
Total Bonds	220,082	4.65%	230,316	209,848
Cash	23,816	0.02%	23,821	23,811
Alternatives	92,924	1.89%	81,407	78,387
Property	79,897	4.61%	97,208	88,640

### 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 the Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2015 was £24.6 million (£13.2 million at 31.03.2014). This was held with the following institutions:

	Rating	Balance at 31.03.2014 £000	Balance at 31.03.2015 £000
<b>Money market funds</b>			
Ignis	AAA	13,080	<b>12,000</b>
Deutsche	AAA	0	<b>12,000</b>
Blackrock	AAA	0	<b>650</b>
<b>Bank current account</b>			
Lloyds Bank	A	0	<b>6</b>
Co-operative	A-	131	<b>0</b>
<b>Total</b>		<b>13,211</b>	<b>24,656</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

	2013/14 £000	2014/15 £000
<b>Debtors</b>		
Pensions Administration	108	26
Miscellaneous	10	767
	<b>118</b>	<b>793</b>
<b>Creditors</b>		
Management & Custody Fees	(956)	(899)
Miscellaneous	(203)	(31)
	<b>(1,159)</b>	<b>(930)</b>
<b>Total</b>	<b>(1,041)</b>	<b>(137)</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 £415,000 and the market value of separately invested AVC's as at 31 March 2015 was £3.167 million.

## 16. Commitments

As at 31 March 2015 the Fund had outstanding private equity commitments of a maximum of £40.57 million (£48.07 million at 31 March 2014).

As at 31 March 2015 the Fund had forward currency contracts amounting to £154.91 million of purchases and £157.12 million of sales, showing an unrealised gain of £2.21 million.

## 17. Securities Lending

At the year end the value of quoted equities on loan was £38.00 million (£16.15 million at March 2014) in exchange for which the custodian held collateral of £40.35 million (£17.32 million at March 2014). For the year ending 31 March 2015, the Fund received income of £131,025 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 City of Cardiff Council are:

- Cash invested internally by The City of Cardiff Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.

## Cardiff and Vale of Glamorgan Pension Fund

- 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 City of Cardiff Council.

### **20. Post Balance Sheet Events**

There are no post balance sheet events to report.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2014/15 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 City of Cardiff Council and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus).

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff & Co., and in Cardiff Medicentre Joint Venture. 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 2014/15. 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 21 to 38 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 Fixed 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 fixed 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 2015

	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 2013 carried forward (Restated)</b>	11,548	40,319	7,295	1,312	1,605	62,079	867,235	876,068
<u>Movement in Reserves during 2013/14 (Restated)</u>								
Surplus or (deficit) on the provision of Services	(159,973)	0	4,435	0	0	(155,538)	1,215	(154,323)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	160,925	160,925
<b>Total Comprehensive Income and Expenditure</b>	<b>(159,973)</b>	<b>0</b>	<b>4,435</b>	<b>0</b>	<b>0</b>	<b>(155,538)</b>	<b>162,140</b>	<b>6,602</b>
Adjustments between accounting basis & funding basis under regulations	150,078	0	(4,234)	0	(206)	145,638	(145,638)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(9,895)</b>	<b>0</b>	<b>201</b>	<b>0</b>	<b>(206)</b>	<b>(9,900)</b>	<b>16,502</b>	<b>6,602</b>
Transfers to/(from) Earmarked Reserves	9,760	(9,760)	628	(628)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2013/14</b>	<b>(135)</b>	<b>(9,760)</b>	<b>829</b>	<b>(628)</b>	<b>(206)</b>	<b>(9,900)</b>	<b>16,502</b>	<b>6,602</b>
<b>Balance at 31 March 2014 carried forward</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>883,737</b>	<b>882,670</b>
<u>Movement in Reserves during 2014/15</u>								
Surplus or (deficit) on the provision of Services	(6,851)	0	4,696	0	0	(2,155)	2,659	504
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(57,055)	(57,055)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,851)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(2,155)</b>	<b>(54,396)</b>	<b>(56,551)</b>
Adjustments between accounting basis & funding basis under regulations	11,857	0	(4,828)	0	(63)	6,966	(6,966)	0

## 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
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	5,006	0	(132)	0	(63)	4,811	(61,362)	(56,551)
Transfers to/(from) Earmarked Reserves	(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>(61,362)</b>	<b>(56,551)</b>
<b>Balance at 31 March 2015 carried forward</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>822,375</b>	<b>826,119</b>

## Group Accounts

### THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

2013/14 (Restated)				2014/15			
Gross Expenditure £000	Gross Income £000	2012/13 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
54,714	(20,680)	<b>34,034</b>	Central Services to the Public		51,243	(17,958)	<b>33,285</b>
58,897	(25,426)	<b>33,471</b>	Cultural & Related Services		58,205	(27,886)	<b>30,319</b>
56,113	(19,586)	<b>36,527</b>	Environmental & Regulatory Services		58,059	(23,779)	<b>34,280</b>
32,169	(17,017)	<b>15,152</b>	Planning Services		22,261	(19,905)	<b>2,356</b>
504,712	(76,706)	<b>428,006</b>	Children's and Education Services		400,445	(98,704)	<b>301,741</b>
98,458	(41,706)	<b>56,752</b>	Highways & Transport Services		85,101	(42,017)	<b>43,084</b>
63,765	(62,124)	<b>1,641</b>	Housing Revenue Account		69,971	(65,231)	<b>4,740</b>
182,254	(175,897)	<b>6,357</b>	Housing Services (General Fund)		181,640	(175,755)	<b>5,885</b>
125,423	(23,029)	<b>102,394</b>	Adult Social Care		127,857	(25,777)	<b>102,080</b>
11,980	246	<b>12,226</b>	Corporate & Democratic Core		9,982	(2,004)	<b>7,978</b>
2,837	0	<b>2,837</b>	Non-Distributed Costs		3,405	323	<b>3,728</b>
5,056	0	<b>5,056</b>	Exceptional Item	6	0	0	<b>0</b>
<b>1,196,378</b>	<b>(461,925)</b>	<b>734,453</b>	<b>Net Cost of Services</b>		<b>1,068,169</b>	<b>(498,693)</b>	<b>569,476</b>
25,012	0	<b>25,012</b>	South Wales Police Authority Precept		26,411	0	<b>26,411</b>
252	0	<b>252</b>	Community Council Precepts		256	0	<b>256</b>
17,392	0	<b>17,392</b>	Levies & Contributions		16,984	0	<b>16,984</b>
2,150	(2,854)	<b>(704)</b>	(Gain)/loss on sale of non-current assets		1,589	(5,774)	<b>(4,185)</b>
<b>44,806</b>	<b>(2,854)</b>	<b>41,952</b>	<b>Other Operating Expenditure</b>		<b>45,240</b>	<b>(5,774)</b>	<b>39,466</b>
23,884	0	<b>23,884</b>	Interest Payable on debt		24,734	0	<b>24,734</b>
64	0	<b>64</b>	Interest element of finance leases	4	16	0	<b>16</b>
32,626	(3,551)	<b>29,075</b>	Interest on net defined liability/(asset)		21,970	(3,728)	<b>18,242</b>
0	(1,218)	<b>(1,218)</b>	Interest & Investment Income		0	(1,106)	<b>(1,106)</b>
162	0	<b>162</b>	Change in fair value of Investment Properties		3,538	(12,391)	<b>(8,853)</b>
<b>56,736</b>	<b>(4,769)</b>	<b>51,967</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>50,258</b>	<b>(17,225)</b>	<b>33,033</b>

## Group Accounts

2013/14 (Restated)				2014/15			
Gross Expenditure £000	Gross Income £000	2012/13 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
0	(53,164)	<b>(53,164)</b>	Recognised Capital Grants & Contributions		0	(28,165)	<b>(28,165)</b>
0	(339,678)	<b>(339,678)</b>	Revenue Support Grant		0	(326,291)	<b>(326,291)</b>
0	(107,229)	<b>(107,229)</b>	Non-Domestic Rates		0	(109,695)	<b>(109,695)</b>
948	(158,206)	<b>(157,258)</b>	Council Tax Income		779	(165,499)	<b>(164,720)</b>
0	(17,065)	<b>(17,065)</b>	Other Central Grants		0	(13,608)	<b>(13,608)</b>
<b>948</b>	<b>(675,342)</b>	<b>(674,394)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>
345	0	<b>345</b>	Tax expenses - Corporation Tax payable			0	<b>0</b>
<b>1,299,213</b>	<b>(1,144,890)</b>	<b>154,323</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,164,446</b>	<b>(1,164,950)</b>	<b>(504)</b>
		(19,902)	Revaluation Gains				<b>(937)</b>
		127,299	Revaluation Losses				<b>3,287</b>
		352	Impairment losses on non-current assets charged to the Revaluation Reserve				<b>412</b>
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				<b>0</b>
		(266,411)	Actuarial gains/losses on pension assets/liabilities				<b>51,491</b>
		0	Other gains/losses required to be included in the Comprehensive Income & Expenditure Statement				<b>0</b>
		(2,263)	Share of other comprehensive income & expenditure of subsidiaries				<b>2,802</b>
		<b>(160,925)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>57,055</b>
		<b>(6,602)</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>56,551</b>

GROUP BALANCE SHEET AS AT 31 MARCH 2015

## Group Accounts

31 March 2014 (Restated) £000		Note	31 March 2015 £000
	<u>Property Plant &amp; Equipment:</u>	7	
566,393	Council Dwellings		569,012
752,760	Other Land and Buildings		775,520
29,979	Vehicles, Plant, Furniture & Equipment		29,398
314,866	Infrastructure		308,666
18,734	Community Assets		19,206
24,036	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		37,024
50,789	Heritage Assets		50,884
75,625	Investment Properties		100,787
4,748	Intangible Fixed Assets including AUC	7	4,346
3,780	Long-term Investments		3,754
2,935	Long-term Debtors		2,790
728	Deferred tax asset		938
<b>1,900,776</b>	<b>Total Long Term Assets</b>		<b>1,914,082</b>
28,895	Short-term Investments		42,185
380	Assets held for Sale	7	3,040
2,961	Inventories		2,446
73,290	Short-term Debtors	9	91,910
45,542	Cash and Cash Equivalents		28,446
<b>151,068</b>	<b>Total Current Assets</b>		<b>168,027</b>
(14,457)	Short Term Borrowing		(12,964)
(77,779)	Short Term Creditors	11	(97,074)
(2,486)	Pension Strain		(2,830)
(11,400)	Provisions	12	(10,300)
(1,914)	Deferred Liabilities	13	(1,746)
(552)	Deferred tax liability		(397)
<b>(108,588)</b>	<b>Total Current Liabilities</b>		<b>(125,311)</b>
(466,486)	Long Term Borrowing		(465,808)
(34,561)	Provisions		(32,975)
(10,290)	Deferred Liabilities		(10,510)
(9,724)	Capital Contributions Receipts in Advance		(10,095)
(2,363)	Revenue Grants Receipts in Advance		(3,734)
(306)	Capital Grants Receipts in Advance		(2,160)
(5,766)	Pensions Strain		(6,252)
(476,665)	Net Pensions Liability		(544,477)



## Group Accounts

31 March 2014 (Restated) £000		Note	31 March 2015 £000
(1,179)	Deferred tax liability		(1,422)
<b>(1,007,340)</b>	<b>Total Long Term Liabilities</b>		<b>(1,077,433)</b>
<b>935,916</b>	<b>NET ASSETS</b>		<b>879,365</b>
	<b>Financed by:</b>		
11,413	Council Fund Balance		13,154
30,559	Council Fund Earmarked Reserves		33,824
8,124	Housing Revenue Account Balance		8,438
684	HRA Earmarked Reserves		238
1,399	Capital Receipts Reserve		1,336
<b>52,179</b>	<b>Usable Reserves</b>		<b>56,990</b>
209,992	Revaluation Reserve		204,166
1,156,598	Capital Adjustment Account		1,169,476
104	Deferred Capital Receipts		87
4,618	Available for Sale Financial Instruments Reserve		4,618
(2,709)	Financial Instruments Adjustment Account		(2,367)
(484,188)	Pensions Reserve		(552,621)
(6,789)	Accumulated Absences Adjustment Account		(7,670)
6,111	Reserves (group entities)		6,686
<b>883,737</b>	<b>Unusable Reserves</b>		<b>822,375</b>
<b>935,916</b>	<b>TOTAL RESERVES</b>		<b>879,365</b>

## Group Accounts

### GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2015

2013/14 (Restated) £000		Note	2014/15 £000
154,323	<b>Net (Surplus) /Deficit on the provision of services</b>		(504)
(244,874)	Adjust net surplus or deficit on the provision of services for non-cash movements	14	(87,266)
45,400	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15	21,712
<b>(45,151)</b>	<b>Net cash flows from operating activities</b>		<b>(66,058)</b>
(1,080)	Interest Received		(1,126)
24,802	Interest Paid		24,744
63	Finance lease interest paid		118
0	Dividends received		0
(122)	Taxation (group only)		56
(68,814)	Net cash flow from other operating activities		(89,850)
<b>63,155</b>	<b>Investing activities</b>		<b>69,447</b>
81,661	Purchase of property, plant and equipment, investment property and intangible assets		72,585
3,232	Purchase of short-term and long-term Investments		29,047
25,268	Other payments for investing activities		9,922
(3,619)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(5,830)
(43,319)	Capital Grants		(33,754)
(68)	Proceeds from short-term and long-term investments		(2,523)
<b>(25,434)</b>	<b>Financing activities</b>		<b>13,707</b>
(19,382)	Cash receipts from short-term and long-term borrowing		(6,902)
(7,752)	Other receipts from financing activities		
1,594	Cash payments for the reduction of outstanding liabilities relating to finance leases		891
106	Repayments of short-term and long-term borrowing		7,820
0	Other payments for financing activities		11,898
<b>(7,430)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>17,096</b>
<b>38,112</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>45,542</b>
<b>45,542</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>28,446</b>
324	Cash held e.g. Imprest Accounts		182
10,513	Cash and Bank		13,842
34,705	Short-term deposits with financial institutions		14,422

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 45 to 114 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	
	2013/14	2014/15
60,000-64,999	91	91
65,000-69,999	37	28
70,000-74,999	15	8
75,000-79,999	10	17
80,000-84,999	13	6
85,000-89,999	8	6
90,000-94,999	4	8
95,000-99,999	2	0
100,000-104,999	6	3
105,000-109,999	3	2
110,000-114,999	2	1
115,000-119,999	1	10
120,000-124,999	0	1
125,000-129,999	0	0
130,000-134,999	0	0
135,000-139,999	1	1
140,000-144,999	0	1
145,000-149,999	0	0
150,000-154,999	0	1
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	1
170,000-174,999	0	0
175,000-179,999	0	1

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2014/15 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 with the following addition:

**PTI Cymru** During the year Cardiff City Transport Services received £37,199 (£79,983 in 2013/14) from PTI CYMRU Ltd. for the rent of a call centre in Cardiff together with refurbishment costs. At 31 March 2015 there was a net balance of £0 (£6,177 in 2013/14) owed by PTI Cymru Ltd to Cardiff City Transport Services Ltd.

#### 3. External Audit Costs

In 2014/15 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

## Notes to Group Accounts

	2013/14 £000	2014/15 £000
Fees payable to Wales Audit Office for external audit services	461	421
Fees Payable to other external auditors in respect of external audit services	23	24
Fees payable to external auditors for the certification of grant claims and returns	117	118
Fees payable in respect of other services provided by external auditors	8	3
<b>Total</b>	<b>609</b>	<b>566</b>

Within the disclosure for fees payable in 2013/14 in respect of other services provided by the appointed auditor £32,000 is in respect of an audit to consider and investigate the disclosure of the Public Internet Disclosure Act.

#### 4. Leasing

##### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Property Leases	2,114	1,886
Other Leases	460	416

The group was committed at 31 March 2015 to making payments of £2.913 million under operating leases in 2014/15 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2014/15	8	433
Leases expiring between 2015/16 and 2016/17	583	797
Leases expiring after 2017/18	1,091	0

##### Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Vehicles, Plant & Equipment	64	16

## Notes to Group Accounts

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

2013/14 £000		2014/15 £000
8,674	Vehicles, Plant, Furniture and Equipment	8,934

Obligations under finance leases:

2013/14 £000		2014/15 £000
704	Obligations payable within 1 year	722
3,000	Obligations payable between 2 and 5 years	3,292
0	Obligations payable after 5 years	0
<b>3,704</b>	<b>Total liabilities as at 31st March</b>	<b>4,014</b>

### 5. Pensions

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

	2013/14 £000	2014/15 £000
<i>Net Cost of Services</i>		
Current Service Cost	43,902	35,735
Past Service Costs	2,480	2,928
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	29,075	18,242
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>75,457</b>	<b>56,905</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(32,123)	(15,268)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	1,727	1,872
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>45,061</b>	<b>43,509</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,910)	(38,403)
Payments in Respect of Unfunded Pensions Liabilities	(3,450)	(3,500)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,701)	(1,606)
	<b>(45,061)</b>	<b>(43,509)</b>

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures in note 5 relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2014/15 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 £682,000 (£719,000 in 2013/14) represents contributions payable during the year. At 31 March 2015, contributions of £89,000 (£99,000 in 2013/14) 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 2.6% per annum higher than the rate of future annual wage and salary growth and 1.4% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 1.6% 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 £30.1m 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 14.7% 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 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2013	31 March 2014	31 March 2015
Rate of increase in salaries	3.7% per annum	3.9% per annum	3.5% per annum
Discount rate	4.3% per annum	4.4% per annum	3.3% per annum
Inflation assumption	3.2% per annum	3.4% per annum	3.0% per annum
Pension increases	2.5% per annum	2.7% per annum	2.0% per annum
Inflation assumption (CPI)	2.5% per annum	2.7% per annum	2.0% 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 20.2 years if they are male and for a further 22.7 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 22.0 years after retirement if they are male and for a further 24.5 years after retirement if they are female.

## Notes to Group Accounts

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

	2012/2013		2013/2014		2014/15	
	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	10,814	7.0% pa	7,341	N/A	N/A
Diversified growth	6.8% pa	9,122	6.8% pa	12,937	N/A	N/A
Convertible Bonds	6.5% pa	8,692	6.5% pa	9,748	N/A	N/A
Bonds	N/A	0	N/A	0	N/A	N/A
Cash	2.0% pa	86	2.0% pa	60	N/A	N/A
		<b>28,714</b>		<b>30,086</b>		

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Total market value of assets	28,714	30,086	32,795
Present value of scheme liabilities	(29,260)	(29,914)	(34,276)
<b>Net IAS19 Scheme Deficit</b>	<b>(546)</b>	<b>172</b>	<b>(1,481)</b>

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(711)	(644)	(588)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,707	1,941	2,018
Interest on pension scheme liabilities	(1,232)	(1,251)	(1,304)
<b>Net finance income/(charge)</b>	<b>475</b>	<b>690</b>	<b>714</b>

### Analysis of amount recognised in the primary statements

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Actual return less expected return on pension assets	1,683	(474)	974
Changes in financial assumptions underlying the scheme/(liabilities)	(2,979)	245	(3,599)
Actuarial gain/(loss) recognised in the primary statements	(1,296)	(229)	(2,625)

## Notes to Group Accounts

### Movements in scheme deficit during the year

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
<b>At 1 April b/f</b>	(111)	(546)	172
Movement in year:			
Total operating charge	(711)	(644)	(588)
Contributions	1,097	901	846
<b>Net finance income/(charge)</b>	475	690	714
Actuarial gain/(loss) in the primary statements	(1,296)	(229)	(2,625)
<b>At 31 March c/f</b>	<b>(546)</b>	<b>172</b>	<b>(1,481)</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 FRS17 in order to assess the liabilities of the Fund as at 31 March 2015. 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 2014 valuation are as follows:

April 2015 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 2013	At 31 March 2014	At 31 March 2015
Rate of increase in salaries	3.7% pa	3.9% pa	3.5% pa
Discount rate	4.3% pa	4.4% pa	3.3% pa
Rate of increase in pensions in payment	2.5% pa	2.7% pa	2.0% pa
Rate of increase in deferred pensions	2.5% pa	2.7% pa	2.0% pa
Rate of inflation (RPI)	3.2% pa	3.4% pa	
Rate of inflation (CPI)	2.5% pa	2.7% 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 20.1 years if they are male and for a further 22.7 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 21.9 years after retirement if they are male and for a further 24.4 years after retirement if they are female.

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

	2012/2013		2013/14		2014/15	
	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	7.8% pa	17,883	7.6% pa	19,888	N/A	N/A
Government bonds	2.8% pa	1,765	3.4% pa	1,753	N/A	N/A
Corporate bonds	3.8% pa	2,141	4.0% pa	2,032	N/A	N/A
Property	7.3% pa	1,318	6.9% pa	1,372	N/A	N/A
Cash	0.9% pa	282	0.9% pa	330	N/A	N/A
Other assets	7.8% pa	141	7.6% pa	25	N/A	N/A
		23,530		25,400		21,170

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Total market value share of assets	23,530	25,400	27,500
Present value of scheme liabilities	(31,200)	(29,210)	(30,710)
<b>Net IAS19 Scheme Deficit</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>

Analysis of amount charged to operating profit:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Current service cost	(340)	(310)	(320)
Past service cost	0	0	0
<b>Total Operating Charge</b>	<b>(340)</b>	<b>(310)</b>	<b>(320)</b>

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

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Expected return on pension scheme assets	1,500	1,610	1,710
Interest on pension scheme liabilities	(1,410)	(1,320)	(1,250)
<b>Net Finance Income/(Charge)</b>	<b>90</b>	<b>290</b>	<b>460</b>

## Notes to Group Accounts

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

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Actual return less expected return on pension assets/(liabilities)	1,460	840	1,500
Changes in financial assumptions underlying the scheme (liabilities)/assets	(1,470)	2,240	(1,800)
Actuarial (loss)/gain recognised in the primary statements.	(10)	3,080	(300)

### Movements in scheme deficit during the year:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
<b>At 1 April</b>	<b>(8,240)</b>	<b>(7,670)</b>	<b>(3,810)</b>
Movement in year:			
Total operating charge	(340)	(310)	(320)
Contributions	830	800	760
Net finance income/(charge)	90	290	460
Actuarial (loss)/gain in the primary statements	(10)	3,080	(300)
<b>At 31 March</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>

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

	31 March 2014 £000	31 March 2015 £000
The Group and the Company		
Cardiff City Transport Scheme	(172)	1,481
Cardiff & Vale of Glamorgan Pension Scheme	3,810	3,210
Deferred Tax Asset	(728)	(938)
<b>Total</b>	<b>2,910</b>	<b>3,753</b>

### 6. Exceptional Item

There are no exceptional items reported in the 2014/15 Cardiff Bus Accounts.

### 7. Non-Current Assets note

## Notes to Group Accounts

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	0	0	0	0	(389)	0	<b>(389)</b>
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(260)	0	<b>(3,708)</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		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>815,452</b>	<b>77,813</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,140,852</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	14,656	6,392	23,465	0	0	0	<b>56,619</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	(308)	0	0	0	0	0	<b>(308)</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>39,932</b>	<b>48,415</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,269</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>775,520</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,750,583</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

### Comparative Movements in 2013/14:

2013/14 (Restated)	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2013	578,430	1,011,121	71,601	544,547	16,715	51,424	18,570	<b>2,292,408</b>
Additions	12,155	22,058	8,867	11,550	425	428	21,891	<b>77,374</b>
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)	0	<b>(363)</b>
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)	0	<b>(1,332)</b>
Derecognition - disposals	(399)	(447)	(3,289)	0	0	(914)	0	<b>(5,049)</b>
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013	0	<b>(513)</b>
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087	(16,425)	<b>(593)</b>
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384	0	<b>(121,617)</b>
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)	0	<b>(135,000)</b>
<b>At 31 March 2014</b>	<b>589,754</b>	<b>778,553</b>	<b>80,926</b>	<b>557,909</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>2,105,315</b>
<b>Depreciation</b>								
At 1 April 2013	11,569	34,179	48,114	217,036	0	0	0	<b>310,898</b>
Depreciation charge	11,800	13,854	6,103	26,007	0	0	0	<b>57,764</b>
Depreciation written out on impairment	0	(11)	0	0	0	0	0	<b>(11)</b>
Derecognition - disposals	(8)	(56)	(3,270)	0	0	0	0	<b>(3,334)</b>
Depreciation written out to SDPS **	0	(368)	0	0	0	0	0	<b>(368)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(21,805)	0	0	0	0	0	<b>(21,805)</b>
<b>At 31 March 2014</b>	<b>23,361</b>	<b>25,793</b>	<b>50,947</b>	<b>243,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>343,144</b>
<b>Net Book Value:</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>
<b>At 31 March 2013</b>	<b>566,861</b>	<b>935,187</b>	<b>23,487</b>	<b>327,511</b>	<b>16,715</b>	<b>51,424</b>	<b>7,079</b>	<b>1,928,264</b>

## Notes to Group Accounts

Movements in Intangible assets during 2014/15 are summarised as follows:

	Other Intangible Assets	Intangible AUC	Total
	£000	£000	£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>

Comparative Movements in 2013/14:

	Other Intangible Assets	Intangible AUC	Total
	£000	£000	£000
<b>Cost or Valuation</b>			
At 1 April 2013	3,926	2,344	6,270
Additions	12	909	921
Other reclassifications	585	(585)	0
<b>At 31 March 2014</b>	<b>4,523</b>	<b>2,668</b>	<b>7,191</b>
<b>Amortisation</b>			
At 1 April 2013	1,539	0	1,539
Amortisation	904	0	904
<b>At 31 March 2014</b>	<b>2,443</b>	<b>0</b>	<b>2,443</b>
<b>Net Book Value:</b>			
<b>At 31 March 2014</b>	<b>2,080</b>	<b>2,668</b>	<b>4,748</b>
<b>At 31 March 2013</b>	<b>2,387</b>	<b>2,344</b>	<b>4,731</b>

### 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

## Notes to Group Accounts

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2015, the company had no contracts to buy fuel.

### 9. Debtors

31 March 2014 (Restated) £000		31 March 2015 £000
38,400	Central Government Bodies	53,976
3,479	Other Local Authorities	7,168
5,235	NHS Bodies	4,883
17	Public Corporations & Trading Funds	38
26,159	Other Entities and Individuals	25,845
<b>73,290</b>	<b>Total Debtors Net of Impairments</b>	<b>91,910</b>

### 10. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £2.512 million (£2.486 million in 2013/14) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.519 million (£2.492 million in 2013/14) in money market accounts that are not instant access.

### 11. Creditors

31 March 2014 £000		31 March 2015 £000
(13,403)	Central Government Bodies	(11,649)
(2,120)	Other Local Authorities	(6,576)
(853)	NHS Bodies	(860)
(43)	Public Corporations & Trading Funds	(12)
(61,360)	Other Entities and Individuals	(77,977)
<b>(77,779)</b>	<b>Total Creditors</b>	<b>(97,074)</b>

### 12. Provisions

	Balance 1 April 2014 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2015 £000
Cardiff Insurance Provisions	(11,980)	5,810	(5,164)	(11,334)
MMI Scheme of Arrangement Levy	(450)	0	(254)	(704)
Cardiff Bus Insurance Provision	(2,666)	2,080	(2,279)	(2,865)
Cardiff Bus Reorganisation Provision	(394)	394	0	0
Termination Benefits Provision	(856)	856	(59)	(59)
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(18,088)	1,095	0	(16,993)
Other Provisions	(2,431)	1,547	(1,340)	(2,224)
<b>Total Provisions</b>	<b>(45,961)</b>	<b>11,782</b>	<b>(9,096)</b>	<b>(43,275)</b>

## Notes to Group Accounts

	Not later than one year £000	Later than one year £000	Balance 31 March 2015 £000
Cardiff Insurance Provisions	(4,924)	(6,410)	<b>(11,334)</b>
MMI Scheme of Arrangement Levy	(50)	(654)	<b>(704)</b>
Cardiff Bus Insurance Provision	(1,289)	(1,576)	<b>(2,865)</b>
Termination Benefits Provision	(59)	0	<b>(59)</b>
Ferry Rd Landfill Provision	(45)	(9,051)	<b>(9,096)</b>
Lamby Way Landfill Provision	(2,064)	(14,929)	<b>(16,993)</b>
Other Provisions	(1,869)	(355)	<b>(2,224)</b>
<b>Total Provisions</b>	<b>(10,300)</b>	<b>(32,975)</b>	<b>(43,275)</b>

### 13. Deferred Liabilities

	Balance 1 April 2014 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2015 £000
Commuted Maintenance Sums	(8,500)	1,078	(819)	(8,241)
Cardiff Bus Finance Lease Liability	(3,704)	891	(1,202)	(4,015)
<b>Total Deferred Liabilities</b>	<b>(12,204)</b>	<b>1,969</b>	<b>(2,021)</b>	<b>(12,256)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2015 £000
Commuted Maintenance Sums	(1,024)	(7,217)	(8,241)
Cardiff Bus Finance Lease Liability	(722)	(3,293)	(4,015)
<b>Total Deferred Liabilities</b>	<b>(1,746)</b>	<b>(10,510)</b>	<b>(12,256)</b>

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

	2013/14 (Restated) £000	2014/15 £000
Depreciation and impairment	(192,219)	(55,814)
Charges made for retirement benefits (IAS19) less employers contributions	(31,116)	(20,713)
Contributions (to)/from provisions	(2,802)	5,153
Changes in fair value of investment properties	(1,195)	(1,589)
Cardiff Bus Taxation	(122)	
Increase/(decrease) in stock	(356)	(515)
Increase/(decrease) in debtors (exc capital)	(4,320)	898
(Increase)/decrease in creditors (exc capital creditors) & super fund	(12,744)	(14,688)
	<b>(244,874)</b>	<b>(87,268)</b>

## Notes to Group Accounts

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

	2013/14 (Restated) £000	2014/15 £000
REFCUS	(3,396)	(749)
Net gain/(loss) on sale of non-current assets	704	5,774
Repayments of liabilities under finance leases	14	0
Capital grants/contributions recognised in I&E	53,165	28,165
Other cash items which effect investing or financing activities	(5,087)	(11,478)
	<b>45,400</b>	<b>21,712</b>

### 16. 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 2014/15, 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 (525512)** – 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 (519831)** - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor's attraction on the Cardiff Bay Waterfront for future generations.

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 2014 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2015 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,446	8	0	11	1,443
Maindy Park Foundation	77,850	256	0	11	78,095
Norwegian Church Preservation Trust	80	68,316	0	68,501	(105)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	17,763,733	790,497	2,947,550	316,387	21,185,393
<b>Total funds for which the council is sole trustee</b>	<b>17,843,109</b>	<b>859,077</b>	<b>2,947,550</b>	<b>384,910</b>	<b>21,264,826</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	59,361	2,110	4,122	2,245	63,348
The Howardian Trust	26,924	955	2,814	998	29,695
<b>Total other funds which are administered by the Council</b>	<b>86,285</b>	<b>3,065</b>	<b>6,936</b>	<b>3,243</b>	<b>93,043</b>
<b>Total</b>	<b>17,929,394</b>	<b>862,142</b>	<b>2,954,486</b>	<b>388,153</b>	<b>21,357,869</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 2015 have yet to be examined. This is to be undertaken in January 2016 which is within the statutory deadlines set.

## Scope of Responsibility

1. The City of 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 governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. There are further specific requirements for the Pension Fund which are:
  - The Statement of Investment Principles
  - Funding Strategy Statement
  - A full Actuarial Valuation to be carried out every third year
4. The Council has 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 and Risk Manager. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2014.

## The Purpose of the Governance Framework

5. 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.
6. 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.
7. 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

8. 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.

9. 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.

10. The Council's new Corporate Plan for 2015-17 sets out a clear vision to be "Europe's most liveable Capital City" based on delivering the What Matters seven strategic outcomes. There is also a greater focus on a smaller number of priorities and review of performance measures. The Corporate Plan priorities have been determined as:

- Education and skills for people of all ages
- Supporting vulnerable people
- Sustainable economic development
- Working with people and partners to design, deliver and improve services

11. There is alignment between these documents, risk assessments and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements.

12. Delivery against the What Matters outcomes has continued in 2014/15. A progress report for 2013/14 has been produced and a similar report for 2014/15 is being prepared.

13. As part of the mid term review of the 10 year Strategy, the Partnership has commenced a refresh of the Strategic Needs Assessment and Strategy for completion by autumn 2015. The refresh will review the changing policy context and priorities in light of the changed economic environment and also reflect future requirements of the Wellbeing of Future Generations (Wales) Bill.

14. To inform the refresh, work has also been undertaken with the existing Partnership Programmes to review priorities and at the meeting of the Cardiff Partnership Board on 5 February, it was agreed that there should also be alignment of delivery arrangements with the Council's Organisational Development Programme where relevant.

15. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. The Cardiff Partnership Leadership Group, chaired by the Leader of the Council, acts as an overarching body providing strategic guidance for the city on wide ranging issues. The implementation of the vision is led by the Cardiff Partnership Board (CPB), chaired by the Council's Chief Executive and supporting programme management arrangements.

16. In 2014, the Cardiff Partnership Leadership group was replaced by the Joint Cardiff & Vale of Glamorgan Local Service Board (agreed by Cabinet on 10th April 2014) and there have been three meetings to date. A joint work programme has been agreed and is being progressed which aligns with both the What Matters Strategy and the Council's Corporate Plan.

17. The CPB facilitates a 'seamless public service' approach which encourages greater joint working and integration of service delivery to release efficiencies and improve the effectiveness of services provided. Alignment of commissioning processes to meet identified needs and deliver shared outcomes has been progressed through the Families First programme which has used outcome based service specifications. These services are also being joined-up with other programmes such as Flying Start, Communities First, Integrated Family Support and Neighbourhood Management.

18. Alignment of commissioned services and partnership activity has continued in 2014/15 using Neighbourhood Partnerships as a mechanism for aligning local service providers, reviewing provision and identifying gaps. There has also been significant progress made in using individual focussed data to review provision and provide improved tailored support e.g. EET Panels (EETs refers to young people not in Education, Employment or Training). Through robust contract management and performance reporting there have also been reviews of thematic services (e.g. Parenting Services) across separate Programmes such as Families First, Communities First, Flying Start and Team around the Family which has identified both potential duplication and gaps in provision. This has resulted in decommissioning of some services and commissioning of new provision to meet demands.

19. A Neighbourhood White Paper was agreed by partners in October 2013 which included a number of recommendations for further developing locality working and the delivery of neighbourhood action plans. One of the recommendations included the identification of lead elected members for each of the six Neighbourhood Partnerships, which were agreed by Cabinet in March 2014.

20. The Neighbourhood White Paper has been implemented in 2014/15 including the establishment of the Lead Elected member role for the 6 Neighbourhood Partnership and the delivery of the Neighbourhood Fund.

21. Neighbourhood delivery also continues to shape the new model of public services in Cardiff and this is reflected by its inclusion in Council's Organisational Development Programme – Reshaping Services Portfolio and a new Neighbourhood Infrastructure Service Pilot being undertaken.

22. 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. 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 Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

23. The Corporate Plan and Directorate 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.

24. Enhancements have been 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 the Improvement Boards chaired by the Chief Executive set up within specific Directorates including Children's and Education and Lifelong Learning.

25. 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.

26. 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**

27. 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.

28. 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:

- Scheme of Delegations
- 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.

29. Soon after the 2014/15 Budget was approved in February 2014 Council the Leader announced her resignation. Councillor Joyce stepped down when a new Leader had been appointed by the Labour Group. Councillor Phil Bale was elected the Leader of the Council in March 2014.

30. 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 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.

31. 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.

32. The Annual Improvement Report 2013/14 was noted by Cabinet in September 2014, incorporated several proposals for improvement which have been instigated through 2014/15 including:

- Directorate Delivery Plans that provide clear milestones and performance indicators against which the delivery of the Corporate Plan can be monitored;
- Aligned monitoring and reporting cycles for finance and service performance information to afford the Council greater visibility of its overall performance position;
- Performance Challenge sessions at Senior Management Team on a monthly basis;
- Joint Cabinet and Senior Management Team Performance Challenge meetings on a monthly basis;
- Scrutiny of performance information prior to formal Cabinet consideration;
- Accelerated Improvement Support – led by the Chief Executive for targeted services, including Children's Services and Education, utilising a mix of internal support and external peer support and challenge;
- A Challenge Forum which draws together senior Members and officers, together with external peer support, to test and challenge the Council's progress against its improvement journey;
- An extensive staff engagement programme to raise awareness of, and involvement in, the improvement journey;
- A simplified Personal Performance Development and Review process and a focus on compliance.

33. During the autumn of 2014 the Council set about developing a Corporate Plan for 2015-2017 in the context of severe financial challenges facing local government. The content of the Medium Term Financial Plan (MTFP) approved as part of the 2014/15 Budget Report has been incrementally updated during the year as further negative announcements were made by both the UK government and the Welsh Government. The July Budget Strategy Report detailed changes to the assumed level of Revenue Support Grant (RSG) which increased the anticipated budget gap from £34.2 million as reported in February 2014 to circa £45.5 million in July 2014. The 2015/16 Provisional RSG settlement announced in October 2014 was slightly better than the planning assumption mainly as a result of increases in population. The final RSG settlement in December 2014 was consistent with this position so that overall the Council's cash position is

a reduction of £12.516 million against that received in 2014/15 resulting in the second year of an absolute cash reduction.

34. As part of the Budget Strategy Report it was decided that the budget savings proposed for 2015/16 would need to be delivered by following a targeted budget savings approach and that the classification introduced in 2014/15 would be continued. Consequently, targets were developed under the headings of:

- Policy led savings
- Business Process led corporate efficiency savings
- Discrete Directorate led savings

35. Given the significant level of savings required in 2015/16 following the unprecedented level required in the current year, it was more important than ever that the proposals identified are robust and deliverable and as a result of a due diligence exercise a number of budget proposals were reduced or removed.

36. The Council's Budget for 2015/16 and the medium term was set at Council in February. The approved budget included making savings amounting to £32.473 million, a one-off capitalisation direction of £3.487 million and an increase in council tax rates of 5%. In recognition of the challenges of realising year on year significant budget savings the Council maintain the general and issue-specific contingency sums that were established in 2014/15.

37. The Budget Strategy for 2016/17 and the medium term will be presented to Cabinet and Council in July 2015. This report will be key in establishing a financial strategy for the Council to meet the continued significant financial challenges facing the Council.

38. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. As part of the integrated, corporate approach required to support the implementation of the Corporate Plan 2015-2017, individual Directorate Delivery Plans, containing more detailed objectives and outcomes, further 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.

39. During 2014/15 there has been a period of stability regarding the Senior Management Team. Chief Executive Paul Orders commenced in post in December 2013. Cabinet in February 2015 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.

40. The restructure looked to reduce the number of posts from eleven to seven. The Chief Executive discussed the proposals with each of the affected individuals who were invited to provide comments in response. He also briefed relevant audit and inspection bodies on the proposals. The Chief Executive considered the various comments which have been received as part of the consultation process. As a result, the proposals set out in the report reflect any subsequent changes that have been made to the Tier 1 proposals based on valid submissions received.

41. The following are considered new roles 1) Director of City Operations, 2) Director of Social Services and 3) Director of Governance & Legal Services (reporting to Corporate Director Resources). Appointments were made to these roles in June 2015.

42. 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.

43. 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 had considered this matter and recommended the new draft policy for adoption by the Cabinet. The policy has also been shared with Audit Committee members.

44. Under the policy, staff are required to disclose any personal interest which actually or potentially conflicts with their duties to the Council (and guidance is given on this) 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. (This may include the re-allocation of duties, if possible, and an appeals procedure).

45. 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 issued 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.

46. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. During the temporary period when the Corporate Director Resources was acting as Interim Head of Paid Service arrangements were made to appoint an Interim Section 151 Officer. 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).

47. 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.

48. 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 and the Contract Standing Order and Procurement Rules.

49. Currently the Council's Monitoring Officer role is undertaken by the County Clerk and Monitoring Officer. This position is affected by the proposed Tier 1 management restructure, looking forward to 2015/16 the Monitoring Officer role will be undertaken by the new post Director of Governance & Legal Services.

50. 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**

51. 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.

52. 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. Since the local



elections in 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from Officers.

53. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to 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. There have been some changes to the independent members of the Committee during 2014/15, due to there being one vacant seat and Sir Richard Lloyd-Jones resigning from the Committee. A public recruitment exercise was undertaken and two independent members were appointed who both have a wealth of knowledge and experience to bring to the Audit Committee; Ian Arundale and Hugh Thomas. A full induction programme is provided for all new members. Sir Jon Shortridge was re-elected as Chair to the Committee for the municipal year 2014/15.

54. 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.

55. All staff undertakes induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Health & Safety, Equalities and IT Security.

56. 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)

57. In March 2015 Audit Committee was presented with the revised Fraud, Bribery & Corruption Policy, formerly 'Anti Fraud, Anti Corruption & Bribery Policy' which was last reviewed and updated in 2011. Members were aware from regular reports received from the Audit & Risk Manager that the Council deals with a number of cases of suspected fraud and financial impropriety; and that there has been an increase in the number and complexity of these in recent times. This has emphasised the importance of having a policy in place which is fully understood and implemented consistently across the Council.

58. The Committee were informed of elements of the policy which highlight where the Council is proactive in adopting prevention and detection techniques, and setting out a detailed process for investigation of cases to ensure these are undertaken to professional standards and in a consistent manner. Members of the Committee were informed of the role of Senior Management in terms of their responsibility for financial control and the actions of their members of staff. Throughout an investigation there is a requirement for Internal Audit to oversee and be content with the way the investigation is undertaken and reported.

59. Simultaneously there is a detailed review underway of the Council's Disciplinary Policy and Procedure which has a direct impact on how suspected cases of fraud and financial impropriety investigations are handled. It has been determined that both policies are to be presented to Cabinet for approval early in 2015-16, and every effort is to be made to ensure that they complement each other.

60. 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 new 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.

61. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and staff. These policies 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.

62. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receives training based on their employment within the Council and additional 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 that 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 receive a booklet outlining the Council's Policies and setting out their responsibilities, staff are required to attend a briefing session and sign that they have received 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.

63. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities. 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.

64. Over the last financial year 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.

65. 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**

66. 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.

67. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal 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.

68. The City of Cardiff Council Scrutiny services play 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. 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.

69. 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. Training events were arranged throughout

the year for scrutiny members; an example includes 'Working with Risk – Budget Scrutiny Workshop' which was held in January prior the Council's budget being set for 2015/16.

70. On 2 April 2014, Democratic Services Committee was presented with a Strategy for Democratic Services 2014/15. The Strategy set the framework for a number of improvements to be implemented throughout the year. Following the Cabinet report presented in May 2014 'Establishing a Programme of Organisational Change for the City of The City of Cardiff Council' it was agreed that the 'Governance and Member Engagement' become a formal Programme to deliver against the Organisational Development Plan. Therefore the programme has ensured the effective delivery of the improvements identified in the report presented to Democratic Services Committee.

71. The Council's Scrutiny Committee Work Programme for the municipal year 2014/15 was 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.

72. 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. Recommendations are monitored to ensure these are 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.

73. 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.

74. The Council is entering into an increasing number of collaborative scrutiny arrangements with its partners. Notable examples currently underway are the Prosiect Gwyrdd five Council Joint Scrutiny Panel and the Cardiff Partnership Joint Scrutiny Panel. Plans to develop joint scrutiny committees to ensure democratic accountability of regional social care and schools improvement consortia are underway.

75. 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.

76. The project looks to take forward the learning from the Council's participation in the 2013 Wales Audit Office Improving Scrutiny Study; and to assess and make recommendation on the structures and arrangements that will be most appropriate to manage the scrutiny of the Council's transformation over coming years. The Project is being undertaken in participation with the Centre for Public Scrutiny, a charity providing expertise and capacity in non-executive governance. The Council is one of nine major case studies featured in a UK wide analysis of local Authority transformation.

77. A project plan has been agreed along with a number of actions to be undertaken through 2014/15, some of which have already been undertaken including Scrutiny Chairs' Liaison Forum. The Centre for Public Scrutiny interviewed key project stakeholders from senior officers through to members and desk top research has been undertaken. It is anticipated that the project will conclude in the summer of 2015. A Scrutiny Inquiry Report will be drafted in April 2015 and finalised in May, which will then be submitted to Cabinet. The timescales in place will enable managers to implement arrangements in time for the start of the 2016/17 financial year.

78. 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 have very much enforced 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. The Audit Committee were also supportive of the Audit Manager in writing to all Directors to reinforce the message of financial conduct and internal control at a time of severe financial pressures.

79. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, currently being rolled out and delivered to middle managers across the Council. The programme will provide a benchmark of expectations placed on management which will enable managers to make informed and transparent decisions. There are a number of themes delivered across the programme; specifically the Audit Manager will be delivering two sessions to each cohort on the management of risk and decision making and compliance in context with Council procedure rules, such as Financial Procedure Rules. Cohorts commenced on the programme in the autumn of 2014 and will continue into 2015/16.

80. Further initiatives have commenced in 2014/15 to drive consistency in the standards applied across the Council. E-learning modules are being developed around the management of risk and how to deal with instances of fraud; both of which will reinforce the message of the high standards expected of all staff.

81. The Audit Committee in January 2015 approved the Senior Management Assurance Statement 2014/15 to inform this statement, which will be completed by Directors at the year end position and challenged by the Audit & Risk Manager. Amendments have been made; specifically the emphasis has been on internal control and compliance and an additional question on Personal Performance and Development Reviews.

82. 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 2014/15.

83. During the financial year the group have focused on a number of key themes including comparison exercises undertaken to those within the Core Cities Group. The findings have been presented to the Steering Group, with the exercises focused on Corporate Risks, Risk Management Partnership Protocols and Risk Appetite Statements. Following the research the group will oversee the development of a Risk Management Partnership Protocol to supplement the Risk Management Policy, Strategy and Methodology; and the development of a Risk Appetite Statement in 2015/16.

84. In September 2014 the Steering Group was presented with an Internal Audit report of the Council's Risk Management arrangements, which identified good practice in many aspects of managing risks. An overall satisfactory audit opinion was provided and an Action Plan setting out a few recommendations to enhance existing arrangements, which are being overseen by the Steering Group e.g. the development of a Risk Appetite Statement which will be taken forward in 2015/16.

85. 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.

86. 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. Cabinet members were also provided with risk management training during the year.

87. 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.

88. 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.

89. 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**

90. 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.

91. 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. Twenty six sessions were delivered through the year, which were well attended. Democratic Services Committee has set up a Task Group to plan the new programme for 2015/16 after annual Council in May. A mentoring programme continues to be in place for Members to support each other.

92. The Council operates a Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.

93. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.

94. 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.

95. 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.

96. In some areas compliance with Council rules has been identified as an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme has been delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

97. 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.

98. 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.

99. The Cardiff Debate was launched with partners in June 2014 as a three year 'conversation' about the future of public services in Cardiff.

100. 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.

101. Interest in the events was high with over 3,000 postcards completed by the public and over 6,600 'votes' cast on people's top three services. A full report of the results and findings of Phase 1 can be found at <http://cardiffdebate.co.uk/reports-and-information/>

102. As part of the Cardiff Debate work, the Council and its partners have collected citizen vox pops on what people think are priorities and a new website has been established for people to give views. Social media is also being utilised to encourage discussion, promote engagement events and share findings - @Cardiff Debate.

103. In light of the difficult budget decisions required, the Council has undertaken its largest public consultation on the budget proposals to date. City wide proposals were published by neighbourhood areas within the 'Changes for Cardiff' consultation so the public could understand the full impact of the proposed budget savings in their community.

104. A wide range of mechanisms were used to promote the consultation including a short video on the '£124m budget challenge', 10 engagement events, partners, libraries, leisure centres, community centres, Citizen's Panel, social media etc.

105. At the end of the consultation the response included 4,191 questionnaire responses received; over 500 attended events; 766 communications received, 91,418 views of the budget webpage and 20,000 people signed petitions representing a high level of engagement in the consultation. A full report on the consultation process and results can be found at [www.cardiff.gov.uk/budget](http://www.cardiff.gov.uk/budget)

106. The Council continues to provide a webcasting service for live meetings, with the facility to download relevant documents or presentations discussed. 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 made, whilst also giving the public the chance to feedback on items being discussed.

107. 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.

108. 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.

109. 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.

110. The system 'Modern.gov' was implemented in November 2014 for committee clerks to use 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. The intention is that the system will go fully live in May 2015.

111. 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.

112. A budget engagement process was undertaken to inform the 2014/15 budget proposals which included engagement events, an on-line budget strategy tool and consultation on the detailed proposals.

113. The Council publishes a newsletter 'Capital Times' which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.

114. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.

115. 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.

116. 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.

117. The Council regularly engages in consultation with the Trade Unions. Consultation with the Trade Unions has taken place through 2014/15, particularly with regards to the budget saving proposals which were considered in advance of the Cabinet meeting. In addition, detailed negotiations in respect of the Budget Strategy planning assumption in relation to reductions in employee costs were completed in January 2015 with the agreement of the Partnership for Change Memorandum of Understanding. This document was considered by Cabinet on 26 January 2015 and will prepare the way for continued negotiations between the Council and trade unions to conclude by 31 July 2015.

### **Review of Effectiveness**

118. Regulation 4 of the Accounts and Audit (Wales) Regulations 2014 requires Authorities to carry out an annual review of the effectiveness of the system of internal control. This is informed by:

- The senior managers within the Authority 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**

119. At the year end position 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.

120. Building on previous work of the Annual Governance Statement 2013/14, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. 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.

121. 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

122. During a period of unprecedented financial challenges the Audit Manager is aware of how stretched resources are across Directorates, which will become even more of a challenge in 2015/16. The Audit Manager has set about identifying which Regulators and other Inspection Bodies are engaging with Directorates. This information will be used to build and develop an Assurance map to provide an overview of the work of others, which may contribute to providing assurance in relation to governance, risk and internal control matters. This will help shape future Internal Audit priorities and impact on the work and timing of the Internal Audit team, who should seek to provide greater assurance in some areas, avoid duplication and ease the pressures on Directorates, in dealing with those who seek to provide independent assurance on Council functions.

123. Evidence has been collated to inform this Assurance mapping exercise at the financial year end which captures the key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure all key sources of assurance can be captured in this statement. Work has also started to determine where the work of others seeks to provide assurance around the mitigation of corporate risks as set out in the Corporate Risk Register. This again will help provide assurance to senior management understanding where others are contributing to mitigation of these strategic risks and can help to shape audit plans and priorities to maximise the use of this resource.

## External Audit and Inspection

### Wales Audit Office

124. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.

125. 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.

126. During the financial year 2013/14 the Wales Audit Office commenced a 'Full Corporate Assessment' of the Council. The assessment was to provide a position statement of the Council's capacity and capability to deliver continuous improvement. Cabinet in September 2014 considered the Wales Audit Office Corporate Assessment. Within the report the conclusion was that fragmented leadership and management have meant that weak performance in key service areas has not improved. The Wales Audit Office has stated that this conclusion was reached because:

- political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement;
- the Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery;
- some processes intended to ensure good governance are not being implemented, and decision-making processes are inefficient and lack transparency;
- whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past;
- although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means current methods of service delivery are unsustainable;
- corporate human resource arrangements are founded on positive practice but are not being implemented consistently;
- the Council is improving its use of information technology and its information management arrangements;
- the Council is not managing its land and property assets well; and
- the Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens.

127. The majority of the issues raised in the Wales Audit Office report had been previously identified in the Chief Executive's report approved by Cabinet in May 2014 addressing the challenges facing the Council, and setting out the Organisational Development Programme through which to secure continuous improvement in both systems and services. The Programme remains central to the Council's approach to



addressing the issues reported by Wales Audit Office, with some strengthening of the plan being undertaken to ensure all key issues are addressed.

128. On 31 March 2015 a report was presented to the Policy Review and Performance Scrutiny Committee which gave the Committee an opportunity to receive more detailed information on the work to date to deliver the Organisational Development Programme. The report offered assurance against the Council's progress in addressing the findings of the WAO Corporate Assessment Report 2014 and service improvements which have taken place.

129. Cabinet received an update on the Organisational Development Programme in July 2015. The programme has a rolling three-year time horizon, and progress has been made on a number of fronts, addressing positively the observations of the Wales Audit Office via the Corporate Assessment, and shifting the organisation into a process of service reviews and change through its principal portfolios of work i) Enabling and Commissioning Services and ii) Reshaping Services.

130. The organisational development update report provides further details on the work streams, associated milestones and required next steps in order to deliver the required outcomes of the Organisational Development Programme and move the council towards a new Target Operating Model. Officers and Elected Members will work jointly to develop the future direction of the programme ensuring cross party buy in to the programme and awareness of the challenges faced and the solutions implemented.

131. In the case of the Corporate Assessment for the Council, the Auditor General made one proposal for improvement, in that 'the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment'.

132. The Wales Audit Office has been monitoring progress through out the financial year and intends to undertake a further inspection in 2015/16 to assess progress.

### **Internal Audit**

133. The Council operates an independent Internal Audit function whose role is to review internal control arrangements. This function has operated under the requirements of the Public Sector Internal Audit Standards which came into effect on 1 April 2013.

134. The Audit Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control, based on the work undertaken by the section. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

135. The Audit Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Section 151 Officer, but also has the Authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members. The Audit Manager post has been undertaken on a job share basis since April 2011. Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.

136. Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents i.e. Corporate Risk Register and the Annual Governance Statement, it is considered that overall the framework for financial control within the Council, for the financial year 2014/15 is satisfactory. The Internal Audit Annual Report provides more details of sources of assurance and background to this opinion, It also highlights some issues around compliance and pressures on Directorates which is beginning to impact on the internal control environment which include:

- a potential impact on the Council's control environment of significant business change activities resulting from the Organisational Development Programme. This is proactively monitored with Directors as a 'significant governance issue', and via the Policy Review and Performance Scrutiny Committee;
- budget and service delivery pressures resulting from continuing reductions in resources, a growing population, and greater demand for public services. Assurance is gained through regular updates to the

Committee from the Corporate Director Resources and other senior managers, and Committee challenge and scrutiny of the Budget Strategy;

- contract and procurement concerns raised by Members of the Committee about the lack of appropriate skills within the Council to manage contracts effectively, particularly at a time when the Council is moving towards new delivery models for services, for which sound contract management is essential;
- School governance and compliance matters, historically reported in a number of 'Limited Assurance' Internal Audit reports. The number of 'Limited Assurance' reports reduced in 2014/15, and the Committee received a presentation from by the Director of Education & Lifelong Learning on actions being taken to resolve prevalent issues;
- the reduction of Internal Audit staffing resources and more recently a loss of experienced staff. 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 Authority. Resource pressures will require continuing attention and close monitoring as Internal Audit plays a key role in supporting senior managers in maintaining an effective control environment, particularly when resources are stretched.

### **Audit Committee**

137. Based on the evidence presented to the Audit Committee during 2014/15, 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 2015/16, include:

#### Organisational Development Plan

138. Historically, the Audit Committee has been kept informed of significant business change activity and the potential impact on the control environment. On 8 December 2014, the Committee welcomed the presentation by the Leader of the Council and the Chief Executive on the arrangements in place to deliver the Organisational Development Plan. The Committee asked to continue to be kept informed of the progress against the plan, and emphasised the need for accountability to be clear and governance structured and adhered to so as to mitigate the associated risks.

139. Linked to the WAO Corporate Assessment and Organisational Development Plan, the Committee has emphasised the need for managerial stability through the recent senior management restructure.

140. In March the Committee was presented with a Cabinet report which set out the rationale for the restructure which has been duly noted e.g. to provide capacity of strategic leadership balanced with effective operational management.

141. The Committee appreciate that delivery against the Organisational Development Plan will be monitored and challenged by other Committees and is mindful of this in looking ahead to its own work programme for 2015/16. Where assurance can be placed on the work of other Committees there will be less need for officers to duplicate information to the Audit Committee; with regard to the Organisational Development Plan, assurance will first be sought from the Policy Review and Performance Scrutiny Committee.

#### Budget Pressures

142. The Committee will continue to receive regular updates from the Corporate Director Resources and other senior managers to seek assurances around sound governance and fundamental financial control.

143. The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing unprecedented challenges in how it delivers services in the future. Care will continue to be required to ensure that the significant changes to business processes and personnel that will be required do not impact on the financial control environment in a negative manner.

144. Looking ahead, Members of the Committee will be seeking further information in relation to the Budget Strategy Assumptions, in accordance with their role and given the unprecedented savings to be found in future years.

### Contract and Procurement Matters

145. The Committee has been informed, through the work of the Internal Audit team, of the compliance issues identified in relation to some contract and procurement matters. Whilst a framework of rules and best practice guidance is in place Internal Audit reports continue to highlight compliance issues in some areas. The Committee has raised this as a concern in previous years; however there are general signs of improvement, apart from small pockets of non-compliance. The Committee has established a Task and Finish Group to examine some specific contract matters which will report back to the main Committee during 2015/16.

146. Members of the Committee have raised concerns around the lack of appropriate skills within the Council to manage contracts effectively, particularly at a time when the Council is moving towards new delivery models for services, of which contract management would be key to the achievement and success of these arrangements.

### Schools Governance & Compliance

147. Historically the Audit Committee has sought increased assurance around the governance and compliance arrangements of Cardiff's schools due to the number of 'Limited Assurance' audit reports issued by the Audit & Risk Manager. The number of these reports has reduced in 2014/15. The Committee welcomed the presentation by the Director of Education & Lifelong Learning who provided assurance around the action being taken to resolve prevalent issues within schools i.e. governance arrangements, contract management practices and deficit budgets.

148. Given the composite size of school budgets and reputational risk to the Council, the Committee will continue to monitor schools governance through the work of the Internal Audit team; and the Director of Education and Lifelong Learning will provide an Annual Report to the Committee identifying progress made against the issues raised by Members of the Committee.

149. 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. The Audit Committee continues to support the production of best practice guidance which strengthens financial control within schools and for these to be commended to schools.

### Internal Audit Resources

150. The financial challenges facing the Authority 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 more recently a loss of experienced staff. 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 Authority.

151. Members of the Audit Committee have concern over the continuing reduction in Internal Audit resources and the likely impact any further reductions may have on audit coverage and the assurances provided from the work of the Audit teams. This was highlighted at the March 2015 meeting of the Audit Committee, when consideration was given to the Internal Audit Strategy 2015/16. The Audit Committee has expressed strongly that in terms of reducing resources for Internal Audit, there is a point below which the Council should not go, or it will put itself at risk. This requires careful monitoring, and the Audit Committee will be kept informed of the issues facing the Internal Audit team and closely monitor resource implications and the informed associated risks, through the Audit & Risk Manager's quarterly progress reports.

### Reducing Resources and Maintaining Fundamental Controls

152. Some Internal Audits issued during 2014/15 have identified increasing pressure on implementing audit recommendations to enhance the internal control environment. Management agree to the recommendations in principal and encouragingly the level of agreement for these is around 100%, but in some areas they are struggling to implement all the recommendations to which they are committed, due to a lack of resource, having lost a number of experienced officers. This is not considered to be a significant issue at the moment as managers are working with the Audit Team to consider compensating controls and smarter ways of working to ensure that fundamental controls are maintained. This will nonetheless be a key consideration for the future, and an area that requires careful monitoring.

## Other Sources of Assurance

153. The Council receives reports from other regulatory and inspection regimes which often refer to risk management, governance and control issues. Where this is the case the appropriate Director will receive and action the report and any significant issue arising from these will have been highlighted in their Annual Assurance Statements. The work underway to respond to the Wales Audit Office assessment will also serve to identify and address any concerns raised by other regulators or be part of elements of the Organisational Development Programme that is underway.

## Significant Governance Issues

154. As part of the aforementioned governance methodology Senior Management Assurance statements returned from Directors identified twelve issues, which were discussed at the Senior Management meeting in May. At that meeting, having considered each, it was decided that none of these need feature in the Annual Governance Statement, as some were linked to Corporate risks, (some of which may need changing to reflect new pressures), some were captured in the Actions carried forward from 2013-14 (see below) and the rest were not considered strategic and it was felt, best addressed within Directorates.

155. There were four significant issues identified during 2013/14 and carried forward into 2014/15. Much work has been done on all of these but they are still considered ongoing at the end of the financial year 2014/15 with more work to be done to address the issues. Details of these, with an updated position as at year end, are shown below.

Significant issue	Year End Position 2014/15	Responsible Officer
<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 2013/14</u></p> <p>Prioritisation of work to make best use of internal expertise.</p>	<p><u>Capacity and Decision Making</u></p> <p>A reduction in staff across the Council has reduced capacity and increased pressures on staff to provide professional and sound advice. Directorates have mitigated against this by revising their service delivery plans and streamlining their activities to reflect the resources available. Much work has been done on service reviews and 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 and there are a number of ongoing restructures 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 2015/16 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</p>	<p>Senior Management Team</p>

## Annual Governance Statement

Significant issue	Year End Position 2014/15	Responsible Officer
	management of risks. Delivery of projects 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><u>Organisational Development (OD) Plan</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 2013/14</u></p> <p>The OD Plan identifies the key enablers through which the Council will reposition its approach to understanding and meeting citizen needs. This approach will be central in meeting the challenges facing the Council.</p>	<p><u>Organisational Development (OD) Programme</u></p> <p>The OD programme has been revised and divided into two Portfolios: “Enabling and Commissioning” and “Reshaping Services” which will ensure delivery and has improved the governance of the Council’s change agenda as well as adhering to the Authority’s scheme of delegations. Robust project management approaches are led by appropriate Directors. A year end assessment for the programme has been considered by the Challenge Forum and Policy Review and Performance Scrutiny Committee.</p> <p>The focus in 2015/16 will be to continue to strengthen governance arrangements. This can be achieved by ensuring that reporting and decision making from the programmes within the OD is also aligned and communicated to other Corporate boards e.g. Investment Review Board and Asset Management Board.</p> <p>The OD programme should also continue to identify and address skills gaps to enable effective delivery of the projects.</p>	Senior Management Team
<p><u>Commissioning Capability and Capacity</u></p> <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 2013/14</u></p> <p>A Commissioning Capability Framework needs to be developed using external best practice and internal experiences and skills. This</p>	<p><u>Commissioning Capability and Capacity</u></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. Health and Social Care have developed commissioning models for residential and nursing care, domiciliary care and supported living.</p> <p>In 2015/16 Health and Social Care will have a programme to commission support from the third sector and establish a model for the commissioning of internally provided services.</p>	Senior Management Team

## Annual Governance Statement

Significant issue	Year End Position 2014/15	Responsible Officer
<p>framework will identify key competencies, capabilities and behaviours needed to successfully develop and get the best out of partnerships with service providers. It is now critical that this framework is translated into delivering a step change in commissioning capability.</p>	<p>As the Commissioning Framework progresses it has been identified that contract management skills in the Council need to be developed.</p>	
<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 2013/14</u></p> <p>Reviews currently being carried out to improve costing arrangements in the most critical areas with ongoing investigations to shortly commence in less critical areas. Account manager arrangements to be considered to improve dialogue between customers and clients.</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. It has been noted that Directorates would like increased transparency of charging by the Central Transport Service in particular.</p> <p>For 2015/16 a new system will be introduced to enable full transparency of internal charging arrangements.</p>	<p>Senior Management Team</p>

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

156. During 2014/15, no significant governance issues have been identified in respect to the Pension Fund however it is considered the following may have potential implications on future financial periods and is worthy of note in this statement.

Issue	Action	Responsible Officer
<p><u>Welsh Local Government Pension Funds Working Together</u></p> <p>In 2010 the Pensions Sub Group of the Society of Welsh Treasurers commissioned a report from PWC who were asked to conduct a high level review of ways in which the eight current pension Funds could operate more effectively together, particularly in their investment and administration arrangements.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to contribute to the Project, Project Board and Steering Group.</p> <p>Developments are regularly reported to the Pension Fund's Investment Advisory Panel.</p>	<p>Corporate Director Resources</p>

## Annual Governance Statement

<p>During 2014/15 Mercers were commissioned to work on the detailed business case for a collaborative investment vehicle for Pension Funds in Wales. The final report will be published in 2015/16.</p>		
<p><u>Local Pension Board</u></p> <p>The Public Service Pensions Act 2013 and the LGPS Regulations require the Council to establish a Local Pension Board. The Terms of Reference was agreed by Full Council on 29 January 2015.</p>	<p>Appointment of Board Members to be completed and the first Board meeting to be held by 31 July 2015. The Board will meet at least twice a year.</p>	<p>Corporate Director Resources</p>

### Cardiff Port Health Authority (CPHA)

157. During 2014/15, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

### Monitoring

158. We propose over the coming year to take steps 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 will monitor their implementation and operation as part of our next annual review.

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

159. 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.

160. 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.

161. 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 2014/15.

**Paul Orders, Chief Executive**

**Date:**

**Councillor Phil Bale, Leader of the City of the City of Cardiff Council**

**Date:**

## Glossary of Local Government Accountancy Terms

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

### 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.

### Asset Under Construction

An Asset Under Construction represents an asset that is not yet complete.

### Borrowing

Loans taken out by the Authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

### 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.

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

CIPFA is the professional body for people in public finance. As the world's only specialised public services body, they provide information, guidance, and determine 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.

### 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.

## **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.

## **Direct Revenue Financing**

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

## **Earmarked Reserves**

Amount set aside from the General Balance to fund a future specific purpose or requirement. This is done in accordance with CIPFA guidance (LAAP 77).

## **Fair Value**

The amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations than to secure a fair price.

## **Financial Guarantee**

The promise to make specified payments to the holder of a debt if the debtor fails to make payment in accordance with the terms of a contract.

## **Financial Instrument**

Any contract that gives rise to a financial asset of one entity and a financial liability of another. Typical financial liabilities are borrowing and financial guarantees. Typical financial assets include bank deposits, amounts owed by customers, loans provided and investments.

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

The HRA is an account of expenditure and income that every local Authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's Capital Financing Requirement.

## **Internal Borrowing**

Money borrowed from within the Council, sourced from temporary internal cash balances.

## **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.

## **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.

## **Market Loans**

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

## **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.

### **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.

### **Provisions & Reserves**

Amounts set aside in a year to cover expenditure in the future. Provisions are 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. Reserves are also amounts set aside for future use but fall outside the definition of provisions. 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.

### **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. 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.

### **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.

### **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.

### **Trust Funds**

Funds held in trust which are administered by the Council.

**ANNUAL RETURN**

**2014/15**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

## FOREWORD

The Cardiff Port Health Authority's annual return for the year 2014/15 is set out on page 192.

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 City of Cardiff 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 City of Cardiff Council 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 2005 (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 City of Cardiff 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 2014/15 (SERCOP). This applies to support service recharges from The City of Cardiff Council Directorates to the Port Health Authority.

# Cardiff Port Health Authority

## Section 1 – Accounting statements for Cardiff Port Health Authority:

	Year ending		Notes and guidance for compilers
	31 March 2014 (£)	31 March 2015 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the Body's underlying financial records for the relevant year.
1. Balances brought forward	80,891	93,268	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to Line 7 of the previous year.
2. (+) Income from local taxation and/or levy	159,336	175,825	Total amount of local taxation, rates and/or levy received or receivable in the year including funding from a sponsoring body.
3. (+) Total other receipts	2,478	1,837	Total income or receipts as recorded in the cashbook less income from local taxation and/or levy (Line 2). Include any grants received here.
4. (-) Staff costs	113,215	108,011	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the Body's borrowing (if any).
6. (-) Total other payments	36,222	29,709	Total expenditure or payments as recorded in the cashbook minus staff costs (Line 4) and loan interest/capital repayments (Line 5).
7. (=) Balances carried forward	93,268	133,210	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
8. (+) Debtors and stock balances	0	72	<b>Income and expenditure accounts only:</b> Enter the value of debts owed to and stock balances held at the year-end.
9. (+) Total cash and investments	101,477	143,916	<b>All accounts:</b> The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	8,209	10,778	<b>Income and expenditure accounts only:</b> Enter the value of monies owed by the Body (except borrowing) at the year-end.
11. (=) Balances carried forward	93,268	133,210	<b>Total balances should equal Line 7 above:</b> Enter the total of (8+9-10).
12. Total fixed assets and long-term			The original Asset and Investment Register value of all fixed assets, plus other long-term assets owned by the

## Cardiff Port Health Authority

	Year ending			Notes and guidance for compilers			
	31 March 2014 (£)	31 March 2015 (£)		Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the Body's underlying financial records for the relevant year.			
assets				Body as at 31 March.			
<b>13.</b> Total borrowing				The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).			
<b>14.</b> Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
			N/A			N/A	

## 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 2015, that:

	Agreed?		'YES' means that the Body:	PG Chap
	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		Prepared its accounting statements in the way prescribed by law.	6, 12
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		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
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		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
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		Has given all persons interested the opportunity to inspect and ask questions about the Body's accounts.	6, 23
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		Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly.	6, 9
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		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Body.	6, 8
7. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes		Has responded to matters brought to its attention by internal and external audit.	6, 8, 23
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	Yes		Disclosed everything it should have about its business during the year including events taking place after the year-end if relevant.	6

## Cardiff Port Health Authority

	Agreed?		'YES' means that the Body:	PG Chap
	Yes	No*		
included them on the accounting statements.				

9. Trust funds – in our capacity as trustee, we have:	Yes	No	N/A	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6
	<ul style="list-style-type: none"> <li>Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit.</li> </ul>				

\* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.



## 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 2015; and
- confirms and provides assurance on those matters that are important to the external auditor’s responsibilities.

<p><b>Certification by the RFO</b></p> <p><b>Certificate under Regulation 15(1) Accounts and Audit (Wales) Regulations 2014</b></p> <p>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 2015.</p>	<p><b>Approval by the Body</b></p> <p><b>Approval of accounting statements under Regulation 15(2) Accounts and Audit (Wales) Regulations 2014 and the Annual Governance Statement</b></p> <p>I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:</p>
<p><b>RFO signature:</b></p>	<p><b>Chair signature:</b></p>
<p><b>Name: Christine Salter</b></p>	<p><b>Name:</b></p>
<p><b>Date: 24 September 2015</b></p>	<p><b>Date: 24 September 2015</b></p>

### 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 2015 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/meeting are included in our report to the Body dated \_\_\_\_\_.

<p><b>External auditor’s signature:</b></p>	
<p><b>For and on behalf of the Auditor General for Wales</b></p>	
<p><b>External auditor’s name:</b></p>	<p><b>Date:</b></p>

**STATEMENT OF ACCOUNTS**

**2014/15**

**OF**

**CARDIFF HARBOUR AUTHORITY**

## 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.

## Agreement

By an Agreement dated 27<sup>th</sup> 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<sup>th</sup> August 2006 and made between the national Assembly for Wales and the Council.
- Dated 27<sup>th</sup> March 2007 and made between the national Assembly for Wales and the Council.
- Dated 15<sup>th</sup> September 2009 and made between the Welsh Ministers and the Council.
- Dated 5<sup>th</sup> April 2011 and made between the Welsh Ministers and the Council.
- Dated 3<sup>rd</sup> April 2014 and made between the Welsh Ministers and the Council.

## Review of the Financial Year

A new three year budget was agreed with the Welsh Ministers covering the period 2014/15 to 2016/17. The revised budget for 2014/15 was set at £6.397 million which represented a reduction of almost £1.2 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement. The funding reduction was planned to be achieved through a combination of staffing reductions, efficiency savings and increased income generation.

An additional claim for £12,000 was made during the year to cover costs associated with employee voluntary severance costs and a further amount of £280,000 was received in respect of the share of previous years underspend against the fixed cost budget. This increased the budget allocation to £6.689 million.

The financial outturn at 31<sup>st</sup> March 2015 following the transfer of amounts to the Project & Contingency Reserve was £6.648 million.

Total Capital Expenditure incurred and funded by Harbour Grant during the year was £324,000. 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 replacement parts and accessories, midlife refit of harbour equipment, public realm improvements and replacement of water quality monitoring equipment.

## Key Achievements

During 2014-15 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 and delivered the business plan within a significantly reduced budget.
- The largest live multi agency emergency response exercise in Wales took place on 2<sup>nd</sup> April 2014 to test the updated Agreement regarding the co-ordination of Search and Rescue.
- A record number of commercial operators are now licenced and supported by Cardiff Harbour Authority numbering thirteen, operating between them twenty one vessels carrying 170,000plus passengers.
- Improvements to the recycling facility on the Environment Quay were undertaken.
- The 3<sup>rd</sup> Extreme Sailing Series event was successfully delivered between the 22<sup>nd</sup> and 25<sup>th</sup> August 2014 as part of Cardiff Harbour Festival, with the highest number of teams racing to date. Approximately 90,000 attendees reported over the weekend.
- Implementation of 5S system in engineering storage areas.
- Sponsorship agreements have been secured with four hotels
- P1 Powerboat was successfully delivered during the same weekend as the 'Beach' opening weekend and attracted approximately 35,000 attendees to Cardiff Bay.

## 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 2015 and its income and expenditure for the year ended 31 March 2015.

**Christine Salter**  
Corporate Director Resources

**Date:**

## **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to The City of Cardiff Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of The City of Cardiff Council. For reference, the Annual Governance Statement can be found with the Statement of Accounts for The City of Cardiff Council. The financial statements that follow are an extract from the accounts of the City of Cardiff Council, where such transactions can be identified separately without significant cost.

## Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Harbour Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15, supported by International Financial Reporting Standards (IFRS). 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 City of Cardiff Council. Whilst these are not replicated in full, the key policies deemed to be 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 Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement.

#### **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 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 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 City of Cardiff Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2014/15 (SERCOP). 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 at least every five years with a date of 1 April.

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.

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:**

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. Depreciation, impairment losses and amortisations charged to income and expenditure are neutralised by appropriations from unusable reserves.

## 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 written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

## Depreciation:

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

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	5
Land	n/a
Buildings	53-70
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 City of Cardiff 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

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Harbour Authority, analysed into usable reserves (i.e. those that may be used to provide services) and unusable reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Harbour Authority's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement.

### **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 are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that may be used 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 and reserves that reflect 'adjustments between accounting basis and funding basis under regulations'.

### **Notes to the Core Financial Statements**

These notes provide any further analysis required to explain those figures contained in the financial statements.

**Movement in Reserves Statement 2014/15**

	Usable Reserves		Unusable Reserves		
	Harbour General Balance	Project & Contingency Fund	Capital Adjustment Account	Revaluation Reserve	Accumulated Absences Account
	£000	£000	£000	£000	£000
<b>Opening Balance at 1<sup>st</sup> April 2014</b>	<b>0</b>	<b>491</b>	<b>170,616</b>	<b>4,863</b>	<b>(33)</b>
Surplus/(Deficit) on the Provision of Services	(2,372)	0	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0	0
<b>Total Comprehensive Income and Expenditure</b>	<b>(2,372)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Adjustments between accounting basis and funding basis:					
Reversal of charges for depreciation	3,029	0	(3,029)	0	0
Accumulated absence accrual	4	0	0	0	(4)
Capital grants applied	(324)	0	324	0	0
<b>Net Increase/(Decrease) before transfers to earmarked reserves</b>	<b>337</b>	<b>0</b>	<b>(2,705)</b>	<b>0</b>	<b>(4)</b>
Transfers to/(from) earmarked reserves	(280)	280	0	0	0
Other movements in reserves:					
Transfer from Project & Contingency Fund	0	(74)	0	0	0
Adjustments involving Pensions Reserve	(57)	0	0	0	0
Adjustments involving Revaluation Reserve	0	0	35	(35)	0
<b>Increase/(Decrease) in 2014/15</b>	<b>0</b>	<b>206</b>	<b>(2,670)</b>	<b>(35)</b>	<b>(4)</b>
<b>Closing Balance at 31<sup>st</sup> March 2015</b>	<b>0</b>	<b>697</b>	<b>167,946</b>	<b>4,828</b>	<b>(37)</b>

## Comprehensive Income and Expenditure Account for the year ended 31<sup>st</sup> March 2015

2013/14 £000		2014/15 £000
	<b>Income</b>	
(8,659)	Government Grants	(6,044)
0	Grants Relating to Previous Years	(280)
(227)	Capital Grants Applied	(324)
(898)	Fees and Charges	(884)
<b>(9,784)</b>	<b>Total Income</b>	<b>(7,532)</b>
	<b>Expenditure</b>	
3,278	Employees	2,607
2,500	Premises	1,298
86	Transport	73
1,884	Supplies and Services	2,263
973	Support Services	628
7	Third Party Payments	6
0	Direct Revenue Financing	0
4,489	Depreciation	3,029
<b>13,217</b>	<b>Total Expenditure</b>	<b>9,904</b>
<b>3,433</b>	<b>Net Expenditure for the year</b>	<b>2,372</b>
	Appropriations from reserves:	
	Contributions to/(from) Capital Adjustment Account in respect of	
(4,489)	- Depreciation charged to income & expenditure	(3,029)
227	- Capital Grants Applied	324
415	- Capital expenditure funded from revenue resources	0
4	Contribution from Accumulated Absences account	(4)
(86)	Contributions to/(from) Pensions Reserve	57
496	Contributions to/(from) Project & Contingency Fund	280
<b>0</b>	<b>(Surplus)/Deficit for the year</b>	<b>0</b>

# Cardiff Harbour Authority

## Balance Sheet as at 31<sup>st</sup> March 2015

31 March 2014 £000		31 March 2015 £000
	Property, plant and equipment	
7,571	Land and Buildings	7,532
255	Vehicles, Plant, Furniture & Equipment	338
165,903	Infrastructure	163,218
1,103	Community Assets	1,103
475	Surplus Assets	475
0	Assets under construction	0
<b>175,307</b>		<b>172,666</b>
56	Heritage Assets	56
191	Intangible Assets	128
<b>175,554</b>	<b>Long-term assets</b>	<b>172,850</b>
1,113	Stocks and Work in Progress	485
951	Debtors	537
910	Cash	1,986
0	Assets held for sale	0
<b>2,974</b>	<b>Current assets</b>	<b>3,008</b>
(2,591)	Creditors	(2,424)
<b>(2,591)</b>	<b>Current liabilities</b>	<b>(2,424)</b>
0	Revenue Grants Receipts in Advance	0
0	Capital Grants Receipts in Advance	0
<b>0</b>	<b>Long-term liabilities</b>	<b>0</b>
<b>175,937</b>	<b>Net assets</b>	<b>173,434</b>
	<b>Financed by:</b>	
491	Project & Contingency Fund	697
<b>491</b>	<b>Usable Reserves</b>	<b>697</b>
4,863	Revaluation Reserve	4,828
170,616	Capital Adjustment Account	167,946
(33)	Accumulated absences account	(37)
<b>175,446</b>	<b>Unusable Reserves</b>	<b>172,737</b>
<b>175,937</b>	<b>Total Reserves</b>	<b>173,434</b>

## Notes to the Core Financial Statements

### 1. 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.

2014/15	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community 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	475	<b>228,803</b>	56	319
Additions	15	155	154	0	0	<b>324</b>	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	<b>0</b>	0	0
Impairment losses / reversals to SDPS **	0	0	0	0	0	<b>0</b>	0	0
Derecognition - disposals	0	(708)	0	0	0	<b>(708)</b>	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	<b>0</b>	0	0
Other reclassifications	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases /(decreases) to SDPS**	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>228,419</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>								
At 1 April 2014	188	803	52,506	0	0	<b>53,496</b>	0	128
Depreciation charge	54	72	2,839	0	0	<b>2,965</b>	0	64
Depreciation written out on impairment	0	0	0	0	0	<b>0</b>	0	0
Derecognition -disposals	0	(708)	0	0	0	<b>(708)</b>	0	0
Depreciation written out to SDPS **	0	0	0	0	0	<b>0</b>	0	0
Reclassifications	0	0	0	0	0	<b>0</b>	0	0
Depreciation written out on revaluation	0	0	0	0	0	<b>0</b>	0	0
<b>At 31 March 2015</b>	<b>242</b>	<b>167</b>	<b>55,345</b>	<b>0</b>	<b>0</b>	<b>55,753</b>	<b>56</b>	<b>192</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>7,532</b>	<b>388</b>	<b>163,218</b>	<b>1,103</b>	<b>475</b>	<b>172,666</b>	<b>56</b>	<b>127</b>
<b>At 31 March 2014</b>	<b>7,759</b>	<b>1,057</b>	<b>218,409</b>	<b>1,103</b>	<b>475</b>	<b>228,803</b>	<b>56</b>	<b>319</b>

## 2. Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2013/14 £000	2014/15 £000
<b>Opening Balance</b>	174,842	170,616
Charges for depreciation and impairment of non-current assets	(4,424)	(2,965)
Amortisation of intangible assets	(64)	(64)
	<b>(4,488)</b>	<b>(3,029)</b>
Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	35	35
Capital financing applied in the year:		
Grants and contributions	227	324
	<b>262</b>	<b>359</b>
<b>Closing Balance</b>	<b>170,616</b>	<b>167,946</b>

## 3. 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. The movements are as follows:

	2013/14 £000	2014/15 £000
<b>Balance as at 1 April</b>	4,898	4,863
Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(35)	(35)
<b>Amount written off to the Capital Adjustment Account</b>	<b>(35)</b>	<b>35)</b>
<b>Balance as at 31 March</b>	<b>4,863</b>	<b>4,828</b>

## 4. Projects and Contingency Fund

	£000
<b>Balance at 1 April 2014</b>	<b>491</b>
Plus fixed cost savings 2011/12	244
Plus Fixed cost savings 2013/14	36
Plus Land disposals	129
Less High Ropes Facility	(203)
<b>Balance at 31 March 2015</b>	<b>697</b>

## Cardiff Harbour Authority

The existing Deed of Variation (section 16.5A) allows the Harbour Authority to retain all capital receipts from the disposal of land (in whole or part) which is owned by the Council as part of the Harbour Authority's undertaking. The proceeds of the sale of any such land is to be credited to the Harbour Project and Contingency Fund.

In 2014/15 the disposal of surplus land generated usable capital receipts of £129,000.

Land adjoining 31 Mermaid Quay	£54,000
Land at the Pilotage Building	£75,000

This was utilised in year to part fund the development of a high ropes facility at the Cardiff International White Water activity.

If actual costs of performing the activities is less than the amount approved in the Fixed Cost budget the difference between the two sums shall be shared equally between the parties.

### 5. Officers' Remuneration

Under the Accounts and Audit (Wales) Regulations 2005 as amended, Local Authorities must disclose in their accounts the number of staff whose remuneration exceeded £60,000 (listed in ranges, in multiples of £5,000). For the purpose of this disclosure, remuneration includes gross pay, employer's National Insurance contributions, but excludes employer's pension contributions.

For 2014/15, no individual member of staff received remuneration in the year above £60,000.

### 6. Grant Income

The Harbour Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Account in 2014/15:

<b>Credited to Services (Revenue Grants)</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Central Government Bodies	8,886	6,648
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
<b>Total</b>	<b>8,886</b>	<b>6,648</b>

The Harbour Authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at year-end are as follows:

<b>Grant Creditor Balances (Revenue Grants)</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Central Government Bodies	(1,645)	(2,001)
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
<b>Total</b>	<b>(1,645)</b>	<b>(2,001)</b>

In addition the Harbour Authority has recognised income that has not yet been paid in cash and is, therefore, owed to the Authority. The balances at year-end are as follows:



## Cardiff Harbour Authority

<b>Grant Debtor Balances (Revenue Grants)</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Central Government Bodies	923	513
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
<b>Total</b>	<b>923</b>	<b>513</b>

### 7. Stock

Movements in stock during the financial year are as follows:

<b>Stock Movements 2014/15</b>	<b>2014/15 £000</b>
Opening Balance	1,113
Stock written off to the CI&E	628
<b>Closing Balance</b>	<b>485</b>