

Statement of Accounts 2008/09



City and County of Swansea ● Dinas a Sir Abertawe

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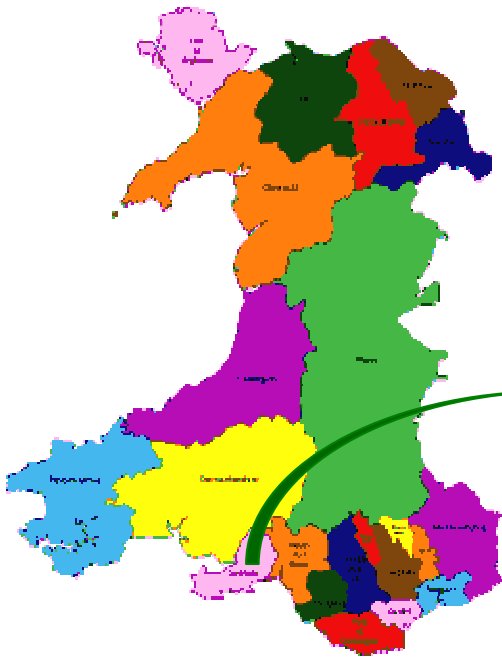
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INTRODUCTION

The City & County of Swansea is located on the South Wales Coast and is one of twenty two unitary local authorities providing local government services in Wales.

The area of the Authority includes the Gower peninsula, designated as Britain's first area of outstanding natural beauty.



Approximately 228,100 people live within the boundaries of the Authority of which:

- 40,200 are aged under 16
- 48,400 are of pensionable age
- 20,400 are aged 75 years and over



The City has a mixed agricultural and industrial economy. The City sits at the mouth of the River Tawe, from which its Welsh name, Abertawe, derives.

This Statement of Accounts is one of a number of publications, which include the revenue and capital budgets, produced to comply with the law and designed to provide information about the Council's financial affairs.

Copies of these accounts can be obtained from:

The Head of Finance
City & County of Swansea
Civic Centre
Swansea
SA1 3SN

EXPLANATORY FOREWORD

This booklet summarises the Council's accounts for the year 2008/2009 and contains:

- * The statement of accounting policies which shows the basis on which we have prepared the accounts and the principles the Council has adopted.
- * The income and expenditure account, which shows the income from, and spending on, council services for the year. It also shows how much money we get from the Welsh Assembly Government, business ratepayers and council tax payers together with the net deficit / surplus for the year.
- * The statement of total recognised gains and losses which summarises all the Council's gains and losses for the year including its overall level of reserves.
- * The balance sheet, showing a snapshot of the Council's financial position at the 31st March.
- * The cash flow statement, which shows transactions for the year on a cash basis rather than on an accruals basis.
- * The housing revenue account (HRA), which shows income from, and spending on, council housing for the year. This account is stated separately as required by statute although the overall results are incorporated into the Council's income and expenditure account.
- * Where appropriate the above main accounting statements are followed by notes explaining the basis of many of the entries made.
- * An extract of the pension fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end.
- * The group accounts, which show the consolidated accounts of the Council and its group companies.
- * The certificate and statement of responsibilities of the Executive Director who is the responsible officer for the production of the statement.
- * The statement of internal control, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Council.
- * The auditor's opinion and certificate relating to the Statement of Accounts.

We incur two main types of expenditure – revenue expenditure and capital expenditure.

Revenue expenditure covers spending on the day to day costs of our services such as staff salaries and wages, maintenance of buildings and general supplies and equipment. This expenditure is paid for by the income we receive from council taxpayers, business ratepayers, the fees and charges made for certain services, and by the grants we receive from government.

Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and

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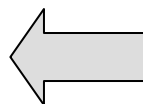
the expenditure is largely financed by borrowing, capital grants and sale of fixed assets. Amounts borrowed for capital purposes are repaid in part each year as part of our revenue expenditure.

Sources of borrowing utilised include the Public Works Loan Board (PWLB) and capital markets. The PWLB is a Government agency which provides longer-term loans to local authorities.

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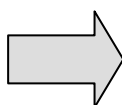
Revenue spending in 2008/9

	£m	%
Revenue support grant	224.8	33
Non domestic rates	60.8	9
Council tax	77.2	11
Other income (rents, fees and charges, specific grants)	319.8	47
	<u>682.6</u>	<u>100</u>

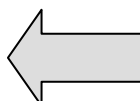


Where our money comes from

What we spend it on



	£m	%
Employees	301.5	44
Capital charges	34.4	5
Running costs	334.1	49
Precepts/Levies	11.8	2
Reserve transfers	0.8	0
	<u>682.6</u>	<u>100</u>



And the services it provides

	£m	%
Education & Children's Services	231.3	34
Adult Social Services	85.6	13
Highways/transport	35.8	5
Culture, environment & planning	105.8	15
Housing	135.2	20
Precepts/levies	11.8	2
Reserve transfers	0.8	0
Other	76.3	11
	<u>682.6</u>	<u>100</u>

Revenue outturn compared to the Council's budget

The deficit of £1.835m transferred from general reserves as shown in the Statement of Movement on the General Fund on pages 25 and 26 of this statement compares to a budgeted deficit of £2.5m shown in the Council's revised estimate for the year.

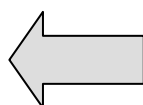
This net movement can be analysed as follows:-

	£'m
Budgeted deficit	2.5
Decrease in service expenditure	-2.4
Reduction in capital financing charges	-1.2
Change in transfer to earmarked reserves	3.6
Actual deficit	<u>2.5</u>

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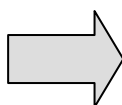
Capital spending in 2008/9

	£'000
External borrowing	17,764
Government grants	29,052
European grants	2,035
Other grants/contributions	2,950
Capital receipts	4,780
Revenue and Reserves	14,297
Unfinanced	539
	<u>71,417</u>

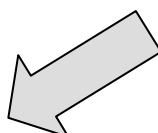


Where our money comes from

The services we spent it on



	£'000
Education	15,189
Social services	1,390
Environment	16,687
Culture & recreation	3,432
Housing	26,087
Community leadership	2,094
Business improvement & efficiency	1,380
Economic & strategic development	950
Finance	2,294
Community regeneration	1,914
	<u>71,417</u>



Some of the assets it provided

	£'000		£'000
Education		Highways and Transportation	
Special Teaching Facility Schemes	1,228	Local Roads Maintenance Grant schemes	892
Llwynderw School	3,177	Metro Phase 1 - Kingsway	814
Penyrheol Secondary School	7,489	Metro Phase 2 - Westway	1,184
Y Gwyr Secondary School	604	Metro - Morryston	1,598
Clwyd Primary School	507	Landore Express Bus Route	2,042
		Highways Carriageways	1,425
Housing		Other Services	
Council House Adaptations	3,748	Tir John Landfill Site	3,629
Hafod Renewal Area	2,106	Civic Centre and Library	1,319
Housing Disabled Facilities Grants	4,426	Guildhall Refurbishment	1,220
Boiler replacements	1,767	Refuse vehicles	1,210
Wind & Weatherproofing M Type Flats	662	Guildhall / Penllergaer decant	749
		City Centre – core improvements	1,403
Culture / Leisure		Pentre Mentre Centre	1,580
Swansea Leisure Centre	2,100	Telecare Lifeline Central Control	676
Bowls Hall	337		

EXPLANATORY FOREWORD

Reserves, Balances and Provisions

The Council maintains a number of provisions and reserves, details of which are given on pages 53 to 55.

Provisions are amounts included in the accounts as liabilities where there has been a past event which is likely to result in a financial liability but where there is uncertainty over timing and the precise value of the liability that has been incurred. It is therefore the Council's best estimate of the financial liability as at 31st March.

Reserves are amounts set aside in the accounts for purposes falling outside the definition of provisions. Transfers to and from reserves are distinguished from service expenditure in the statement of accounts.

At the end of the year, the Authority's Revenue reserve balances and provisions amounted to £88.418m (2007/08 £103.086m), whilst the Useable Capital Receipts Reserve stood at £11.326m (2007/08 £12.187m).

The Euro

It has not yet been decided if, and when, the United Kingdom will join the single European currency. We have not made any assessment or financial provision in the 2008/2009 accounts of the effect on the Council if this currency is introduced.

Financial Reporting Standard 17 Retirement Benefits (FRS17)

The Accounts comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2009 and the reserve needed to fund that liability.

The pension fund liability that is disclosed within the Balance Sheet is the total projected deficit that exists over the expected life of the fund. This deficit will change on an annual basis dependent on the performance of investments and the actuarial assumptions that are made in terms of current pensioners, deferred pensioners and current employees.

The fund is subject to a 3 yearly actuarial valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies as to the appropriate rate of employers contributions that need to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2008/09 relates to the valuation undertaken on 1st April 2007.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation. The Department for Communities and Local Government legislated for a new scheme which commenced in April 2008 which will have a material and beneficial effect on the projected cost of the scheme in the future.

Group Accounts

The 2008/09 Statement contains Group Accounts which show the consolidated position of the City & County of Swansea and its subsidiary/related companies.

EXPLANATORY FOREWORD

Comparative figures for previous years have been shown for consistency. These are shown on pages 97 to 112 of this statement.

Changes in the form and content of the Statement

In accordance with the requirements of the Statement of Recommended Practice 2008 the following changes have been made to the form and content of the Accounts:-

- Under Financial Reporting Standard 17 (Retirement Benefits) changes have been made with regard to the valuation basis of pension scheme assets as at the Balance Sheet date, whereby investment values are now shown at bid rather than mid market value. This has meant that there is a minor restatement of comparable Income and Expenditure and Balance Sheet entries for 2007/08 in respect of pension fund entries.

- The cashflow statement for 2008/09 (and 2007/08 comparative) is now compiled so as to eliminate detailed analysis of revenue movements.

1. Equal Pay & Job Evaluation

As part of the 2007/08 Accounts the Council made Revenue provision of £5.5m in respect of potential liabilities in respect of equal pay claims.

During 2008/09 a number of these potential claims were settled and, following application to the Welsh Assembly Government, a capitalisation direction was issued allowing the Council to capitalise a significant element of payments made during 2008/09 in respect of these claims.

The issuing of the capitalisation direction has allowed the Council to transfer the sum of £1.778m from provisions to reserves as at 31 March 2009.

The effect of this is to credit Service Revenue Accounts (Corporate & Democratic Core) with the above sum with the transfer to earmarked reserves shown as part of the Movement on General Fund Balances.

These entries do not increase the overall sum of money that the Council has set aside for current equal pay claims and the potential future costs arising from Job Evaluation.

2. Current Economic Climate

The accounting statements are required to reflect the conditions applying at the end of the financial year. Therefore no adjustments are made for any changes in market value of investments and property between 1 April and the date that the accounting statements are approved by Council. Due to the potentially significant effect that the economic downturn may have had on land and property valuations, the CIPFA Local Authority Accounting Panel (LAAP) issued a specific bulletin (LAAP 81) in March 2009 advising Local Authorities to have consideration for changes in valuations in preparing their 2008/09 Accounts. A detailed explanation of how this has been adopted is shown in note 3(vi) of the Statement of Accounting Policies.

EXPLANATORY FOREWORD

Further information

You can get more information about the accounts from the Head of Finance, City & County of Swansea, Civic Centre, Swansea, SA1 3SN.

The Statement of Accounts was approved by Council at its meeting on 26th June 2009.

Signed

A handwritten signature in black ink, appearing to read 'G. Roberts', written over a light blue horizontal line.

Presiding Officer

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts follow the Code of Practice on Local Authority Accounting in the UK (2008) – a Statement of Recommended Practice (“the SORP”) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared on a historical cost basis, with the exception of certain categories of fixed assets that are measured at current value, and financial instruments which are now carried within the balance sheet at fair value as defined by the SORP.

2. Debtors and Creditors

The sums in the income and expenditure account are mainly recorded on an accruals basis. This means that all sums due to or from us in the year of account are included irrespective of whether the cash has been received or paid. In certain cases, where actual figures are not known and significant amounts are involved, the figures have been estimated. Any areas of income or expenditure not accrued are not considered material in respect of the Authority’s accounts.

At the year end, a calculation is made of the amount overpaid to claimants in respect of housing benefits. Where this overpayment is being recovered from ongoing benefit payments, no debtor is established in the accounts, and the amounts recovered are treated as cash income in the year of receipt.

Where appropriate, provision has been made in the accounts in respect of bad and doubtful debts. In prior years this provision has generally been calculated on the basis of age of debt outstanding, with the exception of non domestic business rates which was calculated on the recovery status applied to individual debtors.

For 2008/9 financial year a more detailed calculation of potential bad and doubtful debt has been made in the following areas:

- Council tax debts – based on historical collection rates – resulting in a net reduction in provision of £449k.
- Sundry debts – based on categorisation of debt and examining individual status, resulting in a net increase in provision of £530k.

3. Tangible Fixed Assets

- i. Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.
- ii. **Recognition:** Expenditure on buying, constructing or improving fixed assets is treated as capital expenditure provided the fixed assets are useful to us for a period of more than one year. The expenditure on routine repairs and maintenance of fixed assets is charged directly to the service revenue accounts.
- iii. **Measurement:** Fixed property assets are valued on the basis recommended by the SORP and the Royal Institute of Chartered Surveyors’ ‘Appraisal and Valuation Standards’. All fixed property assets have been valued by the Council’s internal valuers, who are all MRICS accredited.

STATEMENT OF ACCOUNTING POLICIES

Fixed property assets are categorised into classes as follows:-

Operational assets – infrastructure assets, council dwellings, other land and buildings and community assets

Non-operational assets – investment properties and surplus land.

Operational assets are valued on the basis of their existing use value (EUV) and non-operational assets on the basis of their market value (MV).

Operational assets are further divided into specialist assets (where there is no rental or capital market for them) and non specialist (where there is a rental or capital market).

Specialist assets include schools, libraries, community centres and leisure centres and are valued using the depreciated replacement cost method of valuation which typically produces a higher valuation than an investment method of valuation. Community and infrastructure assets are included at their historical cost less depreciation where appropriate.

Council dwellings have been valued on the Existing Use for social housing basis (EUV-SH) as defined by the RICS' Appraisal and Valuation Standards. This method values Council Houses on the basis of discounted future revenue streams offset by projected future discounted revenue and capital maintenance costs. The key assumption in this valuation method is that the properties will continue to be used for social housing purposes and that, as such, there is an effective cap on the levels of revenue (and hence returns) that could be generated through the ownership of these assets.

Investment properties are held for their income producing potential and are valued based on their market value. This is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and without compulsion.

Properties identified surplus to requirement are valued at open market value. Assets under construction are included at the cumulative costs incurred to date.

- iv. Revaluations of fixed assets are undertaken at five yearly intervals. It is planned to continue with the 5 year rolling programme of revaluations and additionally valuations will be undertaken as a result of material changes to assets for which values will be adjusted as and when they occur. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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.

- v. **Impairment (reduction in value):** Fixed assets that are reviewed for impairment at the end of each reporting period for evidence of reductions in value. Examples of events and changes in circumstances that indicate a reduction in value may have occurred include:-

STATEMENT OF ACCOUNTING POLICIES

- A significant decline in a fixed asset's market value during the period
- Evidence of obsolescence or physical damage to the fixed asset
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates
- A commitment by the Authority to undertake a significant reorganisation

Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account. Otherwise it is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

vi. **Effects of the economic downturn on asset valuations**

In preparing these accounts the Council has specifically reviewed the advice issued by the Local Authority Accounting Panel (LAAP) in respect of a recent bulletin (LAAP81) dealing with the valuation of fixed assets held for resale as at the Balance Sheet date, and, more specifically, the effect on such valuations that may be caused by the current economic downturn.

The Council has considered the bulletin and has come to the following conclusions which are reflected in these accounts:

- Many asset categories have valuations which are specific to future rental streams which appear secure at the present time and therefore valuation is unaffected.
- All assets are valued on a cyclical basis and in many instances the current valuation (last undertaken in past years) is likely to reflect current market value.
- Assets revalued during 2008/9 are likely to reflect the value under current economic conditions.

As such the Council has examined the valuation of all surplus assets held for disposal. In respect of these assets there has been a downward revaluation of some £0.52m compared to their previous net book value, £0.26m has been charged to Revenue and £0.26m has been charged against prior upward revaluations held within the Revaluation Reserve.

- vi. **Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account.

STATEMENT OF ACCOUNTING POLICIES

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Usable capital receipts can only be used to finance new capital investments (or be set aside to reduce the borrowing requirements).

Usable capital receipts from Housing Revenue Account (HRA) assets are reserved for reinvestment in council housing.

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 appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

- vii. Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

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.

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to reflect charges in respect of debt principal repayment which it deems prudent (the council deem an amount equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

4. Revenue Expenditure Funded From Capital Under Statute

Revenue Expenditure Funded From Capital Under Statute represents capital payments from which no fixed asset is created. One example is renovation grants for private individuals, as the expenditure is incurred on an asset which does not ultimately belong to the Council. All such expenditure will be charged against the relevant service line in the income and expenditure account and subsequently reversed out within the statement of movement on the general fund balance to leave a net nil effect on the Council's reserves.

Where specific funding has been received in respect of this expenditure it has been credited to the relevant service line in the Income and Expenditure Account.

STATEMENT OF ACCOUNTING POLICIES

5. Capital Financing

Capital expenditure, except the amounts we provide for as sundry creditors, is financed from the following sources:

Borrowing – the government gives us the power to borrow by law under the Local Government Act 2003. Under the Act local authorities have a duty to determine an affordable borrowing limit and comply with the Prudential Code for Capital Financing in Local Authorities. Each local authority receives grant (support) from the Welsh Assembly Government for its borrowing up to a determined limit. Under the Prudential Code, local authorities have the power to undertake additional ‘unsupported’ borrowing (i.e. borrowing not supported by grant) provided the authority has demonstrated that such borrowing is affordable and prudent.

Grants and contributions – these are included in the accounts (on an accruals basis) when the conditions for receiving them have been met and when we are reasonably sure that we will receive the grant or contribution. When fixed assets are financed in total or in part by a government grant or other contribution, the amount of the grant or contribution is credited in the first place to the government grants deferred account. Amounts are released to the Income and Expenditure Account over the useful life of the asset to match the depreciation charged on the asset.

Capital receipts – we can use some of the monies we raise from the sale of our capital assets (capital receipts) to pay for new capital expenditure. Capital receipts can be used to finance new capital expenditure (with receipts relating to HRA assets being restricted to reinvestment in HRA property). However, the Government assumes in its calculation of HRA subsidy that the Council will set aside 75% of the proceeds from council house sales and 50% from sales of other HRA property to reduce its borrowing requirement. This gives the Council an effective obligation to make the set-asides assumed by the Government.

The position for 2008/2009 was as follows:-

	Usable capital receipts %	Set aside capital receipts %
Council House Sales	25	75
Other Sales	100	0

6. Charges to Revenue Accounts for the use of Fixed Assets

Charges for depreciation are made in respect of fixed assets which are attributable to the relevant service. Depreciation is calculated by the straight line method based on the useful life of the asset:-

- Council dwellings – 40 years
- Other buildings – 40 years
- Infrastructure – 20 to 40 years
- Vehicles and plant– 5 to 10 years

Charges are also made in respect of impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

STATEMENT OF ACCOUNTING POLICIES

7. Stocks and work in progress

Most stocks are shown at purchase price. This is not in line with the standard accounting practice, which states that stocks should be shown at the lower of actual cost or net realisable value. Operating in this way does not make a significant material difference to the income and expenditure account. Work in progress is shown on the balance sheet at the lower of cost or net realisable value.

8. Central administrative expenses

An apportionment of all support service costs and some overheads are included within the total cost of services as shown in the Housing Revenue Account and the Income and Expenditure account, and these central administrative expenses are allocated over the services to which they relate as follows:

- Legal Services: estimated time allocations
- Human Resources and Organisational Development: estimated time allocations
- Financial Services: estimated time allocations
- Information and Communication Technology Services: use of computing facilities
- County Supplies: estimated time allocations
- Property Management: estimated time allocations
- Office Accommodation: floor area occupied

The exceptions to this are Corporate and Democratic Costs (CDC's) and Non Distributable Costs (NDC's).

CDC's are comprised of the following two divisions of service:

- Democratic Representation and Management (DRM). This concerns corporate policy making and all other member based activities; and
- Corporate Management (CM). This concerns those activities and costs that relate to the general running of the Council

NDC's are comprised of:

- Settlements relating to retirement benefits; Curtailments relating to retirement benefits;
- Costs associated with unused shares in IT facilities; and
- Costs of shares of other long-term unused but unrealisable assets.

9. Interest on investments

Interest earned on our investments is accounted for on an accruals basis. It is credited to the income and expenditure account and then contributions are made to certain reserves in respect of the notional interest they have earned. These contributions are generally calculated using money market 7 day rates, although special arrangements are made for some specific sums invested for longer periods.

STATEMENT OF ACCOUNTING POLICIES

10. Pensions

- a) The Council participates in two different pension schemes. Both schemes provide members with defined benefits related to pay and service. The schemes are as follows:

Teachers - this is an unfunded scheme administered by Capita Hartshead on behalf of the Department for Children Schools and Families. The pension cost charged to the account is the contribution rate set by that Department on the basis of a notional fund.

The Scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

Other employees - subject to certain qualifying criteria, are eligible to join the funded Local Government Pension Scheme. Unfunded costs arising in respect of certain retired employees are charged directly to the relevant service account.

- b) In accordance with FRS17 for the Local Government Pension Scheme (LGPS) the Council recognises the full liability for meeting the future cost of retirement benefits that will arise from years of service earned by employees up to the balance sheet date, net of the contributions paid into the Fund and the investment income they have generated.

Charges to service revenue accounts are based on a share of current service cost (the increase in future benefits arising from service earned in the current year) rather than employer's contributions. The policy for accounting for discretionary benefits awarded on early retirement is to debit (as past service costs) the projected cost of discretionary awards to Non Distributed Costs in the year that the award decision is made.

11. Provisions and Reserves

The Council maintains a number of provisions and reserves. Details of these are given on pages 53 to 55.

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Reserves are amounts set aside for specific purposes, normally to fund future specific expenditure rather than to meet existing liabilities. Transfers to and from reserves are distinguished from service expenditure in the statement of accounts.

12. Taxation

The Council is responsible for the administration of Value Added Tax (VAT) which is regulated by H.M. Revenue and Customs. The Council is able to recover all VAT incurred in the normal course of its activities. This normally exceeds the amount of VAT charged on taxable income and so entitles the Council to a refund of the net amount.

STATEMENT OF ACCOUNTING POLICIES

VAT does not, therefore, constitute a cost to the Council and it is excluded from the revenue accounts. The Council is accountable to H.M. Revenue and Customs for all matters relating to income and corporation tax.

13. Financial relationship with companies

The Council is the sole shareholder of the Swansea City Waste Disposal Company Limited which was formed in 1996 to undertake waste disposal operations on its behalf. The consideration for the acquisition of the operations at that time comprised of the issue of 4,879,000 ordinary shares of £1 each issued at par.

All losses on share valuation are written down against a specific reserve created for this purpose upon the formation of the company and do not fall as a revenue cost in the year in question.

Details of the Council's interests in the National Waterfront Museum (Swansea) Ltd, the Wales National Pool (Swansea) Ltd, Swansea Stadium Management Company Limited, Bay Leisure Ltd and the Swansea City Development Company Limited are given in note 12 to the Balance Sheet on pages 46 to 51.

14. Leases

The Council would not normally enter into contracts or arrangements which would constitute a finance lease. Details of operating leases together with future commitments are given in note 3 to the Income and Expenditure Account. Net rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

15. Investments

Investments held by the Pension Fund (see page 85), long term investments and investment properties (see note 3, page 13) are carried at market value.

16. Group Accounts

The Group Accounts which form part of this Statement combine the results of the City & County of Swansea, its subsidiary company Swansea City Waste Disposal Company Limited, its joint venture companies the Wales National Pool (Swansea) Limited and the National Waterfront Museum (Swansea) Limited and its associate companies the Swansea Stadium Management Company Limited and Bay Leisure Ltd.

The Accounts comprise the Group Income and Expenditure Account, Group Balance Sheet, Group Statement of Total Realised Gains and Losses and Group Cash Flow Statement along with associated notes and are shown on pages 97 to 112 of this statement.

The Swansea City Development Company Ltd does not form part of the Group Accounts of the Council on the basis that:

- a) There have been no transactions by the Company during the year; and
- b) The Council holds no balances in respect of the Company.

Filed Accounts for the Company show a creditor balance of £79,689 owed by the Company to the Council. The Company has no cash assets to fund this creditor and has a negative Profit and Loss

STATEMENT OF ACCOUNTING POLICIES

Reserve figure of the same amount. Following investigation the Council has determined that there is no reasonable chance of any payment being made by the Company, that it will forego any debt and that the Company should be wound up.

17. Capital Funding for Council Housing

The Council receives a government grant (the Major Repairs Allowance or MRA) which is treated in the accounts as a capital grant. The grant is credited to a separate reserve (the Major Repairs Reserve) and funding is made from this reserve to finance capital expenditure for council housing stock as it is incurred. The sum received for 2008/09 was £9.1m (2007/08 £9.1m). In addition, the Welsh Assembly Government have assumed that the Housing Revenue Account would normally have borne part of this expenditure and therefore require a transfer back from the HRA of a calculated repair contribution. The sum repaid is £6.313m (2007/08 £4.839m) and is shown as a cost in the Housing Revenue Account under the heading 'Negative Housing Subsidy'.

18. Accounting for joint arrangements which are not entities (JANE's).

A joint arrangement is defined as "a contractual arrangement under which the participants engage in joint activities that do not create an entity because it would not be carrying on a trade or business of its own. A contractual arrangement where all significant matters of operating and financial policy are predetermined does not create an entity because the policies are those of its participants, not of a separate entity."

The SORP states that where such joint arrangements exist, each participant should account directly for its share of the assets, liabilities, income, expenditure and cashflows held within or arising from the arrangements.

The Council works in partnership with many other Local Authorities in the joint provision of services. Examples include the Joint Archive Service with Neath Port Talbot County Borough Council and the Joint Childcare Service with Neath Port Talbot and Bridgend County Borough Councils.

Traditionally one Authority acts as lead in these arrangements and will incur all expenditure for the service with the other Authorities making a contribution for a calculated or negotiated share of the costs. Where contributions in cash during the year are less than or exceed the final amount due a debtor/creditor is kept in the lead Authority's books to add/deduct from the next year's contribution.

In respect of this Authority we have identified the following JANE's to which these accounting entries could be applied:-

Joint Archives Service
Joint Childcare Legal Service
South and Mid Wales Consortium (SWAMWAC) – Education support

In respect of these joint arrangements the following balances were held by the Council, as lead authority, as at 31st March 2009:-

Service	Balance	£'000
Joint Archives Service	Earmarked Reserves	170
SWAMWAC	Sundry Creditors	793
Joint Childcare Legal Service	Sundry Debtors	21

STATEMENT OF ACCOUNTING POLICIES

No adjustment was made to the year end position with regard to the Joint Archive Service or the Joint Childcare Legal Service as any adjustment was not considered significant in the context of the Accounts.

In respect of SWAMWAC, the creditor figure of £793k included an apportioned amount due to the City and County of Swansea of £177k.

This has been reflected in the Income and Expenditure Account, Statement of Movement on the General Fund Balance and Balance Sheet of the Council as follows:-

Income and Expenditure Account	Dr £'000	Cr £'000
Education & Childrens Services		177
Statement of Movement on General Fund Balance		
Net transfer to other earmarked reserves	177	
Balance Sheet		
Creditors	177	
Earmarked reserves		177

19. Changes to the Form and Content of the Statement of Accounts.

The form and content of the Statement of accounts is governed by the 'Statement of Recommended Practice' (SORP) as issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The main changes for 2008/09 are:-

- a change in the presentation of the cashflow statement whereby the net cash flow from revenue activities has been derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

- Deferred Charges has been replaced by Revenue Expenditure Funded from Capital under Statute which is charged to the appropriate service revenue account.

- Note 1 to the Balance Sheet has been remodelled to bring into line with the format used by H M Treasury in the Whole of Government Accounts. The note has been split to show operational and non-operational assets separately along with new headings within the table.

- Under Financial Reporting Standard 17 (Retirement Benefits) changes have been made with regard to the valuation basis of scheme assets as at the Balance Sheet date, whereby investment values are now shown at bid rather than mid market value. This has meant that there is a minor restatement of comparable Income and Expenditure and Balance Sheet entries for 2007/08 in respect of pension fund entries.

STATEMENT OF ACCOUNTING POLICIES

HRA - Income and expenditure in the 2007/08 statement of accounts relating to repairs, maintenance, supervision and management has been reclassified in accordance with the Cipfa Statement of Recommended Practice (SORP) and the Cipfa Best Value Accounting Code of Practice (BVACOP).

20. Financial Instruments

Initial Recognition

A financial asset or liability is recognised on the balance sheet when the Council becomes party to the contractual provisions of the instrument. This will often be the date that a contract is entered into but may be later if there are conditions that need to be satisfied.

Initial Measurement

Financial assets and financial liabilities are initially measured at fair value less transaction costs that are directly attributable to the acquisition or issue of the asset or liability.

Subsequent measurement

Subsequent measurement of financial instruments is in accordance with their classification under the SORP.

Financial liabilities

There are two possible classifications:

Amortised cost – liabilities that are not ‘held for trading’, e.g. operational creditors and borrowings
Fair value through profit and loss – liabilities ‘held for trading’.

The Council currently only has liabilities carried at ‘amortised cost.’ Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Financial Assets

There are three possible classifications:

Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market, e.g. operational debtors and bank deposits.

Fair value through profit and loss – assets ‘held for trading.’

Available-for-sale financial assets – assets that have a quoted market price and/or do not have fixed or determinable payments, e.g. equity shareholdings and quoted investments.

The Council currently has assets classified as ‘loans and receivables’ and ‘Fair Value through Profit & Loss’. In respect of the ‘loans and receivables’ assets, this means that these assets are carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

In respect of the assets classified as ‘Fair Value through Profit & Loss’ this means that the assets are carried at values determined directly by reference to published price quotations in an active market.

The Council has made interest-free loans for a Third Sector Development Trust (soft loan). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present

STATEMENT OF ACCOUNTING POLICIES

value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Over the life of the loan, interest is credited at the effective market rate of interest serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund balance is the actual interest receivable for the financial year. The reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

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 Income and Expenditure Account.

Any gains or losses that arise on the de-recognition (i.e. disposal or maturity) of the asset are credited/debited to the Income and Expenditure account.

INCOME AND EXPENDITURE ACCOUNT

2007/08 Net Expenditure Restated £'000	Note	2008/09 Gross Expenditure £'000	2008/09 Gross Income £'000	2008/09 Net Expenditure £'000
Direct Services				
9,565		22,784	-18,517	4,267
54,146		105,759	-47,336	58,423
175,794		231,310	-44,594	186,716
15,226		35,754	-13,839	21,915
-4,966		45,610	-52,982	-7,372
4,128		89,552	-85,727	3,825
58,898		85,620	-24,518	61,102
16,443		40,468	-25,701	14,767
8,697		4,668		4,668
337,931		661,525	-313,214	348,311
Levies and Contributions				
682	2	749		749
9,606	2	11,033		11,033
2,648	14	51,229	-49,247	1,982
17,867		20,429		20,429
0		0		0
-5,349			-6,616	-6,616
10,020	7	19,050		19,050
0		0	0	0
373,405		764,015	-369,077	394,938
-73,149	9			-77,208
-222,358	1			-224,817
-55,341	10			-60,783
22,557				32,130

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The income and expenditure account discloses the income receivable and expenditure incurred in operating the Council for the year. The deficit on the Income and Expenditure Account represents the amount by which income is less than expenditure.

However, the items of 'income' and 'expenditure' that are required to be credited or be charged to the General Fund and which therefore must be taken into account in determining a Local Authority's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP. Whilst the amounts that the SORP requires to be included in the Income and Expenditure Account and statutory and non-statutory proper practice requires to be included in the General Fund are largely the same, there are a number of differences. For example, in some circumstances capital expenditure can be charged to the General Fund but all capital expenditure is excluded from the Income and Expenditure Account; and depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required for statutory and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year are:-

Amounts included in the Income and Expenditure Account but required by statute to be excluded in determining the movement in the General Fund Balance for the year.

2007/08 £'000		2008/09 £'000
-38,701	Depreciation and Impairment of Fixed Assets	-60,965
4,877	Government Grants Deferred Amortisation	14,563
-9,338	Revenue expenditure funded from capital under statute	-5,987
-152	Statutory adjustment relating to the early redemption of debt	0
0	Net gain or loss on sale of fixed assets	0
0	Appropriations to capital receipts	1,472
-42,850	Net charges made for retirement benefits in accordance with FRS 17	-38,180
-86,164		-89,097

Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year.

2007/08 £'000		2008/09 £'000
12,154	Statutory provision for the repayment of debt	13,870
3,289	Capital expenditure charged to the General Fund	14,297
29,280	Employers contribution to the Local Government Pension Fund	30,380
44,723		58,547

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Transfers to/from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year.

2007/08		2008/09
£'000		£'000
1,773	Transfer to (from) Housing Revenue Account	1,075
270	Net transfer to (from) schools delegated reserve	-390
18,272	Net transfer to (from) other earmarked reserves	235
20,315		920

Information to be included in the Statement of Movement on the General Fund Balance

2007/08		2008/09
£'000		£'000
22,557	Deficit for year in the Income and Expenditure Account	32,130
-21,126	Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-29,630
1,431	Net Deficit for the year	2,500
10,595	General Fund Balance brought forward	9,164
9,164	General Fund Balance carried forward	6,664

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2007/08</u>		<u>2008/09</u>
<u>£'000</u>		<u>£'000</u>
-22,477	Deficit for the year on the Income and Expenditure Account	-32,130
68,107	Surplus arising on the revaluation of fixed assets	25,870
76,010	Actuarial (loss)/gain on pension fund assets and liabilities	-129,250
<u>121,640</u>	Total recognised gains and losses for the year	<u>-135,510</u>
-1,242	Loss on revaluation of Financial Instruments	0
<u>120,398</u>	Total recognised gains and losses	<u>-135,510</u>
<u>-1,000</u>	Prior year adjustment	<u>0</u>
<u>119,398</u>	Total gain / loss reported since last annual report	<u>-135,510</u>

The restated figures are due to a change in the valuation basis of assets by the Actuary to comply with FRS 17 (as amended). This resulted in a reduction in the value of the scheme assets of £1m.

BALANCE SHEET

31/03/2008			31/03/2009	
£'000	£'000		£'000	£'000
		Fixed Assets - Note 1 & 2		
		Operational Assets:		
85,425		- council dwellings	82,732	
562,595		- other land and buildings	560,639	
16,516		- plant/vehicles and equipment.	16,486	
222,186		- infrastructure assets	218,448	
14,314		- community assets	13,875	
	901,036			892,180
		Non Operational Assets		
	6,795	Assets under construction		20,503
	0	Surplus Assets for Disposal		11,062
	95,337	Investment properties		98,278
	1,003,168	Total Fixed Assets		1,022,023
5,629		Long term investments Note 17	11,897	
222		Long term debtors	274	
	5,851			12,171
	1,009,019	Total Long-Term Assets		1,034,194
		Current Assets		
2,340		- stocks and work in progress	1,873	
51,084		- debtors: Note 4	46,247	
147,236		- temporary investments Note 17	99,849	
578	201,238	- cash in hand	527	148,496
	1,210,257			1,182,690
		Current Liabilities		
-67,507		- creditors: Note 5	-65,517	
-6,503		- short term borrowing: Note 6/17	-11,381	
-26,841	-100,851	- bank overdrawn	-22,757	-99,655
	1,109,406	Total Assets Less Current Liabilities		1,083,035
		Long Term Liabilities		
-371,166		Long-term borrowing: Note 6/17	-344,438	
-29,077		Provisions: Note 15	-15,998	
-157,459		Government grants deferred: Note 8	-169,355	
-286,520		Liability relating to defined pension scheme	-423,570	
	-844,222			-953,361
	265,184	Total Assets Less Liabilities		129,674
		Financed by		
	405,797	Capital Adjustment Account: Note 9		388,226
	60,953	Revaluation Reserve: Note 9		82,323
	-1,242	Financial instrument Adjustment Account Note 17		-1,051
	-286,520	Pensions reserve: Note 16		-423,570
	12,187	Usable Capital receipts reserve: Note 10		11,326
	55,354	Earmarked reserves: Note 7		55,190
	9,491	Balances – Housing Revenue Account		10,566
	9,164	Balances – general fund: Note 7		6,664
	265,184	Total Net Worth		129,674

CASH FLOW STATEMENT

2007/08 <u>£'000</u>	2008/09 <u>£'000</u>	<u>£'000</u>
40,051 <u>Net revenue activities cashflow</u>		34,827
<u>Returns on Investment / Servicing of Finance</u>		
Cash Outflows		
-18,042 Interest paid		-20,360
Cash Inflows		
4,444 Interest received		6,810
26,453 Net Cash Flow from Revenue Activities (Note: 1)		21,277
<u>Capital Activities</u>		
Cash Outflows		
-74,276 Purchase of fixed assets	-57,705	
-17,013 Other capital cash payments	-13,423	
6,690 Purchase of long term investments	-6,268	
Cash Inflows		
8,708 Sale of fixed assets	4,898	-77,396
40,729 Capital grants received	34,036	
		38,934
-8,709 Net Cash Outflow before Financing (Note: 2)		-17,185
<u>Financing</u>		
Cash Outflows		
-85,454 Increase in temporary investments		0
-34,997 Repayments of amounts borrowed		-30,016
Cash Inflows		
0 Reduction in temporary investments	47,299	
108,975 New loans raised	3,295	
1,024 New short term loans	640	51,234
-19,161 Net Increase/(Decrease) in Cash (Note: 3)		4,033

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Government Grants

The Council received revenue support grant of £224.8m from the Welsh Assembly during 2008/2009. (2007/2008 - £222.4m). As well as this we received specific/special government grants amounting to £158.1m for 2008/2009 (2007/2008 £146.5m). The main items are:

2007/08		2008/09
£'000		£'000
1,635	Better schools fund	1,597
1,688	Mental handicapped strategy	1,703
29,308	Rent allowance subsidy	35,124
27,838	Rent rebate subsidy	28,930
14,337	Council tax benefit	15,370
4,409	Cymorth	4,138
11,706	Supporting people	11,761
5,859	Department for Children, Education, Lifelong Learning and Skills	6,430
2,351	Performance incentive grant	2,346
1,494	Local Authority Business Growth Incentive Scheme	0
2,461	Sustainable Waste Management	3,530
2,314	Housing Benefit Administration	2,249
4,748	Concessionary fares	5,563
5,135	Training and Enterprise Council Contract	3,786
1,512	Minority Ethnic Achievement Grant	1,533
2,269	Substance Misuse Action Team	2,778

2. Levies and Contributions Paid

The Council make payments to a number of organisations which operate services across South, West and Mid Wales.

2007/08		2008/09
£'000		£'000
96	Swansea Bay Port Health Authority	98
9,367	Combined Fire Authority	10,778
143	Sea Fisheries	157
9,606		11,033

In addition, the Council is obliged to pay precepts to local precepting bodies (community councils). In 2008/2009 these amounted to £0.749m (07/08 £0.682m). These sums are set by the individual councils, and are collected from council tax payers living within each community council area.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

3. Lessee Commitments

The Council uses leased vehicles, plant, I.C.T. hardware, etc., financed under the terms of operating leases. The amount paid during the year in respect of such leases was £1.296m (2007/08 £1.769m). Lease payments due in 2009/10 are £0.762m, (2008/09 1.151m) comprising the following elements:

2007/08			2008/09
£'000			£'000
0	Leasing expiring	less than 1 year	0
1,123		1 to 5 years	762
28		Over 5 years	0

4. Lessor Commitments

The rents receivable in 2008/09 were £6.675m (£6.510m in 2007/08). The value of assets held for use in operating leases is as follows:

31 March		31 March
2008		2009
£'000		£'000
87,913	Gross book value	90,388
-2	Accumulated depreciation	-3
87,911	Net book value	90,385

5. Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2008/2009 has been calculated as £13.951m (2007/08 £12.238m). The net amount charged to the general fund in respect of capital financing charges equates to the calculated MRP plus interest charges payable for the year.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

6. Statutory Accounts

S.137 of the Local Government Act 1972.

Section 137 empowers local authorities, subject to various conditions and limits, to incur expenditure which, in their opinion, is in the interests of their area or any part of it, or all or some of its inhabitants. Under this section local authorities are required to account separately for any such expenditure.

Expenditure in the interest of the area or its inhabitants which is not covered by other legal powers:

2007/08		2008/09
£'000		£'000
59	Swansea Council for Voluntary Service	60
32	Swansea Bay Racial Equality Council	32
471	Funding to local groups	470
142	Welsh Local Government Assoc./ Syniad / Local Government Association	146
176	Other grants	180
880		888

Section 5 of the Local Government Act 1986.

Set out below, under the requirements of S.5 (1) of the Local Government Act 1986, is the Council's spending on publicity.

2007/08		2008/09
£'000		£'000
861	Expenditure on publicity	861
532	Recruitment advertising and legal notices	491
43	Public consultation	33
1,436		1,385

Local Government (Goods and Services) Act 1970.

The Council is empowered by this Act to provide goods and services to other public bodies. Income for these services is set out below: -

2007/08		2008/09
£'000		£'000
30	Local Government (Goods and Services) Act 1970 Payroll Services – Further Education Colleges/charities	1
435	County Supplies – stationery etc.	292

7. Accounting for Pension Costs

a) Teachers:

This is an unfunded scheme administered by the Capita pensions on behalf of the Department of Education and Skills. In 2008/2009, the Council paid £10.47m (07/08 £10.16m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 14.1% (07/08 14.1%) of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years awarded by it and previous authorities, together with the related increases.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

In 2008/2009, these amounted to £3.31m (07/08 £2.80m), representing 4.5% (07/08 3.9%) of pensionable pay.

b) Other Employees:

(See also note 15 to the balance sheet).

- (i) All other employees who choose to join are members of the Local Government Pension Scheme (LPGS) which is a defined benefits scheme where final pension payments are based on final salary and length of local government service.
- (ii) We recognise the cost of retirement benefits in The Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge we are required to make against general fund is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.
- (iii) The following entries have been reflected in the income and expenditure account and Statement of Movement in the General Fund Balance for the year in accordance with Financial Reporting Standard 17 (FRS 17):

	Funded	Funded	Unfunded	Unfunded		
	Scheme	Scheme	Schemes	Schemes	Total	Total
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£M's	£M's	£M's	£M's	£M's	£M's
Income and Expenditure Account						
<i>Net Cost of Services:</i>						
• Current service cost	25.87	19.13			25.87	19.13
• Past service costs	6.96				6.96	
Total	32.83	19.13			32.83	19.13
<i>Net Operating Expenditure:</i>						
• Interest cost	41.77	48.61	3.35	4.10	45.12	52.71
• Expected return on scheme assets	-35.10	-33.66			-35.10	-33.66
Total	6.67	14.95	3.35	4.10	10.02	19.05
Net Charge to the Income and Expenditure Account	39.50	34.08	3.35	4.10	42.85	38.18

Statement of Movement on the General Fund Balance:						
• Reversal of net charges made for retirement benefits in accordance with FRS17	39.50	34.08	3.35	4.10	42.85	38.18
Actual amount charged against the General Fund Balance for pensions in the year:						
• Employers' contributions payable to scheme	25.13	26.17			25.13	26.17
• Retirement benefits payable to pensioners			4.16	4.21	4.16	4.21

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses of £129,250k loss (£76,180k gain 2007/08 as restated) were included in the Statement of Total Recognised Gains and Losses.

8. Officers' Emoluments/Members' Allowances

The number of employees whose remuneration (excluding employer's pension contributions) was £60,000 or more, in bands of £10,000, were:

2007/2008		2008/2009
Number	Band	Number
35	£60,000 - £69,999	35
13	£70,000 - £79,999	16
6	£80,000 - £89,999	6
1	£90,000 - £99,999	3
2	£100,000 - £109,999	2
1	£110,000 - £119,999	0
0	£120,000 - £129,999	1
0	£130,000 - £139,999	0
1	£140,000 - £149,999	0
0	£150,000 - £159,999	1
59	Total	64

The numbers shown include teaching staff.

The Councillors' remuneration ranged between £11,401 and £44,892 which is determined in accordance with a scheme approved by the Council in accordance with the provisions of the Local Government Act 1972 and the Local Government and Housing Act 1989.

The total value of allowances paid to members in 2008/2009 was £1.29m (2007/2008 £1.27m).

9. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been grouped into nine valuation bands estimating 1st April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the City and County of Swansea, each community council and the South Wales Police Authority and dividing this amount by the council tax base.

The council tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts. The base was 85,625 in 2008/2009 (84,853 in 2007/2008).

The basic amount for a band 'D' property is £1,018.63 (£982.26 in 2007/2008).

Council tax bills are based on multipliers for bands A to I. The following table shows the multiplier applicable to each band together with the equivalent number of Band 'D' properties within each band. In addition there is one lower band (A*) designed to offer the appropriate discount in respect of disabled dwellings where legislation allows a reduction in banding to that one below the band in which the property is actually valued.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97.5% (97% in 2007/2008) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number	21	8,723	17,906	17,276	13,120	12,701	9,799	5,445	1,922	908

Analysis of the net proceeds from council tax:

2007/08	2008/09
£'000	£'000
85,065 Council tax collectable	89,303
-11,263 Less:- Payable to South Wales Police Authority	-11,934
-653 Provision for non payment of Council tax	-161
73,149	77,208
Net proceeds from council tax	

Application of council tax proceeds:

2007/08	2008/09
£'000	£'000
72,484 City & County of Swansea precept	76,286
682 Community Council precept	749
73,166 Council Tax requirement	77,035
-17 Transfer to reserves	173
73,149	77,208
Net application of proceeds	

10. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (0.466p in 2008/09) and, subject to the effects of transitional 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 area but pays the proceeds into the NNDR Pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £64.46m for 2008/09 (£61.88m for 2007/08) was based on a rateable value at year end of £164.356m (£163.122m 2007/08).

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Analysis of the proceeds from non domestic rates:

2007/08 £'000		2008/09 £'000
63,395	Non – domestic rates due	66,487
-227	Council fund contribution to rate relief	-275
<u>63,168</u>		<u>66,212</u>
-425	Less: cost of collection	-410
-764	Provision for bad debts	-1,043
-97	Interest due on overpayments	-283
<u>61,882</u>	NNDR due to pool	<u>64,476</u>
<u>55,341</u>	Net receipt from pool	<u>60,783</u>

11. Business Improvement District (BID)

Swansea Business Improvement District is a co-operative of businesses that fund improvements to the city centre. The BID allows 730 businesses in the city centre to identify key issues that impact on their trading and start projects to deal with the issues.

The Authority makes an annual contribution of £15k to the BID company.

During 2008/09 the Authority collected £440k NNDR and paid £431k over to Swansea Business Improvement Ltd. The Authority charges an administration fee of £14k for collecting business rates (NNDR) on behalf of the BID company.

12. Interests in Companies

The Council has interests in a number of companies, details of which are given in note 12 to the balance sheet, which also, where appropriate, gives details of the financial transactions between the Council and the companies involved.

13. Building Control Trading Account

The local authority building control regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the building control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The following statement shows the total cost of operating the building control section between chargeable and non-chargeable activities.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Total Building Control 2007/08 £		Chargeable 2008/09 £	Non Chargeable 2008/09 £	Total Building Control 2008/09 £
	Expenditure			
590,814	Employee expenses	321,891	249,843	571,734
19,892	Transport	13,429	10,309	23,738
0	Premises	2,898	0	2,898
42,112	Supplies and services	24,301	12,005	36,306
	Central and support service			
91,853	charges	28,274	64,058	92,332
0	Provision for bad debts	0	25,000	25,000
-5,000	Less Non distributable costs	-3,000	-2,000	-5,000
-7,000	Less Corporate and Democratic core	-5,000	-2,000	-7,000
732,671	Total expenditure	382,793	357,215	740,008
	Income			
567,954	Building regulation charges	380,200	0	380,200
3,080	Miscellaneous income	0	576	576
571,034	Total income	380,200	576	380,776
-161,637	Deficit (-) for year	-2,593	-356,639	-359,232

14. Trading Accounts

In accordance with the Best Value Accounting Code of Practice which has been issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) the Council undertakes a number of activities which are defined as trading activities within the meaning of the Code.

Wherever possible the financial information relating to these accounts is shown within the income and expenditure account (page 24) under the relevant service definition. Some trading activities, however, do not fall within the specific service definitions as contained in the Income and Expenditure account and the results from these accounts are shown as a net surplus/deficit on trading activities as a separate line within the account.

The following is a summary of the trading activities not included in service definitions :-

2007/2008	Activity	2008/2 009 Turnov er £'000	2008/2009 Expenditure £'000	2008/2009 Surplus/ Deficit(-) £'000
	Surplus/ Deficit (-) £'000			
-228	Design & print – In house design & print studio	1,560	1,930	-370
-467	Building & property services	28,943	28,974	-31
-680	Central Transport Unit	9,856	10,294	-438
-35	Landscaping	65	88	-23
-587	Catering - In house catering & school meals	5,464	5,666	-202
-56	Cleaning – In house cleaning of buildings	2,115	2,025	90
-595	County Supplies-office equipment/consumables	1,244	2,252	-1,008
-2,648	Total not included in service definitions	49,247	51,229	-1,982

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

15. Audit Fees

In 2008/09 the City & County of Swansea Council incurred the following fees relating to external audit and inspection:

	2007/08	2008/09
	£'000	£'000
• Fees payable to the Wales Audit Office/PricewaterhouseCoopers LLP with regard to external audit services carried out by the appointed auditor	375	352
• Fees payable to the Wales Audit Office in respect of statutory inspection	80	84
• Fees payable to Wales Audit Office/PricewaterhouseCoopers LLP for the certification of grant claims and returns	198	245
• Fees payable in respect of other services provided by the appointed auditor	46	10

The fees for other services payable in 2007/08 and 2008/09 are in respect of fees relating to professional services. During 2008/09 the Council paid an additional £24k in relation to work performed by the auditors on questions and objections from members of the public.

16. Agency Income and Expenditure

In the opinion of the Authority there has been no significant agency expenditure and income in the year.

NOTES TO THE BALANCE SHEET

1. Fixed Assets

Assets have been valued using the methodology described in the Statement of Accounting policies contained within this booklet. The movement of fixed assets is as follows:-

Operational Assets	Council Dwellings	Other Land & Buildings	Plant, vehicles etc.	Infra- structure Assets	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April 2008	91,164	580,535	20,293	283,759	16,793	992,544
Additions	10,141	18,294	2,838	10,952	122	42,347
Reclassifications	-92	-13,764	-31	848	36	-13,003
Revaluations	-52	13,360	0	0	0	13,308
Impairments	-10,141	-12,950	-87	-7,813	-183	-31,174
Write Off to Income & Expenditure Account	0	0	0	-221	0	-221
As at 31 March 2009	91,020	585,475	23,013	287,525	16,768	1,003,801
Depreciation						
At 1 April 2008	-5,739	-17,939	-3,777	-61,574	-2,479	-91,508
Charge for 2008/09	-2,562	-12,322	-2,778	-7,519	-416	-25,597
Reclassifications	8	132	28	16	2	186
Revaluations	5	5,254	0	0	0	5,259
Impairments	0	39	0	0	0	39
As at 31 March 2009	-8,288	-24,836	-6,527	-69,077	-2,893	-111,621
Balance Sheet amount as at 31 March 2009	82,732	560,639	16,486	218,448	13,875	892,180
Balance Sheet amount as at 1 April 2008	85,425	562,596	16,516	222,185	14,314	901,036
Nature of asset holding						
Owned	82,732	560,639	16,486	218,448	13,875	892,180
Finance lease	0	0	0	0	0	0
PFI	0	0	0	0	0	0
	82,732	560,639	16,486	218,448	13,875	892,180

NOTES TO THE BALANCE SHEET

Non Operational Assets	Investment Assets	Assets under Construction	Surplus Assets for Disposal	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2008	95,607	6,795	0	102,402
Additions	291	15,486	0	15,777
Disposals	0	0	-3,153	-3,153
Reclassifications	501	-1,778	14,280	13,003
Revaluations	2,149	0	-31	2,118
Impairments				
As at 31 March 2009	98,548	20,503	11,096	130,147
Depreciation				
At 1 April 2008	-270	0	0	-270
Charge for 2008/09				
Reclassifications	-23	0	-163	-186
Revaluations	23	0	129	152
Impairments				
As at 31 March 2009	-270	0	-34	-304
Balance Sheet amount as at 31 March 2009	98,278	20,503	11,062	129,843
Balance Sheet amount as at 1 April 2008	95,337	6,795	0	102,132
Nature of asset holding				
Owned	98,278	20,503	11,062	129,843
Finance lease	0	0	0	0
PFI	0	0	0	0
	98,278	20,503	11,062	129,843

The additions shown under infrastructure assets includes a sum of £406k in respect of land acquired under statutory compulsory purchase orders for which payment will be made in future years. Provision for such a payment has been made in these accounts. A summary schedule itemising the main fixed assets of the authority is given on pages 74 to 75. Please see Accounting Policies note 3 (iii) re method of council housing revaluation.

NOTES TO THE BALANCE SHEET

2. Capital Expenditure and Financing

The following capital expenditure incurred in 2008/2009 was financed as follows:-

2007/08 Total		2008/2009 Fixed Assets	2008/2009 Revenue expenditure/ Long term debtors	2008/2009 Total
£'000		£'000	£'000	£'000
1,803	Unfinanced at 1 st April	2,341	52	2,393
91,879	Expenditure during year	57,994	13,423	71,417
93,682		60,335	13,475	73,810
	Financed by:			
46,027	Loan	12,744	5,020	17,764
39,048	Grants/contributions	26,461	7,575	34,036
2,925	Capital receipts	4,360	420	4,780
3,289	Revenues and reserves	14,182	366	14,548
91,289		57,747	13,381	71,128
2,393	Unfinanced at 31 st March	2,588	94	2,682

The unfinanced balance consists of provisions for creditors, to be financed in 2009/2010.

This expenditure was incurred by the portfolios of the Council as follows:

Expenditure During 2007/2008 £'000		Expenditure During 2008/2009 £'000	Revised Budget 2008/2009 £'000	Net Over/(Under) Spend £'000
2,040	Community/Leadership etc.	2,094	2,210	-116
6,876	Business Improvement & Efficiency	1,380	2,472	-1,092
22,055	Culture, Recreation etc.	3,432	5,051	-1,619
653	Economic & Strategic Development	950	1,749	-799
10,600	Education	15,189	16,643	-1,454
15,151	Environment	16,687	17,948	-1,261
18,796	Housing	26,087	32,087	-6,000
12,069	Finance	2,294	2,736	-442
1,142	Social Services	1,390	1,124	266
2,497	Community Regeneration	1,914	2,000	-86
91,879		71,417	84,020	-12,603

NOTES TO THE BALANCE SHEET

Significant commitments for future capital expenditure include the following schemes:

31 March 2009		£'000
Regeneration	Leisure Centre	214
Housing	Steel Houses (Penlan)	356
	Guildhall	2,083
Environment	Metro 2 Normandy Road	407
Education	Penyrheol rebuild	2,502

31 March 2008		
Regeneration	City Centre Core	1,226
	Leisure Centre	1,106
Housing	M Type Flats	713
Community Regeneration	Pentre Menter Resource Centre	1,424
Environment	Landore Express Bus Route	1,633
	Metro 2	571
Education	Penyrheol rebuild	8,300
	Llwynderw new build	2,825

3. Revenue expenditure funded from capital under statute

Capital expenditure, which does not result in a tangible (real) asset to the Authority (e.g. housing renovation grants), is classified as revenue expenditure funded from Capital under statute.

2007/08		2008/09
£'000		£'000
17,200	Expenditure	13,384
-9,316	Less amounts charged to capital financing account via the Income and Expenditure Account	-5,809
<u>-7,884</u>	Less amounts funded by grant etc	<u>-7,575</u>
<u>0</u>		<u>0</u>

The current system of capital accounting allows for the writing down of revenue expenditure funded from Capital under statute balances to zero in so far as they represent no continuing value to the Authority.

4. Debtors

31st March 2008		31st March 2009
£'000		£'000
1,759	Housing rents	1,600
4,050	NNDR	5,876
7,375	Council tax	8,003
14,463	Government departments	13,416
2,772	Other public bodies	5,796
<u>31,122</u>	Sundry debtors	<u>22,187</u>
61,541		56,878
<u>-10,457</u>	Less provision for doubtful debts	<u>-10,631</u>
<u>51,084</u>		<u>46,247</u>

NOTES TO THE BALANCE SHEET

5. Creditors

31st March 2008 £'000		31st March 2009 £'000	
3,933	Government departments	5,524	
7,985	Other public bodies	1,521	
55,589	Sundry creditors	58,472	
<u>67,507</u>		<u>65,517</u>	

6. Analysis of Borrowing

31st March 2008 £'000	Sources of borrowing	31st March 2009 £'000	31st March 2009 £'000	%
271,553	Public Works Loan Board	244,825		69
99,613	Money market	99,613		28
<u>371,166</u>	Total borrowing greater than one year		<u>344,438</u>	
1	Stock issues	0		0
5,154	Public Works Loans Board	10,114		2
104	Local bonds & internal mortgages	13		0
1,244	Temporary loans	1,254		1
<u>6,503</u>	Total borrowing less than one year		<u>11,381</u>	
<u>377,669</u>			<u>355,819</u>	<u>100</u>

Maturity dates for the repayment of loans

31st March 2008 £'000		31st March 2009 £'000	%
1,244	Temporary loans up to 1 year	1,263	1
5,259	Long term debt maturing within -1 year	5,887	2
5,882	1 - 2 years	5,977	2
18,237	2 - 5 years	18,543	5
26,083	5 -10 years	19,801	6
320,964	Over 10 years	304,348	84
<u>377,669</u>		<u>355,819</u>	<u>100</u>

7. Reserves and Balances

Details of other reserves, balances and provisions are given on pages 53 to 55.

NOTES TO THE BALANCE SHEET

8. Government Grants Deferred

This account is credited with capital grants and contributions used to partly or wholly finance assets. The balance at 31st March 2009 of £169.355m (31st March 2008 £157.458m) represents cumulative grant and contributions utilised for funding since inception of the current capital accounting arrangements.

9. Capital Adjustment Account and Revaluation Reserve

Capital Adjustment Account

31 st March 2008		31 st March 2009
£'000		£'000
427,980	Balance brought forward	405,797
4,081	Capital receipts set aside	706
2,925	Capital financing - capital receipts	4,780
-28	- loan repayments	-25
3,289	- revenue	14,549
4,877	- grants written off	14,563
12,238	Minimum revenue provision	13,951
-6,878	Disposals	-3,153
5,045	Disposals written off balance from Revaluation Reserve	1,104
255	Historical Depreciation cost adjustment	3,153
-11,336	Downward Revaluations	-4,233
-22,442	Less depreciation	-25,597
-16,446	Less impaired	-31,135
403,560		394,460
2,237	Revenue expenditure funded by capital under statute	-6,234
405,797	Published Balance as at 31st March	388,226

Revaluation Reserve

2007/08		2008/09
£'000		£'000
0	Balance brought forward	60,953
56,873	Surplus on revaluations – cost	25,164
6,575	- depreciation	4,055
63,448		29,219
	Deficit on revaluations affecting revaluation reserve	
	- cost	-5,334
	- depreciation	1,182
		-4,152
-5,045	Disposals - balance on revaluation reserve written out to CAA	-1,104
2,805	Additions	560
-255	Historical Depreciation cost adjustment	-3,153
60,953	Balance carried forward	82,323

NOTES TO THE BALANCE SHEET

10. Usable Capital Receipts Reserve

2007/08		2008/09	2008/09	2008/09
Total £'000		Gen fund £'000	H.R.A £'000	Total £'000
10,841	Opening balance	6,544	5,643	12,187
8,708	Receipts during the year	3,343	1,555	4,898
-4,081	Less set asides	-30	-706	-736
-356	Less other costs	-221	-22	-243
-896	Less transfer to revenue	-337	-83	-420
14,216	Available to use	9,299	6,387	15,686
-2,029	Less applied	-2,899	-1,461	-4,360
12,187		6,400	4,926	11,326

11. Trust funds

We administer 34 trust funds in support of specific services. These are varied in nature and relate to various donations, legacies and bequests. Income is also received from funds relating to the Welsh Church Acts. The funds are invested in external securities to produce income for the purpose of the various funds. The application of the funds covers a range of activities including education, social and recreational needs and the protection of historic buildings.

The principal funds are:

	Income For year £	Expenditure For year £	Assets 31/03/09 £	Liabilities 31/03/09 £
<u>2008/2009</u>				
Welsh Church Acts – various Charitable schemes	42,863	18,766	1,045,280	95,129
Swansea Children's Relief in Need	42,487	47,496	824,805	25,696
Swansea Further Education Trust Fund	9,664	7,387	149,160	0
Swansea Foundation – education	15,857	18,157	294,427	150
Lord Mayors Fund – various charitable schemes	54,111	62,656	29,871	0
Other capital trust funds	1,451	0	51,219	0
Other trust funds - various charitable schemes	31,595	20,859	156,254	0
Swansea Workshops for the Blind	7,438	7,438	689,916	0
West Glamorgan Blind Welfare Association	1,079	1,220	28,760	74
Total	206,545	183,979	3,269,692	121,049

NOTES TO THE BALANCE SHEET

	Income For year £	Expenditure For year £	Assets 31/03/08 £	Liabilities 31/03/08 £
<u>2007/2008</u>				
Welsh Church Acts – various Charitable schemes	45,966	45,579	995,710	106,788
Swansea Children’s Relief in Need	43,857	47,904	759,394	45,519
Swansea Further Education Trust Fund	9,478	2,890	148,083	1,200
Swansea Foundation – education	17,332	24,658	296,923	330
Lord Mayors Fund – various charitable schemes	47,364	52,383	37,579	0
Other capital trust funds	7,883	5,197	114,998	0
Other trust funds - various charitable schemes	31,537	20,844	156,197	0
Swansea Workshops for the Blind	8,219	8,219	689,916	0
West Glamorgan Blind Welfare Association	10,616	18,575	32,268	316
Total	<u>222,252</u>	<u>226,249</u>	<u>3,231,068</u>	<u>154,153</u>

The trust funds do not form part of the assets of the City & County of Swansea and are therefore not included in the balance sheet or income and expenditure account.

12. Related Party Transactions

a) Central Government

The Council receives significant funding from the Welsh Assembly Government. Details of the sums received in respect of revenue support grant and redistributed non domestic rates are shown in the income and expenditure account, with details of other grant income being shown in note 1 to the Income and Expenditure Account.

b) Charitable and Voluntary Bodies

The Council appoints members to represent it on numerous charitable and voluntary bodies which operate primarily within the City & County of Swansea, as well as to a number of national bodies where it is deemed in the Council’s interest to be represented. Any transactions with these bodies are not significant and are undertaken at arms length.

c) Other Public Bodies

The Council has appointed members and officers to a number of outside organisations which includes the following:-

- Abertawe Bro Morgannwg NHS Trust
- Arts Council of Wales
- Coleg Harlech
- Community Health Council J.C.C.
- Council of the University of Wales, Swansea

NOTES TO THE BALANCE SHEET

Cymdeithas Caer Las
Gower Commoners Association
Industrial Common Ownership Financial Fund
Mid and West Wales Fire Brigade
National Library of Wales
National Museum of Wales
South Wales Police Authority
South Wales Sea Fisheries Committee
Swansea Bay Port Health Authority
Swansea Local Health Board
University of Wales Swansea – Court of Governors
Welsh Joint Education Committee

A full listing can be obtained from the Finance department, Civic Centre, Oystermouth Road, Swansea, SA1 3SN and on the Council's website (www.swansea.gov.uk / councillors).

In respect of the Mid and West Wales Fire Authority, South Wales Sea Fisheries Committee and the Swansea Bay Port Health Authority, significant sums are paid by the Council in respect of levies and precepts to these bodies. Details are given in note 2 to the income and expenditure account.

The Council is responsible for the collection of council taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2008/09 was £11.934m (2007/08 £11.263m).

The Council has interests in various companies as shown below some of which involve joint management and working arrangements with both the University of Wales (Swansea) and the National Museums and Galleries of Wales.

d) Subsidiary and Associated Companies

The Council has a significant interest in six companies, details of which are shown below:-

Swansea City Waste Disposal Company Limited (SCWD Co Ltd.)

The Swansea City Waste Disposal Company Ltd ("the Company") is a wholly owned subsidiary of the Council. The activities of the Company involve the management of the baling plant, civic amenity sites and the central land disposal site at Tir John.

The value of the Council's investment in the company as at 31st March 2009 remains at £0m.

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2009 the net worth of the Company was -£845k (31st March 2008 -£895k).

Purchases from, and charges made to the Company in 2008/09 amounted to £8.5m (2007/08 £9.5m). Rent, rates and royalties receivable total £76k (2007/08 £68k). Sales of £632k (2007/08 £718k) were made to the Company. Landfill tax paid to the Company amounted to £2.8k (2007/08 £4.8k).

NOTES TO THE BALANCE SHEET

Copies of the accounts of the Company are available from its registered office, Ferryboat Close, Enterprise Zone, Morriston, Swansea SA6 8QN.

The National Waterfront Museum Swansea Ltd

The National Waterfront Museum Swansea Ltd ("the Company") is limited by guarantee and is a registered charitable trust (charity number 1090512). Within the Group Accounts the Company is treated as a Joint Venture with the Council. The Company has seven directors, of which three are appointed by the City & County of Swansea, three by the National Museums and Galleries of Wales, with the seventh director being an independent chairman.

The purpose of the Company is to develop the National Industrial and Maritime Museum at Swansea. The Company derives its funds from several sources, including the Welsh Assembly Government, The National Museums and Galleries of Wales, the Welsh Development Agency and the Heritage Lottery Fund.

During the 2002/03 financial year the Council granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental and constitutes the Council's commitment to the scheme.

The museum has been leased to the National Museums and Galleries of Wales at a peppercorn rent by the Company. Due to the nature of the Company and its constitution there will be no direct beneficial interest arising to the Council from its activities.

Income for the company for 2008/09 amounted to £0.002m (2007/08 £0.010m) with expenditure for the year totalling £0.247m (2007/08 £0.262m).

Copies of the accounts of the Company are available from the National Waterfront Museum Swansea Project Office, Queens Buildings, Cambrian Place, Swansea SA1 1TW.

The Wales National Pool (Swansea) Ltd

The Wales National Pool (Swansea) Ltd ("the Company") is a company limited by guarantee. The purpose of the company is to operate the Wales National 50 Metre Pool which is located in Swansea.

The City & County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. The pool complex is leased by the Council to the Company at a peppercorn lease. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

The pool complex was opened in April 2003. Details of the Council's transactions with the Company during the year are as follows:-

2007/08		2008/09
£'000		£'000
390	Funding provided by the Council towards operating costs of the pool	340
138	Sum paid for the free use of the pool by Schools and other bodies	107
-703	Recharges of wages, salaries and other costs to the Company	-724

NOTES TO THE BALANCE SHEET

The Company has seven directors of which three are appointed by the City & County of Swansea. The Company is treated as being a joint venture with the Council in the group accounts.

By agreement with the University of Wales Swansea, the Council will fund 50 per cent of the operational deficit that the Company makes during its financial year which operates from 1st August to 31st July. There are no other guarantees in place that could increase the Council's liability in respect of the operations of the Company.

Copies of the accounts of the Company are available from the University of Wales Swansea, Finance Department, Singleton Park, Swansea, SA2 8PP.

Swansea Stadium Management Company Ltd. (SSMC)

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa-18,000 seater stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd. The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

The stadium was constructed by the City & County of Swansea, and is leased to SSMC on a 50 year lease. The shareholding represents a one-third holding in the company with the other shares held by the above organisations equally. The constitution of the company is such that although all shareholders have an equal vote in operational issues, for matters deemed of a significant nature the City & County of Swansea have a veto. Accounts for the company can be obtained from the company secretary, SSMC Limited, Liberty Stadium, Swansea. The terms of a supplementary agreement entered into with the joint shareholders of the Company exempts the Council from contributing to any past or future losses of the Company.

Swansea Bay Futures Limited

The company's principal activity is promoting Swansea and the surrounding region as a place, to live, study, work, invest in and visit. It aims to increase awareness of what the area has to offer and how it is changing and developing thereby challenging erroneous perceptions that exist and creating a positive impression of the area across UK and internationally.

The expenditure incurred by the company in the year has been funded by a grant from the City and County of Swansea and income from Premier Partner, Partner and Ambassador agreements with businesses and organisations committed to seeing the area grow and prosper. The company operates on a not for profit basis. The City & County of Swansea typically has a representation of 4 Directors of the board holding office during the year.

Details of transactions with the company during the year are as follows:

2007/08		2008/09
£'000		£'000
30	Grant payment	28
1	Retained balance 06/07	1
<u>12</u>	Premier partner fees	<u>10</u>
<u>43</u>		<u>39</u>

Accounts for the company can be obtained from Swansea Bay Futures, Llys Tawe, Kings Road, Swansea. SA1 8PG.

NOTES TO THE BALANCE SHEET

Bay Leisure Ltd

The Company was incorporated on 6th August 2007. The principal activity of the Company is to manage and operate the main Leisure Centre within the Authority's area – the 'LC'.

The company is a trust limited by guarantee, and, as such, the Council has no direct shareholding or financial interest in the Company. The company is treated as an associate within the group structure of the Council.

In terms of overall control, the Company has a Board consisting of eleven Directors of which the Council is able to nominate two.

The LC was constructed by the City and County of Swansea and remains classified as an operational asset within the Council's accounts.

The LC is leased to Bay Leisure Ltd for a period of ten years with the Company being responsible for all operational matters including day to day maintenance and repairs. As owner of the building the Council is responsible for major repair/replacement/refurbishment items and, as such, is making an annual provision for future expenditure in this area.

In terms of future funding, the Council is under an obligation to consider an annual funding request from the Company to provide sufficient funding by way of a management agreement to fund any operating deficit evidenced by the Company's business plan. Due consideration will be given to such requests taking into account any balances or reserves that the Company may hold.

Funding set aside in the Council's revenue budget for 2009/10 amounts to £1.3m which reflects both the management fee payable to the company and a contribution to the future major repairs fund.

Swansea City Development Company

This is a company limited by guarantee originally set up by the predecessor Swansea City Council. The Company has not traded for a number of years and whilst the Company has no assets, its Balance Sheet has for some time shown a creditor of some £79,689 owed to the Council. The Council does not hold any comparable debtor.

Following investigation the Council has determined that there is no reasonable chance of any payment being made by the Company, that it will forego any debt and that the Company should be wound up.

e) Other Organisations

Members of the Council have direct control over the Council's financial and operating policies.

During 2008/9 invoices totalling £89,484 (2007/08 £77,473) were paid by the Council on behalf of recipients of Housing Improvement Grants to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

During 2008/09 invoices totalling £35,787 (2007/08 £100,994) were paid by the Council in respect of bus contracts to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

NOTES TO THE BALANCE SHEET

The members' interest in this company was properly recorded in the Register of members Interests which is available from the Councils Head of Legal Services.

13. Insurance provisions/self insurance

We hold a range of insurance policies with external insurance companies so that protection is afforded against all major risks. These policies are subject to substantial excesses and we maintain an internal (own fund) insurance provision to meet these excesses. The value of the provision as at 31st March 2009 was £10.788m (31/03/2008 £20.513m). The provision has been created by charging revenue accounts a premium reflecting annual insurance costs. The provision provides for the following excess levels under the policies in place:-

	£
Public Liability	25,000
Employers Liability	125,000
Material Damage	
• General	100
• Educational/Schools	250
• Educational/Schools with sprinkler	100
Motor (own vehicle damage only)	10

14. Contingent Liabilities

The Council has identified a number of contingent future liabilities arising from current and past activities.

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Personal Social Services	Unknown	Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Council is not currently aware of any major claims.	Unknown
Planning compensation claims	Unknown	The Council has received notice of potential claims arising out of the refusal to grant planning permissions for tourism related activities within the Gower area of outstanding Natural Beauty.	2009/10
Asbestos exposure	Unknown	The timescale for the development of asbestos related illness can be extremely protracted and, as such, claims relating to illness derived from asbestos exposure often arise many years after exposure is claimed.	Unknown

NOTES TO THE BALANCE SHEET

Recent changes in legislation extend the period in which asbestos related claims can be made from people who contract illness due to asbestos exposure.

The Council's insurers are currently indemnifying the Council against two claims which have been received, subject to the outcome of a Court of Appeal hearing instigated by the Insurers against a recent court case that established their liability for these past claims. Should the appeal by the Insurance Company succeed then there is a potential for the Council to have to meet the whole cost of such claims.

Financial Guarantees	Unknown	<p>The Council has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> - Bay Leisure Ltd (Leisure centre) - Wales National Pool (Swansea) Ltd <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Council makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p>	Unknown
Equal pay and Equal Value claims	Unknown	<p>During 2008/2009, in common with many other Local Authorities, the Council made substantial payments to certain staff in full settlement of potential equal pay claims. In respect of known future liabilities the Council has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such liabilities.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p>	Unknown

NOTES TO THE BALANCE SHEET

Job Evaluation	Unknown	The Council is currently committed to undertaking a pay and grading review designed primarily to comply with equal pay legislation. The Council believes it has made reasonable provision through the creation of earmarked reserves to meet any costs arising from this exercise.	2010/11
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15. Provisions and Reserves

Provisions are amounts set aside to meet specific liabilities, the amount or timing of which cannot be accurately determined.

Reserves are amounts held for more general purposes, although some reserves are earmarked for particular activities.

		<u>Provisions</u>				
<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/08</u>	<u>Utilised during the year</u>	<u>Created during the year</u>	<u>Balance 31/03/09</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Insurances	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	20,513	-16,160	6,435	10,788
Land acquisition	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	1,113	-220	4	897
Other	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	2009/10	7,451	-3,520	382	4,313
Total			<u>29,077</u>	<u>-19,900</u>	<u>6,821</u>	<u>15,998</u>

NOTES TO THE BALANCE SHEET

Reserves

These are balances which are held in order to fund future revenue and capital activities which are uncommitted at the balance sheet date. Earmarked reserves have been set aside to fund specific activities, whilst general balances are available to support the general financing of the Council's activities.

Details of the Council's reserves as at 31st March 2009 are as follows:-

<u>Earmarked revenue reserves</u>	<u>Balance</u> 01/04/08 £'000	<u>Movement</u> For the year £'000	<u>Balance</u> 31/03/09 £'000
Schools delegated reserves These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.	5,524	-391	5,133
Capital financing charges reserve Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio	4,208	0	4,208
Other equalisation reserves To even out year on year variations on major income and expenditure items	1,158	-346	812
Information technology reserves Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies	1,276	95	1,371
E- Government Amount set aside to fund ongoing work on resource system implementation	1,210	-1,078	132
Contingency reserve A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan	13,326	-2,001	11,325
Development reserves Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums	2,295	283	2,578
Insurance reserves To provide for unforeseen expenditure	6,989	1,428	8,417
Other earmarked revenue reserves	14,986	1,862	16,848
Revenue reserve earmarked to fund future capital expenditure	1,840	2,526	4,366
Total earmarked revenue reserves	52,812	2,378	55,190

NOTES TO THE BALANCE SHEET

	<u>Balance</u> 01/04/08	<u>Movement</u> For the year	<u>Balance</u> 31/03/09
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Housing revenue account balances</u>	9,491	1,075	10,566
<u>Earmarked capital balances</u>			
Regulated companies	2,542	-2,542	0
To provide for capital costs arising from related activities			
Total earmarked reserves	64,845	911	65,756
General balances	9,164	-2,500	6,664
<u>Total reserves</u>	74,009	-1,589	72,420

16. Pension Assets and Liabilities

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS17) City & County of Swansea is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees.

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

City & County of Swansea participates in the Local Government Pension Scheme and Teachers Pension Scheme. The Local Government Pension Scheme is a defined benefits scheme based on final pensionable salary.

Under the 2008 SORP the authority has adopted the amendment to FRS17, Retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The impact of this change was to amend the prior year asset value by £10m.

The most recent valuation was carried out at 31st March 2007 and has been updated by independent actuaries to the City & County of Swansea Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the fund as at 31st March 2009.

City & County of Swansea's contribution rate over the accounting period was 19.7% of pensionable pay. The contribution rates certified for City & County of Swansea at the 31st March 2007 valuation are as follows:-

April 2008 to March 2009	19.7% of pensionable pay
April 2009 to March 2010	20.1% of pensionable pay
April 2010 to March 2011	20.5% of pensionable pay

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

NOTES TO THE BALANCE SHEET

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of scheme liabilities:

	Funded Liabilities: LGPS	Funded Liabilities: LGPS	Unfunded Liabilities: LGPS	Unfunded Liabilities: LGPS
	2007/08	2008/09	2007/08	2008/09
	£M's	£M's	£M's	£M's
1 April	781.22	711.39	65.28	65.28
Current service cost	25.87	19.13		
Interest cost	41.77	48.61	3.35	4.1
Contributions by scheme participants	7.72	8.45		
Actuarial gains and losses	-132.51	17.53	-2.2	-1.39
Benefits paid	-19.64	-20.39	-4.16	-4.21
Past service costs	6.96			
31 March	711.39	784.72	62.27	60.77

Reconciliation of fair value of the scheme assets:

	LGPS	LGPS
	2007/08	2008/09
	As restated	
	£M's	£M's
1 April	497.36	487.14
Expected rate of return	35.10	33.66
Actuarial gains and losses	-58.53	-113.11
Employer contributions	25.13	26.17
Contributions by scheme participants	7.72	8.45
Benefits paid	-19.64	-20.39
31 March	487.14	421.92

The actual return on scheme assets in the year was -£79.45m (2007/08 -£23.43m)

Scheme history:

	2008/09	2007/08	2006/07*	2005/06*	2004/05*
		As restated			
	£M's	£M's	£M's	£M's	£M's
Present value of liabilities:					
• LGPS – funded scheme	-784.72	-711.39	-781.22	-732.06	-632.92
• LGPS - unfunded	-23.91	-24.12	-65.28	-63.31	-61.31
• Teachers *	-36.86	-38.15			
Fair value of assets in LGPS	421.92	487.14	498.46	459.2	364.18
Surplus/deficit(-) in the scheme:					
• LGPS – funded scheme	-362.80	-224.25	-348.04	-336.17	-330.05
• LGPS – unfunded *	-23.91	-24.12			
• Teachers *	-36.86	-38.15			
TOTAL	-423.57	-286.52	-348.04	-336.17	-330.05

NOTES TO THE BALANCE SHEET

In accordance with Paragraph 77(o) of FRS17 (as revised), the assets for the current period and previous two periods are measured at current bid price. Asset values previously measured at mid-point market value for periods ending 2008 and 2007 have been re-measured for this purpose. Asset values for periods ending 2006 and 2005 are shown at mid-market value and have not been re-measured as permitted by FRS17 (revised)

- For the years 2004/05 until 2006/07 the figure for unfunded liabilities includes teachers – no split available. Similarly no figures are available for the split of the scheme deficit or surplus into unfunded and funded for those years.

Assumptions:

The main assumptions used by the actuary have been as follows:-

	31/03/09	31/03/08	31/03/07	31/03/06	31/03/05
Financial assumptions:	%	%	%	%	%
Discount rate	6.6	6.8	5.3	4.9	5.3
Rate of increase in salaries	5.0	5.2	4.7	4.5	4.4
Rate of increase in pensions payments	3.5	3.7	3.2	3.0	2.9
Rate of increase in deferred pensions	3.5	3.7	3.2	3.0	2.9
Rate of inflation	3.5	3.7	3.2	3.0	2.9
Long term expected rates of return on:-					
Equities	7.0	7.6	7.7	7.3	7.7
Government Bonds	4.0	4.6	4.7	4.3	4.7
Corporate Bonds	5.8	6.8	5.3	4.9	5.3
Property	6.0	6.6	6.7	6.3	6.7
Cash/Other assets	1.6	6.0	5.6	4.6	4.8
Average long term expected rate of return	5.9	6.32	7.0	6.6	6.9
	31/03/09	31/03/08			
Mortality assumptions:					
Longevity at 65 for current (currently aged 65) pensioners					
Men	21.5	20.6			
Women	23.5	22.7			
Longevity at 65 for future (currently aged 45) pensioners					
Men	23.7	22.5			
Women	25.7	23.9			

The Local Government Pension Scheme's assets consist of the following categories by proportion of the total assets held :-

	31/03/09	31/03/08	31/03/07	31/03/06	31/03/05
	%	%	%	%	%
Equities	68	69	75	76	74
Bonds	16	19	18	17	19
Other	16	12	7	7	7

NOTES TO THE BALANCE SHEET

History of experienced gains and losses:

	<u>2008/09</u>	<u>2007/08</u>	<u>2006/07</u>	<u>2005/06</u>	<u>2004/05</u>
	£M's	£M's	£M's	£M's	£M's
LGPS - Funded					
Difference between expected and actual return on scheme assets (gains/-losses)	-113.11	-58.53	-1.96	62.01	13.21
Experience gains/-losses on scheme liabilities	-2.81	5.04	-1.99	0.48	-28.90
LGPS – Unfunded					
Experience gains/-losses	0.54	-0.17			
Teachers' - Unfunded					
Experience gains/-losses	1.81	-0.27			

In accordance with paragraph 79 of FRS 17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 6 April 2007. The history of experience gain/(loss) on liabilities shown has not been re-stated for periods ending 2007, 2006 and 2005 and includes the experience relating to unfunded liabilities.

17. Financial Instrument Adjustment Account

The notes on financial instruments (investments and loans in our case) on the following pages are the requirement of UK GAAP and are more readily associated with the banking and investment industry. UK GAAP requires for the restatement of nominal amounts for loans and investments to include for example the spread cost of premium / discounts and using equivalent interest rates instead of actual stepped interest rates in the case of 'amortised cost' and also the restatement of the nominal values of the loans and investments if they were to be refinanced in the market at 31/03/09 in the 'fair value' disclosure.

TYPES OF FINANCIAL INSTRUMENTS

Accounting regulations require the "financial instruments" shown on the balance sheet to be further analysed into various defined categories. The investments, lending & borrowing disclosed in the balance sheet are made up of the following categories of "financial instruments".

NOTES TO THE BALANCE SHEET

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		Total	
	31st March 2009 £000s	31st March 2008 £000s	31st March 2009 £000s	31st March 2008 £000s	31st March 2009 £000s	31 st March 2008 £000s
Borrowings						
Financial liabilities at amortised cost	344,438	371,166	11,381	10,936	355,819	382,102
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0	0	0
Total borrowings	344,438	371,166	11,381	10,936	355,819	382,102
Investments						
Loans and receivables	11,080	5,000	77,896	127,132	88,976	132,132
Available-for-sale financial assets	0	0	0	0	0	0
Fair value through Profit and Loss	0	0	21,867	20,650	21,867	20,650
Unquoted equity valued at cost	50	50	0	0	50	50
Total investments	11,130	5,050	99,763	147,782	110,893	152,832

NOTES

Lender Option / Borrower Option Loans (LOBO's) of £48m have been included in long term borrowing but have an option date in the next 12 months.

NOTES TO THE BALANCE SHEET

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

2008/09	Financial Liabilities	Financial Assets			Total £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	Fair value through P&L £000s	
Interest expense	-20,408	0	0	0	-20,408
Premiums on repayment	-23	0	0	0	-23
Impairment losses	0	0	0	0	0
Interest payable and similar charges	-20,431	0	0	0	-20,431
Interest income	0	7,960	0	0	7,960
Discount on repayment	90	0	0	0	90
Interest and investment income	90	7,960	0	0	8,050
Change in fair value	0	0	0	1,222	1,222
Net gain/(loss) for the year	-20,341	7,960	0	1,222	-11,159

NOTES TO THE BALANCE SHEET

2007/08 Comparative Table	Financial Liabilities	Financial Assets			Total £000s
	Liabilities measured at amortised cost £000s	Loans and receivables £000s	Available-for-sale assets £000s	Fair value through P&L £000s	
Interest expense	-20,557	0	0	0	-20,557
Premiums on repayment	0	0	0	0	0
Impairment losses	0	0	0	0	0
Interest payable and similar charges	-20,557	0	0	0	-20,557
Interest income	0	4,741	0	2,102	6,843
Discount on repayment	0	0	0	60	60
Interest and investment income	0	4,741	0	2,162	6,903
Gains on revaluation	0	0	0	0	
Losses on revaluation	0	0	0	-2,249	
Amounts recycled to the I&E account after impairment	0	0	0	0	
Surplus arising on revaluation of financial assets	0	0	0	-2,249	
Net gain/(loss) for the year	-20,557	4,741	0	-87	

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

The fair value of an instrument is determined by calculating the Net Present Value of future cash flows, which provides an estimate of the value of payments in the future in today's terms.

The discount rate used in the Net Present Value calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

NOTES TO THE BALANCE SHEET

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March, using bid prices where applicable.

The calculations are made with the following assumptions:

- For Public Works Loan Board (PWLB) debt, the discount rate used is the rate for new borrowing as per rate sheet as at 31st March 2009.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2009		31st March 2008	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
PWLB - maturity	246,211	302,847	271,591	325,104
PWLB - annuity	8,548	11,267	9,320	11,832
PWLB - EIP	179	204	230	257
PWLB - variable	0	0	0	0
LOBOs	99,613	99,921	99,619	101,909
LOBO range accruals	0	0	0	0
Bank overdraft	0	0	0	0
Financial liabilities	354,551	414,239	380,760	439,102

Fair value 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 lower than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates reduces the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans. The fair value of the PWLB Loans using the repayment rate is £331,762k

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2009		31st March 2008	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash	15,708	15,708	22,377	22,376
Deposits with banks and building societies	73,188	73,476	109,755	109,671
Loan to GCDT	80	80	0	0
Financial assets	88,976	89,264	132,132	132,047

NOTES TO THE BALANCE SHEET

The fair value is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of loans.

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council has fully adopted CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other local authorities as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each institution. The Council also has a policy of limiting deposits with institutions to a maximum of £15m and a limit on the maximum size of one transaction in placing a deposit of £5m.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the Council expects full repayment on the due date of deposits placed with its counterparties.

TABLE 5 – CREDIT RISK (A)

	Amounts at 31 March 2009	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2009	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	89,953	0	0	0
Loan to Gorseinon CDT	80	n/a	n/a	n/a
Bonds and other securities	20,373	0	0	0
Customers	13,385	8	20	2,677
Total	123,791			2,677

NOTES TO THE BALANCE SHEET

	Amounts at 31 March 2008	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2008	Estimated maximum exposure to default and uncollectability
	£000s	%	%	£000s
Deposits with banks and other financial institutions	132,132	0	0	0
Investments in subsidiaries	0	0	0	0
Bonds and other securities	20,623	0	0	0
Customers	13,453	8	12	1,614
Total	166,208			1,614

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Debtors

The Council does not generally allow credit for customers. The past due amount can be analysed by age as follows:

TABLE 6 – CREDIT RISK (B)

31 March 2008 £000s		31 March 2009 £000s
9,298	Less than three months	9,575
163	Three to six months	599
1,404	Six months to one year	843
2,588	More than one year	2,368
13,453	Total	13,385

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure an even maturity profile through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

NOTES TO THE BALANCE SHEET

The maturity structure of financial liabilities is as follows (at nominal value):

TABLE 7 – LIQUIDITY RISK

On 31 March 2008 £000s	Loans outstanding	On 31 March 2009 £000s
	Public Works Loans Board	
276,707		250,707
98,000	Market debt / LOBOs	98,000
1,244	Temporary borrowing	1,254
104	Local bonds	13
0	Deferred purchase	0
1	Other	1
376,056	Total	349,975

On 31 March 2008 £000s	Loans outstanding	On 31 March 2009 £000s
5,706	Less than 1 year	7,150
5,000	Between 1 and 2 years	5,978
15,230	Between 2 and 5 years	18,542
30,761	Between 5 and 10 years	19,802
319,359	More than 10 years	298,503
376,056	Total	349,975

In the more than 10 years category there are £48m (2007/08 £50m) of LOBOs which have a call date in the next 12 months.

3. Market Risk

Interest rate risk -

The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the affect of fluctuations in interest rates on the fair value of an instrument.

The current interest rate risk for the authority is summarised below:

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will

NOTES TO THE BALANCE SHEET

- impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the Statement of Total Recognise Gains and Losses.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. The policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to inform budget monitoring during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to this assessment strategy, at 31 March 2009, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	600
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	600
Share of overall impact debited to the Housing Revenue Account	132
Decrease in fair value of 'available for sale' investment assets	0
Impact on Statement of Recognised Gains and Losses	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on Income & Expenditure Account or Statement of Total Recognised Gains and Losses)	58,044
Decrease in fair value of fixed rate investment assets (no impact on Income & Expenditure Account or Statement of Total Recognised Gains and Losses)	320

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

NOTES TO THE CASHFLOW STATEMENT

Cashflow Statement Notes:-

<u>Note 1 - Reconciliation of deficit to net cash flow</u>	<u>31/03/08</u>	<u>31/03/09</u>
Deficit for the year	-22,477	-32,130
 Non cash transactions	 55,034	 50,382
 Items on an accrual basis		
Add: Decrease in stock	-234	467
Add: Decrease in revenue debtors	2,156	4,837
Add: Increase in revenue creditors	-8,026	-2,279
 Net cash flow revenue activities	 <u>26,453</u>	 <u>21,277</u>

Note 2 - Management financing /liquid resources

	Balance	Cash	Non	Balance
	31/03/2008	Flow	cash	31/03/2009
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Temporary Investments	147,236	-47,299	-88	99,849
Financing: - Maturing within one year	-6,503	-647	-4,231	-11,381
Long Term	-371,166	26,728		-344,438
 Cash	 578	 -51		 527
Bank overdrawn	-26,841	4,084		-22,757
	<u>-256,696</u>	<u>-17,185</u>	<u>-4,319</u>	<u>-278,200</u>

Note 3 - Movement in cash

	Balance	Cash	Balance
	31/03/2008	Flow	31/03/2009
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash	578	-51	527
Bank overdrawn	-26,841	4,084	-22,757
	<u>-26,263</u>	<u>4,033</u>	<u>-22,230</u>

NOTES TO THE CASHFLOW STATEMENT

Note 4 – Analysis of main government grants received

2007/08		2008/09
£'000		£'000
1,635	Better schools fund	1,597
1,688	Mental handicapped strategy	1,703
29,308	Rent allowance subsidy	35,124
27,838	Rent rebate subsidy	28,930
14,337	Council tax benefit	15,370
4,409	Cymorth	4,138
11,706	Supporting people	11,763
5,859	Department for Children, Education, Lifelong Learning and Skills	6,430
2,351	Performance incentive grant	2,346
1,494	Local Authority Business Growth Incentive Scheme	0
2,461	Sustainable Waste Management	3,530
2,314	Housing Benefit Administration	2,249
4,748	Concessionary fares	5,563
5,135	Training and Enterprise Council Contract	3,786
1,512	Minority Ethnic Achievement Grant	1,533
2,269	Substance Misuse Action Team	2,778

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

<u>2007/08</u> <u>Restated</u> <u>£'000</u>		<u>Note</u>	<u>2008/09</u> <u>£'000</u>	<u>£'000</u>
	<u>Income</u>			
-37,726	Dwelling rents		-39,609	
-96	Non dwelling rents		-96	
-2,160	Charges for services and facilities		-2,169	
-820	Contributions towards expenditure		-1,118	
-9,200	MRA Applied		-9,100	
-1,772	Transfer from earmarked reserves		0	
-890	Government grants deferred		-890	
-52,664				-52,982
	<u>Expenditure</u>			
13,219	Repairs and Maintenance		13,378	
12,726	Supervision and management		12,115	
533	Rent, Rates and Other Charges		569	
4,839	Negative Housing revenue account subsidy payable	8	6,313	
16,113	Depreciation and impairment of fixed assets	6	12,864	
0	Revenue expenditure funded from capital under statute		83	
48	Debt management costs		37	
206	Increase in bad debt provision	3	251	
47,684				45,610
-4,980	Net cost of HRA services per authority income and expenditure account			-7,372
670	HRA services share of corporate and democratic core	9		638
-4,310	Net cost of HRA services			-6,734
0	Gain or loss on sale of HRA fixed assets		0	
4,911	Interest payable and similar charges		4,358	
-85	Amortisation of premiums and discounts		0	
-571	Interest and investment income		-461	
501	Pensions interest cost and expected return on pension assets		955	
4,756				4,852
446	Surplus(-)/deficit on HRA services			-1,882

STATEMENT OF MOVEMENT ON THE HRA BALANCE

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
446	Surplus (-) / Deficit for the year on the HRA income/expenditure account		-1,882
-2,220	Net amount required by statute to be debited or credited (-) to the HRA balance for the year (see note below)		807
-1,774	Increase (-) / Decrease in the Housing Revenue Account balance		-1,075
7,592	Housing Revenue Account balance brought forward		9,491
125	Reserve transfer correction 2006-07		0
9,491	Housing Revenue Account balance carried forward		10,470
0	Housing Revenue Account Affordable Housing Reserve		96

Note to Statement of Movement on the HRA balance

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	Items included in the HRA income and expenditure account but excluded from the HRA balance for the year		
-5,141	Depreciation and impairment of fixed assets (note 6)	-12,864	
890	Government grants deferred amortisation	9,990	
0	Revenue expenditure funded from capital under statute	-83	
0	Appropriations to capital receipts	325	
-1,805	Net charges for retirement benefits made in accordance with FRS17 (note 7)	-1,882	
			-4,514
	Items not included in the HRA income and expenditure account but included in the HRA balance for the year		
1,267	Employers contributions payable to the City and County of Swansea pension fund (note 7)	1,268	
0	Difference between amounts charged in respect of amortisation of premiums and discounts in the Income and Expenditure account and that chargeable by statute	0	
1,709	HRA minimum revenue provision	1,593	
0	Gain or loss on sale of HRA fixed assets	0	
860	Capital expenditure funded by the HRA	2,460	
			5,321
-2,220	Net adjustment required by statute to be debited or credited (-) to the Housing revenue Account balance		807

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Reclassification of Income and Expenditure

Income and expenditure in the 2007/08 statement of accounts relating to repairs, maintenance, supervision and management has been reclassified in accordance with the Cipfa Statement of Recommended Practice (SORP) and the Cipfa Best Value Accounting Code of Practice (BVACOP).

2. Housing Stock

As at 31st March 2009 the Council owned a total of 13,654 properties, made up of different types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation.

The change in stock numbers can be summarised as follows:

31/03/08		31/03/09
Units		Units
13,793	Stock at 1 st April	13,689
-101	Sales	-17
-3	Demolitions/out of income	-19
0	New buildings, acquisitions, brought back into income	1
<u>13,689</u>	Stock at 31 st March	<u>13,654</u>

3. Rent arrears and provisions for bad debts

Rent arrears

31/03/08		31/03/09
£'000		£'000
1,170	Current tenants	1,100
580	Former tenants	472
<u>1,750</u>		<u>1,572</u>

Former tenants arrears written off during 2008/09 totalled £0.404m (2007/08 £0.395m). The value of the provision at 31st March 2009 is £1.048m (31st March 2008 £1.201m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears.

Provisions for bad debts

2007/08		2008/09
£'000		£'000
-1,390	Provisions as at 1st April	-1,201
395	Arrears written off during year	404
-206	Increase in provision required	-251
<u>-1,201</u>	Provisions as at 31st March	<u>-1,048</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

4. Capital expenditure

During 2008/09 £13.028m (2007/08 £11.634m) was spent on Council Housing.

This was financed as follows:-

2007/08		2008/09
£'000		£'000
9,200	Grants – Major Repairs Allowance	9,100
695	Capital Receipts	1,544
1,739	Revenue and Balances	2,384
<u>11,634</u>		<u>13,028</u>

The Major Repairs Allowance of £9.1m was used in full during the year.

The Capital Expenditure on Council Housing did not add value to the properties of the Authority and has been impaired during the year.

5. Capital receipts during the year

Capital receipts received during the year in respect of the sale of HRA properties amounted to £1.556m. Of this £0.706m was set aside for the repayment of debt and £22k was used to defray costs.

The following is a summary of the Usable capital receipts reserve as it applies to the Housing Revenue Account:-

2007/08		2008/09
£'000		£'000
4,933	Opening balance 1 st April	5,643
5,614	Receipts during the year	1,556
-4,081	Less set asides	-706
-128	Less other costs	-22
-695	Less transfer to revenue	-83
<u>5,643</u>	Available to use	<u>6,471</u>
0	Less applied	-1,461
<u>5,643</u>	Balance available as at 31st March	<u>4,927</u>

Capital receipts were as follows:

2007/08		2008/09
£'000		£'000
5,564	Council Houses	959
44	Land	198
6	Other	399
<u>5,614</u>		<u>1,556</u>

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Depreciation charges and impairment

The total charge for depreciation and impairment made to the HRA for 2008/09 amounted to £12.864m (2007/08 £2.657m) and is analysed as follows:-

2007/08		2008/09
£'000		£'000
	Depreciation on operational assets	
2,591	- dwellings	2,562
28	- other land and buildings	26
13,456	Impairment	10,276
38	Depreciation on non operational assets	0
16,113	Total	12,864

Although depreciation is shown as a charge in calculating a surplus or deficit on the Housing Revenue Account, it does not represent the statutory amount that should be charged to the HRA in respect of capital charges. To this extent the charge is removed and replaced by a statutory calculation of interest and principal charges (the 'Item 8 determination') in arriving at the sum to be debited/credited to the Housing Revenue Account for the year.

7. FRS 17 – Accounting for pension costs.

Supervision and management costs shown within the income and expenditure account includes a sum of £1.882m (2007/08 £1.805m) which is the cost calculated by the Councils actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

8. Negative Housing Subsidy

The Housing Revenue Account subsidy system was introduced from 1990/91 by the 1989 Local Government and Housing Act. The subsidy is based on a Notional Housing Revenue Account and includes an income and expenditure figure based on specific Government guidelines. The difference between the notional income and expenditure is the subsidy. If income exceeds expenditure this results in a notional surplus that is repaid to the Government as a negative subsidy.

9. HRA share of Corporate and Democratic Core Costs

This constitutes an estimate – set at 5% (2007/08 5%) of gross supervision and management costs – of the cost of Housing staff in supporting the Corporate and Democratic functions of the Council. This does not represent an additional cost to the HRA but is a pure apportionment of existing cost.

ASSET STRUCTURE

Major fixed assets held by the Council at 31 March 2009.

Number 31/03/08		Number 31/03/09
	Community Regeneration	
3	• Residential Activity Centres	3
5	• Youth Clubs	5
35	• Community Centres	35
10	• Senior Citizen Pavilions	10
1	• Info Nation (Youth Information Service)	1
	Corporate Building Services	
1	• Main Depot	1
3	• Storage Depots	3
	Corporate Property	
5	• Fishmarket Quay Units	5
1	• Business Parks	1
10	• Industrial/Warehousing Sites	10
1	• Civic Centre (Swansea)	1
1	• Civic Centre (Penllergaer)	1
1	• Guildhall (and Annex)	1
	Culture & Tourism	
4	• Leisure Centres	4
1	• LC2	1
43	• Pavilions/Changing Rooms	43
2	• Sports Centres	2
1	• Blackpill Lido	1
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Botanic Gardens	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
1	• Patti Pavilion	1
77	• Parks & Open Spaces (497 Hectares)	77
970	• Foreshore	970
Hectares		Hectares
103	• Children's Playgrounds	103
1	• Caravan Parks	1
1	• Tourist Information Centres	1
1	• Stadium	1
1	• Bowls Hall	1
4	• Museums	4
18	• Libraries	18
	Economic Development	
1	• Shopmobility	1

ASSET STRUCTURE

1	• City Centre Offices	1
1	• Market	1
1	• Business Centre, Swansea (Business Connect)	1
Education		
82	• Primary/Junior/Infants/Nursery School (excluding Church Schools)	82
14	• Secondary Schools (excluding Church Schools)	14
6	• Special Schools/Referral Units	6
4	• Community Education	4
Environmental Health		
7	• Cemeteries	7
1	• Crematorium	1
5	• Cemetery Lodges/Chapel of Rest	5
Environmental Protection		
1	• Marina	1
1	• Barrage	1
5	• Refuse Collection – Amenity Sites	5
1	• Landfill Sites	1
Highways & Fleet Management		
102 Kms	• Principal Roads	102 Kms
227 Kms	• Other Classified Roads	227 Kms
744 Kms	• Other Roads	750 Kms
2	• Depots	2
Housing		
13,689	• Council Dwellings	13,654
10	• Area Housing Offices	10
Marketing Communications & Scrutiny		
1	• Mansion House	1
Planning		
1	• Garth Farm	1
1	• Bishopwood Centre	1
Social Services		
14	• Residential & Respite Facilities	14
16	• Day & Social Centres/Activities	16
3	• Residential & Day Centres/Activities (combined on same site)	3
10	• Offices/Resource Centres	10
4	• Other major assets	4
Transportation		
47	• Car Parks	51

CITY & COUNTY OF SWANSEA PENSION FUND

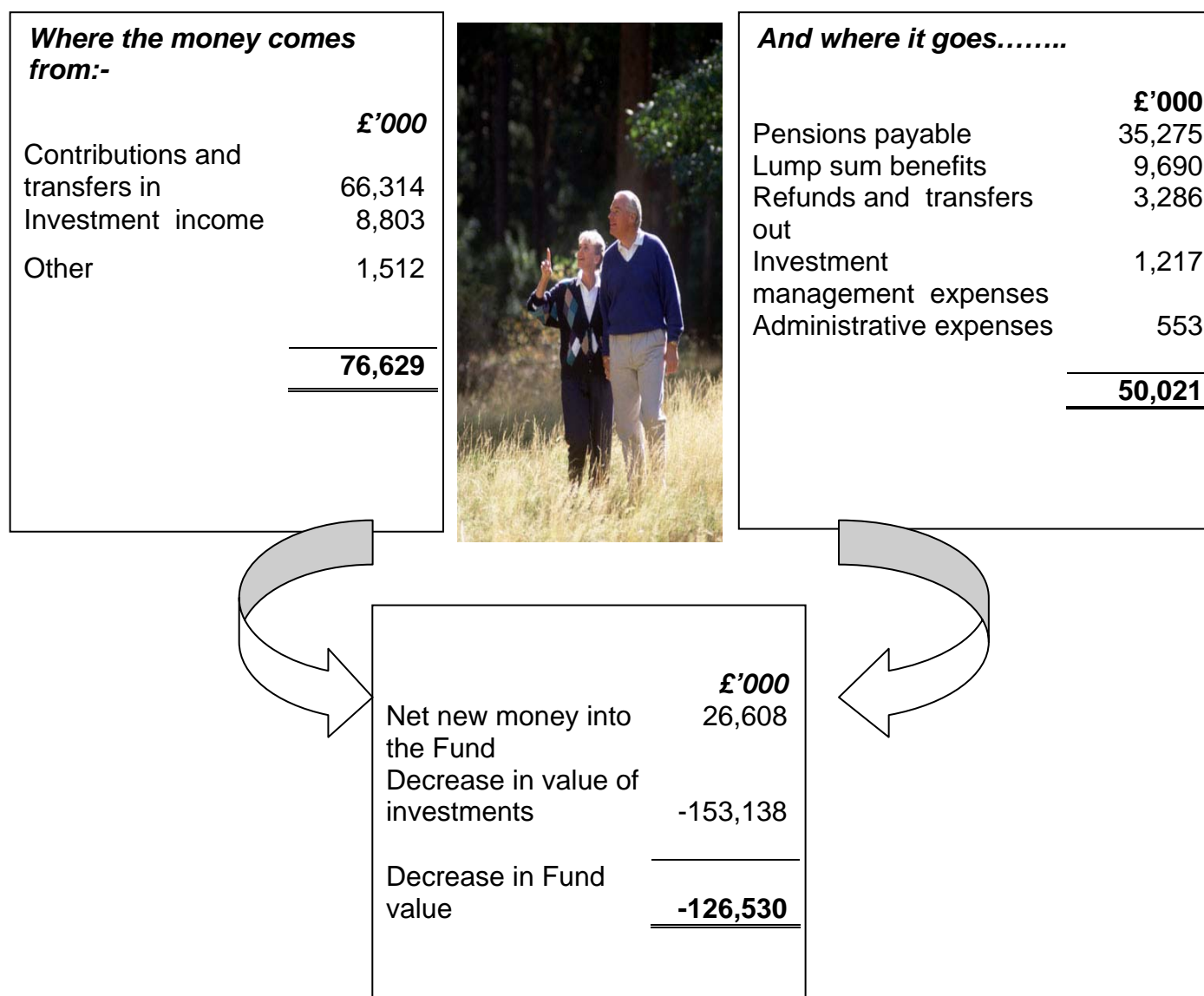
1. Introduction

The City & County of Swansea Pension Fund is administered by the City & County of Swansea. However it is a separate statutory fund and its assets and liabilities, income and expenditure are not consolidated into the accounts of the Council. That is, the Pension Fund's assets and liabilities are distinct.

The summarised accounts of the Pension Fund shown here comprise three main elements:-

- The Fund Account which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The Net Assets Statement which gives a snapshot of the financial position of the fund as at 31 March 2009.
- The Notes to the Account designed to provide further explanation of some of the figures in the statements and to give a further understanding of the nature of the fund.

2. Summary of transactions for the year




CITY & COUNTY OF SWANSEA PENSION FUND

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 76 to 96 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2009.

Signed:

A handwritten signature in black ink, appearing to read 'Jas' followed by a large, stylized flourish.

Date:

24. 9. 09

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account

2007/08 £'000	Contributions and benefits :		2008/09	
£'000			£'000	£'000
	Contributions receivable :			
46,163	Employers contribution	3	47,678	
13,977	Employees contribution	3	15,245	
3,974	Transfers in	4	3,391	66,314
2,997	Other income (inc Tax reclaim)	5		1,512
67,111				67,826
	Benefits payable :			
-33,451	Pensions payable		-35,275	
-7,734	Lump sum benefits	6	-9,690	-44,965
	Payments to and on account of leavers :			
-6	Refunds of contributions		-12	
-10,806	Transfers out	7	-3,274	-3,286
-547	Administrative expenses (inc SLA)	8		-553
14,567	Net additions /withdrawals(-) from dealing with members			19,022
	Returns on investments			
17,324	Investment income	9		8,803
	Change in market value of investments			
-42,485	Unrealised	12	-138,251	
16,694	Realised	12	-14,887	-153,138
-905	Investment management expenses	8		-1,217
-9,372	Net returns on investments			-145,552
5,195	Net increase/decrease(-) in the fund during the year			-126,530
857,020	Opening Net Assets of the Fund			862,215
862,215	Closing Net Assets of the Fund			735,685

CITY & COUNTY OF SWANSEA PENSION FUND

Net Assets Statement

31st March 2008 £'000		31st March 2009 £'000
	Investments at market value:	
119,515	Fixed interest	11 108,012
48,469	Index linked securities	11 16,310
298,774	U.K. equities	11 225,810
0	Property	11 5,432
0	Hedge Funds	11 33,865
0	Private Equity	11 1,961
0	Global Tactical Asset Allocation (GTAA)	11 14,897
281,855	Overseas Equities	11 234,585
104,210	Cash/Temporary Investments	12 89,494
11,628	Current Assets	16 8,678
-2,236	Current Liabilities	16 -3,359
862,215	Net assets	735,685

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Investment Panel. They do not take account of liabilities and other benefits after the period end. The actuarial position of the Fund, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in Note 18 of this statement, and these accounts should be read in conjunction with this.

CITY & COUNTY OF SWANSEA PENSION FUND

Notes to the Accounts

1. Basis of preparation

The accounts have been prepared in accordance with Chapter 2 of the Statement of Recommended Practice, Financial Reports of Pension Schemes (Revised May 2007) and summarise the transactions and net assets of the Fund.

2. Accounting Policies

The following principal accounting policies, which have been applied consistently (except as noted below), have been adopted in the preparation of the financial statements:

(a) Contributions

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis in the month employee contributions are deducted from the payroll.

Employers' Early Access contributions from the employers are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received. Under current rules, employers can exercise discretion to give access to a person's pension rights early (other than for ill health). Where this is done, the additional pension costs arising are recharged to the relevant employer and do not fall as a cost to the fund.

(b) Benefits

Where members can choose whether to take their benefits as a full pension or as a lump sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement, death or leaving the Fund as appropriate.

(c) Transfers to and from other Schemes

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Fund. They are accounted for on a cash basis or where Trustees have agreed to accept the liability in advance of receipt of funds on an accruals basis from the date of the agreement.

(d) Investments

- i) The net assets statement includes all assets and liabilities of the fund at the 31st March.
- ii) Securities with a full U.K. Stock Exchange listing are valued at the bid price where there is a bid/offer spread. Investments held in quoted pooled investment vehicles are valued at the closing bid price at 31 March. This is a change in accounting policy but the difference in valuation is considered to be immaterial to the financial statements and therefore comparatives have not been restated.

The comparative figures for investments are therefore reported on a mid price basis and the adjustment in valuation from mid to bid prices at 31 March 2008 is included in the current year change in market value figure.

- iii) Unit trusts are valued at the Managers' bid prices at 31st March.

- iv) Unquoted securities and pooled investment vehicles are valued by the relevant investment managers.

CITY & COUNTY OF SWANSEA PENSION FUND

(d) Investments (continued)

v) Accrued interest is excluded from the market value of fixed interest securities but is included in accrued investment income.

vi) Investment management fees are accounted for on an accruals basis. Acquisition costs are included in the purchase cost of investments.

vii) Transaction costs are included in the cost of purchases and sales proceeds.

viii) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

e) Investment Income

Investment income and interest received are accounted for on an accruals basis. When an investment is valued ex dividend, the dividend is included in the revenue account.

f) Other

Other expenses, assets and liabilities are accounted for on an accruals basis

3. Analysis of Contributions

Total Contributions 2007/08 £'000		Total Contributions 2008/09 £'000
	<u>Admitted Bodies</u>	
59	BABTIE	58
397	Celtic Community Leisure	389
24	Colin Laver Central Heating	23
4	Swansea Bay Racial Equality Council	10
84	Wales National Pool	93
113	Capgemini	106
	<u>Scheduled Bodies</u>	
7	Briton Ferry Town Council	1
33,223	City & County of Swansea	35,349
4	Cilybebyll Community Council	3
24	Coedffranc Community Council	24
496	Gorseinon College	456
1,162	Neath Port Talbot College	1,133
34	Neath Town Council	37
22,076	Neath Port Talbot County Borough Council	22,757
28	Margam Joint Crematorium Committee	24
8	Pelenna Community Council	12
0	Phoenix Trust	24
10	Pontardawe Town Council	13
32	Swansea Bay Port Health Authority	34
1,292	Swansea College	1,243
71	Swansea City Waste Disposal	89
992	Swansea Metropolitan University	1,045
60,140	Total Contributions Receivable	62,923

CITY & COUNTY OF SWANSEA PENSION FUND

Contributions (continued)

Total Employer/Employee contributions comprises of:

2007/08		2008/09
£'000	Employers	£'000
44,607	Normal	46,666
6	Other	2
1,550	Early Access	1,010
46,163	Total	47,678
	Employees	
13,907	Normal	15,175
70	Other	70
13,977	Total	15,245

4. Transfers In

Transfers in comprises of:

2007/08		2008/09
£'000	Transfers In	£'000
0	Group Transfers from other Schemes	0
3,974	Individual transfers from other schemes	3,391
3,974	Total	3,391

5. Other Income

Other income comprises of:

2007/08		2008/09
£'000	Other Income	£'000
1,536	Bank Interest	1,471
1,437	Tax	-
24	Early Access - Interest	41
2,997	Total	1,512

Other Income relates to bank interest, V.A.T debtor, miscellaneous income, commission recapture and tax reclaimed.

6. Lump Sum Benefits

The lump sum benefits paid comprise of:

2007/08		2008/09
£'000		£'000
6,971	Commutation lump sums	9,111
763	Death grant lump sums	579
7,734	Total	9,690

CITY & COUNTY OF SWANSEA PENSION FUND

7. Payments to and on account of leavers

Transfers out and refunds comprise of:

2007/08		2008/09
£'000		£'000
	Transfers Out & Refunds	
7,497	Group Transfers to other Schemes	0
6	Refunds to members leaving service	12
3,303	Individual transfers to other schemes	3,274
10,806	Total	3,286

8. Administrative and Investment Manager Expenses

All administrative and investment management expenses are borne by the Fund:

2007/08		2008/09
£'000		£'000
547	Administrative Expenses	553
905	Investment Management Expenses	1,217
1,452	Total	1,770

Investment expenses comprise investment management fees, adviser's fees, performance measurement fees, and tax deducted from overseas investments and currency adjustments.

9. Investment Income

2007/08		2008/09
£'000		£'000
349	Fixed Interest Securities	126
354	Index Linked Securities	0
8,032	U.K. Equities	5,914
6,581	Overseas Equities	2,314
2,008	Interest	449
17,324		8,803

Income is derived from dividends and interest received from equities, bonds and cash. The investment income in note 9 denotes the investment income derived from Schroders equity and fixed interest portfolio and JP Morgan and Aberdeen for their global equity portfolios.

The assets under management by Legal and General are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value will reflect both capital appreciation / depreciation plus reinvested investment income.

It is possible to identify the amount of income reinvested back into the Legal and General fund. In the year 2008/09 it was £9,277k (2007/08 £13,751k).

CITY & COUNTY OF SWANSEA PENSION FUND

10. Taxation

a) United Kingdom

The Fund is exempt from Income Tax on interest dividends and from Capital Gains Tax but now has to bear the UK tax on other income. The fund is reimbursed V.A.T. by H.M. Customs and Excise and the accounts are shown exclusive of V.A.T.

b) Overseas

The majority of investment income from overseas suffers a withholding tax in the country of origin with the particular exception of the United States of America which has entered a new double taxation treaty effective as at 1 May 2003.

11. Investment Assets

	2009			2008		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Equities						
Quoted	145.4	150.0	295.4	141.5	138.5	280.0
Pooled investment vehicles						
Managed Funds:						
Quoted:						
Fixed Interest	0.00	66.7	66.7	59.7	0.0	59.7
Index-Linked	0.0	0.0	0.0	17.3	0.0	17.3
Unquoted:						
Equity	80.4	84.5	164.9	157.2	143.4	300.6
Fixed Interest	41.3	0.0	41.3	59.8	0.0	59.8
Index-linked	16.3	0.0	16.3	31.1	0.0	31.1
Property Unit Trust	1.8	0.0	1.8	0.0	0.0	0.0
Property Fund	0.0	3.6	3.6	0.0	0.0	0.0
Hedge Fund	0.0	33.9	33.9	0.0	0.0	0.0
Global Tactical Asset						
Allocation	0.0	14.9	14.9	0.0	0.0	0.0
Private Equity	0.0	1.9	1.9	0.0	0.0	0.0
Total pooled investment vehicles	139.8	205.5	345.3	325.1	143.4	468.5
Total equities and pooled investment vehicles	285.2	355.5	640.7	466.6	281.9	748.5

CITY & COUNTY OF SWANSEA PENSION FUND

12. Changes in Investment Assets

	Value at 31.3.08	Purchases	Sales	Change in Market Value	Value at 31.3.09
	£'000	£'000	£'000	£'000	£'000
Equities					
Aberdeen	0	47,769	(5,980)	(284)	41,505
JPM	0	109,130	0	1,929	111,059
Schroders	280,036	80,105	(146,708)	(68,019)	145,414
L&G	300,594	19,770	(80,347)	(75,087)	164,930
	<u>580,630</u>	<u>256,774</u>	<u>(233,035)</u>	<u>(141,461)</u>	<u>462,908</u>
Property					
UK & Europe					
Schroders	0	1,346	0	472	1,818
Overseas					
Partners	0	3,739	0	(125)	3,614
	<u>0</u>	<u>5,085</u>	<u>0</u>	<u>347</u>	<u>5,432</u>
Fixed Interest					
Fixed Interest					
Schroders	59,722	19,725	(63,405)	(16,042)	0
L&G	59,793	4,730	(31,287)	8,074	41,310
Goldman	0	65,045	0	1,657	66,702
	<u>119,515</u>	<u>89,500</u>	<u>(94,692)</u>	<u>(6,311)</u>	<u>108,012</u>
Index-Linked					
Schroders	17,328	1,200	(20,512)	1,984	0
L&G	31,140	800	(15,117)	(513)	16,310
	<u>48,468</u>	<u>2,000</u>	<u>(35,629)</u>	<u>1,471</u>	<u>16,310</u>
Hedge Funds					
Blackrock	0	21,000	0	(5,305)	15,695
Fauchier	0	18,000	0	170	18,170
	<u>0</u>	<u>39,000</u>	<u>0</u>	<u>(5,135)</u>	<u>33,865</u>
Private Equity					
HarbourVest	0	1,607	0	354	1,961
	<u>0</u>	<u>1,607</u>	<u>0</u>	<u>354</u>	<u>1,961</u>
Global Tactical Asset Allocation					
BGI	0	14,442	0	455	14,897
	<u>0</u>	<u>14,442</u>	<u>0</u>	<u>455</u>	<u>14,897</u>
Cash funds					
L&G	19,918	1,140	(9,152)	(539)	11,367
Schroders	0	24,540	0	201	24,741
	<u>19,918</u>	<u>25,680</u>	<u>(9,152)</u>	<u>(338)</u>	<u>36,108</u>
TOTAL	<u><u>768,531</u></u>	<u><u>434,088</u></u>	<u><u>(372,508)</u></u>	<u><u>(150,618)</u></u>	<u><u>679,493</u></u>
Cash	84,292				50,873
Transition Cost & Change In Market Value On Transition				(2,520)	
TOTAL	<u><u>852,823</u></u>			<u><u>(153,138)</u></u>	<u><u>730,366</u></u>

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During 2008/09 the Pension Fund underwent a major asset allocation exercise diversifying the changed fund into new asset classes for the first time in order to more efficiently and effectively achieve the fund's objective. Costs of £1.2m were incurred on the transition. In addition the transfer between investment managers resulted in a change in market value on transition of £1.3m representing the difference in value of investments between the purchase date and the transition date.

The JP Morgan balance at 31 March 2009 includes cash of £2.5m

Transaction costs are included in the cost of purchase and sales proceeds. Identifiable transaction costs incurred in the year relating to segregated investments amounted to £1,261,563. Costs are also incurred by the Fund in relation to transactions in pooled investment vehicles. Such costs are taken into account in calculating the bid/offer spread of these investments and are not separately identifiable.

13. Concentration of Investments

The following investments represented more than 5% of the Plan's net assets at 31 March 2009:

	Value as at the 31/3/09 £'000	Proportion of Investment Portfolio %
L&G UK Equity Index	80,396	11.5
Goldman Sachs Global Fixed Income GBP Hedged	44,345	6.3

14. Realised Profit on the Sale of Investments

2007/08 £'000		2008/09 £'000
276	Fixed Interest Securities	3,004
0	Index Linked Securities	-606
12,307	U.K. Equities	673
4,111	Overseas	-17,958
<u>16,694</u>	Net Profit / Loss (-)	<u>-14,887</u>

CITY & COUNTY OF SWANSEA PENSION FUND

15. Fixed Interest and Index Linked Investments

The fixed interest and index-linked investments are comprised of:

2007/08		2008/09
£'000		£'000
122,735	UK Public Sector	66,891
45,249	Other	57,431
167,984	Total	124,322

16. Current Assets and Liabilities

The amounts shown in the statement of Net Assets are comprised of:

2007/08		2008/09
£'000		£'000
	Current Assets	
5,013	Contributions	5,376
1,592	Dividends Due	1,060
5,023	Other	2,242
<u>11,628</u>		<u>8,678</u>
	Current Liabilities	
-475	Investment Management Expenses	-242
-1,761	Other	-3,117
<u>-2,236</u>		<u>-3,359</u>
9,392	Net	5,319

17. Capital and Contractual Commitments

As at 31 March 2009 the Scheme was committed to providing additional funding to certain managers investing in unquoted securities. These commitments amounted to £34.5m (2008: £0).

18. Actuarial Report Extract from Pension Fund Annual Report and Accounts Applicable For Financial Year 2008/09.

Introduction

The Fund Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the City and County of Swansea 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 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

CITY & COUNTY OF SWANSEA PENSION FUND

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2008/09 were based on the actuarial valuation carried out as at 31 March 2007.
2. The valuation as at 31 March 2007 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 £857.0M) covering 71% of the liabilities

allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.

3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:
 - 15.2% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

- 6.8% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 25 years from 1 April 2008.

Less

- 1.8% of pensionable pay in respect of assumed additional investment returns over the period to 1 April 2011.

These figures are based on the Regulations in force, or enacted by Parliament and due to come into force, at the time of signing the valuation report and, in particular, allowed for the following changes to the Fund benefits since the previous valuation:

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
- Changes were made consistent with the Finance Act 2004.
- A new scheme has been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.

4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 28 March 2008 which is appended to our report of the same date on the actuarial valuation.

If the assumptions are borne out in practice, the rate of contribution for each employer would increase as at 1 April 2011 due to the cessation of the allowance for assumed additional short term investment returns. It would then continue at the resultant level for the balance of the recovery period used for that employer, before reverting to the relevant long term rate. In practice contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31 March 2010.

5. The contribution rates were calculated using the projected unit actuarial method and taking account of the Fund's funding strategy as described in the Funding Strategy Statement.

CITY & COUNTY OF SWANSEA PENSION FUND

6. The main actuarial assumptions were as follows:

Discount rate for periods

In service

Admitted Bodies	6.2% a year
Scheduled Bodies	6.2% a year

Left service

Admitted Bodies:	5.2% a year
Scheduled Bodies:	6.2% a year

Short term investment returns until 1 April 2011

Equity/property assets	7.2% a year
Other investments	5.2% a year

Rate of general pay increases 4.7% a year

Rate of increases to pensions in payment 3.2% a year

Valuation of assets market value

7. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited (previously Hewitt Bacon & Woodrow Limited), for inclusion in the accounts of the City and County of Swansea. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. 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 valuation report which details fully the context and limitations of the actuarial valuation.

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

Hewitt Associates Limited

May 2009

Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2008/09

In accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997, we certify that contributions should be paid by Employers at the following rates for the period 1 April 2008 to 31 March 2011. A common rate under Regulation 77 (3) (a) or Regulation 36 (4) (a) of the Administration Regulations of 20.2% of Pensionable Pay.

Individual adjustments under Regulation 77 (3) (b) which, when added or subtracted from the common rate, produce the following Employer contribution rates:

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	Year commencing 1 April		
	2008	2009	2010
	% Pensionable Pay	% Pensionable Pay	% Pensionable Pay
City and County of Swansea	19.7	20.1	20.5
Neath Port Talbot County Borough Council	19.2	20.0	20.7
Britton Ferry Town Council	25.2	25.7	26.2
Coedffranc Community Council	25.2	25.7	26.2
Margam Joint Crematorium Committee	25.2	25.7	26.2
Neath Town Council	25.2	25.7	26.2
Swansea Bay Port Health Authority	25.2	25.7	26.2
Swansea Metropolitan University	20.6	20.6	20.6
Swansea College of Further Education	16.4	16.4	16.4
Gorseinon College of Further Education	18.6	18.6	18.6
Neath Port Talbot College of Further Education	20.2	20.2	20.2
Swansea City Waste Disposal Company	18.2 plus £30,400	18.2 plus £31,800	18.2 plus £33,300
Pontardawe Town Council	18.8	19.5	20.2
Swansea Bay Racial Equality Council	17.0	19.0	21.1
Cilybebyll Community Council	17.3	18.0	18.7
Babtie Group	14.6	14.6	14.6
Celtic Community Leisure	13.5	13.9	14.3
Wales National Pool	13.2	13.8	14.5
Pelenna Community Council	13.1	16.0	18.8
Capgemini	13.7	13.7	13.7
Phoenix Trust (Hill Development)	22.8	22.8	22.8
Colin Laver Heating Ltd	19.7	19.7	19.7

In addition, any extra liabilities falling on the Fund in respect of retirements under Regulation 26 31 or 35 of the 1997 Regulations or Regulation 18,19 or 30 of the Benefit Regulations should be financed by additional Employer contributions, calculated in a manner advised by the Actuary and payable over a period of 3 years.

In addition, any additional benefits granted under Regulation 52 of the 1997 Regulations or Regulation 12 or 13 of the benefit Regulations should be financed by additional Employer contributions, either under Regulation 80 of the 1997 Regulations or Regulation 40 of the Administration Regulations, or as calculated in a manner advised by the actuary

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19. Material transactions with related parties in the year were:

- £552,650 (£474,960 07/08) paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.
- Contributions received from admitted and scheduled bodies as detailed on page 81

20. Legislative Changes in the Local Government Pension Scheme (LGPS)

Cost Sharing

The Government's policy is to maintain stability of costs within the 2008 scheme and a fair and equitable balance in its long term resourcing between members, employers and taxpayers.

To enforce the policy the Communities and Local Government (CLG) Department issued the LGPS (Amendment) Regulations 2009 (S. I. 2009/1025) which introduce the next steps in the Cost Sharing process. The S. I. came into force on the 15th May 2009 although the changes took effect from 1 April 2009. Cost Sharing arrangements are set out in new regulation 36A of the Administration Regulations

- Administering Authorities to provide data to CLG by 31 August 2010 (and then 3 yearly)
- Governments Actuary Department (GAD) to provide a "national" LGPS Valuation Report and Cost Certificate by 31st October 2010 (and then 3 yearly)
- New regulation 38A then requires Administering Authorities to revisit any rates and adjustment certificate already in place, in light of the national "model" fund exercise.

Also the CLG covering letter required a membership movements analysis of the period 1 April 2007 to 31 March 2009 to be supplied to GAD by 30 June 2009 and this information is required annually by 30 June.

Fund Governance

On 3 December 2008 CLG issued statutory guidance for governance compliance statements in accordance with regulation 31 (3) (C) of the LGPS (Administration) Regulations 2008.

It deals with the compliance standard against which LGPS administering authorities are to measure their governance arrangements and covers the following principals:

CITY & COUNTY OF SWANSEA PENSION FUND

- Structure
- Committee membership and representation
- Selection and role of lay members
- Voting
- Training/ Facility Time/ Expenses
- Meetings (Frequency/ Quorum)
- Access
- Scope
- Publicity

On the 13 May 2009 CLG issued a further letter which reminded Local Government Pension Scheme administrating Authorities in England and Wales of :-

- The current statutory position regarding their responsibilities for the management and investment of the pension funds.
- The extent and purpose of existing statutory guidance, including its principal messages.
- The current extent of compliance with the extant guidance issued in October 2008 and requested authorities in continuing to act responsibly and constructively within the above framework, consider the best means of extending their already high levels of member and other non elected stakeholders' participation and active involvement in the governance of the existing regulatory framework.

Responses were requested no later than 30 September 2009.

21. Investment Fund Management

The investment of the Fund is the responsibility of the Investment Panel. The Panel as at 31st March 2009 comprised:

- 6 Council Members (one member from Neath Port Talbot CBC representing other scheme employers)
- Section 151 Officer
- Chief Treasury & Technical Officer
- 2 Independent Advisers

The Panel, after taking account of the views of the independent advisers and appointed actuary to the Fund, is responsible for determining broad investment strategy and policy, with appointed professional fund managers undertaking the operational management of the assets.

The fund management arrangements in place at year end 2007/08 have largely been in place since March 2005, with Legal and General and Schroders Asset Management managing approximately 48% of the fund each in global

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balanced mandates with Legal & General managing index-tracked funds whilst Schroders actively try and outperform the market.

During 2007/08, alongside the triennial valuation, a fundamental investment review was undertaken by officers and advisers. It was determined that in order to more efficiently and effectively achieve the fund's objective a redistribution of the fund's risk budget was required. The objectives of the review were to identify asset classes which would help to diversify the array of fund investments whilst consistently contributing absolute returns to help reduce the intra valuation volatility of returns. The review also determined that to implement the asset classes identified, the fund would need to identify best in class fund managers for each asset class.

It is worth noting that whilst undertaking the review, it was decided to retain Legal & General to generate market returns for a third of the fund which they have done consistently and economically. It was also determined to retain Schroders to manage the UK equity element of the portfolio, having produced encouraging recent returns in this asset class whilst reallocating the remainder of the assets under their management.

In line with public service procurement guidelines, an Official Journal of the European Union was issued in September 2007 inviting tenders from asset managers. There followed an intensive programme of due diligence by officers and advisers before presenting a shortlist of asset managers to the Investment Panel to make their final selection in March 2008.

The appointed managers were:

- Global Equities - JP Morgan Asset Management and Aberdeen Asset Management
- Global Bonds - Goldman Sachs Asset Management
- Fund of Hedge Funds - Blackrock and Fauchier Partners
- Fund of Private Equity Funds - Harbourvest
- Fund of Property Funds - Partners Group and Schroders Investment Management
- Global Tactical Asset Allocation (GTAA) - Barclays Global Investors

Following the completion of the lengthy legal process to complete the investment management agreements, consideration turned to funding the new investments.

In light of the volatility in the markets caused by the global financial crisis, it was determined to defer the majority of the funding of the new arrangements till Quarter 3 2008/9. The transition was successfully completed in December 2008.

CITY & COUNTY OF SWANSEA PENSION FUND

22. Other Fund Documents

The City & County of Swansea Pension Fund is required by regulation to formulate a number of regulatory documents outlining its policy. Copies of the :

- Statement of Investment Principles
- Governance Statement
- Funding Strategy Statement
- Communication Policy

Are available on request from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Road, Swansea, SA1 3SN.

23. Additional Voluntary Contributions

Some members of the Fund paid voluntary contributions to the fund's AVC providers, The Prudential, to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. Some members also still invest and have funds invested with the legacy AVC providers, Equitable Life and Scottish Equitable. The pension fund accounts do not include the assets held by The Prudential, Equitable Life or Scottish Equitable, which were valued at £241,099.68 (£0.00 2007/08) in Prudential, £596,338.72 (£640,452.49 07/08) in Equitable Life and at last valuation date 31/03/09, £1,835,561.39 (£2,014,528.55 07/08) in Scottish Equitable.

AVC Provider	Value of Funds at 01/04/08	Contributions Paid In/Out	Purchases at Cost	Sale Proceeds	Change in Market Value	Value of Funds at 31/03/09
	£'000		£'000	£'000	£'000	£'000
Prudential	0	242	0	0	-1	241
Scottish Equitable	2,015	-22	0	0	-157	1,836
Equitable Life	640	1	0	0	-45	596
Totals	2,655	221	0	0	-203	2,673

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24. SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2009

Scheduled Bodies	Contributors	Pensioners	Deferred Benefits	% of Pensionable Pay
City & County of Swansea	7,972	3,332	2,794	19.7
Neath Port Talbot County Borough Council.	6,098	2,245	2,474	19.2
Briton Ferry Town Council	0	1	2	25.2
Cilybebyll Community Council	3	0	0	17.3
Clydach Community Council	0	1	1	-
Coedffranc Community Council	4	1	1	25.2
Gorseinon College	123	33	53	18.6
Lliw Valley BC	0	296	41	-
Margam Joint Cremation Committee	4	10	4	25.2
Neath Port Talbot College	290	82	92	20.2
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	-
Neath Town Council	7	8	5	25.2
Pelenna Community Council	4	0	0	13.1
Pontardawe Town Council	5	0	0	18.8
Swansea Bay Port Health Authority	3	7	4	25.2
Swansea City Waste Disposal Company	14	12	3	18.2 Plus £30,400
Swansea College	332	65	207	16.4
Swansea Metropolitan University	216	75	115	20.6
West Glamorgan County Council	0	2,798	494	-
West Glamorgan Magistrates Courts	0	43	20	-
West Glamorgan Probation Service	0	69	10	-
West Glamorgan Valuation Panel	0	5	0	-
Admitted Bodies				
BABTIE	10	2	4	14.6
Celtic Community Leisure	129	13	51	13.5
Colin Laver Heating Limited	3	0	1	19.7
Swansea Bay Racial Equality Council	3	0	0	17.0
The Careers Business	0	3	12	-
Wales National Pool	31	2	16	13.2
West Wales Arts Association	0	1	1	-
Cap Gemini	16	0	2	13.7
Phoenix Trust	7	0	2	22.8
Total	15,274	9,105	6,409	

CITY & COUNTY OF SWANSEA PENSION FUND

The Pension Fund covers our employees, (except for teachers, for whom separate pension arrangements apply) and other bodies included in the schedule.

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2009 there were 15,274 contributors, 9,105 pensioners and 6,409 deferred pensioners.

Membership statistics	31/03/06	31/03/07	31/03/08	31/03/09
Contributors	14,711	15,049	14,805	15,274
Pensioners	8,447	8,634	8,897	9,105
Deferred Pensioners	4,363	4,937	5,877	6,409
Total	27,521	28,620	29,579	30,788

25. Further details and the audited statement of accounts are contained in the City & County of Swansea Pension Fund Annual Report and Accounts for the year ended 31st March 2009, available from the Chief Treasury & Technical Officer, Civic Centre, Oystermouth Rd, Swansea SA1 3SN.
26. The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2009.

GROUP ACCOUNTS

Introduction

1. These accounts consolidate the City & County of Swansea's accounts with the accounts of companies in which the Council has an interest and are considered to be part of our group.
2. The 2008 SORP requires that Group Accounting Statements have to be prepared, consolidating the Accounts of the Parent and any Subsidiary, Associate or Joint Undertakings. An assessment of the activities and interests of City & County of Swansea has been undertaken, which has determined that City & County of Swansea Group consists of the Local Authority as the Parent, and the following companies:

Swansea City Waste Disposal Ltd. (SCWDC)	Subsidiary
Wales National Pool Swansea Ltd. (WNPS)	Joint Venture
National Waterfront Museum Swansea (NWMS)	Joint Venture
Swansea Stadium Management Company Ltd. (SSMC)	Associate
Bay Leisure Ltd	Associate

3. The nature of the Council's interest in these Companies and the basis for the estimation of the degree of control the Council holds is detailed below:-

- **Swansea City Waste Disposal Company Ltd. – Subsidiary**

The Company is a wholly owned subsidiary of the Council who own the total issued share capital of the Company comprising 4,500,000 ordinary shares of £1.

The activities of the Company involve the management of the baling plant, civic amenity sites and the central land disposal site at Tir John and the management of significant waste disposal contract payments for the disposal of waste at sites in Merthyr and Haverfordwest in South Wales.

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2009 the net worth of the Company was -£845k (31st March 2008 - £895k).

The effect of this is that the Council's investment value in the company would be reduced if it was not already held at zero.

- **Wales National Pool (Swansea) Limited – Joint Venture**

The Wales National Pool (Swansea) Ltd ("the Company") is a company limited by guarantee. The purpose of the company is to operate the Wales National 50 Metre Pool which is located in Swansea.

Under the constitution of the Company the Council has appointed three Directors to the Board of the Company, three further Directors have been appointed by The University of Wales (Swansea) with one further appointed independent Director.

GROUP ACCOUNTS

The City & County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. The pool complex is leased by the Council to the Company at a peppercorn lease. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

- National Waterfront Museum Swansea (NWMS) - Joint Venture

The National Waterfront Museum Swansea Ltd (“the Company”) is limited by guarantee and is a registered charitable trust (charity number 1090512). The Company has seven directors, of which three are appointed by the City & County of Swansea, three by the National Museums and Galleries of Wales, with the seventh director being an independent chairman.

The purpose of the Company was to develop the National Industrial and Maritime Museum at Swansea which opened in Spring 2006. The Company derived its funds from several sources, including the Welsh Assembly Government, The National Museums and Galleries of Wales, the Welsh Development Agency and the Heritage Lottery Fund.

During 2002/03 year the Council granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental . This lease constitutes the Council’s commitment to the scheme.

The completed museum has been leased to the National Museums and Galleries of Wales at a peppercorn rent by the Company.

- Swansea Stadium Management Company Ltd. (SSMC) – Associate

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa-18,000 seat stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd.

The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

The stadium was constructed by the City & County of Swansea, and is leased to SSMC Ltd. on a 50 year lease. The shareholding represents a one-third holding in the company with the other shares held by the above organisations equally.

GROUP ACCOUNTS

The constitution of the company is such that although all shareholders have an equal vote in operational issues, for matters deemed of a significant nature the City County of Swansea may veto any decisions made by the Board, including the appointment of senior officers and the commissioning of events to be held at the stadium.

Although the Council is able to share in any surplus the Company may make on trading operations, it is indemnified from contributing to any loss under a specific supplementary Joint Venture Agreement made with the remaining shareholders during 2006. No consolidation of the Company's results have been undertaken in 2008/09 due to the immateriality of the Company's results.

Bay Leisure Ltd – Associate

This is a company limited by guarantee which has been established as a non profit making Trust in order to undertake the day-to-day management of the "LC", which is a purpose built leisure complex in Swansea.

The LC was officially opened on 18th March 2008.

The Councils interest in the company is limited to a guarantee of £1 together with the appointment of two Directors out of eleven who make up the Board.

The Council is obliged to consider funding requests from the company on an annual basis and will commit each financial year to making payment in respect of an agreed management fee which is negotiated annually. No consolidation of the Company's results have been undertaken in 2008/09 due to the immateriality of the Company's results.

Swansea Bay Futures Limited

The company's principal activity is promoting Swansea and the surrounding region as a place, to live, study, work, invest in and visit. It aims to increase awareness of what the area has to offer and how it is changing and developing thereby challenging erroneous perceptions that exist and creating a positive impression of the area across UK and internationally.

The expenditure incurred by the company in the year has been funded by a grant from the City and County of Swansea and income from Premier Partner, Partner and Ambassador agreements with businesses and organisations committed to seeing the area grow and prosper. The company operates on a not for profit basis.

Swansea City Development Company Limited

The Swansea City Development Company Ltd does not form part of the Group Accounts of the Council on the basis that:

- a) There have been no transactions by the Company during the year; and
- b) The Council holds no balances in respect of the Company.

Filed Accounts for the Company show a creditor balance of £79,689 owed by the Company to the Council. The Company has no cash assets to fund this creditor and has a negative Profit and Loss Reserve figure of the same amount. Following investigation the Council has determined that there

GROUP ACCOUNTS

is no reasonable chance of any payment being made by the Company, that it will forego any debt and that the Company should be wound up.

4. The core Group Accounts for 2008/2009 consists of:-

- **The Group Income and Expenditure Account** which records the income and Expenditure on the Group's activities
- **The Group Statement of Total Recognised Gains and Losses** which identifies any gains or losses for the period which have been recognised in the Group Income and Expenditure Account
- **The Group Balance Sheet** which sets out all the assets and liabilities of the Group and the reserves and liabilities that underlay those net assets
- **The Group Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with parties external to the Group.

5. Notes to the Accounting Statements

Notes have been provided to the Group Accounting Statements only where the disclosure for the Group differs from that required for the Local Authority due to the combination of the accounts of the various entities.

6. Intra-group transactions and balances

Where necessary, transactions between the various Group members have been eliminated from Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Account. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2009.

7. Effect of FRS 17 Pension Liabilities on Group Reserves.

FRS 17 requires that entries are included in the Group balance sheet for the Groups share of assets and liabilities of the Local Authority Pension Scheme.

The requirement of FRS17 in relation to Local Authority Accounts allows the creation of a debit reserve (The pension reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2009.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st March 2009

2007/08 Net Expenditure £'000		Gross Expenditure £'000	2008/09 Gross Income £'000	Net Expenditure £'000
	DIRECT SERVICES			
9,565	Central Services to the public Culture, Environmental and Planning Services	22,784	-18,517	4,267
54,573		108,891	-50,390	58,501
175,794	Education & Childrens Services	231,310	-44,594	186,716
15,226	Highways, Roads & Transport	35,754	-13,839	21,915
-4,966	Housing Services (HRA)	45,610	-52,982	-7,372
4,128	Other Housing Services	89,552	-85,727	3,825
58,898	Social Services	85,620	-24,518	61,102
16,443	Corporate and Democratic Core	40,468	-25,701	14,767
8,697	Non distributable costs	4,668	0	4,668
	Share of the Operating Results of Joint Ventures:			
	Wales National Pool (Swansea) Ltd (WNPS) – Turnover	0	-430	-430
-427	WNPS – Cost of Sales & Operating Expenses	430	0	430
427	National Waterfront Museum (Swansea) Ltd (NWMS) – Turnover	0	0	0
	NWMS - Cost of Sales & Operating Expenses	123	0	123
131		123	0	123
0	Share of Operating results of Bay Leisure	0	0	0
0	Share of Operating results of SSMC	0	0	0
338,489	NET COST OF SERVICES	665,210	-316,698	348,512
	LEVIES AND CONTRIBUTIONS			
682	Precepts:- Local precepting authorities	749	0	749
9,606	Levies and Contributions paid:	11,033	0	11,033
2,648	Surplus/Deficits on trading activities	51,229	-49,247	1,982
17,867	Interest Payable	20,429	0	20,429
-5,410	Interest and Investment income	0	-6,677	-6,677
-5	Share of Interest Receivable (NWMS)	0	-1	-1
10,020	Pensions Interest cost and expected return on pension assets	19,050	0	19,050
	Taxation Credit	0	0	0
373,897	NET OPERATING EXPENDITURE	767,700	-372,623	395,077
-222,358	Revenue Support Grant			-224,817
	Contribution From National Non-Domestic Rate Pool			-60,783
-55,341				-77,208
-73,149	Council Tax Requirement			-77,208
23,049	DEFICIT FOR YEAR			32,269

RECONCILIATION OF THE SINGLE ENTITY DEFICIT TO THE GROUP DEFICIT

2007/08		2008/09
£000s		£000s
-22,557	Deficit for the year on the Authority Income and Expenditure Account	-32,130
0	Adjustments for transactions with other group entities (dividend income, etc)	0
-22,557	Deficit in the Group Income and Expenditure Account attributable to the Authority	-32,130
-366	Deficit in the Group Income and Expenditure Account attributable to group entities – Swansea City Waste Disposal Company Limited	-17
-126	Share of Operating results in NWMS	-122
-23,049	Deficit (-) for the year on the Group Income and Expenditure Account	-32,269

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2007/08</u>		<u>2008/09</u>
<u>£'000</u>		<u>£'000</u>
-22,969	Deficit for the year on the Income and Expenditure Account	-32,269
68,303	Surplus arising on the revaluation of fixed assets	25,896
76,010	Actuarial (loss)/gain on pension fund assets and liabilities	-129,250
-1,242	Loss on Revaluation of Financial Instruments	0
<u>120,102</u>		<u>-135,623</u>
<u>-1,000</u>	Prior year adjustment	<u>0</u>
<u>119,102</u>	Total gain / loss reported since last annual report	<u>-135,623</u>

The restated figures are due to a change in the valuation basis of assets by the Actuary to comply with FRS 17 (as amended). This resulted in a reduction in the value of the scheme assets of £1m.

GROUP BALANCE SHEET

31/03/2008		31/03/2009	
£'000	£'000	£'000	£'000
Fixed Assets			
<i>Operational assets:</i>			
85,425		82,732	
562,798		561,088	
16,887		16,751	
222,186		218,448	
14,314		13,875	
	901,610		892,894
<i>Non operational assets</i>			
	6,795 Assets under construction		20,503
	0 Surplus Assets for Disposal		11,062
	95,337 Investment properties		98,278
	1,003,742 Total Fixed Assets		1,022,737
	5,629 Long term investments		11,897
	222 Long term debtors		274
	1,009,593		1,034,908
	5,686 Share in Gross Assets of JV (WNPS)		5,474
	-5,686 Share in Gross Liabilities of JV (WNPS)		-5,474
	0 Share in Net Assets of Associate (SSMC)		0
	0 Share in Net Assets of Associate (Bay Leisure)		0
	13,308 Share in Gross Assets of JV (NWMS)		13,163
	-50 Share in Gross Liabilities of JV (NWMS)		-27
	1,022,851 Total Long-Term Assets		1,048,044
Current Assets			
2,342		1,879	
51,879		46,437	
147,236		99,849	
2,316	203,773	2,342	150,507
	1,226,624		1,198,551
Current Liabilities			
-68,717		-66,334	
-6,503		-11,381	
-26,841	-102,061	-22,757	-100,472
	1,124,563 Total Assets Less Current Liabilities		1,098,079
Long -Term Liabilities			
-371,166		-344,438	
-37,830		-24,751	
-157,459		-169,355	
0		0	
-287,373	-853,828	-424,423	-962,967
	270,735 Total Assets Less Liabilities		135,112

GROUP BALANCE SHEET

31/03/2008		31/03/2009	
£'000	£'000	£'000	£'000
	Financed by:		
	405,797 Capital Adjustment Account		388,226
	60,953 Revaluation Reserve		82,323
	-1,242 Financial Instrument Adjustment Account		-1,051
	-286,520 Pensions reserve		-423,570
	12,187 Usable Capital receipts reserve		11,326
	55,354 Earmarked reserves		55,190
	9,491 Balances – Housing Revenue Account		10,566
	14,715 Balances – General fund		12,102
	<u>270,735</u> Total Net Worth		<u>135,112</u>

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2009

<u>2007/08</u> <u>£'000</u>		<u>2008/09</u> <u>£'000</u>	<u>£'000</u>
40,049	<u>Net revenue activities cashflow</u>		34,904
	<u>Returns on Investment / Servicing of Finance</u>		
	Cash Outflows		
-18,042	Interest paid		-20,360
	Cash Inflows		
4,444	Interest received		6,810
26,451	Net cash flow from revenue activities		21,354
	<u>Capital Activities</u>		
	Cash outflows		
-74,276	Purchase of fixed assets	-57,705	
-17,013	Other capital cash payments	-13,423	
6,690	Purchase of long term investments	-6,268	
	Cash inflows		-77,396
8,708	Sale of fixed assets	4,898	
40,730	Capital grants received	34,036	
0	Sale of long term investments	0	38,934
-8,710	Net cash inflow/outflow (-) before financing (Note 1)		-17,108
	<u>Financing</u>		
	Cash outflows		
-85,454	Increase in temporary investments		0
-34,997	Repayments of amounts borrowed		-30,016
	Cash inflows		
0	Reduction in temporary investments	47,299	
108,975	New loans raised	3,295	
1,024	New short term loans	640	51,234
-19,162	Net increase/decrease in cash (Note 2)		4,110

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Intra-Group Transactions

The following intra-group transactions have been eliminated on preparation of the Group Income & Expenditure Account:

<u>2007/2008</u> <u>£'000</u>		<u>2008/2009</u> <u>£'000</u>
9,771	Sales to City & County of Swansea	8,515
5	Landfill Tax charged on sales	3
-718	Purchases from City & County of Swansea	-632
-68	Rent, Rates & Royalties	-76
1,054	Debtors	1,829
-222	Creditors	-80

2. Continuing Group Activities

In accordance with FRS 3 "Reporting Financial Performance", all Group activities were classified as 'Continuing' during the year. There were no material acquisitions or discontinuations of services as defined by the Standard.

3. Pension Costs

In addition to the City & County of Swansea, the Swansea City Waste Disposal Company Ltd. contributes to the CCS Pension Fund, at a common rate applicable to a group of employers which is set having regard to the assets and liabilities of the group as a whole.

The Swansea City Waste Disposal Company Ltd. contributions to the scheme for the year ended 31st March 2009 amounted to £75,061 (2008: £58,316).

Further analysis can be found in the Notes to the City & County of Swansea Pension Fund (pages 76 to 96).

4. Tax on Profit on Ordinary Activities

The Group's total tax liability on profits generated arises out of the activities of the subsidiary, Swansea City Waste Disposal Company Ltd.

There was no tax chargeable for 2007/08 or 2008/09.

NOTES TO THE GROUP FINANCIAL STATEMENTS

5. Analysis of Net Assets Employed

The Total Net Assets of the Group can be analysed according to the relevant entity to which they relate, as follows:

31st March 2008 £'000		31st March 2009 £'000
551,704	City & County of Swansea (Parent)	553,244
-6,854	Swansea City Waste Disposal Company Ltd. (Subsidiary)	-6,845
13,258	National Waterfront Museum Swansea (Joint Venture)	13,136
0	Wales National Pool Swansea (Joint Venture)	0
558,108	Net Assets Employed (exc. Pensions Fund)	559,535
-287,373	Net Group Pension Fund Liabilities	-424,423
270,735	Net Assets Employed	135,112

6. Construction of the Group Accounts

The following are the dates of relevant company accounts used for consolidation:-

Swansea City Waste Disposal Co Ltd	Management Accounts for the year ending 31st March 2009
National Waterfront Museum (Swansea) Ltd	Draft Annual Accounts for the year ending 31 st March 2009
Swansea Stadium Management Company Limited	Management Accounts for the year ended 31 st March 2009.
Wales National Pool (Swansea) Ltd	Annual report 31 st July 2008 (audited)

In the opinion of the Council the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2009 and the use of current information would not be significant in relation to the group position as stated.

7. Access to benefits and exposure to risk of potential losses in respect of the Associated Companies

The City & County of Swansea (the Parent company) does not believe that it will receive a material benefit in the form of income or dividends from the related companies, and does not expect to make any contributions over and above the normal budgeted requirement. Since the related companies are limited by guarantee, any losses to the Council will be limited to the value of the shareholding in each entity.

NOTES TO THE GROUP FINANCIAL STATEMENTS

8. Debtors

31st March 2008 £'000		31st March 2009 £'000
1,759	Housing rents	1,600
4,050	NNDR	5,876
7,375	Council tax	8,003
14,463	Government departments	13,416
2,772	Other public bodies	5,796
31,933	Sundry debtors	23,393
62,352		57,084
-10,473	Less provision for doubtful debts	-10,647
51,879		46,437

9. Creditors

31st March 2008 £'000		31st March 2009 £'000
3,933	Government departments	5,524
7,985	Other public bodies	1,521
56,799	Sundry creditors	59,289
68,717		66,334

10. Provisions and Reserves

Provisions are amounts set aside to meet specific liabilities, the amount or timing of which cannot be accurately determined.

Reserves are amounts held for more general purposes, although some reserves are earmarked for particular activities.

		<u>Provisions</u>				
<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/08</u>	<u>Utilised during the year</u>	<u>Created during the year</u>	<u>Balance 31/03/09</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Insurances	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	20,513	-16,160	6,435	10,788

NOTES TO THE GROUP FINANCIAL STATEMENTS

Provisions

<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/08</u> £'000	<u>Utilised during the year</u> £'000	<u>Created during the year</u> £'000	<u>Balance 31/03/09</u> £'000
Land acquisition	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	1,113	-220	4	897
Other	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	2009/10	16,204	-3,520	382	13,066
Total			37,830	-19,900	6,821	24,751

Reserves

These are balances which are held in order to fund future revenue and capital activities which are uncommitted at the balance sheet date. Earmarked reserves have been set aside to fund specific activities, whilst general balances are available to support the general financing of the Group's activities.

Details of the Group's reserves as at 31st March 2009 are as follows:-

<u>Earmarked revenue reserves</u>	<u>Balance 01/04/08</u> £'000	<u>Movement For the year</u> £'000	<u>Balance 31/03/09</u> £'000
Schools delegated reserves These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.	5,524	-391	5,133
Capital financing charges reserve Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio	4,208	0	4,208
Other equalisation reserves To even out year on year variations on major income and expenditure items	1,158	-346	812
Information technology reserves Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies	1,276	95	1,371

NOTES TO THE GROUP FINANCIAL STATEMENTS

	Balance 01/04/08	Movement For the year	Balance 31/03/09
E- Government	1,210	-1,078	132
Amount set aside to fund ongoing work on resource system implementation			
Contingency reserve	13,326	-2,001	11,325
A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan			
Development reserves	2,295	283	2,578
Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums			
Insurance reserves	6,989	1,428	8,417
To provide for unforeseen expenditure			
Other earmarked revenue reserves	14,986	1,862	16,848
Revenue reserve earmarked to fund future capital expenditure	1,840	2,526	4,366
Total earmarked revenue reserves	52,812	2,378	55,190
<u>Housing revenue account balances</u>	9,491	1,075	10,566
<u>Earmarked capital balances</u>			
Regulated companies	2,542	-2,542	0
To provide for capital costs arising from related activities			
Total earmarked reserves	64,845	911	65,756
General balances	14,715	-2,613	12,102
<u>Total reserves</u>	79,560	-1,702	77,858

NOTES TO THE GROUP CASH FLOW STATEMENT

Note 1 - Management financing /liquid resources


	Balance 01/04/2008 £'000	Cash Flow £'000	Non cash £'000	Balance 31/03/2009 £'000
Temporary Investments	147,236	-47,299	-88	99,849
Financing:-				
Maturing within one year	-6,503	-647	-4,231	-11,381
Long term	-371,166	26,728		-344,438
Cash	2,316	26		2,342
Bank overdrawn	-26,841	4,084		-22,757
	<hr/> -254,958	<hr/> -17,108	<hr/> -4,319	<hr/> -276,385 <hr/>

Note 2 - Movement in cash & cash equivalents

	Balance 01/04/2008 £'000	Cash Flow £'000	Balance 31/03/2009 £'000
Cash	2,316	26	2,342
Bank overdrawn	-26,841	4,084	-22,757
	<hr/> -24,525	<hr/> 4,110	<hr/> -20,415 <hr/>

EXECUTIVE DIRECTOR'S CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

I hereby certify that the statement of accounts on pages 4 to 75 and pages 97 to 136 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2009

Signed : 

Dated: 24. 9. 09

The Authority's Responsibilities

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Finance Officer, namely the Director of Resources;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- Approve the statement of accounts

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2009.

In preparing this statement of accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code

The Chief Finance Officer has also:

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

Date of Authorisation for Issue

The 2008/09 Statement of Accounts was authorised for issue on 25th September 2009 by Jack Straw, Executive Director who is the Section 151 Officer of the Council. This is the date up to which events after the Balance Sheet date have been considered.

STATEMENT ON INTERNAL CONTROL

Statement on Internal Control (SIC) for 2008/09

1. Scope of Responsibility

- 1.1 The Council of the City & County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, 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.
- 1.2 In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. This includes arrangements for the management of risk and ensuring that there are proper arrangements in place for governing its affairs.
- 1.3 In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2005, this statement sets out how the Council has sought to meet these requirements in 2008/09 and how it intends to make further improvements in 2009/10.

2. The Purpose of the System of Internal Control

- 2.1 The system of internal control within the Council is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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.
- 2.2 This Statement covers the internal control environment as at 31 March 2009, describing the main elements in place or in development during 2008/09. Any significant changes or developments after 31 March 2009 and up to the date of approval of the annual report and accounts are also covered in this Statement.

3. The Internal Control Environment

- 3.1 The key elements of the internal control environment under 9 main headings, which were specified in the Code of Audit and Inspection published by the Auditor General for Wales on 11/05/05, are described in the attached Appendix.

4. Review of the Effectiveness of the System of Internal Control

- 4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within the Council who have the responsibility for the development and maintenance of the internal control environment, also by comments made by the external auditors and other review agencies and inspectorates. The review must also cover other entities with which the Council has a group relationship, the outcome of this part of the review can be found in Section 6 of this document.

STATEMENT ON INTERNAL CONTROL

4.2 The review of the effectiveness of the system of internal control for 2008/09 was carried out by the Chief Auditor in consultation with the following officers

- Executive Director (Section 151 Officer)
- Head of Finance
- Head of Legal and Democratic Services (Monitoring Officer)
- Head of Performance and Strategic Projects

Both the Section 151 Officer and Monitoring Officer have statutory responsibilities in relation to the internal control framework

4.3 The review took into account the latest versions of the following documents

- The Relationship Manager's Annual Letter 2007/08
- Internal Audit Service Annual Report 2007/08
- Corporate Complaints Team Annual Report 2007/08
- Resilience Annual Review and Report 2007/08

4.4. The results of the review of the documents are shown below

4.5 Relationship Manager's Annual Letter

4.5.1. The Annual Letter sets out the key messages arising from work undertaken in 2007/08 by

- PricewaterhouseCoopers (PwC) working to the Appointed Auditor under the Code of Audit and Inspection Practice
- The Relationship Manager on behalf of the Auditor General under the studies and inspection powers

4.5.2 The Annual Letter also draws on the inspection work of other inspectorates e.g. ESTYN and CSSIW to provide an annual summary for the Council. The Relationship Manager and External Auditor presented the Annual Letter to Council on 15/01/09 and the Council's response was presented to Council on 09/04/09

4.5.3 The letter makes favourable comments about many issues including the following:

- The financial statements present fairly the Council's financial position as at 31/03/08 and an unqualified auditor's report was issued on 29/09/08.
- Satisfactory arrangements are in place to achieve economy, efficiency and effectiveness in the use of resources
- The Council's improvement planning arrangements complied with statutory requirements
- Robust arrangements are in place for the collection and validation of performance information.
- The Council has a good record of achieving its revenue budget and appropriate arrangements in place to manage and use its financial resources
- Internal Audit has met the required professional standards and PwC have been able to place reliance on its work.

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4.5.4 The key messages from the Annual Letter are shown below

a) Performance Management – a performance management framework is in place but it needs to be more fully embedded. The Council is using the Corporate Improvement Plan to monitor achievements against action plans via the monthly Performance and Financial Monitoring meetings. The audit of the 2008/09 Improvement Plan concluded that it complied with national guidance and was a well written document with a balance of good performance and areas for improvement. The Council's corporate objectives and key actions are clearly set out in the Plan but it was felt that the Council should consider how it can improve the reporting of achievements and future targets regarding efficiency gains.

b) Financial Statements – PwC concluded that the financial statements presented fairly the Council's financial position as at 31/03/08. However some weaknesses in internal control were identified and minor recommendations were made for the improvement of qualitative aspects of financial reporting. The adjustments to the financial statements made as a result of the audit increase the income and expenditure deficit by £7.6m and there was a reduction of £11.8m in net assets. However the overall impact on the General Fund was a reduction of £147,000. No changes were required as a result of the weaknesses mentioned above. Action Plans are in place to address the weaknesses identified by PwC.

c) Financial Management – PwC reviewed the internal controls over the major financial systems and found that some significant financial processes could not be relied upon to produce materially correct outputs in particular the income and payments systems. Additional testing with assistance from Internal Audit led to the conclusion that the weaknesses had not given rise to any material mis-statements in the financial statements. However recommendations were made to overcome the weaknesses which are being addressed by management.

d) Revenue Budget – the Council has a good track record of managing within its revenue budget however in common with many other councils it faces increasing financial pressures in several service areas including job evaluation and single status, Welsh Housing Quality Standard and the replacement of the payroll system.

e) Services – the Annual Letter included a number of comments relating to service provision including

i) The Council's risk assessment and risk management arrangements are continuing to develop but it needs to focus on implementing the various plans and strategies in place to mitigate the risks to its services and functions

ii) The Council has responded positively to the recommendations of previous inspection work.

iii) Corporate arrangements for service improvement, e-government, asset management, housing quality and fleet management showed some strengths and some notable areas for improvement. The Council is working to address each issue raised e.g. the Housing Futures programme is making progress to establishing a long term strategy to improve housing stock in view of the 'no' vote against the housing stock transfer, a new Corporate Asset Management Plan will be produced for 2009/10 and a series of premises and service specific strategies are being developed, a review has been completed of how the Council manages and maintains its vehicle fleet and options are being examined for future arrangements.

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f) Joint Resilience Unit – the Unit has been set up jointly with Neath Port Talbot CBC and PwC concluded that a basic framework has been put in place to support compliance with civil protection legislation but that progress has not been made in delivering the wider business continuity objectives it was set up to achieve.

g) Whole of Government Accounts – following the audit of the information provided by the Council for the Whole of Government Accounts it was noted that the information provided was consistent with the audited statutory accounts. However some improvements could be made in respect of the agreement of balances with WAG. It was also noted that the information was submitted more than a month late.

h) Education Funding – financial modelling showed that the total funding levels for primary and secondary schools in Swansea are above the predicted Welsh average. The relative funding position requires further investigation as one of the factors that might have impacted on this is the Council's approach to Special Education Needs provision

4.6 Internal Audit Service Annual Report 2007/08

- 4.6.1 The Internal Audit Service Annual Report 2007/08 was reported to the Finance, Audit and Business Improvement Scrutiny Board on 10/09/08.
- 4.6.2 The report included the Chief Auditor's opinion on the system of internal financial control based on the audit reviews undertaken during 2007/08. The opinion was that there were no significant weaknesses in the system of internal control, which would have a material effect on the Council's financial affairs or its ability to report thereon.
- 4.6.3 Where audit reviews identified risks and the need for improved system procedures and controls, recommendations were made at the end of the audit. Over 98% of the recommendations made were accepted by management which exceeded the target set of 95%.

4.7. Corporate Complaints

- 4.7.1 The Annual Report of the Corporate Complaints Team for 2007/08 was presented to Cabinet on 20/11/08. The report noted that there was a 9% reduction in the volume of complaints from 1,148 in 2006/07 to 1,048 in 2007/08.
- 4.7.2 There was a significant reduction in the complaints resolved at Stage One (by the relevant department) of the four stage procedure from 797 in 2006/07 to 542 in 2007/08 (-32%). However there was an increase in the complaints resolved at Stage 2 (by the Corporate Complaints Team) from 126 in 2006/07 to 228 in 2007/08 (+81%).
- 4.7.3 In 2007/08, 31 complaints were referred to the Public Services Ombudsman for Wales, 11 were investigated of which 8 were not upheld/discontinued and 3 were resolved locally, none were classified as maladministration.
- 4.7.4 The report also identifies a number of service improvements that have been introduced as a result of complaints investigated.
- 4.7.5 The Corporate Complaints Team also has responsibility for maintaining the Register of Interests and Hospitality for Councillors mentioned in paragraph 1.9.4. of the attached Appendix.

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4.8. Resilience Annual Review and Report 2007/08

4.8.1 The Annual Review and Report of the Joint Resilience Unit (JRU) was presented to Council on 31/07/08. The JRU is responsible for resilience matters for both the City and County of Swansea and Neath Port Talbot CBC. The report identified the 4 key areas of work for the JRU as

- Management of Risk
- Business Continuity Management
- Emergency Planning and Management
- Warning, Informing and Promotion

4.8.2 The report provides a detailed analysis of the JRU's work in the 4 key areas identifying achievements during 2007/08 and also highlighting areas of work which remain outstanding.

4.8.3 During 2007/08, the JRU was contacted for local authority assistance on 19 occasions. On 3 occasions, rest centres were opened with the assistance of Social Services,

4.8.4 The report concludes that although the JRU faced a difficult year in 2007/08 with staff resource issues, increased demands and the scale of the work programme, it is clear that the work is being delivered at a professional level and recognised, in certain areas, as best practice.

4.8.5 However as noted above a joint review by the Wales Audit Office and PwC felt that further work was required by the Unit to deliver the business continuity objectives that it was set up to achieve

5. Progress on the 2007/08 Action Plan

5.1 The SIC for 2007/08 contained the following significant internal control issues and action plan for continuous improvement. The comments indicate the progress that has been made to date.

a) The development of an annual reporting process to Council by the Head of Performance and Strategic Projects in accordance with the policy approved by Council in March 2004.

The Resilience Annual Review and Report 2007/08 was reported to Council on 31/07/08. This report is described in 4.8 above.

b) The further development of business continuity plans and emergency response plans for each of the Council's directorates.

The Resilience Annual Review and Report 2007/08 includes the following on Business Continuity Management and Emergency Planning and Management

- Directorates have identified 45 critical services
- Draft business continuity plans have been prepared for 37 services.
- Work is continuing to develop the remaining plans.

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- A training programme will be developed to test the plans when all 45 are in place.
- The identification of the key corporate critical services that should be maintained whatever the cause of disruption remains outstanding.
- A draft strategic document has been prepared and tested on arrangements for managing an influenza epidemic.
- Disaster recovery provision for ICT currently only covers the AS400 and ISiS systems
- ICT and the JRU are working with Directorates to identify their critical services and the ICT requirements to continue to provide those services.
- Exercises have been held to test the Emergency Response Plans for Housing services and ACE Performance
- Exercise Sidetrack has been developed to test the Emergency Response Plans for each Directorate in conjunction with the Resilience Co-ordinators.

c) The budget process for the Medium Term (four years) Financial Plan has included a structured consideration of unavoidable and essential spending needs, likely resources, risks and uncertainties, and savings options to achieve a balanced budget in each of the four years. Significant progress has been made in developing the Medium Term Plan and this needs to be taken further by agreeing explicit plans for achieving savings and by further developing the relationship between service and financial planning.

The Medium Term Financial Plan has been further developed to include a business improvement and efficiency action plan to achieve specific savings over the next 4 years. The action plan details nearly 80 items to be reviewed. Each item in the action plan has been allocated to a named lead officer and a process has been established to monitor implementation.

In addition, the existing service planning process will be replaced by a new business planning process in 2010/11. This new process will make explicit links between service and financial planning.

6. External Bodies

- 6.1. The Local Authority Accounting Statement of Recommended Practice published by CIPFA in 2008 requires the Council to review the effectiveness of the system of internal control “where an authority is in a group relationship with other entities and undertakes significant activities through the group”
- 6.2. As there is no guidance as to what constitutes “significant activities” the review has been confined to the following bodies which are included in the Council’s Group Accounts 2007/08
- **Swansea City Waste Disposal Company Ltd (SCWDC)** – a wholly owned subsidiary of the Council which manages the baling plant, civic amenity sites and the disposal of waste.
 - **Wales National Pool (Swansea) Ltd (WNP)** – a joint venture between the Council and the University of Wales (Swansea) which runs the Wales National 50 metre Pool.

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- **National Waterfront Museum Swansea Ltd (NWMS)** – a joint venture between the Council and the National Museums and Galleries of Wales which runs the National Waterfront Museum
- **Swansea Stadium Management Company Ltd (SSMC)** – an associate company which runs the Liberty Stadium. The shareholding in the Company is split into thirds between the Council, Swansea City AFC Ltd and Ospreys Rugby Ltd
- **Bay Leisure Ltd** – an associate company established as a non profit making trust to operate The LC

6.3. A review was made of the latest financial statements of each body in particular the reports of the independent external auditor and any relevant internal audit reports.

6.4 The results of the reviews are shown below

Swansea City Waste Disposal Company – The independent auditors' report by PricewaterhouseCoopers for the year ended 31/03/08 states that the financial statements have been prepared in accordance with the Companies Act 1985 and give a true and fair view of the Company's affairs. The report mentions matters concerning the re-opening of the Tir John landfill site and the impact on company revenue but does not qualify the opinion as a result of this matter. An audit of SCWDC was carried out by the City and County of Swansea's Internal Audit Section during 2007/08 and was concluded in 2008/09. Based on the work carried out SCWDC was rated as adequate which indicated that some significant changes to procedures were required. A number of recommendations were made following the audit and all were agreed and implemented by management.

Welsh National Pool (Swansea) Ltd – The independent auditors' report by PricewaterhouseCoopers for the year ended 31/07/08 states that the financial statements have been prepared in accordance with the Companies Act 1985 and give a true and fair view of the company's affairs. Internal audits of the Pool are carried out by the University of Wales Internal Audit Section. There were no relevant internal audits of the Pool finalised during 2008/09. A follow up on audits completed in 2007/08 found that all agreed recommendations had been implemented apart from one where Pool management were waiting for information from Swansea University.

National Waterfront Museum Swansea Ltd – The report of the Auditor General for Wales for the year ended 31/03/08 states that the financial statements give a true and fair view in accordance with the Museums and Galleries Act 1992 of the state of National Museum of Wales and its group, which includes the National Waterfront Museum. The financial report 2007/08 also includes a Statement of Internal Control which includes reference to the work carried out by the internal auditors.

Swansea Stadium Management Co Ltd – The independent auditors' report by Gerald Thomas and Co for the year ended 31/05/08 state that the financial statements give a true and fair view of the state of the company's affairs and have been properly prepared in accordance with the Companies Act 1985. The independent auditor has also produced a report on its approach to their audit of SSMC and a review of this report shows that reliance can be placed on this work

Bay Leisure Ltd – The independent auditor's report by Clay Shaw Thomas Ltd for the year ended 31/03/08 (which covers 1 month of trading) state that the financial statements give a

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true and fair view of the state of the company's affairs and have been properly prepared in accordance with the Companies Act 1985

7. Significant Internal Control Issues and Action Plan for Continuous Improvement

- 7.1 The priority for the forthcoming year is to ensure that the assurance framework is further developed so that an enhanced opinion can be given in respect of 2009/10.
- 7.2 Work in the following areas during 2009/10 will contribute to the achievement of this aim
- Completion of the outstanding Business Continuity Plans and development of training programme to test the Plans
 - Carry out review of and update Financial Procedures Rules to take account of recent changes within Council
 - Improve compliance monitoring arrangements in relation to the procurement of goods and services and associated payment processes via the council's monthly Performance and Financial Monitoring Meetings
- 7.3 There are significant weaknesses in Children's Social Services which the Council still needs to address. The CSSIW carried out a further inspection in December 2008 which recognised that progress had been made and the hard work and commitment of front line staff. However they were of the view that the improvement they had seen had not been sustained and embedded for a long enough period to give confidence that it would continue. Consequently the Deputy Minister for Social Services used powers to establish an Intervention Board to provide robust external challenge. The Intervention Board will work closely with the newly established Child and Family Services Overview and Scrutiny Board to address the issues in this area

8. Opinion on the System of Internal Control

On the basis of the assurance sources available for 2008/09 it can be concluded that where significant control weaknesses have been identified action plans have been or will be agreed with relevant managers to ensure that these weaknesses do not compromise the Council's ability to achieve its objectives. We can therefore give a reasonable assurance to our stakeholders that the overall system of internal control is operating effectively.

8. Signatures

Signed by the Chief Executive

..... on 10 / 6 / 2009

Signed by the Leader of the Council.....

..... on 11 / 6 / 2009

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APPENDIX

The Internal Control Environment in City and County of Swansea

The key elements of the internal control environment under the 9 main headings, which were specified in the Code of Audit and Inspection published by the Auditor General for Wales on 11/05/05, include the following:

1.1 Establishing strategic and operational objectives

- 1.1.1 The Council's annual Corporate Improvement Plan sets out the priorities for improvement, the progress made since the previous plan and the intended programme of improvement actions. The Plan can be found on the Council's web-site under "Council and Democracy" and it is audited annually by the external auditor. The Corporate Improvement Plan 2008-2012 contains the Council's Vision for Swansea, the 5 Council Aims and 6 Council Values. The Plan outlines the Council's Objectives and Actions for 2008/09 and also into the medium and longer term. The Plan also explains how the Council performed in 2007/08.
- 1.1.2 At the service level, each Head of Service is required, annually, to prepare a Service Plan. The purpose of the Service Plan is to list the 5 or 6 service objectives at the Head of Service/Departmental level which are intended to be achieved over the next 4 years and it links back to the Corporate Objectives mentioned above. The Service Plan also details the necessary actions, to be delivered at a Service Manager/Section level, to achieve the service objectives.

1.2 Determining policy and making decisions

- 1.2.1 The Council's Constitution defines the roles of the Leader of the Council, the Cabinet, the Council itself and Officers by means of 16 Articles, a Scheme of Delegation to various officers, committees (such as the Licensing Committee and the Area Development Control Committees), panels etc. as well as various Rules, Codes and Protocols.
- 1.2.2 The roles are briefly as follows:

The **Council** as a body determines policy and appoints the Leader of the Council; sets the budget and forward financial plan; receives reports from Cabinet Members and Officers and Overview and Scrutiny Boards; provides a forum for questions from the public; hears planning applications referred to it by Area Development Control Committees .

The **Leader** chairs a Cabinet of 10 (including himself) and has all executive powers, duties and functions of the Council vested in him except for those powers conferred on the Statutory Officers or designated by regulation as non-executive and some matters referred to the General Purposes Panel.

The **Cabinet** and the Leader have to make decisions which are in line with the Council's overall policies and budget (subject to a virement limit of 5% of the Council's net revenue budget). Any decisions which are outside the budget or an approved Council policy (Article 4 of the Constitution lists these policies, plans and strategies) have to be made by the Council.

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The role of **Officers** is to give advice, implement decisions and manage the day-to-day delivery of services. Some officers have a specific duty to ensure that the Council acts within the law and uses its resources wisely. Some officers have specific decision-making and other duties delegated to them under the Scheme of Delegation.

1.3 Ensuring that services meet the needs of users and taxpayers, and arrangements for engaging with the wider community

- 1.3.1 The Council's Community Strategy is being revised in 2008 in line with guidance from the Welsh Assembly Government. The revision of the Strategy is being overseen by the Better Swansea Partnership. A shadow Community Strategy 2008 has been published on the Council's website and the final version of the Strategy will be published in summer 2009. The shadow Strategy lists 7 themes which are linked to the Council's vision and are delivered through an identified main strategy and key partnership.
- 1.3.2 The Council has a Complaints Policy and arrangements are in place to facilitate the investigation of complaints from members of the public. These can include complaints about the provision of services to users.
- 1.3.3 The Council has established a web-site (Swansea Lives –www.swansea-lives.com) which aims to bring people with a learning disability and their supporters together and to improve access for service users and carers to a range of good quality and easily understandable information on the services available to them and how to access them.
- 1.3.4 The Council publishes "The Swansea Leader", a bi-monthly newspaper, to every household in the area aimed at informing local people about the Council's work and the progress it is making.
- 1.3.5 The Council has established a citizens' panel ("Swansea Voices") for consulting on service provision and other matters. There is also the ward representative role played by the 72 members of the Council.
- 1.3.6 The Council is subject to external inspection by various bodies (ESTYN, CSSIW etc.) and is responsible for addressing issues raised and recommendations made by such bodies.

1.4 Ensuring compliance with established policies, procedures, laws and regulations

- 1.4.1 The Council's Monitoring Officer (under Section 5 of the Local Government and Housing Act 1989) has a responsibility to investigate and report on allegations of contraventions of established policies, procedures, laws, regulations and the Council's Constitution.
- 1.4.2 The terms of reference of the Council's Standards Committee (which consists of Councillors and Independent Members) are incorporated in the Constitution and they include assisting Councillors to observe their Code of Conduct, monitoring the operation of the Members' Code of Conduct, considering breaches of the Code referred to it by the Ombudsman.
- 1.4.3 On 15/05/08 Council agreed new arrangements for overview and scrutiny. The previous 8 Scrutiny Boards were replaced by 4 Overview Boards and 4 Scrutiny Boards covering the following

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- Environment, Regeneration and Culture
- Finance, Audit and Business Improvement
- Children and Young People
- Health, Social Care and Wellbeing

- 1.4.4 The purpose of the Overview Boards is to ensure the effective engagement of non-executive councillors in the development of key strategies and plans that would impact on the future of Swansea and to make reports and recommendations to Cabinet and Council.
- 1.4.5 The purpose of the Scrutiny Boards is to review or scrutinise decisions or actions taken in connection with the discharge of functions which are the responsibility of the executive or Council.
- 1.4.6 Each Board is made up of 9 members and they meet on a 6 weekly cycle.
- 1.4.7 On 09/04/09 Council agreed the creation of a Child and Family Services Overview and Scrutiny Board made up of 11 members. The aim of this Board is to work with the Intervention Board appointed by WAG to bring to address the issues identified by CSSIW in the Child and Family Service.
- 1.4.8 The Council has an Internal Audit Section and its over-riding objective is to provide an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 1.4.9 The Council is also subject to external inspection by various bodies including the external auditors (one of their duties is to audit and certify the annual Statement of Accounts) and the Council is responsible for addressing issues raised and recommendations made by such bodies.

1.5 Identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and other forms of joint working or contracting

- 1.5.1 The Council adopted a Risk Management Policy in March 2004 (which requires an annual report on risk management activities); the Risk Management implementation strategy is a process by which financial, operational and other risks can be considered by officers at a departmental level. There is a risk register, plus at least one resilience co-ordinator, for each of the Council's directorates. Service risks should be reviewed quarterly by the Chief Executive and each Director. A wide range of internal and external financial risks are covered by various insurance policies or the Council's own insurance fund.
- 1.5.2 The Joint Resilience Unit has published Business Continuity Management Guidance which gives a detailed explanation on the preparation of a Business Continuity Plan and includes a template for use by services. Half-day workshops were organised during 2006/07 to engage and train senior staff in each directorate in the preparation of Business Continuity Plans.

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- 1.5.3 At a corporate level there is an annual assessment of the main corporate and service risks and the “joint risk assessment” for 2008/09 involved the Wales Audit Office, PwC, ESTYN, and CSSIW. There is also a corporate risk register which should be reviewed quarterly by the Corporate Management Team.
- 1.5.4 The Corporate Improvement Plan 2008-2012 identifies for each key priority the nature of the risk and the current level of risk i.e. low, medium or high. The number of risks in 2008/09 was 83, down from 88 in 2007/08. Of the 83 risks, 15 were classified as high risk which is down from 19 in 2007/08.
- 1.5.5 Each year, the Council holds an Annual Business Conference attended by members of the Cabinet and Corporate Management Team. At the Conference, a review is made of progress against the Corporate Improvement Plan and the current status of risks included in the Council’s risk management registers.

1.6 Ensuring compliance with the general duty of best value, where applicable

- 1.6.1 As mentioned at 1.1.1 above, the annual Corporate Improvement Plan sets out the Council’s priorities for improvement. The Regulation, Overview and Scrutiny chapter describes the Regulators who will audit and inspect services
- Wales Audit Office (WAO)
 - PricewaterhouseCoopers (PwC)
 - Care and Social Services Inspectorate Wales (CSSIW)
 - Estyn (Education Inspectorate)
- 1.6.2 The WAO has appointed Anthony Snow as the Appointed Auditor for the external audit of the Council. However the audit work is carried out in accordance with the Public Audit (Wales) Act 2004 and the Auditor General for Wales Code of Audit and Inspection Practice by PwC.
- 1.6.3 The Council’s Constitution contains a set of Contract Procedure Rules (CPR’s) which are designed to regulate the way in which goods and services are procured and contracts are let e.g. by means of a process to invite quotations or tenders.
- 1.6.4 The Council has a Strategic Procurement Unit and it has published a Procurement Guide which aims to assist employees and Councillors to manage the procurement process. The Guide contains a procurement strategy which applies to all of the Council’s services and which sets out the policies and actions designed to obtain best value from procurement decisions.
- 1.6.5 The Council’s arrangements for securing value for money from its use of resources include financial management (see 1.7 below) and performance management (see 1.8 below). In addition, best value reviews are carried out annually by the external auditors and inspectors.
- 1.7 Managing financial and other resources, including arrangements to safeguard the financial standing of the Council**

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- 1.7.1 The Council's officer designated under S.151 of the Local Government Act 1972 is the Executive Director. The S.151 role includes responsibility for the system of internal financial control, reporting to Council on the proposed revenue and capital budgets, plans and programmes; certifying the annual Statement of Accounts; also, under the Local Government Finance Act 1988, reporting to the Council any unlawful payments etc.
- 1.7.2 The financial position of the Council is summarised in the annual leaflet which is issued to all Swansea council tax payers with the Council Tax bills.
- 1.7.3 The Council is responsible for approving revenue and capital budgets every year (both cover a period of 4 years) based on a recommendation from Cabinet. The annual budget report for the following financial year, which is based on achieving a balanced budget so that resources equal spending plans and sufficient funds are kept in reserves, also considers variations to the approved budgets for the current financial year. The Council is also required to comply with the "CIPFA Prudential Code for Capital Finance in Local Authorities" when setting its budget.
- 1.7.4 Progress against budgets are monitored by means of monthly reports to Performance and Financial Monitoring meetings and quarterly and annual reports to Cabinet. In addition, there is a system of delegated responsibility and accountability for budget management, reference to which appears within the job descriptions of relevant managers. These arrangements should be assessed within the staff appraisal scheme.
- 1.7.5 The Constitution includes the CPR's as described at 1.6.3 above as well as a set of Financial Procedure Rules (FPR's) and a separate set of Financial Regulations (FR's) for schools which enjoy a measure of delegated power. These are designed to provide a control framework for managing the financial affairs of the Council, including schools. For example, both contain a provision for virement which allows money to be transferred between budget headings.
- 1.7.6 The FPR/FR's are supplemented by Accounting Instructions which describe the detailed controls and procedures to be followed by departments and schools for a range of 16 functions (e.g. payments to suppliers, safeguarding of physical assets and records, income collection and banking etc.). Common themes in them include that duties are divided between employees as much as possible to minimise the risk of error or fraud and transactions are properly authorised and recorded.
- 1.7.7 There are various policies and guidance notes in existence for use by staff within the Finance Department. covering areas such as capital expenditure, insurance, treasury management and VAT. As part of the Council's new ISIS resource system, comprehensive training materials were published in October 2006 for the new systems and procedures relating to Human Resources, General Ledger, Receivables, Payables, Procurement, Projects, Bank Reconciliation, Fixed Assets and Stores.
- 1.7.8 There is an Asset Management Plan in respect of the Council's land and buildings and for infrastructure assets for 2008/09 which was reported to Corporate Briefing on 27/03/08. There is also an Asset Management Team in the Corporate Property Service Unit which aims to ensure that the Council makes best use of its property portfolio. Similarly, control over staffing levels is exercised by means of an approved establishment for each department.

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1.7.9 There is a Strategic Projects Service Unit, which supports the Strategic Programme Board which aims to promote and develop the programming and management of major projects.

1.8 Monitoring and reviewing performance, including arrangements to ensure data quality

1.8.1 The Corporate Improvement Plan 2008-2012 includes (Chapter 10 and Appendix C) an analysis of the trends for the Council's set of performance indicators (PIs) which are set by the Welsh Assembly Government. The analysis covers the whole of the Council and the following table shows the number of PI's measured in each Directorate

Chief Executive	1
Resources	33
Education	31
Environment	46
Regeneration and Housing	66
Social Services	37
Total	214

1.8.2 The Plan also includes a comparison, in Appendix B, between the Council's results for 2007/08 and those for upper quartile unitary authorities in England and Wales for 2006/07. The Improvement Plan is audited annually by the external auditors.

1.8.3 The PIs are a product of the performance management system and they should be monitored and reviewed either monthly (for services where performance is a cause for concern), quarterly or annually (for services where only annual reporting is possible) by means of reports to Corporate Management Team, Cabinet or Council.

1.8.4 The arrangements to ensure data quality includes a certification sheet signed by each Head of Service to verify that the information provided is correct and that the collection systems are robust.

1.8.5 The Council's 5 Scrutiny Boards mentioned in 1.4 above meet every 6 weeks. They are responsible, in part, for reviewing and/or scrutinising decisions made or actions taken and inquiring into matters of local concern. This is done by means of reports and recommendations that inform and advise the Cabinet and Council on the revision of policies, budget and service delivery issues.

1.8.6 There is a monthly monitoring process, known as Performance and Financial Monitoring (PFM) meetings, chaired by each Director and attended by each Head of Service with the Chief Executive attending biannually.

1.8.7 There is a Corporate Staff Appraisal scheme in place and the current Performance Statement for each Head of Service contains a target to cover at least 90% of their staff. Members of the Council's Corporate Management Team and all Heads of Service are also appraised annually. A new Senior Management Appraisal Scheme was introduced for 3rd tier managers and above in April 2008.

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1.9 Ensuring that the Council's affairs are managed in accordance with proper standards of conduct and to prevent and detect fraud and corruption

- 1.9.1 The Council adopted a revised Code of Corporate Governance on 19/06/08 based on guidance published by jointly CIPFA and SOLACE. The Code describes the systems, policies and processes by which the Council regulates its functions and by which it directs, controls, leads and influences the provision of services to its communities. The Code can be found on the Council's website under Council and Democracy (Policy and Performance).
- 1.9.2 Various anti-fraud telephone lines are in existence to enable members of the public to report allegations of fraud (general and benefit fraud) which are then investigated by officers of the Council
- 1.9.3 The Council has an Anti Fraud and Corruption Policy which was reviewed and adopted by Council on 21/06/07. It confirms the commitment to preventing, discouraging, detecting and investigating fraud and corruption, whether attempted on the Council, or from within the Council.
- 1.9.4 The Anti Fraud and Corruption Policy & Strategy mentions :
- The Council's "whistle-blowing" policy which is designed to allow employees to report any concerns they have including instances of fraud or corruption
 - The Corporate Complaints Policy and procedures (see 1.3.2 above)
 - The requirement to check evidence of qualifications and to obtain written references regarding the honesty and integrity of potential employees
 - The requirement for employees to follow the general staff Code of Conduct and any code etc. related to their own personal professional qualifications
 - The requirement for staff to obtain consent before undertaking any secondary employment
 - The requirement for Councillors to follow their Code of Conduct ; also the role of the Standards Committee (see 1.4.2 above)
 - The requirement for Councillors and employees to declare in registers their pecuniary and non-pecuniary interests and any offers of gifts or hospitality which are in any way related to the performance of their duties
 - The role of the Internal Audit Section (see 1.4.8 above) which includes investigating any allegations of fraud or corruption except in housing/council tax benefit cases which are investigated by the Benefits Investigations Team
 - The Council's FPR's, CPR's and AI's (see 1.6.3 and 1.7.5/6 above)
 - The Council's participation in the regular national data matching exercises co-ordinated by the Audit Commission which are designed to identify fraudulent claims for housing benefit etc
 - The role of the Monitoring Officer (see 1.4.1 above) in investigating and reporting on any contravention of any law, code of practice etc.
 - The Council's Disciplinary Policies which describe the way in which any cases of alleged misconduct by employees are to be investigated etc.

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

Independent auditor's report to the Members of the City and County of Swansea

I have audited the accounting statements and related notes of:

- The City and County of Swansea;
- The City and County of Swansea Group; and
- The City and County of Swansea Pension Fund

for the year ended 31 March 2009 under the Public Audit (Wales) Act 2004. The City and County of Swansea's accounting statements comprise the Income and Expenditure Account, Statement of Movement on General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance. The City and County of Swansea's Group accounting statements comprise Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Deficit to the Group Income and Expenditure Account Deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Cash Flow Statement. The City and County of Swansea Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the City and County of Swansea in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 46 of the *Statement of the responsibilities of the auditors appointed by the Auditor General for Wales and his inspectors, and of the bodies that they audit and inspect (2008)* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the group and the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice

- the financial position of the local government body and its income and expenditure for the year;
- the financial position of the local government body's group and its income and expenditure for the year; and
- the financial transactions of the pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

I review whether the Statement on Internal Control reflects compliance with 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' published by CIPFA in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit. I am not required to consider, nor have I considered, whether the Statement on Internal Control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and related notes and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the local government body in the preparation of the accounting statements and of whether the accounting policies are appropriate to the local government body's, group's and pension fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion on the accounting statements of the City and County of Swansea

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial position of the City and County of Swansea as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the accounting statements of the City and County of Swansea Group

In my opinion the accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial position of the City and County of Swansea Group as at 31 March 2009 and its income and expenditure for the year then ended.

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

Opinion on the accounting statements of the City and County of Swansea pension fund

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 – a Statement of Recommended Practice, the financial transactions of the City and County of Swansea Pension Fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

My conclusion on the City and County of Swansea's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009 will be reported separately in the published Relationship Manager's Annual Letter.

Certificate of completion

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



Appointed Auditor

**Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ**

Date 25 September 2009.

GLOSSARY OF TERMS

We appreciate that the Statement of Accounts as presented contains a number of technical terms which may be unfamiliar to the lay reader. Wherever possible we have sought to minimise the use of technical terms but in some instances this has not been possible. The following section attempts to explain the meaning of some of those technical terms that are used in the Statements.

Accrual

Sums due to the Authority or payable to external organisations in the financial year irrespective of whether the cash has been received or paid.

Actuary

An actuary is a person who works out insurance and pension premiums, taking into account factors such as life expectancy.

Agency Services

Agency services are services provided for us by an outside organisation.

Amortised Cost

Amortised costs are used to spread the financial impact of depreciation or using an equivalent interest rate or the effect of a premium or discount over a number of years on the income and expenditure account.

Associate

An associate is an entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

Audit

An audit is an independent examination of our activities.

Balance Sheet

This is a statement of our assets and liabilities at the date of the balance sheet.

Budget

A budget is a spending plan, usually for the following financial year.

Capital Adjustment Account

This Account represents timing differences between the amount of the historical cost of fixed assets that has been consumed by depreciation, impairment and disposals, and the amount that has been set aside to finance capital expenditure.

Capital Expenditure

Capital expenditure is spending on fixed assets. These are assets which will be used for several years to provide services such as buildings, equipment and vehicles.

Capital Receipts

Capital receipts are proceeds from the sale of fixed assets such as land or buildings.

Cashflow Statement

This is a statement that summarises the movement in cash during the year.

GLOSSARY OF TERMS

Consolidated Balance Sheet

This balance sheet combines the assets, liabilities and other balances of all our departments, at our year end date.

Corporate and Democratic Costs

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single-purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

Credit Risk

This is the risk of loss due to a debtors inability to make interest or principal repayments on a loan /investment.

Creditor

A creditor is someone we owed money to at the date of the balance sheet for work done, goods received or services rendered.

Current Assets

These are short-term assets which are available for us to use in the following accounting year

Current Liabilities

These are short-term liabilities which are due for payment by us in the following accounting year.

Debtor

A debtor is someone who owed money to us at the date of the balance sheet.

Depreciation

Depreciation is the theoretical loss in value of assets, which we record, in our annual accounts.

Direct Labour Organisation or Direct Service Organisation (DLO or DSO)

This is our own organisation. It consists of workers we directly employ (including supervisory staff), accommodation, equipment and so on, used to carry out specified tasks for us.

Earmarked Reserves

These are reserves we have set aside for a specific purpose.

European Social Fund

The European Social Fund is a fund to provide grants for certain employment, training, retraining, resettlement and job creation schemes.

Financial Year

This is the accounting period. For local authorities it starts on 1st April and finishes on 31st March in the following year.

Finance Leases

When we use finance leases, we take on most of the risks (and rewards) of owning the assets.

Fixed Asset

These are long-term assets we use (usually for more than one year).

GLOSSARY OF TERMS

Fixed Asset Restatement Account

This represents the non-distributable increase/decrease in the valuation of fixed assets.

Gilt Edged Stocks

These are investments in government or local authority stocks. They are regarded as risk-free.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

Housing Revenue Account

This account contains all our housing income and spending.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Joint Venture

A joint venture is an entity in which the reporting authority has an interest on a long-term basis and is jointly controlled by the reporting authority and one or more other entities under a contractual or other binding arrangement.

Leasing

This is a method of financing capital expenditure by paying the owner to use property or equipment for a number of years.

Liability

A liability is an amount payable at some time in the future.

Liquidity Risk

This is the risk that investments cannot be readily turned into cash or realised because there is no ready market for the instrument or there are restrictive clauses in the agreement.

Minimum revenue provision (MRP)

This is the amount we have to set aside to repay loans.

National Non-Domestic Rates (NNDR)

The NNDR, or Business Rate, is the charge occupiers of business premises pay to finance part of local authority spending. The NNDR is set by Government and is a percentage of the rateable values. The percentage is the same throughout Wales. The total collected is split between individual authorities in proportion to their adult populations.

Net realisable value

The selling price of the asset, reduced by the relevant cost of selling it.

Non Distributable Costs

These are costs that relate to past activity costs, such as the cost of redundant assets or information technology, or past service pension that cannot be allocated to services.

GLOSSARY OF TERMS

Operating leases

These are leases where risks (and rewards) of ownership of the asset remain with the owner.

Precepts

This is the amount we pay to a non-billing authority (for example a community council) so that it can cover its expenses (after allowing for its income).

Provision

A provision is an amount we set aside in our accounts for expected liabilities which we cannot measure accurately.

Public Works Loan Board (PWLB)

This is a Government agency which provides longer-term loans to local authorities. It charges interest rates only slightly higher than those at which Government itself can borrow.

Related party transactions

These are the transfer of assets or liabilities or the performance of services by, to or for a related party no matter whether a charge is made.

Reserves

These are sums set aside to meet future expenditure. They may be earmarked to fund specific expenditure or be held as general reserves to fund non specific future expenditure.

Revaluation Reserve

This reserve represents the difference between the revalued amount of fixed assets in the Balance Sheet and their depreciated historical cost.

Revenue account

This is an account which records our day-to-day spending and income on items such as salaries and wages, running costs of services and the financing of capital expenditure.

Scheduled organisation

An organisation whose employees have an automatic right to be members of a pension fund.

Securities

These are investments such as stocks, share and bonds.

Stocks

Stocks are raw materials we purchased for day to day use. The value of those items we had not used at the date of the balance sheet is shown in current assets in the balance sheet.

Subsidiary

An entity is a subsidiary of the reporting authority if:

- the authority is able to exercise control over the operating and financial policies of the entity, and
- the authority is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

Temporary Borrowing or Investment

This is money we borrowed or invested for an initial period of less than one year.

GLOSSARY OF TERMS

Transfer value

This is the value of payments made between funds when contributors leave service with one employer and decide to take the value of their pension contributions to their new employer's fund.

Trust Funds

Trust funds hold an individual's or organisation's money on their behalf. Trustees administer the money for the owners.

Unit Trusts

These are investment companies which accept money from many different investors. The money is pooled and used to buy investments.

Venture Capital Units

These are investments we have made in businesses where there is a higher risk but where rewards are also likely to be higher, if the businesses are successful.

Work in Progress

Work in progress is the value of work done on an unfinished project at the date of the balance sheet and which has not yet been recharged to the appropriate revenue account.