



**STATEMENT OF ACCOUNTS**

**2006/2007**

**OF**

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

**AND**

**CARDIFF PORT HEALTH AUTHORITY**



# CONTENTS

---

## STATEMENT OF ACCOUNTS OF THE COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF

	Page No
Foreword	5
Guide to the Financial Statements	9
Statement of Responsibilities for the Financial Statements	11
Statement on Internal Control	12
Auditor's Report	24
Statement of Main Policies Adopted in Compiling the Financial Statements	27
The Core Financial Statements:	
Income and Expenditure Account	32
Statement of Movement on the General Fund Balance	33
Statement of Total Recognised Gains and Losses (STRGL)	35
Balance Sheet	36
Cash Flow Statement	37
Notes to the Core Financial Statements	39
The Supplementary Financial Statements:	
Housing Revenue Account	70
Functions transferred from former CBDC	75
Cardiff and Vale of Glamorgan Pension Fund Accounts	80
Group Accounts	92
Trust Funds	120

## STATEMENT OF ACCOUNTS OF CARDIFF PORT HEALTH AUTHORITY

Foreword	125
Revenue Account and Balance Sheet	126
Certificate of the Chief Financial Services Officer and Auditor's Report	127
Glossary of Local Government Accountancy Terms	128



**STATEMENT OF ACCOUNTS**

**2006/07**

**OF**

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



# FOREWORD

---

## Introduction

The financial statements presented here are published in accordance with the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA / LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2006 'A Statement of Recommended Practice (the 2006 SORP). The 2006 SORP sets out proper accounting practices required for Statements of Accounts by section 21(2) of the Local Government Act 2003 prepared in accordance with the Accounts and Audit (Wales) Regulations 2005 (as amended) and by sections 41 and 42 of the Local Government and Housing Act 1989.

It is a requirement of the Accounts and Audit (Wales) Regulations 2005 (as amended), which came into force on 1 April 2005, that the 2006/07 Statement of Accounts is approved by Council by 30 June 2007 which is one month earlier than last year.

The Accounts and Audit (Wales) Regulations 2005 (as amended) also introduced a new requirement that Local Authorities be explicitly responsible for internal control including financial management and risk management systems. The Council's Statement of Internal Control is set out on pages 12 to 23.

## The Financial Statements

The Council's financial statements are set out on pages 27 to 122 and comprise:

- Statement of Main Policies Adopted in Compiling the Financial Statements
- Income and Expenditure Account
- Statement of Movement on General Fund Balance
- Statement of Total Recognised Gains and Losses (STRGL)
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account
- Accounts of the functions transferred from the former CBDC
- Pension Fund Accounts
- Group Accounts
- Trust Funds Statement

In 2006/07 CIPFA introduced significant changes to the accounting statements that Local Authorities are required to produce. These changes bring the accounting statements of Local Authorities closer to convergence with UK Generally Accepted Accounting Practice (UK GAAP) and are therefore broadly comparable with those produced by the private sector.

The Consolidated Revenue Account and the Statement of Total Movements on Reserves have been replaced with three separate statements each with a single clear objective:

- *The Income and Expenditure Account* provides a summary of the resources generated and consumed in the year.
- *The Statement of Movement on the General Fund Balance* is a reconciliation showing how the balance of resources generated/consumed in the year links in with the statutory requirements for raising Council tax.
- *The Statement of Total Recognised Gains and Losses (STRGL)* demonstrates how the movement in net worth on the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

In addition the SORP has required that the layout of the Balance Sheet be changed so that the reserves and balances that make up the Council's Net Worth can be clearly seen in the second

## FOREWORD

half of that Statement. A summary of the movements on the reserves and balances is shown in a separate note.

Further explanation of these statements can be found in the Guide to the Financial Statements on page 9.

### The Outturn for the Year

Cardiff Council at its meeting on 23 February 2006 set a cash limit budget of £456.333 million for 2006/07. In addition a budget of £230,000 was set for discretionary rate relief which is outside the Budget Requirement. The outturn for the year compared to the budget is set out below:

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financing:			
Revenue Support Grant (RSG)	(263,250)	(263,250)	0
Amending Report	(2,781)	(2,781)	0
Non-domestic Rates (NDR)	(70,734)	(70,734)	0
Council Tax	(101,356)	(100,834)	522
Local Authority Business Growth Incentives Scheme (LABGI)	(3,500)	(4,344)	(844)
Other central grants	(11,618)	(11,618)	0
Budgeted transfers from balances/reserves	(3,324)	(3,324)	0
	(456,563)	(456,885)	(322)
Other transfers to/(from) balances and reserves	0	3,517	3,517
Net expenditure including discretionary rate relief:	456,563	453,693	(2,870)
Net deficit for year transferred to General Balance			325

The General Fund Balance brought forward at 31 March 2006 was £9.42 million. The balance at 31 March 2007 has fallen by £0.33 million to £9.09 million. This is the net effect of budgeted transfers and the surplus on the year's activities offset by an adjustment for grant income relating to 2005/06.

### Capital Programme

Expenditure was incurred on improving, acquiring and enhancing assets that are used in the provision of services such as buildings and roads. The capital programme for the year was £136 million with actual payments in the year totalling £109 million.

Major investment continued in Public Housing (£29.6 million) in order to meet the Welsh Housing Quality Standard and also in Private Housing, with grants for disabled facilities, targeted elderly and renewal area improvements (£8 million).



# FOREWORD

---

Schools investment continued (£9.3 million), utilising Schools Building Improvement and Lottery Grant and significant investment by the Council in property renewal and disabled access works. Investment continued on conservation works to the Castle and the Castle Interpretation Centre.

Highways and Transportation improvements included highways reconstruction, street lighting and other road safety schemes (£8.6 million). There was investment of £5.4 million in Culture, Leisure and Parks, including relocation of the library stacks to pave the way for the new Central Library, completion of the new Grangetown Library, Maindy Cycle Track resurfacing, Sophia Gardens coach parking improvements and investment in the parks of the city. Waste Management infrastructure improvements cost £5.2 million, with a further range of improvements to continue in the medium term.

Investment in Major Regeneration projects (£33.3 million) continued with Infrastructure improvements for the International Sports Village completed, provision of the temporary Ice Rink and the start of construction on the Pool.

The capital programme is funded from a number of sources. This includes borrowing which ultimately has to be repaid via the revenue account. During the year the council utilised £33.2 million of grants and contributions, £7.5 million of revenue / reserves and £47 million of capital receipts to fund the capital programme.

## Capital Receipts

The sale of surplus assets, council dwellings and investments during the year generated receipts of £65.5 million. A proportion of the receipts from sales of council dwellings are set aside to repay debt with the balance available to fund capital schemes.

## Long Term Borrowing

The Council can raise funding from many sources including the PWLB and the Market. Long term borrowing is £386.4 million at the end of the year. During the year one new loan totalling £5 million was raised from the Public Works Loan Board (PWLB). Rescheduling of £56.8 million was carried out with the PWLB.

## Functions transferred from the former CBDC

The Council assumed responsibility for many functions arising from the winding up of Cardiff Bay Development Corporation (CBDC) with effect from 1 April 2000. An extract of the Council's accounts relating to these functions is shown on pages 75 to 79.

## Pensions Assets and Liabilities

As a result of Financial Reporting Standard 17 "Retirement Benefits", local authorities are required to account for the costs of pension entitlements earned in the year rather than the costs of contributions paid to the fund.

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

The effect of FRS17 upon the reserves of the Council is as follows

	<b>£000</b>
Net Worth excluding Pensions Reserve	2,019,340
Net Worth as per Balance Sheet	1,686,191

## Accounting Policies

The accounting policies are set out on pages 27 to 31.

# FOREWORD

---

## **Acknowledgements**

Finally, I wish to thank all Financial Services staff, and their colleagues throughout the Council, who have worked on the preparation of these statements and enabled this year's earlier deadline to be successfully met. I also wish to thank Corporate Directors and Chief Officers for their assistance and co-operation throughout this process.

**Christine Salter**  
**City and County Treasurer**

**Date: 28 September 2007**

# GUIDE TO THE FINANCIAL STATEMENTS

---

## **The Core Single Entity Financial Statements comprise:**

### **Income and Expenditure Account (Page 32)**

The Income and Expenditure Account brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. Both income and expenditure are measured in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

### **Statement of Movement on the General Fund Balance (Page 33)**

This statement reconciles the net expenditure in the Income and Expenditure Account with the income and expenditure that is required to be taken into account in determining the Council's Budget Requirement and its Council Tax demand, which are determined in accordance with statute and non-statutory proper practices rather than in accordance with UK GAAP.

### **Statement of Total Recognised Gains and Losses (STRGL) (Page 35)**

This statement brings together all of the Council's gains and losses in the year to show the total movement in the net worth. The gains and losses include the outturn on the Income and Expenditure Account and other gains and losses which are recognised on the Balance Sheet but have not been debited or credited to the Income and Expenditure Account.

### **Balance Sheet (Page 36)**

The Consolidated Balance Sheet summarises the Council's financial position as at 31 March 2007. It includes assets and liabilities of Direct Service Units and the functions transferred from the former CBDC. Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in the ownership of the Council.

### **Cash Flow Statement (Page 37)**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

## **The Supplementary Single Entity Financial Statements comprise:**

### **Housing Revenue Account (Page 70)**

The Housing Revenue Account (HRA) shows income and expenditure on council housing.

### **Functions transferred from the former CBDC Accounts (Page 75)**

The accounts include a separate Income and Expenditure Account and Balance Sheet in respect of the functions transferred from the former CBDC. These figures are also included in the Council's Income and Expenditure Account and Balance Sheet.

### **Pension Fund Accounts (Page 80)**

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

### **The Group Accounts (Page 91)**

The 2006 SORP requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare group accounts in addition to their single entity accounts. Cardiff City Transport Services Ltd, Cardiff Business Technology Centre Ltd. (CBTC) and Cardiff Medicentre Joint Venture fall within the definitions, given in the 2006 SORP, of entities which along with the Council would form a local authority group.

# GUIDE TO THE FINANCIAL STATEMENTS

---

**The Group Accounts comprise:**

**Group Income and Expenditure Account**

**Reconciliation of the Single Entity Surplus/Deficit for the year to Group Surplus/Deficit**

**Group Statement of Recognised Gains and Losses**

**Group Balance Sheet**

**Group Cashflow Statement**

## **Trust Funds' Statement (Page 120)**

Various bequests and donations are held in Trust Funds. Income generated from the investments is available for grants and awards in appropriate cases.

# STATEMENT OF RESPONSIBILITIES FOR FINANCIAL STATEMENTS

---

## **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council for 2006/07 that officer was Christine Salter, City and County Treasurer who held the statutory post of Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts

**Councillor Rodney Berman**  
**Leader of the Council**

**Date: 28 September 2007**

## **The Chief Finance Officer's Responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2006 ('the 2006 SORP')

In preparing these financial statements, 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 2006 SORP.

The Chief Finance Officer has also:

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

## **The Chief Finance Officer's Certificate**

The financial statements for Cardiff Council present fairly the financial position of the authority at 31 March 2007 and its income and expenditure for the year ended 31 March 2007.

**Christine Salter**  
**City and County Treasurer**

**Date: 28 September 2007**

# THE STATEMENT ON INTERNAL CONTROL

---

This section outlines the main features of the Council's system of internal control and internal audit arrangements. The Statement on Internal Control is a requirement of the Accounts and Audit (Wales) Regulations 2005 (as amended).

## 1. Scope of Responsibility

Cardiff Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cardiff 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.

In discharging this overall responsibility, Cardiff Council is also accountable for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and includes arrangements for the management of risk.

## 2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The aim is, therefore, to provide reasonable, rather than 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 Cardiff 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.

## 3. The Internal Control Environment

The internal control environment supports the Council in establishing, implementing and monitoring policies and objectives.

The key elements of the Council's internal control environment are described below. Documents referred to are available from the Council or may be viewed on the Council's public website ([www.cardiff.gov.uk](http://www.cardiff.gov.uk))

The key elements are:-

### ***Establishing and Monitoring of the Authority's Objectives***

Cardiff Council sets out its key priorities and performance measures in its Corporate Plan. This provides a direction for more detailed service area plans which set out the key objectives and risks associated with service delivery. Service area business objectives and risks are reviewed through a series of monthly Business Improvement meetings, where performance information is monitored.

### ***Performance Management and the Reporting of Performance Management***

The Council has a performance management framework in place based around National Strategic, Core Set Performance Indicators that are set as part of the National Performance Measurement Framework in Wales. The annual outturns against these

# THE STATEMENT ON INTERNAL CONTROL

---

indicators are submitted to the Local Government Data Unit on behalf of the Welsh Assembly Government to be audited as part of the Wales Programme for Improvement. These data sets are supplemented by local performance measures as part of the overall Cardiff Performance Management Framework. This Framework ensures that there is alignment between the Community Strategy for Cardiff, the Corporate Plan, individual Service Area Business Plans, and individual Performance Assessments.

The Corporate Plan and individual Service Area Business Plans include key performance targets and these are monitored on a regular basis. Every quarter, each service area provides monitoring reports to the Corporate Directors Team, and every six months to the Council's Scrutiny Committees and Executive. This enables these bodies to track progress against the key objectives, monitor performance against targets and inform remedial action where required.

An annual Improvement Plan sets out the progress over the previous financial year in terms of:-

- a review against the key objectives
- progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local indicators
- an assessment of the key risks
- sets out the challenges for the future

The Draft Improvement Plan is discussed at Scrutiny, Executive and agreed by full Council prior to its publication and subsequently is audited by the Wales Audit Office and provides the Council with an opinion regarding the corporate management, performance management, financial management, financial standing, financial statements and legal matters in the Relationship Managers Annual Letter (RMAL). The RMAL is reported to the Audit Panel and the Policy Review and Performance Scrutiny Committee and Executive Business Meeting with the proposed actions that the Council will make to improve its performance.

## ***The Facilitation of Policy and Decision Making***

Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the full Council, the Executive and Scrutiny and other Non-Executive Committees. It also details decisions delegated to officers i.e. the Chief Executive, Corporate Directors, Chief Officers and Operational Managers.

Five Scrutiny Committees operate to review various aspects of policy and have the facility to "call in" matters for Scrutiny and report back to Council.

The Council's Constitution is reviewed annually by the Constitution Committee and recommendations made to Council.

During 2006/07 extensive work was undertaken to review and update the Council's Scheme of Delegation and associated Financial, Contract and Land Procedure Rules. A series of workshops was organised to raise awareness and help in understanding the changes made, attended by 150+ managers.

# THE STATEMENT ON INTERNAL CONTROL

---

## ***Compliance with Established Policies, Procedures, Laws and Regulations***

Procedures are covered by the Council's Constitution, the Wales Programme for Improvement (circular 28/2005) together with associated guidance including Financial Procedure Rules, Contract Procedures Rules, subject specific guidance issued corporately, and service specific guidance held in departments.

Exceptions or breaches of policies, procedures, regulations or the law are dealt with through disciplinary procedures and/or management actions and monitored by the appropriate statutory officers.

All staff are subject to induction training which provides information on a range of policies, procedures and regulations including those relating to financial control, Health & Safety, Equalities and IT security.

All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution.

The Chief Financial Services Officer, who is also the Authority's Section 151 Officer, has overall responsibility for the financial administration of the Council. Finance staff provide advice and guidance to all services areas, where appropriate. All reports to the Council, the Executive and Committees are required to be considered from a legal perspective.

The Monitoring Officer has overall responsibility for legal issues and legal staff work closely with service areas to provide advice where appropriate. All reports to the Council, the Executive, and Committees are considered from a legal perspective.

The Council's Audit Panel receive regular reports from the Wales Audit Office, Relationship Manager and the Internal Audit & Risk Manager which would address any major concerns of non compliance.

The Standards and Ethics Committee also have responsibility for monitoring governance matters, e.g. Codes of Conduct, Ethical Standards.

## ***Identifying, Assessing Managing the Risks to the Council's Objectives***

The Council has a Risk Management Policy, a detailed Implementation Guide and has introduced a standard approach to assessing and recording risks within the Authority. Work is currently ongoing to review and update these documents, including the publication of a risk policy, strategy and methodology document.

A Risk Management Steering Group oversees the development of risk management throughout the Council and a network of Risk Champions representing all service areas assist with identifying, assessing and managing risks.

A Strategic Corporate risk register is maintained which links with the Corporate Plan which incorporates strategic objectives. This forms the focus for Chief Officers, in identifying their business risks, as detailed in their Service Area Business Plans.

The annual Improvement Plan reports on progress made against the assessment of the key risks and is informed by the Joint Risk Assessment and the Council's internal risk process.



# THE STATEMENT ON INTERNAL CONTROL

---

All major projects and programmes are required to develop and maintain a Risk Register as an integral part of the project management process.

## ***The Economical, Effective and Efficient Use of Resources and Securing Continuous Improvement in the Way Functions are Exercised***

There is alignment between the Community Strategy, Corporate Plan, Improvement Plan, Service Area Business Plans, Risk Assessment and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements. The Council has in place an efficiency programme to undertake targeted reviews to drive further efficiencies.

Formal project and programme management methodologies are in place together with a comprehensive approvals process to ensure capital investments are soundly based.

The Council's corporate procurement arrangements seek to obtain value for money through procurement processes.

## ***The Financial Management of the Council***

The system of financial management is based on a framework of regular management information, Financial Procedure Rules within the Council's Constitution and a system of delegation and accountability.

Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:-

- Forecasting and monitoring budgets on a periodic basis with regular financial reports which indicate actual and projected expenditure against the budget;
- Setting targets to measure financial and other performance;
- Clearly defined capital expenditure guidelines;
- Formal project and programme management disciplines;
- Managers are expected to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.

Financial Procedure Rules set out the structure for financial management in the Council.

## ***Group Accounts***

The CIPFA 2006 Statement of Recommended Practice (SORP) established criteria whereby the SIC should embrace controls over group activities where an authority undertakes 'significant' activities through a group.

In terms of the amount of turnover, liabilities and share capital, the following entity has been determined as requiring inclusion within this years SIC.

Cardiff City Transport Services Ltd is a private limited company with a share capital of £4,618,000, which is wholly owned by Cardiff Council. In addition the Council owns a £1,000,000 debenture in the company.

For the year ended 31<sup>st</sup> March 2007 the accounts were audited by Deloitte & Touche and an unqualified audit opinion was issued. Whilst they did not identify material weaknesses in the financial control environment of the group, they did note one control observation with regards to Journal Authorisation.

# THE STATEMENT ON INTERNAL CONTROL

---

Management at CCTS are of the opinion that appropriate systems could be developed to improve internal controls in this area and, going forward, will aim to ensure that all journals posted are of a corrective nature to be authorised by an appropriate member of staff.

## 4. Review of Effectiveness

Under the Accounts and Audit (Wales) 2005 Regulations, the Council now has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The review of the effectiveness of the system of internal controls is informed by:-

- the senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
- the external auditors and other review agencies and inspectorates;
- the work of Internal Audit;
- comment by the Council's Independent Audit Panel;
- comments made by the public in the form of complaints or ombudsman matters;
- the outcome of any Scrutiny reviews;
- views or comments from the Standards & Ethics Committee.

The approach adopted to inform the review of effectiveness includes:-

### ***An Internal Control Self Assessment***

Building on the Statement of Internal Control for 2005/06, a workshop attended by Chief Officers, facilitated by Internal Audit, undertook a review of the control environment and reviewed key risks and issues currently facing the Council.

The aim was to consider the key objectives and risks to sound control and gather evidence to support this. In doing this reference was made to those risks included in the Corporate / Strategic Risk register. Where it was considered improvements in control could be made a gap analysis was produced and an Action Plan drawn up. This assigned a Lead Officer and target date for implementation for each action. Full details are available and the main internal control issue arising from this exercise is shown at Section 5 of this statement.

### ***Chief Officers' Assurance Statements***

Chief Officers have completed an assurance statement on internal control arrangements in their Service Areas. They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Actions for improving control, identified by this exercise, are included in Section 5 of this statement.

### ***External Audit and Inspection***

The Relationship Manager's Annual Letter reports on audit and inspection work, including the arrangements for corporate management, performance management, financial management, financial standing, financial statements and legal matters. This is

# THE STATEMENT ON INTERNAL CONTROL

---

reviewed by the Audit Panel and presented to Scrutiny Committee and the Executive Business Meeting.

Actions for improving control, identified by this report, are included in Section 5 of this statement.

## ***Internal Audit***

The Council operates an independent internal audit function whose role is to review internal control arrangements. This function operates under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

The Audit & Risk Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control. He is responsible to the Chief Financial Services Officer but has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members.

Any significant internal control issues raised in the Internal Audit Annual Report are included in Section 5 of this statement.

## ***Other Sources of Assurance***

The minutes of the Scrutiny and Standards & Ethics Committees were reviewed and any significant control issues were identified.

An annual report on complaints is presented to the Executive and then to Scrutiny. The corporate complaints database and complaints dealt with by the Local Government Ombudsman were examined to identify any significant control issues.

Any significant issues identified have been incorporated into Section 5 of this Statement.

## THE STATEMENT ON INTERNAL CONTROL

### 5. Significant Internal Control Issues

The following table highlights the significant issues arising from the review of internal control and details the action being taken to deal with them.

No.	Issue	Action	Responsible Officer
1	Significant progress has been made on risk management but it is not yet fully embedded in all the activities of the Council.	A new Risk Management Strategy document has been drafted and is due for approval in April 07. This will need to be circulated and awareness training provided. A new database for recording risks is being developed as a vehicle for recording and monitoring risks. A new intranet website is being developed to improve awareness of risk throughout the Authority.	Risk Management Steering Group / Audit & Risk Manager
2	There is a need to undertake a risk assessment of the potential implications of a major incident and its impact on service delivery within the Council.	<ul style="list-style-type: none"> <li>• Draft Policy completed,</li> <li>• Draft Corporate BCM Plan is under construction.</li> <li>• BCM Guide on CIS system</li> <li>• Prioritisation of functions is now required for service area business plans.</li> </ul> Awareness of BCM on going through presentations and workshops.	Chief Strategic Planning & Environment Officer
3	In line with the efficiency and change agenda, a number of reviews have been instigated and are currently being considered by the Project Management Board. These need to ensure that savings in efficiency reviews are realised.	Progress on realisation of identified savings is slower than anticipated and the Efficiency Panel will re-focus its attention to provide a greater impetus on realising savings.	Chief Scrutiny, Change & Efficiency Officer
4	Budgets need to be managed to avoid any major overspend and savings identified as part of the budget negotiations must be realised.	The Chief Financial Services Officer shall provide budget monitoring information to service area managers who will closely monitor spend and ensure savings are achieved.	Chief Officers & Chief Financial Services Officer
5	The Council faces significant financial penalties if they fail to meet Government Waste Management recycling. A Waste Management Strategy has been adopted. This major project has been presented to the Project Management Board and a number of initiatives are on-	As contained in the Council's Municipal Waste Strategy, further new infrastructure, subject to planning permissions being achieved, and services to deliver the 40% WAG recycling and composting target in 2009/10 and avoid the risk of "fines" are being put in place.	Chief Transport, Infrastructure & Waste Officer

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
	going to implement the programme targets. The programme of improvement in waste management has continued at pace, including the delivery of a new materials reclamation facility and the kerbside collection of materials from every household.	Full delivery of the MW strategy will reduce the corporate risk from severe to trivial.	
6	The Council is engaged in introducing a job evaluation scheme involving an assessment of each job within the Council. It is anticipated there will be a number of issues arising from this. The Authority is part of a Welsh Consortium for dealing with potential major legal claims or risk of a high pay bill.	Following completion of the pilot in January 07, a Workshop approach is being trialled in Culture, Leisure & Parks to try and speed up the process of job evaluation whilst maintaining a postholder centre approach. If agreed by the Single Status Steering Group, this will be the basis of the Council wide roll out of job evaluation. The Council remains a member of the WLGAs Strategic Equal Pay Group and information and intelligence is shared across Councils where possible. Avenues are being explored by this Group of ways in which equal pay issues can be dealt with. The Council continues to work in partnership with the Trade Unions and Members are kept informed of progress. As at 31 March 2007 the Council has not received any equal pay claims/ grievances although other authorities have. Arrangements will be established so that the Council is able to respond to these claims appropriately.	Chief Human Resource Officer
7	The Executive has undertaken a detailed study of pupil numbers across the Council to address up to 8,000 spare places in schools. The proposed action plan was rejected by Council and not been authorised for consultation. However, the issue in respect of surplus pupil places still remains.	The Council has created a Schools Sub Committee, which involves all cross party membership and a range of other stakeholders including headteacher representatives, to examine and take forward proposals for rationalising school places in Cardiff Schools.  Following consideration by the Schools Sub Committee the	Chief Schools & Lifelong Learning Officer

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
		<p>Council has now approved a modified Strategic Framework for organising school places.</p> <p>The Sub Committee has supported a number of 'Fast Track Proposals', consistent with the Strategic Framework, which the Executive has agreed can be consulted upon.</p> <p>The Sub Committee are examining the wider issues of school organisation in Cardiff including the pattern of Secondary School provision.</p>	
8	The Children's Services Inspection Report highlights a number of areas where improvements to service delivery are recommended.	Senior Management are reviewing the report findings and prioritising actions accordingly. This has been included in the Children's Service Area business plan.	Chief Children's Services Officer
9	Commissioning Projects with Adult Services	Comprehensive utilisation of the PQA Project management approach, co-ordinated with the Centre for Excellence and other departments, leading to comprehensive risk assessed plans.	Chief Adult Services Officer
10	Challenging budget saving targets in Adults Services.	As above a robust project management framework is being finalised to ensure that the critical projects are achieved.	Chief Adult Services Officer
11	<p>Community Partnerships</p> <p>There is an increased emphasis among public service providers in Wales upon greater partnership working and collaboration to respond to WAG's Making the Connections agenda and the Beecham Review of local service delivery. Whilst the potential for pooled resources and shared accountability in joint projects can ease financial and other pressures upon the Council, there are also risks associated with placing too heavy a reliance</p>	The new Proud Capital Community Strategy for 2007 – 2017 (approved by Council on 22 <sup>nd</sup> February 2007) addresses some of the specific risks associated with partnership arrangements by setting out a shared vision for the City. A new Proud Capital Vision Board was also established in October 2006 to provide strategic leadership of the Cardiff agenda, prioritise partnership activity and projects and to monitor progress.	Policy and Economic Development – Head of Function, Chief ICT Officer

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
	<p>on partners/contractors; objectives of external partnerships not aligning with the Council's objectives; and partners failing to prioritise or deliver on key corporate objectives and performance indicators.</p>	<p>A new Executive Local Service Board (LSB) will be established in April 2007 as a delivery arm of the Vision Board and will focus on addressing persistent problems and failures in public service delivery. The Executive LSB will include Chief Executives of the Council, NHS Trust, Local Health Board and South Wales Police and will enable open discussions regarding budgets and performance to improve partnership working.</p> <p>Increased risk assessment and monitoring of joint projects will also take place in future partnership projects through a recognised project management approach (PQA). Responsibilities of project partners will be identified at the outset of joint working and regular reports on progress and any issues will be made to either the Proud Capital Vision Board or the Council's own Programme Management Board.</p>	
12	<p>Information/ Data Strategy The <a href="#">Framework</a> for information governance needs to be further developed to ensure that the Council has appropriate policies and strategies to manage information governance effectively and efficiently and to improve the use of information products across the Council and in interactions with customers and strategic partners.</p>	<p>The Council will review and benchmark its information governance activities using the Information Governance toolkit issued by the Local eGovernment Standards board. This action will be incorporated as a project within the Governance Programme.</p>	Chief ICT Officer
13	<p>Officers have been tasked with undertaking a Fundamental Organisational Review following the budget setting process. This will be a major challenge to be undertaken to inform the budget process for next year and for the future.</p>	<p>The Fundamental Operational Review will be managed as a strategic project using the Council's Project Quality Assurance (PQA) Methodology, based on Office of Government Commerce's (OGC) best practice PRINCE2. The governance of the project will</p>	Chief Executive

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
		<p>take place through the Council's existing Programme Management Board which can take an overview of the risks and priorities relating to the Council's work during 2007/08. The Council have appointed Price Waterhouse Coopers as Specialist Advisers who are already working with a project team to undertake this review.</p>	
14	<p>The Council's Capital Programme relies heavily on capital receipts targets being achieved. There is a risk this will not be done.</p>	<p>Every effort shall be made to realise capital receipts and the position monitored and reported on a regular basis.</p>	<p>Chief Financial Services Officer</p>



# THE STATEMENT ON INTERNAL CONTROL

---

## 6. Monitoring

All the above Actions have been assigned to Lead Officers, and will be regularly monitored and considered further as part of the annual assessment of the Statement on Internal Control.

-----

## 7. Statement of Internal Control 2006/07

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

This statement of Internal Control will be considered by the Council's Independent Audit Panel at their June meeting. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Corporate Directors and Chief Officers.

We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the result of the review of effectiveness of the system of internal control by the Council and the plans to provide improvements in review processes, address weaknesses to ensure continuous improvement of the system of internal control are in place.

On the basis of this process, the legal and financial advice of the statutory officers, and the Council's policies and working arrangements we certify that we approve the Statement of Internal Control 2006/07.

**Councillor Rodney Berman**  
**Leader of the Council**

**Date: 28 September 2007**

**Byron Davies**  
**Chief Executive**

**Date: 28 September 2007**

# AUDITORS REPORT

---

## **Independent auditor's report to the County Council of the City and County of Cardiff**

I have audited the accounting statements and pension fund accounts of the County Council of the City and County of Cardiff and its Group for the year ended 31 March 2007 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Income and Expenditure Account, Statement of Movement on Housing Revenue Account Balance, Group Accounts and the related notes. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to the County Council of the City and County of Cardiff in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in Paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer's responsibilities for preparing the Statement of Accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements 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 the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006:

- the financial position of the Council and its income and expenditure for the year; and
- the financial transactions of its 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.

I review whether the SIC reflects compliance with CIPFA's guidance. 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 of the accounts. I am not required to consider, nor have I considered, whether the SIC covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. 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. My responsibilities do not extend to any other information.

# AUDITORS REPORT

---

## **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, except that the scope of my work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

I planned 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 are free from material misstatement, whether caused by fraud or other irregularity or error. However, the Council is not able to provide me with sufficient, appropriate evidence to enable me to satisfy myself whether a provision relating to potential liabilities arising from equal pay claims under the "Single Status Agreement" entered into by local government employers and the relevant trade unions should be included in the accounts, in accordance with FRS 12 (Provisions, Contingent Liabilities and Contingent Assets). The accounting statements do not recognise a provision in relation to potential claims. Recognition of a provision would increase the reported deficit on the Income & Expenditure Account and reduce the reported Net Worth of the Council, but I am unable to quantify the potential impact, if any, owing to the limitation in the evidence provided to me. Recognition of a provision would not have an impact on the reported Council Fund Balance due to Regulation 24A of the Local Authorities Capital Finance and Accounting (Wales) Regulations 2007 which neutralises the impact of recognising the provision on Council Tax requirements until such time as payments are made.

In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the accounting statements.

## **Qualified Opinion arising from limitation in audit scope**

Except for the financial effects of such adjustments, if any, required in relation to potential liabilities arising from the "Single Status Agreement", in my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the County Council of the City and County of Cardiff and its Group as at 31 March 2007 and its income and expenditure for the year then ended.

In respect solely of the limitation on my work relating to potential Single Status liabilities, I have not obtained the information that I considered necessary for the purposes of my audit.

The pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial transactions of the Pension Fund during the year ended 31 March 2007, 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

---

## **Certificate**

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

My conclusion on the County Council of the City and County of Cardiff's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007 will be reported separately in the published Relationship Manager's Annual Audit Letter.

**Gill Lewis**

**Date: 28 September 2007**

**Wales Audit Office  
2-4 Park Grove  
Cardiff  
CF10 3PA**

The maintenance and integrity of the (entity's) website is the responsibility of the Accounting Officer / client officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

# STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

---

## 1. **General**

The general policies adopted in compiling the financial statements are those recommended by the CIPFA/LASAAC Joint Committee in The Code of Practice on Local Authority Accounting in the United Kingdom 2006 'A Statement of Recommended Practice' (the 2006 SORP). Unless otherwise indicated the financial statements take into account the fundamental concepts as stated in FRS18.

The Income and Expenditure Account has been prepared in accordance with the CIPFA Best Value Accounting Code of Practice 2006 (BVACOP).

## 2. **Fixed assets**

Expenditure on the acquisition or enhancement of fixed assets is accounted for on an accruals basis and capitalised, provided that the fixed asset yields benefit to the Council and the service it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2006 SORP and included, net of depreciation where applicable, on the following basis:

- Intangible assets are included in the balance sheet at historic cost net of amortisation and are revalued only where they have a readily ascertainable market value.
- Operational land and properties and other operational assets are included in the balance sheet at depreciated replacement cost if there is no established market for that type of property; otherwise they are valued at open market value for existing use.
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at market value.
- Community Assets are included in the balance sheet at historic cost.
- Infrastructure assets and vehicles, plant, furniture and equipment are included in the balance sheet at historic cost net of depreciation.

The surpluses/deficits arising on the revaluation of fixed assets are transferred to the Fixed Asset Restatement Account. Property assets of the Council were revalued during 2006/07 with reference to a valuation date of 1 April 2006, by Cooke and Arkwright, Chartered Surveyors. Future revaluations are to be based on a rolling programme.

The 2006 SORP requires that the value at which each category of assets is included in the balance sheet should be reviewed at the end of each reporting period and where there is reason to believe that its value has reduced materially, the value should be adjusted accordingly. This loss in value is known as impairment.

Income from the disposal of fixed assets is accounted for on an accruals basis.

## STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

### 3. Depreciation

(a) A depreciation charge is made to service revenue accounts for the use of assets. The rates of depreciation are based on an assessment of the useful life of the asset .

The rates used are as follows:

	Depreciation Rate
	%
Intangible Assets	20
Council Dwellings	2.5
Other Land & Buildings *	1.5 – 2.5
Vehicles, Plant, Furniture & Equipment	5 – 33
Infrastructure **	0.83 – 10
Community Assets *	0 – 2.5
Non-Operational Assets*	n/a

\* Depreciation is not chargeable on the value of land (included in Other Land and Buildings) and Non-Operational Assets.

The Waste Disposal facility at Lamby Way is being depreciated over its estimated useful life.

\*\* Included within Infrastructure is the Cardiff Bay Barrage which is being depreciated over the design life of 120 years (0.83% per annum).

(b) Depreciation has a neutral impact on the amount to be met by government grant and local taxpayers in the Income and Expenditure Account. A contribution from the Capital Financing Account is made to the Income and Expenditure Account to ensure that only the revenue provision for repayment of external loans, determined by the The Local Authorities (Capital Financing and Accounting ) (Wales) Regulations 2003, is charged.

(c) The Council charges a full year's depreciation on capital expenditure incurred in the year.

### 4. Deferred Charges

Deferred charges represent expenditure that may properly be capitalised, but which creates no fixed asset for the authority e.g. renovation grants to private individuals. Deferred charges are charged to Service Revenue Accounts which are credited with any grants or contributions received and an appropriate transfer is made from the Capital Financing Account to neutralise the effect on the Income and Expenditure Account for deferred charges financed by any other sources of funding.

### 5. Deferred Premiums and Discounts

Premiums or Discounts incurred on the restructuring of debt are recognised on the balance sheet and written down to the Income and Expenditure Account as follows:

- Those attributable to the general fund - over the life of the replacement borrowing or other prudent period
- Those attributable to the HRA - over the unexpired period of the loans or 10 years whichever is the lesser period.

## **STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS**

---

6. **Treatment of Government Grants and Contributions**  
Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or contribution, the amount of the grant or contribution is credited initially to the Government Grants and Contributions - Deferred Account. Amounts are released to revenue over the useful life of the asset to match the depreciation charged on the asset to which it relates. Government grants and other contributions are accounted for on an accruals basis only when there is reasonable certainty of their receipt.
7. **Investments**  
Investments are shown in the Balance Sheet at the lower of cost or market value.
8. **Stocks**  
Balances at the major Council stores are valued at the lower of cost or net realisable value.
9. **Debtors and Creditors**  
The revenue and capital transactions of the Council are recorded on an accruals basis. Where there was insufficient information available to provide actual figures, estimates have been included although this element is not significant.
10. **Capital Receipts**  
Receipts from the disposal of assets are held in the usable capital receipts reserve until such time as they are used to provide for the voluntary repayment of loans or to finance capital expenditure.
11. **Nature of Substantial Reserves and Provisions**  
Reserves: In addition to the general fund balance the Council has earmarked financial reserves for particular purposes. An analysis of the main reserves is detailed in the Notes to the Core Financial Statements.  
  
Provisions: The 2006 SORP requires that provisions are recognised when the Council has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
12. **Leasing**  
Rentals payable under operating leases are charged to the Income and Expenditure Account on an accruals basis. The charges are made evenly throughout the period of the lease in accordance with SSAP21.
13. **Overheads and Support Services Costs**  
The costs of overheads and support services are charged to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Code of Accounting Practice 2006. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:
- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
  - Non distributed costs – the cost of discretionary benefits awarded to employees retiring early.
- These two cost categories are accounted for separately in the Income and Expenditure Account under Net Cost of Services.

## STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

---

14. **Interest and Investment Income**

During the year, surplus money was invested in order to earn interest. A proportion of the cash balances invested belong to others or are legally required to be kept separate and therefore interest based on these balances has been paid over accordingly. The remaining interest has been credited to the Income and Expenditure Account.

15. **Pensions**

The Council participates in two different pension schemes:

- The Teachers Pension Scheme – an unfunded scheme administered by the Teachers Pension Agency.
- The Local Government Pension Scheme which non-teachers can join subject to certain qualifying criteria.

The Council accounts for pensions costs in the main accounting statements in accordance with Financial Reporting Standard 17 (FRS17). FRS17 requires recognition in the employer's accounts of the fact that although retirement benefits are not actually payable until an employee retires, the authority's commitment to make those payments arises at the time that employees earn their future entitlements. The treatment of pension costs in the accounts depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

**Defined Benefit Schemes**

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

Under FRS17 the cost which is charged to net cost of services is the cost of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. This cost is known as the *current service cost* and is determined by the actuary. The *Net Pension Liability* which represents the authority's attributable share of the Pension Fund's assets and liabilities, is shown in the Balance Sheet.

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

- the attributable assets of the scheme have been valued at fair value, principally market value for investments
- the attributable liabilities have been measured on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period
- the expected return on assets is based on the long-term expectations at the beginning of the period
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2006/07 are the full costs relating to early retirements granted in the year which have been calculated as the



## **STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS**

---

special contributions payable into the fund adjusted for the financial assumptions used under FRS17 to represent the approximate cost of the increase in benefits granted to members under FRS17

### **Defined Contribution Schemes**

These are schemes where the employer pays fixed amounts into the scheme and has no obligation to contribute further amounts if the scheme does not have sufficient assets to pay employee benefits. Under FRS17, defined contribution schemes are accounted for by charging employer contributions to revenue as they become payable. The Teachers Pension Scheme is a defined benefit scheme but as the authority cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis, this scheme is to be accounted for as if it were a defined contribution scheme under FRS17.

**16. Value Added Tax**

Apart from VAT incurred in connection with the acquisition of certain motor vehicles, and cases where the Council funds supplies of goods or services to other persons or organisations, the Council is reimbursed for VAT. The revenue accounts have, therefore been prepared exclusive of this tax in accordance with SSAP 5.

**17. Insurance**

Cardiff Council operates a system of self insurance which provides cover either in part or in total for a considerable number of the Council's insured risks. Major risks including property, liability and motor vehicle are partially self funded whereas full cover is provided for secondary risks such as All Risks. In total, insurance is provided for 32 different types of risk which have the potential to have a serious affect on the financial position of individual establishments and service areas. These risks have been selected for insurance after consultation with the Council's insurance brokers.

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

**18. Interests in Companies and Other Entities**

The Council has material interests in companies and other entities such that it is required to produce group accounts. In the Council's own single entity accounts, the interests in companies are recorded as investments. The interest in Medicentre, a joint venture, takes the form of the land and building which the organisation occupies and is recorded in the Council's balance sheet at the fixed asset valuation.

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2007**

2005/6 Net Expenditure £000		Note	Expenditure £000	Income £000	2006/07 Net Expenditure £000
4,716	Central Services		40,306	(34,506)	5,800
64,304	Cultural, Environmental & Planning (CE&P)		117,070	(48,593)	68,477
190,668	Education		260,431	(59,920)	200,511
35,475	Highways, Roads & Transportation (HR&T)		63,399	(26,146)	37,253
7,447	Local Authority Housing		75,056	(48,530)	26,526
10,480	Other Housing Services		111,052	(101,966)	9,086
67,801	Adult Social Services		112,208	(31,465)	80,743
31,731	Childrens Services		41,422	(9,736)	31,686
289	Court Services		0	0	0
13,179	Corporate & Democratic Core		10,905	(565)	10,340
2,750	Non Distributed Costs		2,368	0	2,368
<b>428,840</b>	<b>Net Cost of Services</b>		<b>834,217</b>	<b>(361,427)</b>	<b>472,790</b>
(5,098)	(Gain)/loss on sale of fixed assets				(5,954)
0	(Gain)/loss on sale of investments				(2,371)
184	Community Council Precepts	3			189
15,491	Levies & Contributions	3			16,140
22,273	Interest Paid				22,176
669	Amortisation of premiums & discounts				464
(7,911)	Interest & Investment Income				(7,282)
11,100	Pensions Interest cost & expected return on pensions assets	19			6,980
<b>465,548</b>	<b>Net Operating Expenditure</b>				<b>503,132</b>
(250,491)	Revenue Support Grant incl. amending report				(266,031)
(65,045)	Non-Domestic Rates	5			(70,734)
(16,442)	Other Central Grants				(15,962)
(97,343)	Council Tax Income	4			(101,023)
<b>36,227</b>	<b>(Surplus) / Deficit for the Year</b>				<b>49,382</b>

# STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

## STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months.

However, the authority is required to raise council tax on a different basis, the main differences being:

- Capital investment is accounted for as it is financed rather than when the assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £000		2006/07 £000
36,227	(Surplus)/Deficit for the year on the Income & Expenditure Account	<b>49,382</b>
(36,660)	Net additional amount required by statute and non statutory proper practices to be debited or credited to the GF balance for the year, as detailed below	<b>(49,057)</b>
<b>(433)</b>	(Increase)/Decrease in GF balance for the year	<b>325</b>
(8,984)	General Fund Balance brought forward	<b>(9,417)</b>
<b>(9,417)</b>	General Fund Balance carried forward	<b>(9,092)</b>

### Schools Balances

The General Fund Balance does not include balances held by schools under local management schemes. Schools balances are included in schools' earmarked reserves (note 31. 4.)

## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year

2005/06 £000		2006/07 £000
	<b>Amounts in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on General Fund Balance for the year:</b>	
(41,961)	Depreciation and impairment of fixed assets	(67,577)
6,796	Government Grants deferred amortisation matching depreciation and impairments	7,825
(9,309)	Write downs of deferred charges to be financed from capital resources	(6,458)
5,098	Net gain/(loss) on sale of fixed assets	5,954
23	Contribution to the Capital Financing Account in respect of profits on investments	2,371
(36,790)	Amount by which FRS17 pension costs are different from the contributions due under the pension scheme regulations	(36,660)
<b>(76,143)</b>		<b>(94,545)</b>
	<b>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:</b>	
9,527	Statutory provision for repayment of debt (MRP)	10,313
5,891	Capital expenditure charged to General Fund Balance	7,467
27,110	Employers contributions to the Pension Fund and benefits paid direct to pensioners	32,210
<b>42,528</b>		<b>49,990</b>
	<b>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:</b>	
(1,173)	Transfer to the HRA balance	(4,942)
850	Voluntary provision for repayment of debt (VRP)	1,375
(2,522)	Net transfer to /(from) earmarked reserves	(431)
(200)	Net transfer to /(from) HRA earmarked reserves	(504)
<b>(3,045)</b>		<b>(4,502)</b>
<b>(36,660)</b>	<b>Total</b>	<b>(49,057)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

---

This statement brings together all of the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement (in accordance with FRS17) of the net liability to cover the cost of retirement benefits.

2005/06 £000		2006/07 £000
36,227	(Surplus)/deficit on the Income and Expenditure Account for the year	<b>49,382</b>
(1,059)	(Surplus)/Deficit arising on the revaluation of fixed assets	<b>(663,768)</b>
(23,140)	Actuarial (gains)/losses on pension fund assets and liabilities	<b>(9,390)</b>
(8,255)	Other gains and losses required to be included in the STRGL	<b>(727)</b>
<b>3,773</b>	Total recognised (gains)/losses for the year	<b>(624,503)</b>

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2007

31 March 2006 £000		Note	31 March 2007 £000      £000	
145	Fixed Assets	20		
	Intangible Fixed Assets		107	
	Tangible Fixed Assets			
	Operational Assets:			
499,942	Council Dwellings		1,107,870	
769,239	Other Land and Buildings		726,163	
8,507	Vehicles, Plant, Furniture & Equipment		9,254	
352,266	Infrastructure		362,020	
20,729	Community Assets		31,010	
	Non-Operational Assets:			
82,380	Investment Properties		86,835	
11,103	Assets under construction		23,826	
69,583	Surplus assets		99,416	
<b>1,813,894</b>	<b>Total Fixed Assets</b>			<b>2,446,501</b>
56,405	Long-term Investments	21	30,989	
8,105	Deferred Debtors		8,204	
6,307	Deferred Premiums	22	5,837	
<b>70,817</b>				<b>45,030</b>
<b>1,884,711</b>	<b>Total Long Term Assets</b>			<b>2,491,531</b>
	Current Assets			
2,685	Stocks		2,653	
68,256	Debtors	23	76,044	
68,277	Investments	24	96,040	
2,118	Cash and Bank	25	5,482	
<b>141,336</b>	<b>Total Assets</b>			<b>180,219</b>
	Current Liabilities			
(4,644)	Loans due within one year		(3,754)	
(75,728)	Creditors	26	(83,705)	
<b>(80,372)</b>				<b>(87,459)</b>
<b>1,945,675</b>	<b>Total Assets less Current Liabilities</b>			<b>2,584,291</b>
(384,075)	Long Term Borrowing	27	(386,434)	
(27,987)	Provisions and Deferred Liabilities	28	(26,489)	
(120,955)	Government Grants – Deferred Account	29	(135,020)	
(13,460)	Contributions/Capital Balances Unapplied	30	(16,861)	
0	Deferred Discounts	22	(726)	
(337,510)	Net Pensions Liability	19	(332,570)	
<b>(883,987)</b>				<b>(898,100)</b>
<b>1,061,688</b>	<b>Total Assets less Liabilities</b>			<b>1,686,191</b>
	Financed by:	31		
1,261,938	Fixed Asset Restatement Account		1,867,029	
65,864	Capital Financing Account		93,139	
17,427	Usable Capital Receipts Reserve		11,222	
968	Deferred Capital Receipts		572	
(337,510)	Pensions Reserve		(332,570)	
9,417	General Fund Balance		9,092	
9,960	Housing Revenue Account Balance		5,018	
28,307	Earmarked Reserves		27,372	
5,317	Transport Realisation Account		5,317	
<b>1,061,688</b>	<b>Total Net Worth</b>			<b>1,686,191</b>

# CASHFLOW STATEMENT

2005/06 restated £000		2006/07	
		£000	£000
	<b>REVENUE ACTIVITIES</b>		
	<b>Expenditure</b>		
358,125	Cash Paid to and on Behalf of Employees	383,284	
44,285	Housing Benefits paid out	48,345	
30,948	Precept payments	32,711	
10,479	Housing Subsidy Payable	12,081	
131,160	NDR Payments to National Pool	135,569	
299,524	Other Operating Costs	299,481	
874,521			<b>911,471</b>
	<b>Income</b>		
(250,491)	Revenue Support Grant	(266,031)	
(90,960)	Council Tax Receipts	(97,334)	
(11,291)	Council House Rents (after rebates)	(12,183)	
(130,279)	NDR Receipts	(135,516)	
(65,045)	NDR Receipts from National Pool	(70,734)	
(77,406)	Housing Benefit Subsidy	(83,445)	
(106,721)	Other Government Grants	(121,100)	
(151,538)	Cash Received for Goods and Services	(164,277)	
(883,731)			<b>(950,620)</b>
<b>(9,210)</b>	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		<b>(39,149)</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Expenditure</b>		
22,098	Interest Paid	22,344	
	<b>Income</b>		
(6,381)	Interest Received	(6,948)	
(173)	Dividends Received	(173)	
15,544			<b>15,223</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
59,301	Purchase of Fixed Assets	93,614	
18,413	Deferred Charges	15,572	
200	Purchase of Long term Investments	0	
77,914			<b>109,186</b>
	<b>Income</b>		
(28,051)	Sale of Fixed Assets	(50,000)	
(34,984)	Capital Grants Received	(33,598)	
0	Disposal of Long term investments	(25,000)	
(3,707)	Other Capital Contributions Received	(5,819)	
(66,742)			<b>(114,417)</b>
<b>17,506</b>	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>		<b>(29,157)</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
(1,068)	Net Increase/(Decrease) in Short Term Deposits		<b>27,763</b>
	<b>FINANCING</b>		
	<b>Expenditure</b>		
24,376	Repayments of Amounts Borrowed	59,830	
	<b>Income</b>		
(41,000)	New Loans Raised	(61,800)	
<b>(16,624)</b>			<b>(1,970)</b>

## CASHFLOW STATEMENT

---

(186)	(INCREASE)/DECREASE IN CASH AND CASH EQUIVALENTS		(3,364)
-------	---	--	---------



## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Prior period adjustments in the Income and Expenditure account

In the 2006/07 Statement of Accounts, as required by the 2006 SORP, the council adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- Gains and losses on the disposal of fixed assets are recognised in the Income & Expenditure Account

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	CRA in 2005/06 Statement of Accounts	Removal of capital financing charges	Relocation of government grants deferred credits	Relocation of HRA premium, investment income & charge from CDC	Recognition of gains and losses on disposal of fixed assets	2005/06 comparatives in I&E account
	£000	£000	£000		£000	£000
Central Services	4,716					4,716
Cultural, Environmental & Planning	71,037	(6,164)	(569)			64,304
Education	211,486	(20,056)	(762)			190,668
Highways, Roads & Transportation	59,523	(18,822)	(5,226)			35,475
Housing	35,868	(18,724)	(239)	1,022		17,927
Social Services	100,152	(620)				99,532
Court Services	289					289
Corporate & Democratic Core	13,159	(35)		55		13,179
Non Distributed Costs	2,750					2,750
<b>Net Cost of Services</b>	<b>498,980</b>	<b>(64,421)</b>	<b>(6,796)</b>	<b>1,077</b>	<b>0</b>	<b>428,840</b>
(Gain)/Loss on sale of fixed assets					(5,098)	(5,098)
Levies and contributions incl Community Councils	15,675					15,675
AMRA (Interest payable and similar charges in 2006/07)	(48,944)	64,421	6,796			22,273
Premiums	405			264		669
Interest & investment income	(6,570)			(1,341)		(7,911)
Pensions interest cost & return on assets	11,100					11,100
<b>Impact on Net Operating Expenditure</b>	<b>470,646</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,098)</b>	<b>465,548</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 2. Net Cost of Services based on the Council's Own Service Structure

The Net Cost of Services as reported in the Income and Expenditure Account has been provided in the Service Expenditure Analysis as defined in BVACOP, in order to comply with the requirements of the 2006 SORP.

The table below shows an analysis of Net Cost of Services based on the Council's own service structure. This table complies with the requirements of the SORP and with the BVACOP concept of 'total cost'. The income and expenditure of the Council's Direct Service Units (DSUs) are included within their relevant service areas. Details of the trading results of the individual DSUs are included in Note 15 to the Core Financial Statements.

2005/06 Net Expenditure £000		Expenditure £000	Income £000	2006/07 Net Expenditure £000
68,756	Adult Services	109,370	(32,784)	<b>76,586</b>
31,920	Children's Services	47,546	(11,378)	<b>36,168</b>
3,052	Clerk to Council	3,534	(239)	<b>3,295</b>
2,174	Communications	3,199	(1,330)	<b>1,869</b>
13,945	Corporate	21,067	(8,468)	<b>12,599</b>
25,788	Culture Leisure & Parks	46,624	(18,540)	<b>28,084</b>
(865)	Financial Services	7,996	(9,112)	<b>(1,116)</b>
4,326	Functions trf'd from the former CBDC	14,880	(10,561)	<b>4,319</b>
13,023	Housing and Neighbourhood Renewal	133,720	(122,847)	<b>10,873</b>
7,447	Housing Revenue Account	75,056	(48,530)	<b>26,526</b>
258	Human Resources	300	(11)	<b>289</b>
(357)	Legal & Democratic Services	188	(564)	<b>(376)</b>
3,297	Policy & Economic Development	4,614	(1,570)	<b>3,044</b>
269	Projects, Design & Development	2,644	(2,044)	<b>600</b>
191,515	Schools & Lifelong Learning	259,594	(59,090)	<b>200,504</b>
956	Scrutiny, Change & Efficiency	1,089	(3)	<b>1,086</b>
11,472	Strategic Planning & Environment	20,351	(8,685)	<b>11,666</b>
49,114	Transport, Infrastructure & Waste	80,145	(25,671)	<b>54,474</b>
2,750	FRS17 Non Distributed Costs	2,300	0	<b>2,300</b>
<b>428,840</b>	<b>Net Cost of Services</b>	<b>834,217</b>	<b>(361,427)</b>	<b>472,790</b>

### 3. Precepts and Levies

	2005/06 £000	2006/07 £000
<b>Precepts</b>		
Community Councils:		
Lisvane	22	<b>23</b>
Pentyrch	59	<b>63</b>
Radyr	56	<b>56</b>
St Fagans	15	<b>15</b>
Old St Mellons	20	<b>20</b>
Tongwynlais	12	<b>12</b>
	<b>184</b>	<b>189</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>Levies &amp; Contributions</b>		
South Wales Fire Service	15,013	<b>15,617</b>
Caldicot & Wentlooge Drainage Board	140	<b>145</b>
Cardiff Port Health Authority	90	<b>116</b>
Newport Health Authority	4	<b>4</b>
South Wales Sea Fisheries Committee	14	<b>16</b>
Glamorgan Archives Service	230	<b>242</b>
	<b>15,491</b>	<b>16,140</b>

In addition, the Council collected precepts of £16,383,193 on behalf of the South Wales Police Authority (£15,272,569 in 2005/06).

#### 4. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the police authority for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's council tax base for 2006/07 was 129,595 (126,851 for 2005/06).

The amounts for a band D property in Cardiff during 2006/07 were as follows:

<b>Band D Council Tax:</b>	2005/06 £	<b>2006/07 £</b>
Cardiff Council	750.25	<b>782.10</b>
South Wales Police Authority	120.40	<b>126.42</b>
<b>TOTAL</b>	<b>870.65</b>	<b>908.52</b>

The above amount (£908.52) is multiplied by the proportion specified for the particular band (see table below) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from council tax:

	2005/06 £000	<b>2006/07 £000</b>
Council tax collectable	113,539	<b>118,421</b>
Less payable to the police authority	(15,273)	<b>(16,383)</b>
Provision for non-payment of council tax	(923)	<b>(1,015)</b>
	<b>97,343</b>	<b>101,023</b>

#### 5. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (43.2p in 2006/07 and 42.1p in 2005/06) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the WAG. The sums collected are redistributed back to local

## NOTES TO THE CORE FINANCIAL STATEMENTS

authorities on the basis of a fixed amount per head of population.

The NDR income, after relief and provision, of £137,604,000 for 2006/07, (£131,124,000 for 2005/06) was based on a total rateable value of £369,274,134 for the year (£376,545,159 for 2005/06).

Analysis of the net proceeds from non-domestic rates:

	2005/06 £000	<b>2006/07 £000</b>
Non-Domestic Rates collectable	131,124	<b>137,604</b>
Cost of collection allowance	(742)	<b>(759)</b>
Provision for non payment of NDR	(475)	<b>(951)</b>
Payment into national pool	129,907	<b>135,894</b>
<b>Redistribution from national pool</b>	<b>(65,045)</b>	<b>(70,734)</b>

### 6. **Building Regulations Charging Account 2006/07**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Cardiff Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non chargeable activities.

	Fee Earning 2006/07 £000	Non Fee Earning 2006/07 £000	<b>Building Regulations Total 2006/07 £000</b>
<b>Expenditure</b>			
Employees	778	275	<b>1,053</b>
Premises	2	0	<b>2</b>
Transport	38	10	<b>48</b>
Supplies & Services	133	27	<b>160</b>
Central and Support Service charges	181	88	<b>269</b>
<b>Total Expenditure</b>	<b>1,132</b>	<b>400</b>	<b>1,532</b>
<b>Income</b>			
Building Regulation Charges	(963)	(7)	<b>(970)</b>
Other Income	(1)	(4)	<b>(5)</b>
<b>Total Income</b>	<b>(964)</b>	<b>(11)</b>	<b>(975)</b>
<b>(Surplus)/Deficit for the year</b>	<b>168</b>	<b>389</b>	<b>557</b>

Comparatives for 2005/06			
Expenditure	926	384	1,310
Income	(1,035)	(18)	(1,053)
<b>(Surplus)/Deficit for the year</b>	<b>(109)</b>	<b>366</b>	<b>257</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

**7. Section 137 Expenditure**

The Local Government Act 2000 granted new powers to Local Authorities in England and Wales to promote well being in their area, and as a consequence the majority of the provisions of Section 137 of the Local Government Act 1972 (as amended) have been repealed. Councils can still incur expenditure under section 137(3). The Council's expenditure for 2006/07 under this power was £150,712 (£24,000 in 2005/06).

**8. Communication with Council Taxpayers**

Section 5 of the Local Government Act 1986 requires that expenditure on publicity should be recorded in a separate account and disclosed as a note to the accounts. During 2006/07 expenditure amounted to £1,317,817 (£1,373,775 in 2005/06).

**9. Agency Income & Expenditure**

During 2006/07, the Council carried out work on behalf of the South Wales Trunk Road Agency under an agency agreement. The Council is fully reimbursed for this work, including a contribution towards administrative costs. The total amount reimbursable in 2006/07 was £1,211,485 (£2,602,614 in 2005/06). In addition, £39,667 was received during 2006/07 from the Welsh Assembly Government's Department of Enterprise, Innovation and Networks in respect of maintenance and other charges for Lloyd George Avenue.

**10. Local Government (Goods and Services) Act 1970**

The following income was generated from bodies under the Act:

	2005/06 £000	2006/07 £000
Administrative & Professional Services	(51)	(47)
ICT Technical Services – for Office of Fair Trading	(1,136)	(1,017)
– for other clients	(1,117)	(1,889)
Other Technical Services	(148)	(161)
	<b>(2,452)</b>	<b>(3,114)</b>

**11. Remuneration**

(a) Regulation 7 of the Accounts and Audit (Wales) Regulations 2005 requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £10,000. The Regulation is applicable to all Council employees including teaching staff.

It should be noted that the figures below include all remuneration received in the year, including in some cases, severance payments.

Remuneration band £000	Number of Employees	
	2005/06	2006/07
140 – 150	0	1
130 – 140	1	0
120 – 130	0	0
110 – 120	3	3
100 – 110	3	1
90 – 100	2	2
80 – 90	4	8
70 – 80	15	16
60 – 70	22	23

(b) The total amount of Members' Allowances (basic and special responsibility) paid in

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

2006/07 was £1,078,221.70 (£1,081,229 in 2005/06). The total amount of Care Allowance paid in 2006/07 was £11,520 (£13,920 in 2005/06).

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

The Council has not entered into any formal arrangements under Section 31 of the above Act. However, in 2006/07 it received and spent £1.022 million (£1.063 million in 2005/06) from WAG in respect of a Joint Working (Flexibilities) Special Grant, to support and encourage flexible care and joint working between the NHS and Local Government. The partner bodies to these arrangements are Cardiff LHB, Age Concern (Cardiff and Vale), Cardiff and the Vale National Health Service Trust, and the Vale of Glamorgan Council.

### 13. **Related Party Transactions**

The council is required to disclose material transactions with related parties. As defined by Financial Reporting Standard 8 (FRS 8), related parties are those bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council.

**Central Government** has effective control over the general operations of the council. It sets the statutory framework within which the council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in the Cash Flow Statement and note 34.4 to the Core Financial Statements.

**Subsidiary Companies** - Cardiff Council has two subsidiary companies, Cardiff City Transport Services (Cardiff Bus) and Cardiff Business Technology Centre (CBTC). In 2006/07, the Council made payments totalling £8.601 million to Cardiff Bus (£7.366 million in 2005/06) and received income of £355,000 (£357,000 in 2005/06). Income of £52,000 was received from CBTC in 2006/07 (£43,000 in 2005/06).

**Cardiff Medicentre** is a joint venture between Cardiff Council, the University of Wales College of Medicine, the Welsh Development Agency and Cardiff and Vale NHS Trust. During 2006/07, the Council received a total income of £14,000 from Cardiff Medicentre (£49,000 in 2005/06).

**Pension Fund** – details of pension contributions paid over to the Pension Fund are shown in note 19.1 to the Core Financial Statements.

**Precepts and Levies** – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 3 to the Core Financial Statements

**South Wales Police Authority (SWPA)** – the precept paid to SWPA during 2006/07 is detailed in note 3 to the Core Financial Statements. In addition to this the Council paid £0.590 million to SWPA during 2006/07 (£0.534 million in 2005/06), the majority of which (£0.501 million) was in respect of traffic wardens connected to the voucher parking scheme.

**Glamorgan Cricket Club** – during 2006/07 the Council entered into an agreement with Glamorgan Cricket Club to provide a loan of £4 million to be repaid over 20 years. The loan is to be used for the construction of new stands and facilities. The first instalment of the loan in the sum of £0.53 million was made in April 2007 and reserved into 2006/07 as it related to work carried out in that year. In addition during 2006/07 the Council made payments to the Club of £29,000 and received income of £28,000.

## NOTES TO THE CORE FINANCIAL STATEMENTS

**Members of the Council** have direct control over the Council's financial and operating policies. Members' interest in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2006/07, goods and services to the value of £2.871 million were commissioned from companies in which members had an interest (£1.489 million in 2005/06). In addition, the Council appoints members and chief officers to certain charitable organisations and to the Chamber of Commerce and associated companies. During 2006/07, a total of £0.406 million was paid to these bodies (£1.199 million in 2005/06). Details of members' allowances are shown in note 11 to the Core Financial Statements.

**Officers** - during 2006/07, the Council received income of £6,000 from Chief Officers and above relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£10,000 in 2005/06). Details of Officers' emoluments are shown in note 11 to the Core Financial Statements.

### Related Party Balances

As at 31 March 2007 the following balances were held in respect of related parties:

31 March 2006 £000		31 March 2007	
		Debtors £000	Creditors £000
11,802	Central Government Grants	11,845	(5,515)
(101)	Cardiff City Transport Services Ltd	157	(235)
290	Cardiff Medicentre/CBTC	326	(11)
14	Chief Officers and above – outstanding car loan balances	8	0
0	Precepting Bodies	0	(115)
0	Glamorgan Cricket Club	530	(530)
320	Companies in which members interests declared/other	403	(30)

### 14. External Audit Costs

In 2006/07 the Council incurred the following fees relating to external audit and inspection:

	2005/06 £000	2006/07 £000
Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor	585	437
Fees payable to Wales Audit Office in respect of statutory inspection	35	46
Fees payable to Wales Audit Office for the certification of grant claims and returns	130	134
Fees payable in respect of other services provided by the appointed auditor	0	10

### 15. Trading Accounts Summary

The Council has a number of trading units where service managers are required to balance their budget by generating income from other parts of the Authority or from third parties.

A number of units were initially established in response to the requirements of Compulsory Competitive Tendering legislation, and during 2006/07 operated on a trading account basis although competitive tendering is no longer compulsory. Others trade primarily with the public and with other third parties.

## NOTES TO THE CORE FINANCIAL STATEMENTS

The table below details the results of all those Council activities that operate within a commercial environment. The figures have been compiled in accordance with the requirements of the 2006 SORP and BVACOP.

2005/06 Trading (Surplus) /Deficit £000		2006/07		
		Expenditure £000	Income £000	Trading (Surplus) /Deficit £000
3,958	St. David's Hall	6,342	(3,555)	<b>2,787</b>
1,282	New Theatre	4,945	(3,541)	<b>1,404</b>
1,090	Cardiff Castle	1,865	(1,235)	<b>630</b>
126	Highways Operations DSU	6,845	(6,747)	<b>98</b>
(56)	Parks DSU	6,343	(6,407)	<b>(64)</b>
49	Venues Catering DSU	2,836	(2,758)	<b>78</b>
(7)	Street Cleansing DSU	6,166	(6,159)	<b>7</b>
5	Refuse Collection DSU	8,615	(8,445)	<b>170</b>
124	Recreation DSU	7,545	(7,230)	<b>315</b>
18	Schools Cleaning DSU	4,144	(4,197)	<b>(53)</b>
(235)	Schools Building DSU	8,343	(8,185)	<b>158</b>
(294)	Schools Catering DSU	6,965	(7,094)	<b>(129)</b>
(27)	CMS Building Maintenance	9,022	(9,085)	<b>(63)</b>
(1,246)	Car Parking/Voucher Parking	1,146	(2,508)	<b>(1,362)</b>
(1,118)	Other trading accounts (14)	17,924	(20,113)	<b>(2,189)</b>

**16. Contractual arrangements**

The Council has a 25 year contract dating back to July 1991 with Hafod Care Association Ltd in respect of residential care homes. The Council has entered into discussions with Hafod with a view to negotiating new contractual arrangements.

**17. Leasing**

**(a) Operating leases**

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2006/07:

	2005/06 £000	2006/07 £000
Property leases	2,362	<b>1,470</b>
Other leases	2,718	<b>3,282</b>

The Council has two properties whose leases commenced in 2004/05 and 2005/06 which were subject to initial lease free periods. The SORP requires that rental charges be made evenly throughout the period of the lease (up to the point of review). An amount equivalent to the rent free period is therefore held on the balance sheet as a deferred liability to be used to offset revenue rental payments until the review date. An amount totalling £90,070 was drawn down and charged to revenue in 2006/07 in respect of rent free apportionments. Payments are due to be made out of the balance until 2009/10.



## NOTES TO THE CORE FINANCIAL STATEMENTS

The Council was committed at 31 March 2007 to making payments of £10.366 million under operating leases in 2007/08 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2007/08	147	184
Leases expiring between 2008/09 and 2011/12	508	7,653
Leases expiring after 2011/12	1,509	365

(b) **Finance Leases**

The Council has no finance leases

18. **Minimum Revenue Provision (MRP)**

The Council is legally required to set aside from its revenue budget each year a minimum amount for the repayment of external loans.

The Income and Expenditure Account was charged with depreciation, which exceeded the amount set aside for the repayment of external loans by £57.264 million (£32.433 million for 2005/06). Accordingly a contribution for the same amount was made from the Capital Financing Account to neutralise the impact on the Income and Expenditure Account. The calculation of this amount is set out below:

	2005/06		2006/07	
	£000	£000	£000	£000
Non Housing MRP	7,711		<b>8,595</b>	
HRA MRP	1,785		<b>1,691</b>	
Minimum Revenue Provision		9,496		<b>10,286</b>
Voluntary Additional Non-housing Provision		31		<b>27</b>
Provision for the Repayment of External Loans		9,527		<b>10,313</b>
Amount charged as Depreciation		41,960		<b>67,577</b>
Contribution from Capital Financing Account		(32,433)		<b>(57,264)</b>
Net charge to Income and Expenditure Account in respect of Fixed Assets		9,527		<b>10,313</b>

19. **Pensions**

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

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

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

## NOTES TO THE CORE FINANCIAL STATEMENTS

balance the pensions' liabilities with the pensions' assets.

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

### 19.1 **The Local Government Pension Scheme**

The main accounting statements have complied with FRS17 and for the Local Government Pension Scheme include the cost to the authority of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. This cost, which is known as the current service cost has been recognised in the Net Cost of Services both in the Income and Expenditure Account and in the Council's own service structure revenue account (note 2).

However, the charge that is required to be made against Council Tax, in respect of pensions, is to be based on the cash payable in the year, so that the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2005/06 £000	<b>2006/07 £000</b>
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services:</i>		
Current Service Cost	22,940	<b>27,380</b>
Past Service Costs	2,750	<b>2,300</b>
<i>Net operating Expenditure:</i>		
Interest Cost	39,840	<b>42,010</b>
Expected return on scheme assets	(28,740)	<b>(35,030)</b>
<i>Net charge to the Income and Expenditure Account</i>	36,790	<b>36,660</b>
<b>Statement of Movement on General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(36,790)	<b>(36,660)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year:</b>		
Employers contributions payable to the scheme	24,270	<b>29,180</b>
Payments in respect of unfunded pensions liabilities	2,840	<b>3,030</b>
	27,110	<b>32,210</b>

The past service costs are the costs calculated in accordance with FRS17, of any added years or other enhanced benefits such as early retirements, which have been awarded in the year and which will be paid out of the Scheme.

The payments in respect of unfunded liabilities are payments paid directly to certain pensioners by the Council in respect of arrangements made in earlier years to award enhanced benefits. Included in this figure are enhanced benefits awarded to teachers for which the Council is responsible and some unfunded liabilities which are administered by Rhondda Cynon Taff (RCT) Council on behalf of Cardiff Council.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### Assets and Liabilities in relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	31 March 2006 £000	31 March 2007 £000
Share of assets in Cardiff and Vale of Glamorgan Pension Fund	514,660	<b>572,720</b>
Estimated liabilities in Cardiff and Vale of Glamorgan Pension Fund	(813,370)	<b>(864,520)</b>
Estimated unfunded pension liabilities	(38,800)	<b>(40,770)</b>
Cardiff Council's Net Pensions Liability	(337,510)	<b>(332,570)</b>

The balance on the net pensions liability shows the underlying commitment that the authority has in the long-term to pay retirement benefits. Although the total liability of £332.57 million at 31 March 2007 has a substantial impact on the reported net worth of the authority, statutory funding arrangements exist to ensure the funding of the deficit. This is achieved by increased employer's contributions being paid by the Council into the scheme at a rate assessed by the actuary.

### Basis for Estimating Assets and Liabilities

The latest valuation of the Cardiff and Vale of Glamorgan Pension Fund was carried out as at 31 March 2004. The principal assumptions used by the independent qualified actuary in updating the latest valuation of the fund for FRS17 purposes were:

	31 March 2006 % pa	31 March 2007 %pa
Rate of inflation	3.0	<b>3.2</b>
Rate of increase in salaries	4.5	<b>4.7</b>
Rate of increase in pensions in payment	3.0	<b>3.2</b>
Rate of increase in deferred pensions	3.0	<b>3.2</b>
Discount rate for scheme liabilities	4.9	<b>5.3</b>
Rate of return on Equities	7.3	<b>7.7</b>
Rate of return on Property	6.3	<b>6.7</b>
Rate of return on Government Bonds	4.3	<b>4.7</b>
Rate of return on Corporate Bonds	4.9	<b>5.3</b>
Rate of return on other assets	4.6	<b>5.6</b>
Average Long Term Expected Rate of Return	6.8	<b>7.2</b>

### *Changes in assumptions*

The financial assumptions underlying the calculation of the liabilities has changed between the two accounting dates. The index used for 2006/07 has been based on that relating to corporate bonds rather than the wider non-gilts index. This has had the effect of reducing the value placed on the liabilities although as the two indices are currently very similar the impact of this change is negligible at the accounting date.

The demographic assumptions are those used for the last triennial valuation of the Pension Fund at 31 March 2004 with the exception of the post-retirement mortality assumption. Further allowance has been made for improvements in mortality. This has increased the value placed on the liabilities.

The overall effect of these changes is to place a value on the liabilities at the year-end

## NOTES TO THE CORE FINANCIAL STATEMENTS

that is lower than was anticipated, resulting in a marginal gain in the 'change in assumptions' section of the Total Actuarial Gain/Loss.

Changes to the Local Government Pension Scheme Regulations permit employees retiring on or after 6 April 2006 to take larger lump sum payment on retirement in exchange for a reduction in their future annual pension. Last year it was assumed that 50% of employees retiring after 6 April 2006 would commute the maximum possible. Evidence on the likely take-up is still limited but the actuary's advice is that this assumption does not appear unrealistic and it has therefore been retained in 2006/07.

Experience gains/losses on the liabilities are small as the roll-forward method assumes that most experience is in line with the assumptions.

Assets are valued at fair value, principally market value for investments. The market value of the assets of Cardiff and Vale of Glamorgan Pension Fund at 28 February 2007 was £883.42 million. The assets as at 31 March 2007 have been estimated by the Council's actuary using index returns between 28 February and 31 March 2007. The proportions of total assets held in each asset type by the Fund as a whole at 31 March 2007 are set out below:

	31 March 2006 %	<b>31 March 2007</b> %
Equities	78	<b>77</b>
Property	5	<b>7</b>
Government Bonds	4	<b>3</b>
Corporate Bonds	11	<b>11</b>
Other	2	<b>2</b>
<b>Total</b>	100	<b>100</b>

The movement in the net pension liability is as follows:

	2005/06 £000	<b>2006/07</b> £000
<b>Net Pensions Liability as at 31 March b/f</b>	(350,970)	<b>(337,510)</b>
<i>Movements in the Year:</i>		
Contributions towards funded liabilities	24,270	<b>29,180</b>
Contributions towards unfunded liabilities	2,840	<b>3,030</b>
Current Service Cost	(22,940)	<b>(27,380)</b>
Past Service Costs	(2,750)	<b>(2,300)</b>
Gain/Loss on any Settlement or Curtailments	0	<b>0</b>
<i>Finance Income:</i>		
Expected return on Pension Scheme Assets	28,740	<b>35,030</b>
Interest on Pension Scheme Liabilities	(39,840)	<b>(42,010)</b>
Actuarial Gain/(Loss)	23,140	<b>9,390</b>
<b>Net Pensions Liability at 31 March</b>	<b>(337,510)</b>	<b>(332,570)</b>

### Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2007:

# NOTES TO THE CORE FINANCIAL STATEMENTS

	2002/03		2003/04		2004/05		2005/06		2006/07	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	(113.19)	(40.4)	44.73	12.8	17.31	4.4	80.01	15.5	9.27	1.6
Differences between actuarial assumptions about liabilities and actual experience	2.20	0.4	(0.62)	(0.1)	(4.21)	(0.6)	1.01	0.1	-1.68	-0.2
Changes in the demographic and financial assumptions used to estimate liabilities	(0.67)	(0.1)	1.35	0.2	(127.75)	(17.1)	(57.88)	(6.8)	1.8	0.2
Net actuarial gain/(loss) in year	(111.66)	22.07	45.46	7.9	(114.65)	(15.3)	23.14	2.7	9.39	1.0

## 19.2 The Teachers Pension Scheme

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by Capita Teachers Pensions. The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as a 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 of the scheme attributable to its own employees so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2006/07 the Council paid £14.09 million in respect of teachers' pension costs, which represents 13.6% of teachers' pensionable pay (£13.72 million representing 13.5% of teachers' pensionable pay in 2005/06).

In addition the authority is responsible for the costs of any additional benefits awarded on early retirement outside of the Teacher's scheme. These benefits are fully accrued in the Pensions Liability within the figure for unfunded liabilities

## 20. Fixed Assets

### 20.1 Fixed Asset Valuation

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued during 2006/07 by Cooke and Arkwright, Chartered Surveyors, on the undermentioned basis, in accordance with the Practice Statements in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.

Properties regarded as operational are valued on the basis of depreciated replacement cost if there is no established market for that type of property; otherwise they are valued at market value for the existing use.

Properties regarded as non-operational are valued on the basis of market value.

Community Assets, such as parks and open spaces, are included in the balance sheet at historic cost and depreciated replacement cost for other assets. The 2006/07 capital expenditure has been included at cost.

## NOTES TO THE CORE FINANCIAL STATEMENTS

---

Infrastructure assets (including the Cardiff Bay Barrage) and vehicles, plant, furniture and equipment are included in the Balance Sheet at historic cost net of depreciation.

Assets disposed of during 2006/07 have been written out of the Balance Sheet on the basis of their gross book value and any accumulated depreciation has been released.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 20.2 Movements in fixed assets during the year are summarised as follows:

ASSETS	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets
	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2006	551,506	799,989	14,098	415,031	21,417
Additions – Capital Expenditure	25,662	22,168	3,845	29,216	1,023
Additions Other	0	23,509	0	0	9,483
Withdrawals	0	(23,657)	(603)	0	0
Disposals	(5,504)	0	0	0	0
Reclassifications	0	(161)	0	0	0
Revaluations	567,746	(78,598)	0	(414)	118
<b>Gross Book Value at 31 March 2007</b>	<b>1,139,410</b>	<b>743,250</b>	<b>17,340</b>	<b>443,833</b>	<b>32,041</b>
<b>DEPRECIATION</b>					
Balance at 31 March 2006	51,564	30,750	5,591	62,766	688
Depreciation/ Impairment	31,568	13,473	3,088	19,068	343
Released on Withdrawal	0	(1,410)	(593)	0	0
Released on Disposal	(28)	0	0	0	0
Released on Re-Classification	0	0	0	0	0
Released on Revaluation	(51,564)	(25,726)	0	(21)	0
<b>Balance at 31 March 2007</b>	<b>31,540</b>	<b>17,087</b>	<b>8,086</b>	<b>81,813</b>	<b>1,031</b>
<b>NET BOOK VALUE at 31 March 2007</b>	<b>1,107,870</b>	<b>726,163</b>	<b>9,254</b>	<b>362,020</b>	<b>31,010</b>
NET BOOK VALUE at 31 March 2006	<b>499,942</b>	<b>769,239</b>	<b>8,507</b>	<b>352,266</b>	<b>20,729</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

ASSETS	Investment Properties	Surplus Assets held for disposal	AUC	Intangibles	TOTAL
	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2006	82,380	69,583	11,103	182	1,965,289
Additions – Capital Expenditure	264	194	12,723	0	<b>95,095</b>
Additions Other	4,346	3,264	0	0	<b>40,602</b>
Withdrawals	(1,196)	0	0	0	<b>(25,456)</b>
Disposals	(7,750)	(45,452)	0	0	<b>(58,706)</b>
Reclassifications	(234)	395	0	0	<b>0</b>
Revaluations	9,025	71,432	0	0	<b>569,309</b>
<b>Gross Book Value at 31 March 2007</b>	<b>86,835</b>	<b>99,416</b>	<b>23,826</b>	<b>182</b>	<b>2,586,133</b>
<b>DEPRECIATION</b>					
Balance at 31 March 2006	0	0	0	37	151,396
Depreciation/ Impairment	0	0	0	38	<b>67,578</b>
Released on Withdrawal	0	0	0	0	<b>(2,003)</b>
Released on Disposal	0	0	0	0	<b>(28)</b>
Released on Reclassification	0	0	0	0	<b>0</b>
Released on Revaluation	0	0	0	0	<b>(77,311)</b>
<b>Balance at 31 March 2007</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75</b>	<b>139,632</b>
<b>NET BOOK VALUE at 31 March 2007</b>	<b>86,835</b>	<b>99,416</b>	<b>23,826</b>	<b>107</b>	<b>2,446,501</b>
NET BOOK VALUE at 31 March 2006	<b>82,380</b>	<b>69,583</b>	<b>11,103</b>	<b>145</b>	<b>1,813,894</b>



## NOTES TO CORE FINANCIAL STATEMENTS

### 20.3 The fixed assets of the Council include the following:

Allotment Gardens (25)	Parks & Public Open Spaces (Approx 1510 ha)
Caravan Park	Physically Disabled Centres (4)
Cardiff Bay Barrage	Play Centres (7)
Cardiff Castle	Residential Establishments (16)
Cemeteries (7)	Resource Centres (15)
Central Bus Station	Road Safety Centre
City Hall	Roads - Non-Principal (985 km)
Civic Residence	Roads - Principal (94 km)
Community Halls (8)	Schools - Nursery (5)
Council Dwellings	Schools - Infants, Junior & Primary (80)
County Hall	Schools - Secondary (15)
Crematorium	Schools - Special (7)
Day Centres and Clubs (12)	Sports and Leisure Centres (7)
Depots and Workshops	St David's Hall
Family Centres (6)	Surface Car Parks (13)
Heliport	Swimming Pools (2)
Horse Riding School	Training Centre
Leckwith Athletics Facilities & Maindy Cycle Track	Traveller Sites (2)
Libraries (19)	Various Administrative Buildings
Indoor Market	Various Property & Land Holdings
Mental Health Day Centres (2)	Vehicles, Plant, Furniture & Equipment
New Theatre	Youth, Community & Adult Centres (36)

### 20.4 Capital Expenditure and Financing

Expenditure as per Financial Statements	2005/06 £000	2006/07 £000
<b>Opening Capital Financing Requirement</b>	360,971	<b>365,489</b>
Insurance Fund Investments	366	<b>0</b>
Expenditure on Fixed Assets	61,024	<b>95,629</b>
Expenditure on Deferred Charges	18,681	<b>14,836</b>
Sources of Finance:-		
Grants and Contributions	(37,504)	<b>(33,246)</b>
Revenue and Reserves	(5,891)	<b>(7,467)</b>
Capital Receipts	(10,821)	<b>(47,055)</b>
Minimum and Voluntary Revenue Provision	(21,337)	<b>(36,314)</b>
<b>Closing Capital Financing Requirement</b>	<b>365,489</b>	<b>351,872</b>

## NOTES TO CORE FINANCIAL STATEMENTS

20.5 **The main asset disposals during the year were:**

Sale Proceeds of Council Dwellings
International Sports Village Land at Ferry Road
Wales National Ice Rink St Davids II Lease
Toys R Us St Davids II Lease
Llandaff Police Station
Land at Former Red House Public House
Land at Brookvale Drive
198 Newport Road
30/32 Riverside Terrace
5 Llandaff Road Canton
Land at Former Elizabeth Maisonettes
Land at Heol Yr Odyn
Hazelcroft – Pentrebane Road

20.6 **Significant capital expenditure contractual commitments as at 31 March 2007 include the following:**

	£000
Swimming Pool at the International Sports Village (ISV)	17,337
Western Leisure Centre	5,525
Glamorgan Cricket Club	3,471
Infrastructure at the ISV	1,838
Llanrumney Learning and Information Centre	1,470
Cardiff Castle Interpretation Centre	1,019
Cardiff Castle Conservation and Development Scheme	763

21. **Long-term Investments**

	31 March 2006 £000	<b>31 March 2007 £000</b>
The long-term investments consist of :		
Amount held by External Fund Managers	50,000	<b>25,000</b>
Investment in Cardiff City Transport Services Ltd	5,618	<b>5,618</b>
Cardiff Council Insurance Fund Investments	327	<b>0</b>
Other Long-term Investments	460	<b>371</b>
<b>TOTAL</b>	<b>56,405</b>	<b>30,989</b>

Details of the investment in Cardiff City Transport Services Ltd are included in the notes to the Group Accounts on page 94. The investments of Cardiff Insurance Fund were sold during 2006/07 generating a capital receipt.

22. **Deferred Premiums/Discounts on early repayment of debt**

These represent the written down value of premiums paid/discounts received on the premature repayment of loans where the repayments formed part of a restructuring.

## NOTES TO CORE FINANCIAL STATEMENTS

### 23. Debtors

The broad categories are:	31 March 2006 £000	<b>31 March 2007 £000</b>
Government & other grants	19,763	<b>12,063</b>
Recoverable accounts	885	<b>1,337</b>
VAT	3,137	<b>2,696</b>
Car Loans/Leasing	2,278	<b>2,374</b>
Interest due	3,178	<b>2,925</b>
Sundry Debtors	18,908	<b>32,583</b>
Court Costs	799	<b>1,058</b>
HRA Rent Arrears	3,199	<b>2,491</b>
Housing Benefit	2,973	<b>3,240</b>
NDR	4,908	<b>5,994</b>
Council Tax	9,987	<b>11,348</b>
Other	13,129	<b>13,733</b>
Less Bad Debt Provisions	(14,888)	<b>(15,798)</b>
	<b>68,256</b>	<b>76,044</b>

An analysis of the Bad Debt Provisions is shown below:

	31 March 2006 £000	<b>31 March 2007 £000</b>
Court Costs	799	<b>1,058</b>
NDR	1,565	<b>1,828</b>
Council Tax	4,080	<b>4,356</b>
HRA	2,672	<b>2,059</b>
Housing Benefit Overpayments	2,473	<b>2,942</b>
Other	3,299	<b>3,555</b>
	<b>14,888</b>	<b>15,798</b>

### 24. Investments

This figure represents cash temporarily available for investment at balance sheet date.

### 25. Cash and Bank

Cash at bank comprises the balance on the Council's bank accounts and cash in transit (£3,609,709). Cash in hand consists of the balance of imprest accounts held by officers throughout the Council and the bank balances of cheque book schools (£1,871,690).

## NOTES TO CORE FINANCIAL STATEMENTS

### 26. Creditors

The broad categories are:	31 March 2006 £000	<b>31 March 2007 £000</b>
Deposits & Income in Advance	10,608	<b>12,165</b>
Extra District Education	1,948	<b>1,365</b>
Government & other grants	6,935	<b>5,722</b>
Inland Revenue	7,121	<b>7,460</b>
Interest Accrued	5,482	<b>5,425</b>
Pay Accruals	5,414	<b>4,573</b>
Recoverable Accounts	1,003	<b>608</b>
Sundry Accruals	35,540	<b>44,525</b>
Teachers Pensions Agency	1,608	<b>1,794</b>
Agency	69	<b>68</b>
	<b>75,728</b>	<b>83,705</b>

During 2006/07, in accordance with the SORP, the Council reclassified creditor reserves, in respect of outstanding insurance claims, as provisions (note 28). 2005/06 figures have been restated on the same basis.

### 27. Long Term Borrowing

<b>Analysis of loans by type</b>	31 March 2006 £000	<b>31 March 2007 £000</b>
Public Works Loan Board	334,434	<b>339,434</b>
European Investment Bank	2,641	<b>0</b>
Market Loans	47,000	<b>47,000</b>
	<b>384,075</b>	<b>386,434</b>
<b>Analysis of loans by maturity</b>		
Between 1 and 2 years	2,641	<b>0</b>
Between 2 and 5 years	119	<b>238</b>
Between 5 and 10 years	12,422	<b>18,368</b>
More than 10 years	368,893	<b>367,828</b>
<b>Total Long Term Loans</b>	<b>384,075</b>	<b>386,434</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 28. Provisions and Deferred Liabilities

	Balance 31 March 2006 £000	Utilised in year £000	Transfers to Provisions £000	<b>Balance 31 March 2007 £000</b>
Cardiff Insurance Provisions	11,491	(4,537)	3,475	<b>10,429</b>
South Glamorgan Insurance Fund	251	(98)	87	<b>240</b>
Other Provisions	311	(44)	19	<b>286</b>
Commutated Maintenance Sums	9,595	(1,166)	1,360	<b>9,789</b>
Deferred Liability	6,339	(594)	0	<b>5,745</b>
	<b>27,987</b>	<b>(6,439)</b>	<b>4,941</b>	<b>26,489</b>

During 2006/07 there was a change in accounting policy in the respect of insurance claims received but not yet settled. These sums were previously included under creditors on the Balance Sheet but with effect from 2006/07 they have been reclassified as provisions in accordance with the SORP and the prior year balances adjusted accordingly. This change in policy applies to claims received for both the South Glamorgan Fund and the Cardiff Insurance Fund.

The balance on the South Glamorgan Insurance Fund provision represents the current surplus in the Fund. Claims are still being processed and when the fund is eventually wound up any surplus or deficit will be split between Cardiff Council and the Vale of Glamorgan Council in their respective proportions.

The commuted maintenance sums are amounts received from developers and other organisations for the future maintenance of assets adopted by the Council and include £3.810 million received from the former CBDC.

A deferred liability relating to drainage works on the construction of Cardiff Bay Barrage was originally expected to be recovered from Welsh Water in 2004/05. These receipts are due to WAG but it has been agreed that they will be applied to reduce grant draw down in the year they are received from Welsh Water. Officers are involved in ongoing discussions with Welsh Water regarding the exact value of the payback, which it is estimated may be between £4.13 million and £7.38 million. A figure of £5.4 million is included in the accounts as a reasonable estimate. It has been agreed that Welsh Water will pay an amount of £4.13m on account in 2007/08 and any agreed additional receipt will be paid by Welsh Water once the final negotiations are completed and an exact amount agreed between the two parties.

The other deferred liabilities, totalling £0.345 million, represent the notional charges made to the revenue account on 2 operating leases which were subject to initial rent free periods in 2004/05 and 2005/06 and which have been accounted for in accordance with SSAP 21.

## NOTES TO CORE FINANCIAL STATEMENTS

### 29. Government Grants and Contributions – Deferred Account

	2006/07 £000
<b>Balance as at 31 March 2006 b/f</b>	<b>120,955</b>
Grants and contributions applied in the year	<b>24,827</b>
Released to Capital Financing Account	<b>(2,937)</b>
Released to Income and Expenditure Account	<b>(7,825)</b>
<b>Balance as at 31 March 2007 c/f</b>	<b>135,020</b>

### 30. Developers' Contributions and Other Capital Balances Unapplied

This represents the sums received from developers in the main and from other external sources such as insurance receipts, which are to be used to fund capital expenditure. Schemes to be funded are specific and very often time limited. The movements are as follows:

	2005/06 £000	2006/07 £000
<b>Balance as at 31 March b/f</b>	12,619	<b>13,460</b>
Contributions received during the year	3,098	<b>6,513</b>
Contributions applied during the year	(2,257)	<b>(3,109)</b>
Reclassification/ Other Receipts	0	<b>(3)</b>
<b>Balance as at 31 March c/f</b>	13,460	<b>16,861</b>

### 31. Summary of Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Balance 1 April 2006	Gains/ (losses) in the year	Net amounts transferred to other reserves	Balance 31 March 2007
	£000	£000	£000	£000
Fixed Asset Restatement Account	1,261,938	663,768	(58,677)	<b>1,867,029</b>
Capital Financing Account	65,864	296	26,979	<b>93,139</b>
Usable Capital Receipts	17,427	431	(6,636)	<b>11,222</b>
Deferred Capital Receipts	968	0	(396)	<b>572</b>
Pensions Reserve	(337,510)	9,390	(4,450)	<b>(332,570)</b>
General Fund Balance	9,417	(49,382)	49,057	<b>9,092</b>
HRA Balance	9,960	0	(4,942)	<b>5,018</b>
General Fund Earmarked Reserves	24,781	0	(431)	<b>24,350</b>
HRA Earmarked Reserves	3,526	0	(504)	<b>3,022</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Transport Realisation Account	5,317	0	0	<b>5,317</b>
	1,061,688	624,503	0	<b>1,686,191</b>

### 31.1 Fixed Asset Restatement Account

The balance on this account represents the difference between the historic cost of assets under the previous system of capital accounting and the valuation as at 31 March 2007. The account will be written down by the net book value of assets as they are disposed of and debited or credited with the deficits or surpluses arising on future revaluations.

	2005/06 £000	2006/07 £000
<b>Balance as at 31 March b/f</b>	1,275,689	<b>1,261,938</b>
Movements during year		
Additions	15,234	<b>40,601</b>
Demolition & withdrawals of fixed assets	(180)	<b>(23,453)</b>
Disposal of Fixed Assets	(29,864)	<b>(58,677)</b>
Revaluations & reclassifications in the year	1,059	<b>646,620</b>
<b>Balance as at 31 March c/f</b>	1,261,938	<b>1,867,029</b>

### 31.2 Capital Financing Account

The Capital Financing Account contains amounts set aside to repay loans, along with the amount of capital expenditure financed from revenue and usable capital receipts. It also contains the difference between the depreciation charge and the annual amount charged to revenue to repay loans and the release of deferred government grants at the same rate as depreciation and disposal of relevant assets .

	2005/06 £000	2006/07 £000	
		£000	£000
<b>Balance as at 31 March b/f</b>	72,247		<b>65,864</b>
Capital Financing:			
- Capital Receipts	10,821	<b>47,055</b>	
- Direct Revenue Financing	2,781	<b>2,147</b>	
- Use of Reserves	3,110	<b>5,320</b>	
- Insurance Settlement & Other	72	<b>40</b>	
	16,784		<b>54,562</b>
Capital Receipts set aside	10,934		<b>24,615</b>
Voluntary Contributions for debt repayment	876		<b>1,375</b>
Release of Deferred Government Grant on Revaluation and Disposals.	152		<b>2,937</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Principal Repayments ( Depreciation excess over Provision for repayment of Release of Government Grants	(32,433)	<b>(57,264)</b>	
Net Book Value of Investments disposed of	6,644	<b>7,825</b>	
Balance of Deferred Charges	(31)	<b>(327)</b>	
Other Balance Transfers	(9,309)	<b>(6,458)</b>	
	10		
	(35,129)		<b>(56,214)</b>
<b>Balance as at 31 March c/f</b>	<b>65,864</b>		<b>93,139</b>

### 31.3 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts available to finance existing capital commitments and future capital expenditure, after setting aside any voluntary amounts to repay loans. The movements are as follows:

	2005/06 as restated £000	2006/07	
		£000	£000
<b>Balance as at 31 March b/f</b>	10,999		<b>17,427</b>
Received during the year :-			
Sale of Land and Buildings	21,588	<b>59,540</b>	
Sale of Council Dwellings	6,471	<b>5,777</b>	
Private Mortgage Repayments	31	<b>27</b>	
Recouplements of grant	124	<b>148</b>	
	28,214		<b>65,492</b>
Applied during the year :-			
Usable Capital Receipts applied	(10,821)	<b>(47,055)</b>	
Debt Redemption & Other	(10,934)	<b>(24,615)</b>	
	(21,755)		<b>(71,670)</b>
Additional set aside from Private Mortgage Repayments	(31)		<b>(27)</b>
<b>Balance as at 31 March c/f</b>	<b>17,427</b>		<b>11,222</b>



## NOTES TO CORE FINANCIAL STATEMENTS

### 31.4 Earmarked Reserves

Movements on the earmarked reserves during the year were as follows:

	Balance 31 March 2006 £000	Contributions From Revenue £000	To Revenue £000	Balance 31 March 2007 £000
<b>SCHOOLS BALANCES</b>				
Schools Balances inc. Nursery schools	7,470	2,017	(2,491)	<b>6,996</b>
Nursery Schools – General Reserve	55	0	0	<b>55</b>
Cathays HS – Maint. of Playing Field	3	0	0	<b>3</b>
Secondary Free School Meals	1	0	(1)	<b>0</b>
Primary/Special DSU Contingency	67	0	(123)	<b>(56)</b>
	<b>7,596</b>	<b>2,017</b>	<b>(2,615)</b>	<b>6,998</b>
<b>SCHOOLS RESERVES</b>				
Cardiff Achievement Project	328	0	(100)	<b>228</b>
ICT Schools Practice Account	34	0	0	<b>34</b>
LMS Contingency	481	76	(450)	<b>107</b>
Music Service Reserve	49	0	0	<b>49</b>
Out-of-schools Clubs	16	0	0	<b>16</b>
Schools Cleaning DSU	167	0	0	<b>167</b>
Schools Organisational Plan	0	1,386	0	<b>1,386</b>
S.E.N. Unit	102	0	0	<b>102</b>
Special Schools Support	52	0	0	<b>52</b>
	<b>1,229</b>	<b>1,462</b>	<b>(550)</b>	<b>2,141</b>
<b>OTHER EARMARKED RESERVES</b>				
Allotments Improvements Reserve	27	0	(27)	<b>0</b>
Approved Grants Reserve	53	8	(34)	<b>27</b>
Asylum Seeker Leased Properties Reserve	0	565	0	<b>565</b>
Bonus Reserve	30	0	(30)	<b>0</b>
Bute Avenue Highway Link	21	0	0	<b>21</b>
Cardiff Dogs' Home Legacy	118	39	0	<b>157</b>
Cardiff Insurance Reserve	2,733	2,030	0	<b>4,763</b>
Cardiff Input-Output Model	1	0	(1)	<b>0</b>
Care First Reserve	96	0	0	<b>96</b>
Cardiff Museum Project Reserve	0	12	0	<b>12</b>
Cardiff Works Trading Reserve	169	0	(160)	<b>9</b>
CBTC Asset Maintenance Reserve	25	0	0	<b>25</b>
Cemetery Improvement Reserve	227	92	(40)	<b>279</b>
Cleaner Cardiff Reserve*	116	20	0	<b>136</b>
C2C Refurbishment Reserve	100	0	0	<b>100</b>
Comino Project Reserve	28	0	0	<b>28</b>
Concessionary Travel Reserve	308	0	0	<b>308</b>
Conference and Destination Reserve	21	0	(21)	<b>0</b>
Corporate Initiatives Reserve	470	650	0	<b>1,120</b>
Corporate Management Pension Fund Reserve	78	0	0	<b>78</b>
Creative Industries Reserve	25	0	0	<b>25</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	Balance	Contributions		Balance
	31 March 2006 £000	From Revenue £000	To Revenue £000	31 March 2007 £000
Crematorium Improvement Reserve	386	168	(153)	401
DEA – Design Reserve	80	0	0	80
DEA – Valuers Reserve	175	45	0	220
Design & Construction Contracts Reserve	40	47	(40)	47
Design & Construction ICT Reserve	100	0	0	100
Design & Construction Vehicle Reserve	64	0	0	64
DSU Reserve	254	43	(304)	(7)
Economic Scrutiny Committee	5	0	0	5
Energy Conservation Reserve	194	18	(120)	92
Flatholm Reserve	31	0	0	31
Freedom of Information Act	25	0	0	25
Fraud Detection Reserve	77	37	(11)	103
Friary Projects Reserves	503	0	(370)	133
Grants Database Reserve	29	0	0	29
Grant Management IT Costs	56	0	0	56
Highways DSU Remedial Reserve	100	0	(61)	39
Highways Vehicle Renewal Reserve	63	25	0	88
House Mortgage Reserve	405	0	(319)	86
Job Preparation Project Reserve	45	0	0	45
Legal Case Management	39	0	(3)	36
Licensed Premises Supervisors	72	0	0	72
Llanrumney Depot Refurbishment Reserve	21	0	(21)	0
Local Plan Reserve	268	0	0	268
Major Projects Reserve (formerly Sports Village Reserve)	21	39	0	60
Mansion House Repairs	12	51	0	63
Members Computer Hardware	43	0	0	43
MRP Commutation Reduction Reserve	896	0	(500)	396
Multi Media Reserve	12	0	0	12
Municipal Election Reserve	239	45	0	284
NCP Income Reserve	929	0	(587)	342
New Theatre Stock Control System	7	0	(7)	0
NewCo Reserve	0	26	0	26
Officer & Member Development	306	0	(175)	131
Parking Reserve	217	365	(217)	365
Building Control Fee Earning Surplus	521	0	(168)	353
Scrutiny Development & Training Reserve	128	0	(40)	88

## NOTES TO CORE FINANCIAL STATEMENTS

	Balance	Contributions		Balance
	31 March 2006 £000	From Revenue £000	To Revenue £000	31 March 2007 £000
Section 117 Mental Health Act	510	0	0	<b>510</b>
Superannuation Reserve	1,850	0	(800)	<b>1,050</b>
Supporting Business Development Reserve	50	0	0	<b>50</b>
Supporting Business Reserve	1,244	42	(400)	<b>886</b>
Telephone Switchboard Reserve	150	110	0	<b>260</b>
Parks Vehicles Reserve*	136	213	(174)	<b>175</b>
Waste Management Recycling	982	48	(700)	<b>330</b>
Workshops Asset Maintenance Reserve	25	0	0	<b>25</b>
	15,956	4,738	(5,483)	<b>15,211</b>
<b>HRA RESERVES</b>				
Leased Houses	1,532	0	(65)	<b>1,467</b>
Housing IT Reserve	1,436	0	(387)	<b>1,049</b>
HRA Training Reserve	51	0	(51)	<b>0</b>
Vacants Clearance Reserve	50	0	0	<b>50</b>
Tenants Environmental Levy reserve	457	0	(1)	<b>456</b>
	3,526	0	(504)	<b>3,022</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>28,307</b>	<b>8,217</b>	<b>(9,152)</b>	<b>27,372</b>

\*Formerly Vehicle and Plant Renewal Reserve

Details are given below of the Council's main earmarked reserves:

**The Schools Balances** comprise two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2007 schools' own balances, including the balances of nursery schools, amounted to £6,995,607 (£7,469,991 in 2005/06). In addition, the Council has established reserves to allow for contingencies affecting schools.

**The Schools Organisational Plan Reserve** has been set up to fund the capital charges resulting from investment in the Schools Organisation Plan.

**The Asylum Seekers Leased Properties Reserve** has been set up to provide a fund to cover the costs of repairs required when leased properties are returned to landlords.

**The Corporate Initiatives Reserve** has been set up to take advantage of various opportunities that will positively impact on the economic prosperity of Cardiff and its standing as a capital city.

**The Insurance Reserve** has been set up to protect the Council from both known and potential future liabilities.

**The Section 117 Mental Health Act Reserve** has been set up to provide for refunds to clients charged for residential care during the period 1994/95 to 1999/00. The liability has arisen from the decision of a judicial review.

## NOTES TO CORE FINANCIAL STATEMENTS

---

**The Superannuation Reserve** was created to set aside monies in anticipation of the increased contributions to the Fund that are required arising from the March 2004 actuarial review.

**The Supporting Business Reserve** is to be used to assist in the planned funding of the Supporting Business Project.

**The HRA Leased Houses Reserve** represents funding set aside to make good dilapidations to private leased properties.

**The Housing IT Reserve** has been created to cover exceptional IT purchases including software.

### 32. Contingent Assets & Liabilities

#### **Assets**

In accordance with the Section 165 Agreement and the Memorandum of Conditions of Funding in respect of the functions transferred from the former CBDC, any savings on the quantified/fixed costs revenue budgets accrue to the Council. These savings along with any income generated are to be added to the Savings Budget held by WAG on the Council's behalf. At the end of 2006/07, the Savings Budget amounted to an estimated £7.9 million.

This figure includes VAT savings of £2.54 million approved by WAG and due to the Council for the financial years 2000/01 to 2004/05, following the wind up of CBDC. 2005/06 figures have been sent to WAG but are not as yet approved. Officers are also finalising the VAT savings figures for 2006/07 and any approved additional receipts will be added to the aforementioned savings budgets.

#### **Liabilities**

As at 31 March 2007 there existed thirteen claims against the Council for which there is no insurance cover. The claims are in respect of, inter alia, employer's liability, unfair dismissal and racial and disability discrimination. The Council's estimate of its maximum possible liability for unsettled and disputed claims is £143,483.

There are also five further outstanding issues, which could affect the Council:

The former authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. It is currently anticipated that MMI's financial position will allow for all claims to be settled however if this is not the case the Council will become liable to repay to MMI all payments of claims under the Scheme, less £50,000 per authority, plus any further outstanding claims. As at 31 March 2007 this liability amounted to £2.64 million for the former South Glamorgan County Council and £0.118 million for the former Cardiff City Council. No provision has been made in the Balance Sheet for these amounts.

Structural and environmental surveys undertaken on 110 houses in the St. Donats Road area, Leckwith, identified that the land on which the houses are constructed is contaminated to such a degree that the council has determined the land as contaminated under Part 11A of the Environmental Protection Act 1990. The Council considers that further engineering tests are necessary and has in place an ongoing series of inspections to achieve this. In addition, the council is maintaining regular

## NOTES TO CORE FINANCIAL STATEMENTS

---

contact with the residents to consider what options are available to residents and the council in this matter. Resources in excess of £12 million have been included in the Council's Medium Term Financial Plan to enable remediation works to be carried out if such a course of action is ultimately deemed necessary.

The Council is currently holding discussions with the Wales European Funding Office concerning European Commission monies that have been paid to the Council in respect of certain grant funded projects. This matter is currently being dealt with at a member state level and is part of a wider audit review of the management of the 1997-1999 Industrial South Wales ERDF Programme. An estimate of the potential maximum liability for the Council and partner organizations involved with the programme is £2.4 million. However, it is unclear at this stage how this matter will be resolved and the extent of Council liability if any. The Council is continuing to work closely with the Wales European Funding Office to assist with the national representations on this issue.

The Authority is unable to establish fully, and quantify, whether it has a potential liability in terms of the Equal Pay claims received to date. The Council has engaged Geldards to act as solicitors for it in the issue. They are currently examining the various bonus schemes in operation amongst the groups of comparators to see if genuine and material non-gender related reasons exist to justify those bonus schemes. If such reasons exist, the Council would have a defence. Consequently, the Council is continuing to prioritise its consideration of these potential liabilities and we expect the review to be completed within the next twelve months. We are unable to estimate the potential impact in the 2006/07 financial statements.

In 1993 the former South Glamorgan County Council and the then Secretary of State for Wales (now WAG) entered into an agreement which required the Council to pay for the costs of widening the M4 motorway which only became necessary due to the construction of junction 30. This could result in funding of circa £1-3 million being claimed by WAG, subject to negotiations between WAG and the authority.

### 33. **The Euro**

In 1997, the Prime Minister announced it was Government policy to propose membership of the single currency if this is in the national economic interests and if the economic case for joining is clear and unambiguous. To ensure that, if and when this happened, the UK had a genuine option to decide to join, public authorities in the UK were expected to "complete the necessary planning and preparation to enable UK entry .... if that is what the Government, Parliament and the people decide".

The Government set out five economic tests that had to be met before any decision to join could be made. If and when these tests were passed, there would be a referendum in which UK electors would be allowed to decide. In June 2003, the Treasury announced that only one of the five tests had been met and therefore no referendum would take place in the immediate future.

The Council carried out preparations as required and in August 2003 produced a draft changeover plan. It became a member of the CIPFA Euro Forum. However, for some time, there has been no sign of the Government further considering the five economic tests or moving in any other way towards membership. Accordingly, in 2006/07 the Council devoted no resources to this issue and suspended its membership of the CIPFA Euro Forum.

## NOTES TO CORE FINANCIAL STATEMENTS

### 34. Notes to Cashflow Statement

#### 34.1 Reconciliation of Deficit on Income & Expenditure Account to Net Cash Flow

	2005/06 £000	2006/07 £000
(Surplus)/Deficit for the year on I&E account	36,227	49,382
<b>Non-cash transactions</b>		
Depreciation	(41,960)	(67,577)
Amortisation of deferred grants & contributions	6,796	7,825
Charges made for retirement benefits (FRS17)	(36,790)	(36,660)
<b>Add back cash item</b>		
Employer's contributions to pension fund	27,110	32,210
<b>Items on an Accruals Basis</b>		
Increase/(Decrease) in Stock	683	(31)
Increase/(Decrease) in Debtors	13,745	(2,662)
(Increase)/Decrease in Creditors	5,507	(9,778)
Contributions (to)/from Provisions	(773)	1,498
<b>Items included in another Classification</b>		
Deferred charges financed by borrowing	(9,309)	(6,458)
Net gain/(loss) on sale of fixed assets	5,098	5,954
Net gain/(loss) on sale of investments	0	2,371
Interest Paid	(22,098)	(22,344)
Interest and Dividends Received	6,554	7,121
<b>Net Cash Flow from Revenue Activities</b>	(9,210)	(39,149)

#### 34.2. (Increase)/ Decrease in Cash and Cash Equivalents

	Balance 31 March 2006 £000	Balance 31 March 2007 £000	<b>Movement in the Year £000</b>
Cash at bank and in hand	2,118	5,482	(3,364)

#### 34.3 Net Increase/ (Decrease) in Liquid Resources

	Balance 31 March 2006 £000	Balance 31 March 2007 £000	<b>Movement in the Year £000</b>
	68,277	96,040	27,763

## NOTES TO CORE FINANCIAL STATEMENTS

### 34.4. Other Government Grants:

	2005/06 £000	2006/07 £000
<b>Revenue Grants</b>		
Education & Lifelong Learning Grants	22,807	<b>26,681</b>
Social Services Grants	21,998	<b>24,548</b>
Council Tax Benefit Subsidy	16,141	<b>20,077</b>
Grant for Harbour Authority	6,242	<b>8,301</b>
Performance Incentive Grant	3,051	<b>3,038</b>
Deprivation Grant	1,480	<b>1,480</b>
Concessionary Fares	6,618	<b>7,640</b>
Capacity Grant	1,271	<b>0</b>
LABGI	3,018	<b>4,782</b>
Supporting People	10,400	<b>9,812</b>
Other Specific Grants	13,695	<b>14,741</b>
	<b>106,721</b>	<b>121,100</b>
<b>Capital Grants</b>		
General Capital Grant	4,279	<b>4,361</b>
Transport Grant and SWIFT	3,482	<b>3,077</b>
Grant for Harbour Authority	1,427	<b>854</b>
Housing Major Repairs Allowance	9,400	<b>9,400</b>
New Deal/School Buildings Improvement	4,683	<b>5,036</b>
ERDF	1,472	<b>1,108</b>
Other Capital Grants	10,241	<b>9,762</b>
	<b>34,984</b>	<b>33,598</b>

### 35. Post Balance Sheet Event

The Council's long-term external borrowing at 31 March 2007 includes 2 market loans of £6 million each which are of the type Lender Option Borrower Option (LOBOS). During May 2007 the lender exercised his option to alter the rate of interest charged and the Council therefore chose to repay both of the loans.

**HOUSING REVENUE ACCOUNT  
FOR THE YEAR ENDED 31 MARCH 2007**

2005/06 £000		Note	2006/07 £000
	<b>Income</b>		
(41,033)	Dwelling rents (gross)	1	<b>(42,949)</b>
(57)	Non-dwelling rents (gross)		<b>(23)</b>
(4,766)	Charges for services and facilities		<b>(5,020)</b>
(652)	Contributions towards expenditure		<b>0</b>
(238)	Credits in respect of deferred grants & contributions		<b>(538)</b>
<b>(46,746)</b>	<b>Total Income</b>		<b>(48,530)</b>
	<b>Expenditure</b>		
24,473	Management and maintenance		<b>26,535</b>
2,097	Rents, rates, taxes and other charges		<b>1,731</b>
10,553	Housing Revenue Account subsidy payable		<b>12,380</b>
473	Increased provision for bad and doubtful debts	2	<b>603</b>
13,946	Depreciation and impairment of fixed assets		<b>31,685</b>
2,612	Amortisation of deferred charges		<b>2,073</b>
39	Debt management costs		<b>49</b>
<b>54,193</b>	<b>Total Expenditure</b>		<b>75,056</b>
<b>7,447</b>	<b>Net Cost of HRA Services as included in the whole authority Income &amp; Expenditure Account</b>		<b>26,526</b>
55	HRA Services share of Corporate & Democratic Core		<b>53</b>
<b>7,502</b>	<b>Net Cost of HRA Services</b>		<b>26,579</b>
	<b>HRA share of the operating Income &amp; Expenditure included in the whole authority Income &amp; expenditure Account</b>		
(2,899)	(Gain)/loss on sale of HRA assets		<b>(378)</b>
5,103	Interest payable		<b>4,765</b>
265	Amortisation of premiums and discounts		<b>66</b>
(1,341)	HRA investment income	3	<b>(920)</b>
<b>8,630</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>30,112</b>



# STATEMENT OF MOVEMENT ON HRA BALANCE

## STATEMENT OF MOVEMENT ON HRA BALANCE

2005/06 £000		2006/07 £000
8,630	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	30,112
(7,457)	Net additional amount required by statute to be debited or credited to the HRA balance for the year, as detailed below	(25,170)
1,173	(Increase)/Decrease in HRA balance for the year	4,942
(11,133)	HRA Balance brought forward	(9,960)
(9,960)	HRA Balance carried forward	(5,018)

## NOTE TO THE STATEMENT OF MOVEMENT ON HRA BALANCE

2005/06 £000		2006/07 £000
	<b>Amounts in the HRA Income &amp; Expenditure Account but excluded from movement on HRA Balance for the year:</b>	
(13,946)	Depreciation and impairment of fixed assets	(31,685)
238	Government Grants deferred amortisation matching depreciation and impairments	538
(1,960)	Write downs of deferred charges to be financed from capital resources	(2,073)
2,899	Net gain/(loss) on sale of fixed assets	378
(671)	Net charges for retirement benefits in accordance with FRS17	(1,051)
(13,440)		(33,893)
	<b>Amounts not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year:</b>	
1,785	HRA Minimum Revenue Provision	1,691
3,649	Capital expenditure funded by the HRA	6,375
749	Employers contributions to the Pension Fund and benefits paid direct to pensioners	1,160
(200)	Net transfer to /(from) HRA earmarked reserves	(503)
5,983		8,723
(7,457)	<b>Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year</b>	(25,170)

# NOTES TO THE HOUSING REVENUE ACCOUNT

**1. Gross Rent Income**

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.6% of rental income (3% in 2005/06). Average rents were £60.24 per week (£57.28 in 2005/06) based on a 52 week year.

**2. Rent Arrears and Bad Debt Provision**

	As at 31 March 2006		As at 31 March 2007	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
HRA properties	2,040	1,382	1,938	1,299
Leasehold properties	662	658	368	366
Hostels	497	497	185	185
<b>Total</b>	<b>3,199</b>	<b>2,537</b>	<b>2,491</b>	<b>1,850</b>

In addition the following sums were also due from tenants:

	As at 31 March 2006		As at 31 March 2007	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Community alarm	4	2	8	3
Service Charges	84	38	77	34
Tenants recoverables	117	94	172	172
<b>Total</b>	<b>205</b>	<b>134</b>	<b>257</b>	<b>209</b>

During 2006/07 a number of old debts (former tenants' rents) totalling £1,216,580 were written off as irrecoverable (£291,041 in 2005/06).

**3. Investment Income**

The figure for HRA investment income includes mortgage interest and interest earned on notional cash balances.

**4. Pension Costs**

In accordance with FRS17 the amount included within Management and Maintenance in respect of employee costs includes the current service cost for pensions. In order that the bottom line pension cost borne by the HRA equals the total employer's contributions paid to the Pension Fund in the year plus any discretionary benefits payable to ex-housing staff, a transfer has been made to the Pensions Reserve as follows:

	2005/06 £000	2006/07 £000
Cost of employer's contributions plus discretionary benefits	749	1,160
Current service cost	(671)	(1,051)
<b>Net transfer to Pensions Reserve</b>	<b>78</b>	<b>109</b>

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

## NOTES TO THE HOUSING REVENUE ACCOUNT

5. **Mortgages on Sold Council Houses**

Mortgage arrears amounted to £57,588 (£58,419 in 2005/06) but these were offset by prepayments amounting to £130,311 (£193,397 in 2005/06).

6. **Housing Stock**

The Council's housing stock is shown below:

	31 March 2006	<b>31 March 2007</b>
Houses	7,352	<b>7,343</b>
Bungalows	620	<b>620</b>
Flats/Bedsits	5,160	<b>5,169</b>
Maisonettes	349	<b>298</b>
Retirement complexes	373	<b>363</b>
<b>Total</b>	<b>13,854</b>	<b>13,793</b>

The Council also had:

	31 March 2006	<b>31 March 2007</b>
Bed spaces in hostels	24	<b>24</b>
Flats in hostels	21	<b>23</b>
Leased properties	235	<b>210</b>
<b>Total</b>	<b>280</b>	<b>257</b>

7. **Capital Expenditure and Financing**

<b>Expenditure as per Financial Statements</b>	2005/06 £000	<b>2006/07 £000</b>
<b>Opening Capital Financing Requirement</b>	89,011	<b>84,560</b>
Expenditure on Fixed Assets	13,339	<b>27,308</b>
Expenditure on Deferred Charges	2,612	<b>2,058</b>
Sources of Finance:-		
Grants and Contributions *	(10,179)	<b>(10,223)</b>
Revenue and Reserves	(3,649)	<b>(6,375)</b>
Capital Receipts	(163)	<b>(11,318)</b>
Minimum and Voluntary Revenue Provision & Other Adjs	(6,411)	<b>(5,982)</b>
<b>Closing Capital Financing Requirement</b>	<b>84,560</b>	<b>80,028</b>

\* £9.4 million (9.4 million in 2005/06) of Major Repairs Allowance was received and applied in the year.

8. **Usable Capital Receipts**

Usable Capital Receipts from the disposal of HRA Assets during 2006/07 were as follows:-

- Council Dwellings, Repayment of Discount & Home Purchase Contributions £1.49 million
- Land £2.75 million

## NOTES TO THE HOUSING REVENUE ACCOUNT

---

9. **Depreciation charged**

Depreciation was charged to HRA assets as follows:

	£000
Council dwellings	31,568
Other land and buildings	93
Vehicles, plant & equipment	24
	31,685

No depreciation was charged on non-operational assets.

10. **Deferred charges**

Deferred charges totalling £2.073 million were charged to the Housing Revenue Account in 2006/07. These largely represented the provision of disabled facility grants for public housing and contributions to Registered Social Landlords for Affordable Housing.

# FUNCTIONS TRANSFERRED FROM THE FORMER CBDC

---

**The Statements that follow are an extract from the accounts of Cardiff Council.**

1. The following accounts are extracted from the Council's accounts and relate to functions transferred to Cardiff Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000. These accounts are required by the Welsh Assembly Government (WAG) and comprise an Income and Expenditure Account and Balance Sheet. They are consolidated into the accounts of Cardiff Council but are shown separately for information purposes.

These records are supported by the Statement of Accounting Policies as set out on pages 27 to 31.

2. The functions and responsibilities transferred from the former CBDC are as follows:-
  - Operation of the Barrage
  - Management of the Inland Bay
  - Development of Conservation of Flora and Fauna
  - Monitoring of Groundwater and Property Surveys with respect to Groundwater
  - Resolution of contractual matters in relation to the Barrage
  - Use of the Bay for tourism and leisure
3. The funding required to discharge the above obligations is provided by a specific grant from the WAG. This funding is ring fenced and any income generated is to be used in connection with the aforementioned functions.
4. The Section 165 Agreement and the memorandum of Conditions of Funding drawn up by the WAG and the Council set out the funding arrangements and the management and financial reporting mechanism for the functions transferred from the former CBDC for the initial 5 year period to 31<sup>st</sup> March 2005.
5. in 2006/07 the Council and the WAG completed a review of the S165 Agreement. This resulted in an agreed variation document which sets out the amendments to the future management and financial reporting mechanisms. This was completed and agreed by March 2007 and the changes will be implemented for the financial year 2007/08.

## FUNCTIONS TRANSFERRED FROM THE FORMER CBDC

<b>INCOME &amp; EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007</b>			
2005/06 £000		Note	2006/07 £000
	<b>Income</b>		
(7,165)	Government Grants		<b>(8,711)</b>
(450)	Fees and Charges		<b>(402)</b>
(1,450)	Credit for Deferred Grants/Contributions		<b>(1,475)</b>
(9,065)			<b>(10,588)</b>
	<b>Expenditure</b>		
2,934	Employees		<b>3,279</b>
1,359	Premises		<b>2,112</b>
150	Transport		<b>175</b>
2,592	Supplies and Services		<b>2,990</b>
576	Support Services		<b>557</b>
5,784	Depreciation		<b>5,794</b>
13,395			<b>14,907</b>
4,330	<b>(Surplus)/Deficit for Year on Harbour Activities</b>		<b>4,319</b>
	Additional items to be taken into account to reconcile to Harbour balance:		
	Contributions to/(from) Capital Financing Reserve	5	
(5,784)	- Provision for repayment of external loans		<b>(5,794)</b>
1,450	- Release of Government Grants re Depreciation		<b>1,475</b>
4	Contributions to/(from) Pensions Reserve	1	<b>0</b>
<b>0</b>	<b>(Surplus)/Deficit for the year</b>		<b>0</b>

## FUNCTIONS TRANSFERRED FROM THE FORMER CBDC

<b>BALANCE SHEET AS AT 31 MARCH 2007</b>				
31 March 2006 £000		Note	31 March 2007	
			£000	£000
	Net Fixed Assets	2		
2,560	Other Land and Buildings		2,669	
599	Vehicles, Plant, Furniture & Equipment		496	
209,980	Infrastructure		204,249	
1,159	Community Assets		1,159	
59	Non Operational Assets		905	
<b>214,357</b>				<b>209,478</b>
5,400	Deferred Debtors		5,400	
5,400			5,400	5,400
	Current Assets			
921	Stocks and Work in Progress		917	
5	Investments		5	
14	Debtors		40	
(112)	Cash		(790)	
828				172
	Current Liabilities			
(327)	Creditors		(71)	
(501)	Grant Account		(101)	
(828)				(172)
219,757	Total Assets less Current Liabilities			214,878
(25,367)	Government Grants – Deferred Account	3	(24,745)	
(5,400)	Provisions & Deferred Liabilities		(5,400)	
(30,767)				(30,145)
188,990	Total Assets less Liabilities			184,733
193,567	Fixed Asset Restatement Account	4		193,630
(4,577)	Capital Financing Account	5		(8,897)
<b>188,990</b>	<b>Total Net Worth</b>			<b>184,733</b>

# FUNCTIONS TRANSFERRED FROM THE FORMER CBDC

## NOTES TO THE ACCOUNTS

### 1. Contribution to/(from) Pensions Reserve

In order to comply with FRS17, the figure in the revenue account for employees includes the current service cost in respect of pensions. In order that the bottom line pension cost equals the total employer's contributions paid to the Pension Fund in the year, a transfer is made to/(from) the Pensions Reserve as follows:

	2005/06 £000	2006/07 £000
Employers pension contributions paid	349	400
Current Service Cost	(345)	(400)
Net transfer to/(from) Pensions Reserve	4	0

### 2 Fixed Assets

#### 2.1 Valuation

- The Other Land and Buildings are valued on the basis of depreciated replacement cost or market value for the existing use.
- The 2006/07 valuation was carried out in accordance with the Practice Statements in the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors.
- Vehicles, Plant, Furniture and Equipment and Infrastructure are included in the Balance Sheet at historic cost net of depreciation.
- Non-operational Assets include work in progress.

#### 2.2 Capital Expenditure and Financing

	2005/06 £000	2006/07 £000
Expenditure as per Financial Statements:		
Opening Capital Financing Requirement	0	0
Expenditure on Fixed Assets	1,620	853
Sources of Finance:		
Grants and Contributions	(1,620)	(853)
<b>Total Financing</b>	<b>0</b>	<b>0</b>



## FUNCTIONS TRANSFERRED FROM THE FORMER CBDC

### 3. Extract from Government Grants – Deferred Account

The transactions relating to the former CBDC functions have been extracted and are set out below.

	2005/06 £000	2006/07 £000
<b>Balance as at 31 March b/f</b>	25,198	<b>25,367</b>
Movements during year		
Grants from Central Government	1,619	<b>853</b>
Release to Revenue Account	(1,450)	<b>(1,475)</b>
<b>Balance as at 31 March c/f</b>	<b>25,367</b>	<b>24,745</b>

### 4. Extract from Fixed Asset Restatement Account

This account has to be maintained under the 2006 SORP. The transactions relating to the former CBDC functions have been extracted and are set out below.

	2005/06 £000	2006/07 £000
Balance as at 31 March b/f	193,323	<b>193,567</b>
Movements during year		
Additions	0	<b>373</b>
Revaluations in the year	244	<b>(310)</b>
<b>Balance as at 31 March c/f</b>	<b>193,567</b>	<b>193,630</b>

### 5. Extract from Capital Financing Account

The Capital Financing Account contains amounts set aside to repay loans, along with the amount of capital expenditure financed from revenue and usable capital receipts. It also contains the difference between the depreciation charge and the annual amount charged to revenue to repay loans and the release of Deferred Government grants. The transactions relating to the former CBDC functions have been extracted and are set out below.

	2005/06 £000	2006/07 £000
<b>Balance as at 31 March b/f</b>	(243)	<b>(4,577)</b>
Contributions (to)/from Revenue Account:		
Principal Repayments (Depreciation excess over provision for repayment of external debt)	(5,784)	<b>(5,795)</b>
Release of Government Grants	1,450	<b>1,475</b>
<b>Balance as at 31 March c/f</b>	<b>(4,577)</b>	<b>(8,897)</b>

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

---

## Foreword

The Cardiff and Vale of Glamorgan Pension Fund is an occupational pension scheme for all employees of Local Authorities within the geographical area of Cardiff and the Vale of Glamorgan, except teachers, for whom separate arrangements exist. Power is also given to admit certain other bodies providing public services. Details of Fund membership are shown in notes 5 and 6 of the Pension Fund Accounts. The rules governing the Fund are found in the Superannuation Act 1972 and the various Regulations issued by central government.

Fund income arises from investment earnings and contributions by employees and employers. The employees' contribution rate, fixed by statute, is currently 6% of pensionable pay. Manual workers who were members before 1 April 1998 pay a protected rate of 5%. The type of investment is prescribed by legislation. The pension benefits payable out of the Fund are primarily determined by legislation and not by employers.

The power of removing and/or appointing trustees of local authority pension funds rests with Parliament. The County Council of the City & County of Cardiff is the sole trustee and administering authority of this Fund. Although responsible for administering the Fund, the Council has exactly the same relationship with it as the other 40 scheme employers.

The Council is responsible for setting overall investment objectives for the Fund, appointing suitable persons to implement policy and carrying out regular reviews and monitoring of investments. Responsibility for the Fund has been delegated by the Council to Christine Salter, Chief Financial Services Officer. She is advised on investment matters by the Investment Advisory Panel consisting of elected members and expert independent advisors.

The Investment Advisory Panel considers at its quarterly meetings:

- The overall Fund Objective and the risk involved
- Overall Fund and individual manager performance
- The Fund's investment management arrangements
- Strategic asset allocation over the major sectors and geographical areas, including the split between passive and active management

The Local Government Pension Scheme (Management & Investment of Funds) Amendment Regulations 1999 require administering authorities to prepare, maintain and publish a written statement of the principles governing their decisions about investments. The most recent revised statement, prepared in consultation with the Pension Fund Investment Advisory Panel and fund managers, is published on Cardiff Council's Internet Site.

The investment performance of the Cardiff and Vale of Glamorgan Pension Fund has exceeded the Fund's benchmark over the year. The Fund's return in 2006/07 was 9.5% while the benchmark return was 7.4%. This level of out performance can partly be attributed to positive asset allocation decisions by the Fund's investment Panel and partly to the performance of individual fund managers which have been appointed by the Pension Fund. The levels of investment returns in recent years, combined with higher employer contributions, mean that the value of the Fund is at an historical high of £900m.

All LGPS Fund's will be completing an actuarial valuation as at 31 March 2007 and the results, including the new employers' contribution rates, will be available in early 2008. During the past year the Department for Communities and Local Government (DCLG) have issued legislation to create a new LGPS with effect from 1 April 2008. Final regulations have been issued concerning the main benefits of the scheme although various aspects of the new scheme have yet to be agreed.

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

---

## Actuarial Statement

### Cardiff and Vale of Glamorgan Pension Fund

#### Statement of the Actuary for the year ended 31 March 7

#### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997, was completed as at 31 March 2004.

#### Actuarial Position

1. Rates of contributions paid by the participating Employers during 2006/07 were based on the actuarial valuation carried out as at 31 March 2004.
2. The valuation as at 31 March 2004 showed that the financial position of the Fund had deteriorated since the previous valuation with the market value of the Fund's assets of £548.0m, after application of a smoothing adjustment, covering 63% 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 2005 was as set out below:
  - 200% of members' contributions to meet the liabilities arising in respect of service after the valuation date.

#### Plus

- 145% of members' contributions 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.

#### Less

- 90% of members' contributions in respect of higher assumed investment income over the short term.

These figures are based on the Regulations in force at the time of signing the valuation report, and in particular allowed for changes to the Fund benefits effective from 1 April 2005.

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.

If the assumptions are borne out in practice, the rate of contribution for each Employer would increase at the end of 3 years, due to the cessation of the short term additional investment income. It would then continue at the resultant level for the balance of the relevant recovery period before reverting to the relevant long term rate. In practice, contribution rates will be reviewed at the next valuation due at 31 March 2007, and consideration is being given to making further assumptions concerning short term investment returns.

4. The rates of contributions payable by each participating Employer over the period 1 April 2005 to 31 March 2008 are set out in a certificate dated 31st March 2005 which is appended to our report of the same date on the actuarial valuation.
5. The contribution rates certified in our valuation as at 31 March 2004 were based on the benefit structure of the Fund as indicated by Regulations as at the date of signing our certificate. However, new Regulations, backdated to 1 April 2005, were

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

---

subsequently issued which increased the theoretical cost of Fund benefits relative to those on which the certificate was based. No adjustment has been made to contribution rates in respect of that change as it was indicated by the Government that further changes would occur which would offset these additional costs. Further Regulations have since been issued which brought in various changes including

- allowing commutation of pension for additional lump sum,
- extending the retention of the Rule of 85 age provisions to 31 March 2008, and the transitional protections, but only for existing members at 30 September 2006.

More recently the Government issued regulations setting out a new benefit structure to be introduced from 1 April 2008.

The impact of all of these changes will be taken into account at the Fund valuation as at 31 March 2007.

6. 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. The main actuarial assumptions were as follows:

Discount rate for periods

In service	6.2% a year
Left service	
Admitted Bodies:	5.2% a year
Scheduled Bodies:	6.2% a year
Rate of general pay increases	4.4% a year
Rate of increases to pensions in payment	2.9% a year
Short term return on shares/property	7.7% a year
Short term return on other assets	5.2% a year
Valuation of assets	smoothed market value.

7. The next actuarial valuation of the Fund as at 31 March 2007 is currently underway.
8. This statement has been prepared by the Actuary to the Fund, Hewitt Bacon & Woodrow, for inclusion in the accounts of the City & County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2004. 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 Bacon & Woodrow does not accept any responsibility or liability to any party other than our client, the City & County of Cardiff, in respect of this statement.

Hewitt Bacon & Woodrow Limited  
June 2007

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2007

2005/06		2006/07	
		£000	£000
<b>CONTRIBUTIONS AND BENEFITS</b>			
<b>Contributions receivable</b>			
39,408	from employers (Note 5)	<b>46,889</b>	
12,320	from employees (Note 5)	<b>13,315</b>	
11,651	Transfers in	<b>12,512</b>	
1,466	Other Income (Capitalised Payments)	<b>1,718</b>	
<u>64,845</u>			<b>74,434</b>
<b>Benefits Payable</b>			
(31,641)	Pensions (Note 6)	<b>(33,091)</b>	
(4,374)	Lump Sums (Note 6)	<b>(6,993)</b>	
	Payments to and on account of leavers		
(79)	Refunds of contributions	<b>(21)</b>	
(6,468)	Transfers out	<b>(4,309)</b>	
(801)	Admin & Other expenses (Note 8)	<b>(825)</b>	
<u>(43,363)</u>			<b>(45,239)</b>
21,482	Net (Additions)/Withdrawals from dealings with Members of the Fund		<b>29,195</b>
<b>RETURNS ON INVESTMENT</b>			
4,899	Investment Income (Note 9)	<b>9,930</b>	
152,576	Change in market value of investments (Note 10)	<b>59,454</b>	
(1,406)	Investment management expenses (Note 8)	<b>(2,169)</b>	
<u>156,069</u>	Net Returns on Investments		<b>67,215</b>
<u>177,551</u>	Net (Increase)/Decrease in the Fund during Year		<b>96,410</b>
625,587	Opening Net Assets of the Scheme		<b>803,138</b>
<u><b>803,138</b></u>	<b>Closing Net Assets of the Scheme</b>		<u><b>899,548</b></u>

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

## NET ASSETS STATEMENT AS AT 31 MARCH 2007

2005/06		2006/07	
£000		£000	£000
781,372	Investments at market value (Note 10)	<b>882,786</b>	
20,327	Cash & investment proceeds due (Note 10)	<b>13,670</b>	
<u>801,699</u>			<b>896,456</b>
	Current assets		
246	UK & Overseas Tax	<b>319</b>	
2,116	Contributions due from Employers	<b>3,777</b>	
47	Investment Income accrued due	<b>55</b>	
5	Sundry Debtors (Note 12)	<b>51</b>	
<u>2,414</u>			<b>4,202</b>
	Less		
	Current liabilities		
(672)	Unpaid Benefits	<b>(495)</b>	
(303)	Sundry Creditors (Note 12)	<b>(615)</b>	
<u>(975)</u>			<b>(1,110)</b>
<u><b>803,138</b></u>	Net Assets of the Scheme at 31 March 2007		<u><b>899,548</b></u>

## NOTES TO THE ACCOUNTS

1. The accounts summarise the transactions and net assets of the Pension Fund, and comply in all material respects with the Statement of Recommended Practice, "Financial Reports of Pension Schemes", and the 2006 Local Authority SORP which also applies to pension funds.

They do not take account of future liabilities to pay pensions and other benefits. The actuarial position, which does take account of such liabilities, is included with the annual report. This shows that the overall funding level as at 31 March 2004 is 63%, the shortfall at that date being equivalent to £321.6m.

### 2. Accounting Policies

#### (a) Basis of Preparation

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. As required by the SORP, the Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been transferred to the receiving scheme. All other income and expenditure has been accounted for on an accruals basis except the liability to pay pensions and other benefits in the future.

#### (b) Valuation of Investments

Quoted bond and equity investments are valued at mid market value at close of business on the last working day in March 2007. (Market value is the price at which an investment can be sold at a given date.) Private equity holdings are valued by the managers having due regard to latest dealings, professional valuation, asset

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

values and other appropriate financial information. Pooled vehicles are normally valued at mid prices. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list).

(c) **Acquisition costs of Investments**

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

### 3. Taxation

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

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

(b) **Value Added Tax.**

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

(c) **Overseas Withholding Tax.**

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

### 4. Titles of Ownership

Evidences of ownership for the property unit trusts, private equity holdings and the F & C Stewardship Fund are held at County Hall. All other evidences of ownership were held at 31 March 2007 by The Northern Trust Co to the account of the Council. Statements of holdings have been provided by Northern Trust.

### 5. Employing Bodies - Contributions

EMPLOYER	No of Contributors at 31.3.07	Contribution Rates (% of employees' contributions)		Employees £	Employers £	Total £
		2006/07	2005/06			
<b>SCHEME</b>						
Barry College	126	274	250	113,680	310,961	424,641
Barry Town Council	20	343	308	23,048	79,053	102,101
Cardiff City Transport	99	235	235	118,014	818,730	936,744
Cardiff Council	8,496	330	305	8,382,980	27,312,291	35,695,271
Coleg Glan Hafren	149	274	250	148,948	406,346	555,294
Cowbridge Town Council	4	343	308	3,410	11,599	15,009
Dinas Powys Comm Council	2	271	234	1,997	5,411	7,408
Llantwit Major Town Council	2	343	308	2,310	7,922	10,232
PSOW	9	348	324	21,062	1,714,024	1,735,086
Penarth Town Council	10	343	308	12,286	42,111	54,397
Radyr & Morganstown Community Council	1	271		383	1,037	1,420
Royal Welsh Coll Music & Drama	0	274	250	64,170	175,460	239,630
St Cyres Comp GM	34	304	292	29,600	89,990	119,590
St Davids Sixth Form Coll	19	304	292	22,163	67,072	89,235

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

EMPLOYER	No of Contributors at 31.3.07	Contribution Rates (% of employees' contributions)		Employees £	Employers £	Total £
		2006/07	2005/06			
Stanwell Comp GM	50	304	292	29,710	90,317	120,027
Univ of Wales Inst, Cardiff	558	274	250	751,972	2,035,375	2,787,347
Vale of Glamorgan Council	2,831	374	374	2,757,669	10,146,935	12,904,604
<b>Sub-total</b>	<b>12,410</b>			<b>12,483,402</b>	<b>43,314,634</b>	<b>55,798,036</b>
<b>NON-SCHEME</b>						
CBAT the Arts & Regen Agency	1	348	324	2,100	7,308	9,408
Cardiff Business Technology	8	267	244	6,685	19,252	25,937
Cardiff Gypsy & Traveller Project	1	288	270	889	2,562	3,451
Cardiff Institute for Blind	10	348	324	8,603	21,006	29,609
Cardiff University	115	444	395	125,293	548,630	673,923
Career Wales (Cardiff & Vale)	136	242	242	173,420	944,188	1,117,608
Children in Wales	21	288	270	23,931	68,916	92,847
Citizens Advice Bureau (Cardiff)	9	182	171	9,466	17,224	26,690
Civic Trust For Wales	1	288	270	2,408	6,936	9,344
Design Commission for Wales	3	200	200	5,613	11,225	16,838
Fforwm	8	222	204	17,488	38,822	56,310
Glamorgan Holiday Hotel	1	348	324	1,745	6,073	7,818
Housing for Wales	2	325	325	2,848	255,656	258,504
Opportunity Housing Trust	15	288	270	26,796	77,174	103,970
Play Wales	9	222	204	15,482	34,371	49,853
Race Equality First	4	348	324	5,500	19,140	24,640
Royal National Eisteddfod	10	356	312	23,447	83,472	106,919
Sports Council for Wales	163	298	272	243,676	726,156	969,832
Wales & West Housing Assoc	1	348	324	6,429	22,375	28,804
Welsh Council for Voluntary Action	75	204	185	107,670	219,555	327,225
Wales Youth Agency	0	348	324	0	400,000	400,000
Workers Education Assoc	17	200	200	22,319	44,638	66,957
<b>Sub-total</b>	<b>610</b>			<b>831,808</b>	<b>3,574,679</b>	<b>4,406,487</b>
<b>TOTAL</b>	<b>13,020</b>			<b>13,315,210</b>	<b>46,889,313</b>	<b>60,204,523</b>



**CARDIFF AND VALE OF GLAMORGAN  
PENSION FUND ACCOUNTS**

**6. Employing Bodies - Benefits Paid**

<b>EMPLOYERS</b>	<b>Retirement Pensions £</b>	<b>Lump Sums on Retirement £</b>	<b>Death Grants £</b>	<b>Commutation Payments £</b>
<b>SCHEME:</b>				
Barry College	96,277	24,720		2,832
Barry Town Council	48,586			
Cardiff City Transport	1,520,869	335,901	93	41,941
Cardiff Council	23,273,685	3,637,085	595,554	26,428
Coleg Glan Hafren	91,778	297		
Cowbridge Town Council	3,908	1,252		
Llantwit Major Town Council	11,746			
Mary Immaculate High School	11,399			
Penarth Town Council	11,227	19,882		
Public Services Ombudsman for Wales	120,909	5,507		
Royal Welsh College of Music & Drama	45,351	7,647		2,287
S Wales Magistrates Courts	676,545	78,077		
St Cyres Comprehensive GM	9,471			
St Davids Sixth Form Coll	27,989	48,690		
Stanwell Comprehensive GM	1,698	13,462		
Univ of Wales Inst, Cardiff	368,376	214,854	24,002	524
Vale of Glamorgan Council	4,512,850	1,141,961	126,020	2,566
<b>Sub-total</b>	<b>30,832,664</b>	<b>5,529,335</b>	<b>745,669</b>	<b>76,578</b>
<b>NON-SCHEME</b>				
Cardiff Bay Devpt Corp	358,111			
Cardiff Gypsy Sites	1,093			
Cardiff Institute for Blind	61,948	32,920	3,150	
Cardiff University	748,502	73,661	10,470	
Catholic Children's Soc				
Careers Service	68,845	13,384	39,328	
Children in Wales	806			
Citizens Advice Bureau (Cardiff)	3,725			
Citizens Advice Bureau (Vale)	649			
Civic Trust for Wales	1,015	7,308		
Glam & Gwent Hsg Assoc	47,124			
Glamorgan Holiday Hotel	46,441			
Intervol	1,157			
Housing for Wales	83,923			
Land Authority for Wales	226,429			
Opportunity Housing Trust	14,211	3,840		
Play Wales	4,393	29,180		
Royal National Eisteddfod	9,972			
S E Wales Com Trust	5,517			

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

<b>EMPLOYERS</b>	<b>Retirement Pensions £</b>	<b>Lump Sums on Retirement £</b>	<b>Death Grants £</b>	<b>Commutation Payments £</b>
Sports Council for Wales	395,012	67,270		
STAR	6,771	24,161		
Wales & West Housing Assoc.	117,700	327,008		
Wales Youth Agency	28,403			
Welsh Council for Voluntary Action	24,859	9,395		
Welsh Water	1,509			
<b>Sub-Total</b>	<b>2,258,115</b>	<b>588,127</b>	<b>52,948</b>	<b>0</b>
<b>TOTAL</b>	<b>33,090,779</b>	<b>6,117,462</b>	<b>798,617</b>	<b>76,578</b>

### 7. Membership of the Fund

Fund membership at 31 March 2007 is as follows:

	2006	2007
Contributing Employers	40	38
Contributors	12,693	13,020
Pensioners	7,861	8,007
Deferred pensioners	5,796	6,811

### 8. Investment and Administration Expenses

Investment Management and Administration Expenses fully charged to the Fund are:

	2005/06 £000	2006/07 £000
Management Fees	1,334	2,071
Custody Fees	72	98
Support Service Charges	1,406	2,169
Other Administration Expenses	647	702
	154	123
	<b>2,207</b>	<b>2,994</b>

### 9. Investment Income

	2005/06 £000	2006/07 £000
UK Fixed Interest Securities	957	4,420
Overseas Fixed Interest Securities	338	268
UK Equities & Private Equity Funds	198	1,411
Overseas Equities (net of irrecoverable tax)	1,118	1,319
Property Unit Trust Income	1,171	1,410
Interest on UK cash	1,117	1,102
	<b>4,899</b>	<b>9,930</b>

**CARDIFF AND VALE OF GLAMORGAN  
PENSION FUND ACCOUNTS**

**10. Investments at Market Value**

	31 March 2006		31 March 2007	
	£000	£000	£000	£000
UK Fixed Interest:				
Public Sector	24,642		<b>38,489</b>	
Other (pooled)	55,577		<b>56,521</b>	
		80,219		<b>95,010</b>
Overseas Fixed Interest				
Public Sector (Pooled)	32,444		<b>32,855</b>	
Other	10,192		<b>390</b>	
		42,636		<b>33,245</b>
UK Quoted Equities & Convertibles		0		<b>47,035</b>
Foreign Quoted Equities		67,494		<b>68,248</b>
UK Property Unit Trusts		35,318		<b>60,809</b>
Managed and Unitised Equity Funds:				
UK	403,397		<b>414,329</b>	
Overseas	152,308		<b>164,110</b>	
		555,705		<b>578,439</b>
		781,372		<b>882,786</b>
Cash:				
UK	22,562		<b>22,501</b>	
Overseas	0		<b>0</b>	
Net investment				
Proceeds due	(2,235)		<b>(8,831)</b>	
		20,327		<b>13,670</b>
		<b>801,699</b>		<b>896,456</b>

The managing companies of the Managed Funds are all UK registered. These include private equity funds valued at £35.997 million, which are not marketable. The other funds are not quoted on recognised stock exchanges and may not be realisable as readily as quoted investments. Other than pooled funds, no single investment accounted for more than 5% of Fund assets.

Gross purchases in the year (excluding cash) were £143.915 million. Sales were £101.955 million. From these a net realised profit of £24.2 m (2005/6, £36.153 million profit) accrued to the Fund. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

**CARDIFF AND VALE OF GLAMORGAN  
PENSION FUND ACCOUNTS**

	Value at 31/3/06 £000	Purchase at Cost £000	Sale Proceeds £000	Change in Mkt Value £000	Value at 31/3/07 £000
Fixed Interest Securities	122,855	50,301	(38,353)	(6,548)	<b>128,255</b>
Equities	67,494	45,648	(43,640)	(1,254)	<b>68,248</b>
Managed & unitised funds	530,538	18,042	(13,391)	54,270	<b>589,459</b>
Property unit trusts	35,318	16,218	0	9,273	<b>60,809</b>
Private equity	25,167	13,706	(6,571)	3,713	<b>35,997</b>
<b>Total</b>	<b>781,372</b>	143,915	(101,955)	59,454	<b>882,786</b>
Debtors	4,092				<b>3,195</b>
Creditors	(6,327)				<b>(12,026)</b>
Cash	22,562				<b>22,501</b>
	<b>801,699</b>				<b>896,456</b>

11. **Summary of Managers' Portfolio Values at 31 March 2007**

	£000	%
Barclays Global Investors	162,531	18.1
Invesco	49,736	5.5
J P Morgan	47,396	5.3
Majedie	47,035	5.2
State Street Global Advisors	258,524	28.9
Jupiter Asset Management	12,535	1.4
F&C	10,092	1.1
Aberdeen Asset Management	122,491	13.7
Schroder Investment Managers	70,432	7.9
Property Unit Trusts	60,673	6.8
Private Equity Managers	35,997	4.0
Internally Managed (Cash)	18,860	2.1
	896,302	100.00

12. **Sundry Debtors & Creditors**

	2005/06 £000	2006/07 £000
<b>Debtors</b>		
Pensions Administration	5	<b>51</b>
	<b>5</b>	<b>51</b>
<b>Creditors</b>		
Management & Custody Fees	303	<b>583</b>
Miscellaneous	0	<b>32</b>
	<b>303</b>	<b>615</b>

13. **Capital Commitments**

As at 31 March 2007 the Fund had private equity commitments of a maximum of £53.971 million (£42.848 million at 31 March 2006).

## **CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS**

---

**14. Contingent Liabilities**

The Fund has no contingent liabilities.

**15. Related Party Transactions**

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

Other related party transactions with Cardiff Council are:

- Cash invested internally by Cardiff Council (for working capital purposes) as shown in note 10.
- Administration expenses charged to the Fund by the Council are shown in note 8.

Details of Members and officers of the Council represented on the Investment Advisory Panel are shown on page 3 of the Pension Fund Annual Report. None of the Managers of the Scheme, key managerial staff or other related parties has undertaken any material transactions with the Scheme during the year.

A full version of the Cardiff & Vale of Glamorgan Pension Fund Annual Report may be obtained from:

Christine Salter  
Chief Financial Services Officer

# THE GROUP ACCOUNTS

---

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2006 SORP that a Local Authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. The Council has determined the group boundary in accordance with the definitions contained in the SORP. The following three entities fall within those definitions and their results have therefore been included in the Council's group accounting statements:

**Cardiff City Transport Services Ltd.**, a wholly owned subsidiary of Cardiff Council

**Cardiff Business Technology Centre Ltd. (CBTC)**, a company limited by guarantee which is a wholly owned subsidiary of Cardiff Council

**Cardiff Medicentre**, a joint venture in which the Council has a 44.5% share

In addition the Council manages several Trust Funds and for 7 of these funds it is the sole trustee or the trustees are people nominated/appointed by the Council. However, legally the assets and liabilities of Charitable Trusts are not the property of the Council and the use of the assets is restricted to the particular purposes of the Trust. Further guidance is expected on this issue in the 2007 SORP but until then the Council has taken the view that these Funds should not be consolidated into its group accounts. Details have been disclosed separately in note 16 to the group accounts.

# THE GROUP ACCOUNTS

---

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### **Basis of Consolidation**

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, Cardiff City Transport Services Ltd and Cardiff Business Technology Centre Ltd (CBTC). Medicentre has been consolidated as a joint venture using the gross equity method. Intra group transactions and balances between the Council and its subsidiaries have been eliminated in full.

### **Accounting policies**

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 27 to 31 with the following additions and exceptions:

#### **1. Retirement Benefits**

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with FRS17. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members.

The group also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

The employees of Cardiff Business Technology Centre Ltd. belong to the Cardiff and Vale of Glamorgan Pension Scheme. The level of contributions made to the scheme and the cost of contributions included in the financial statements are based on the recommendations of the independent actuary. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ.

#### **2. Value Added Tax**

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

#### **3. Goodwill**

The Council's interests in its subsidiaries and joint venture date back to their inception and therefore there is no goodwill to be accounted for.

#### **4. Charges to Income and Expenditure for Fixed Assets**

A charge is made from the revaluation reserves of the two subsidiary companies to the Group Income and Expenditure Reserve for the difference between depreciation charged on the current value of fixed assets held by the subsidiaries and what would have been the historical cost depreciation for the year.

# THE GROUP ACCOUNTS

## ORGANISATIONS INCLUDED IN THE CONSOLIDATION

### Cardiff City Transport Services Ltd

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by Cardiff Council. In addition the Council owns a £1,000,000 debenture in the company. Cardiff City Transport Services was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's most recent operating results as included in these statements are summarised below:

	Year to 31 March 2006 £000	Year to 31 March 2007 £000
Turnover	(26,217)	<b>(28,894)</b>
Operating and other expenditure	26,124	<b>27,144</b>
<b>Net (Profit) / Loss before Taxation</b>	(93)	<b>(1,750)</b>
Less: Taxation	(52)	<b>472</b>
<b>(Profit) / Loss after Taxation</b>	(145)	<b>(1,278)</b>

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

	<b>31 March 2006 £000</b>	<b>31 March 2007 £000</b>
Bus and other operating assets	16,536	18,739
Current assets	8,259	8,767
Less Current liabilities	(3,830)	(4,551)
Creditors falling due after more than one year	(1,963)	(3,494)
Provision for liabilities:		
Deferred taxation	(1,196)	(1,168)
Insurance provision	(3,357)	(3,050)
Pensions Liability	(10,142)	(8,614)
	<b>4,307</b>	<b>6,629</b>
Represented by:		
Share Capital	4,618	4,618
Profit and loss account	6,003	6,930
FRS17 Pension Reserve	(10,142)	(8,614)
Revaluation Reserve	3,828	3,695
	<b>4,307</b>	<b>6,629</b>

For the year ended 31 March 2007 Deloitte & Touche have audited the accounts and an unqualified audit opinion has been issued. A full copy of the most recently filed accounts can be obtained from Companies House, Cardiff.



## THE GROUP ACCOUNTS

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

CBTC is a company limited by guarantee, which is wholly owned by the Council. The Council's guarantee to CBTC Ltd is to pay costs not exceeding £10 in the event of the company being wound up. The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. CBTC Ltd has an unsecured loan from Cardiff Council, of which £41,559 is outstanding at 31 March 2007. . The company's most recent operating results as included in these statements are summarised below:

	Year to 31 March 2006	<b>Year to 31 March 2007 provisional</b>
	£000	<b>£000</b>
Net (Profit)/Loss before taxation	(15)	<b>10</b>
Less: Taxation	2	<b>(2)</b>
<b>(Profit)/Loss for year after taxation</b>	<b>(13)</b>	<b>8</b>

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

	31 March 2006	<b>31 March 2007 provisional</b>
	£000	<b>£000</b>
Total assets less current liabilities	165	<b>1,203</b>
Creditors: falling due after more than one year	(119)	<b>(124)</b>
Provision for taxation	(2)	<b>0</b>
Pensions Reserve	(61)	<b>(58)</b>
	<b>(17)</b>	<b>1,021</b>
Represented by:		
Retained Profit	44	<b>41</b>
Revaluation Reserve	0	<b>1,038</b>
FRS17 Pension Reserve	(61)	<b>(58)</b>
	<b>(17)</b>	<b>1,021</b>

The accounts for the year ended 31 March 2007 have been audited by Deloitte & Touche and an unqualified audit opinion has been issued. A full copy of the accounts can be obtained from Centre Administrator, Cardiff Business Technology Centre Ltd, Senghenydd Road, Cardiff CF24 4AY.

### Cardiff Medicentre Joint Venture

Cardiff Medicentre was established to provide facilities for small firms in the medical and health care sector and is the result of a joint collaboration between Cardiff Council, University of Wales College of Medicine, Welsh Development Agency and the Cardiff and Vale NHS Trust in 1992. The Council owns a 44.5% share.

# THE GROUP ACCOUNTS

## THE GROUP INCOME AND EXPENDITURE ACCOUNT

2005/6 Net Expenditure £000		Note	Expenditure £000	Income £000	2006/7 Net Expenditure £000
4,716	Central Services		40,306	(34,506)	5,800
64,320	Cultural, Environmental & Planning (CE&P)		117,203	(48,850)	68,353
190,668	Education		260,431	(59,920)	200,511
35,235	Highways, Roads & Transportation (HR&T)		82,690	(46,965)	35,725
7,447	Local Authority Housing		75,056	(48,530)	26,526
10,480	Other Housing Services		111,052	(101,966)	9,086
67,801	Adult Social Services		112,208	(31,465)	80,743
31,731	Children's Services		41,422	(9,736)	31,686
289	Court Services		0	0	0
13,179	Corporate & Democratic Core		10,905	(565)	10,340
2,767	Non Distributed Costs		2,368	0	2,368
(12)	Reporting Authority's share of operating results of Associates & JVs		90	(93)	(3)
<b>428,621</b>	<b>Net Cost of Services</b>		<b>853,731</b>	<b>(382,596)</b>	<b>471,135</b>
(5,099)	(Gain)/loss on disposal of fixed assets				(5,928)
0	(Gain)/Loss on sale of investments				(2,371)
184	Community Council Precepts				189
15,491	Levies & Contributions				16,140
22,401	Interest Payable				22,379
669	Gains and Losses on the repurchase of borrowing				464
(8,012)	Interest & Investment Income				(7,415)
(3)	Authority's share of Investment Income of Joint Venture				(1)
11,207	FRS17 Interest Cost/Return on Assets	6			6,796
(50)	Taxation of group entities				470
<b>465,409</b>	<b>Net Expenditure</b>				<b>501,858</b>
(266,933)	General Government Grants				(281,993)
(65,045)	Non-Domestic Rates				(70,734)
(97,343)	Precept				(101,023)
<b>36,088</b>	<b>(Surplus) / Deficit for the Year</b>				<b>48,108</b>

## THE GROUP ACCOUNTS

### RECONCILIATION OF THE SINGLE ENTITY (SURPLUS)/DEFICIT FOR THE YEAR TO THE GROUP (SURPLUS)/DEFICIT

2005/06 £000		2006/07 £000
36,227	(Surplus)/deficit on the authority's single entity Income & expenditure Account for the year	<b>49,382</b>
	(Surplus)/deficit arising from other entities included in the group accounts:	
(124)	Subsidiaries	<b>(1,270)</b>
(15)	Associates & Joint Ventures	<b>(4)</b>
<b>36,088</b>	<b>Group Account (surplus)/deficit for the year</b>	<b>48,108</b>

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2005/06 £000		2006/07 £000
36,088	Net (surplus)/deficit for year	<b>48,108</b>
(1,059)	(Surplus)/deficit on revaluation of fixed assets	<b>(663,770)</b>
(23,100)	Actuarial (gains)/losses on pensions assets and liabilities	<b>(10,442)</b>
(8,255)	Other (gains)/losses recognised in the STRGL	<b>(446)</b>
<b>3,674</b>	<b>Total recognised (gains)/losses for the year</b>	<b>(626,550)</b>
11,341	Prior year adjustments	<b>0</b>
<b>15,015</b>	<b>Change in Net Worth as per Balance Sheet</b>	<b>(626,550)</b>

# THE GROUP ACCOUNTS

## GROUP BALANCE SHEET

31 March 2006 £000		Note	31 March 2007	
			£000	£000
	Fixed Assets	7		
145	Intangible Assets:			
	Purchased Software Licences		107	<b>107</b>
	Development Expenditure			
	Licences, trademarks etc.			
	Patents			
	Goodwill			
	Tangible Assets			
	Operational Assets:			
499,942	Council Dwellings		1,107,870	
775,953	Other Land and Buildings		732,678	
19,510	Vehicles, Plant, Furniture & Equipment		22,658	
352,266	Infrastructure		362,020	
20,729	Community Assets		31,010	
163,066	Non-Operational Assets		210,077	
<b>1,831,466</b>				<b>2,466,313</b>
50,787	Long-term Investments	8	25,335	
8,158	Deferred Debtors		8,212	
6,307	Deferred Premiums		5,837	
<b>65,252</b>				<b>39,384</b>
326	Additional sum required to be included in respect of Net Assets of Joint Venture	15	49	
				<b>49</b>
	Current Assets:			
2,886	Stocks		2,856	
69,048	Debtors	9	76,564	
73,575	Investments	10	101,526	
3,702	Cash and Bank	11	7,663	
<b>149,211</b>				<b>188,609</b>
	Current Liabilities:			
(79,325)	Creditors	12	(87,952)	
(4,644)	Loans due within one year		(3,754)	
<b>(83,969)</b>				<b>(91,706)</b>
<b>1,962,431</b>	<b>Total Assets less Current Liabilities</b>			<b>2,602,756</b>
(384,075)	Long Term Borrowing			<b>(386,434)</b>
(120,955)	Government Grants – Deferred Account			<b>(135,020)</b>
(32,543)	Provisions and Deferred Liabilities	13		<b>(30,707)</b>
(963)	Obligations under Finance Leases	5		<b>(2,494)</b>
(13,460)	Contributions/Capital Balances Unapplied			<b>(16,861)</b>
0	Deferred Discounts			<b>(726)</b>
(347,713)	Net Pensions Liability	6		<b>(341,242)</b>
<b>1,062,722</b>	<b>Total Assets less Liabilities</b>			<b>(1,689,272)</b>

## THE GROUP ACCOUNTS

31 March 2006 £000		Note	31 March 2007	
			£000	£000
	Financed by:	14		
1,261,938	Fixed Asset Restatement Account		<b>1,867,029</b>	
65,864	Capital Financing Account		<b>93,139</b>	
17,427	Usable Capital Receipts Reserve		<b>11,222</b>	
968	Deferred Credits (including deferred capital receipts)		<b>572</b>	
(347,713)	Pensions Reserve		<b>(341,242)</b>	
9,417	General Fund Balance		<b>9,092</b>	
9,960	Housing Revenue Account Balance		<b>5,018</b>	
6,047	Group Income & Expenditure Reserve in respect of subsidiaries		<b>6,971</b>	
326	Group Income & Expenditure Reserve in respect of joint venture		<b>49</b>	
28,307	Earmarked Reserves		<b>27,372</b>	
5,317	Transport Realisation Reserve		<b>5,317</b>	
4,864	Revaluation Reserve of subsidiaries		<b>4,733</b>	
<b>1,062,722</b>	<b>Total Net Worth</b>			<b>1,689,272</b>

# THE GROUP ACCOUNTS

## GROUP CASH FLOW STATEMENT

2005/06 £000		2006/07	
		£000	£000
<b>(9,454)</b>	<b>Net Cash Inflow/Outflow from Revenue Activities</b>		<b>(40,112)</b>
	<b>Returns on Investments and Servicing of Finance</b>		
	<i>Cash inflows</i>		
22,024	Interest paid	22,345	
128	Interest element of finance lease rental payments	202	
	<i>Cash outflows</i>		
(6,827)	Interest received	(7,156)	
(98)	Dividends received from investments	(98)	
<b>15,227</b>			<b>15,293</b>
<b>171</b>	<b>Taxation</b> (receivable)		<b>5</b>
	<b>Capital Expenditure and Financial Investment</b>		
	<i>Cash outflows</i>		
60,140	Purchase of fixed assets	95,469	
18,413	Deferred charges	15,572	
200	Purchase of long term investments	0	<b>111,041</b>
	<i>Cash inflows</i>		
(28,051)	Sale of fixed assets	(50,001)	
(34,984)	Capital grants received	(33,598)	
0	Disposal of L/T investments	(25,000)	
(5,365)	Other capital cash receipts	(5,820)	
<b>10,353</b>			<b>(114,419)</b>
<b>16,297</b>	<b>Net cash inflow/outflow before financing</b>		<b>(28,192)</b>
	<b>Management of Liquid resources</b>		
803	Net increase/(decrease) in short term deposits	27,951	
	<b>Financing</b>		<b>27,951</b>
	<i>Cash outflows</i>		
23,775	Repayments of amounts borrowed	59,830	
	<i>Cash inflows</i>		
(41,000)	New loans raised	(61,800)	
(607)	New short term loans	0	
	<i>Finance leases</i>		
703	Net capital cost of finance leases	(1,750)	
<b>(17,129)</b>			<b>(3,720)</b>
<b>(29)</b>	<b>Net (increase)/decrease in cash</b>		<b>(3,961)</b>

# THE GROUP ACCOUNTS

## NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 36 to 66 apply also to the Group Accounts with the following additions and exceptions:

1. **Prior Year adjustments**

The 2005/06 comparative figures in the Group Income and Expenditure Account and the Group Balance Sheet have been restated to take account of the prior period adjustments made to the Council's single entity accounts. (For further information see notes 1, 26, 28 to the Core Financial Statements.)

2. **Remuneration**

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

Remuneration Band £000	Number of Employees	
	2005/06	2006/07
140-150	0	1
130-140	1	0
120-130	0	0
110-120	3	3
100-110	3	1
90-100	3	2
80 – 90	4	8
70 – 80	15	16
60 – 70	23	24

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

3. **Related Parties Disclosures**

3.1 Related Party Transactions of the group are as follows:

**Central Government** has effective control over the general operations of the council. It sets the statutory framework within which the council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in the Council's Cash Flow Statement and associated note 34 to the Council's Core Financial Statements.

**Pension Fund** – details of pension contributions paid over to the Cardiff and Vale of Glamorgan Pension Fund are shown in note 19.1 to the Core Financial Statements. Cardiff Council, Cardiff City Transport Services and CBTC have employees who are also members of the scheme.

**Precepts and Levies** – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 3 to the Council's Core Financial Statements.

**South Wales Police Authority (SWPA)** – the precept paid by Cardiff Council to SWPA during 2006/07 is detailed in note 3 to the Core Financial Statements. In addition to this the Council paid £0.59 million to SWPA during 2006/07 (£0.534 million in 2005/06), the majority of which (£0.501 million) was in respect of traffic wardens connected to the

# THE GROUP ACCOUNTS

voucher parking scheme.

**Glamorgan Cricket Club** – during 2006/07 the Council entered into an agreement with Glamorgan Cricket Club to provide a loan of £4 million to be repaid over 20 years. The loan is to be used for the construction of new stands and facilities. The first instalment of the loan in the sum of £0.53 million was made in April 2007 and reserved into 2006/07 as it related to work carried out in that year. In addition during 2006/07 the Council made payments to the Club of £29,000 and received income of £28,000.

**Members of the Council** have direct control over the Council's financial and operating policies. Members' interest in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2006/07, goods and services to the value of £2.871 million were commissioned from companies in which members had an interest (£1.489 million in 2005/06). In addition, the Council appoints members and chief officers to certain charitable organisations and to the Chamber of Commerce and associated companies. During 2006/07, a total of £0.406 million was paid to these bodies (£1.199 million in 2005/06). Details of members' allowances are shown in note 11 to the Council's Core Financial Statements.

**Officers** - during 2006/07, the Council received income of £6,000 from Chief Officers and above relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£10,000 in 2005/06). Details of Officers' emoluments are shown in note 11 to the Council's Core Financial Statements.

**PTI Cymru**

During the year Cardiff City Transport Services received £10,247 (£29,690 in 2005/06) from PTI Cymru Ltd. for the rent of a call centre in Cardiff and in turn was charged £36,180 (£44,304 in 2005/06) in respect of calls handled.

### 3.2 Related Party Balances

At 31 March 2007 the following balances were held in respect of related parties of the group.

31 March 2006		31 March 2007	
		Debtors £000	Creditors £000
11,802	Central Government Grants	11,845	(5,515)
14	Chief Officers and above – outstanding car loan balances	8	0
0	Precepting Bodies	0	(1,15)
0	Glamorgan Cricket Club	530	(530)
320	Companies in which members interests declared/other	403	(30)
5	PTI Cymru Ltd	0	(7)



## THE GROUP ACCOUNTS

### 4. External Audit Costs

In 2006/07 the following fees were paid by the Council and its subsidiaries in respect of audit and inspection:

	2005/06 £000	<b>2006/07 £000</b>
Fees payable to the external auditor in respect of audit services carried out by the appointed auditor	635	<b>442</b>
Fees payable to the external auditor in respect of statutory inspection	23	<b>74</b>
Fees payable to the external auditor for the certification of grant claims and returns	106	<b>137</b>
Fees payable in respect of other services provided by the appointed auditor	14	<b>12</b>

### 5. Leasing

#### 5.1 Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2006/07 were as follows:

	2005/06 £000	<b>2006/07 £000</b>
Property Leases	2,362	<b>1,470</b>
Other Leases	2,741	<b>3,296</b>

The Council was committed at 31 March 2007 to making payments of £10.380 million under operating leases in 2007/08 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2007/08	147	184
Leases expiring between 2008/09 and 2011/12	508	7,667
Leases expiring after 2011/12	1,509	365

#### 5.2 Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 06/07 were as follows:

	2005/06 £000	<b>2006/07 £000</b>
Vehicles, Plant & Equipment	128	<b>202</b>

Details of assets held under finance leases are as follows:

## THE GROUP ACCOUNTS

	Vehicles, Plant & Equipment £000
Value at 1 April 2006	5,819
Additions	2,898
Revaluations	0
Depreciation	(3,747)
Disposals	(210)
<b>Value at 31 March 2007</b>	<b>4,760</b>

Obligations under finance leases:

	Total £000
Obligations payable in 2007/08	904
Obligations payable between 2008/09 and 2012/13	2,028
Obligations payable after 2012/2013	466

### 6. Pensions

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

	2005/06 £000	2006/07 £000
<i>Net Cost of Services</i>		
Current Service Cost	24,473	<b>28,963</b>
Past Service Costs	2,767	<b>2,300</b>
<i>Net Operating Expenditure</i>		
Interest Cost	41,733	<b>44,138</b>
Expected Return on Scheme Assets	(30,526)	<b>(37,342)</b>
<b>Net charge to group Income &amp; Expenditure Account</b>	<b>38,447</b>	<b>38,059</b>
Appropriation to/( from) Pension Reserve to General Fund Balance	(9,680)	<b>(4,450)</b>
Appropriation to/( from) Pension Reserves to Profit & Loss Accounts of subsidiaries	328	<b>479</b>
<b>Net charge to General Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>29,095</b>	<b>34,088</b>

<b>Represented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	24,270	<b>29,180</b>
Payments in Respect of Unfunded Pensions Liabilities	2,840	<b>3,030</b>
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	1,985	<b>1,878</b>

# THE GROUP ACCOUNTS

---

## **Pensions Assets and Liabilities**

### 6.1 Statutory pensions disclosures in respect of the pensions arrangements of Cardiff City Transport Services are as follows:

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme has been closed to new members and a money purchase scheme has been introduced.

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2006. For the purposes of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 1.8% per annum higher than the rate of future annual wage and salary growth and 3.8% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 2.8% higher than the rate of future price inflation.

The valuation showed that the market value of the scheme's assets, net of members' AVCs, was £16.1m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions. The basic rate of company contributions required to meet the cost of benefits accruing at the valuation date, without allowance for any recovery of deficit, was found to be 14.9% of members' pensionable pay. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%.)

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

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2004 and advice regarding the contribution rate for employers participating in the fund was based on the following financial assumptions: it was assumed that the investment return, for liabilities before retirement, would be 1.8% per annum higher than the rate of annual wage and salary increases and 2.3% per annum higher than deferred pension increases; the investment return for liabilities in excess of pension increases after retirement was 2.3%.

The valuation showed that the notional market value of the scheme's share of the assets was £10,513,000 and that the actuarial value of those assets represented 70% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions. The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will decrease from 370% of members' contributions to 235% of members' contributions from 1 April 2005. In addition to this rate, Cardiff City Transport Services Limited is required to pay £541,000 per annum.

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

An approximate actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2006 by a qualified independent

## THE GROUP ACCOUNTS

actuary. The major assumptions used by the actuary were:

	31 March 2005	31 March 2006	31 March 2007
Rate of increase in salaries	4.0% per annum	4.0% per annum	<b>4.2% per annum</b>
Discount rate	5.4% per annum	4.9% per annum	<b>5.3% per annum</b>
Inflation assumption	2.8% per annum	2.8% per annum	<b>3.0% per annum</b>

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

	2005		2006		2007	
	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000
Equities	7.5% pa	9,178	7.5% pa	12,947	7.7% pa	<b>14,975</b>
Bonds	4.5% pa	1,586	4.5% pa	1,959	4.7% pa	<b>2,126</b>
Property	6.0% pa	-	6.0% pa	-	6.0% pa	-
Cash	4.0% pa	164	4.0% pa	25	5.6% pa	<b>131</b>
		10,928		14,931		<b>17,232</b>

The net pension liability measured under FRS 17 comprised the following:

	31 March 2005	31 March 2006	31 March 2007
	£000	£000	£000
Total market value of assets	10,928	14,931	<b>17,232</b>
Present value of scheme liabilities	(14,489)	(19,533)	<b>(20,826)</b>
<b>Net FRS17 Scheme Deficit</b>	<b>(3,561)</b>	<b>(4,602)</b>	<b>(3,594)</b>

	31 March 2006	31 March 2007
	£'000	£'000
<b>Analysis of amount charged to operating profit</b>		
Current service cost and total operating charge	(976)	<b>(979)</b>

<b>Analysis of amount credited to other financial income</b>		
Expected return on pension scheme assets	766	<b>1,089</b>
Interest on pension scheme liabilities	(782)	<b>(975)</b>
<b>Net Return</b>	<b>(16)</b>	<b>114</b>

## THE GROUP ACCOUNTS

Analysis of amount recognised in statement of total recognised gains and losses

	31 March 2006	<b>31 March 2007</b>
Actual return less expected return on pension assets	2,350	<b>404</b>
Experience gains and losses arising on the scheme liabilities	(730)	<b>70</b>
Changes in financial assumptions underlying the scheme liabilities	(2,680)	<b>360</b>
<b>Actuarial gain/(loss) recognised in statement of total recognised gains and losses</b>	<b>(1,060)</b>	<b>834</b>

<b>Movements in scheme deficit during the year</b>		
At 1 April 2006	(3,561)	<b>(4,602)</b>
Movement in year:		
Total operating charge	(976)	<b>(979)</b>
Contributions	1,011	<b>1,039</b>
Net return	(16)	<b>114</b>
Actuarial gain/(loss) in statement of total recognised gains and losses	(1,060)	<b>834</b>
<b>At 31 March 2007</b>	<b>(4,602)</b>	<b>(3,594)</b>

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

The most recent valuation was carried out as at 31 March 2004, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the Fund as at 31 March 2007. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The Cardiff Bus contribution rate over the accounting period was 370% of members' contributions. The contribution rates certified for Cardiff Bus at the 31 March 2001 valuation are as follows:

April 2002 to March 2003	370% of members' contributions
April 2003 to March 2005	370% of members' contributions
April 2005 to March 2006	235% of members' contributions

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

The main assumptions used for the purposes of FRS17 are as follows:

	At 31 March 2005	At 31 March 2006	<b>At 31 March 2007</b>
Rate of increase in salaries	4.4% pa	4.5% pa	<b>4.7% pa</b>
Discount rate	5.3% pa	4.9% pa	<b>5.3% pa</b>
Rate of increase in pensions in payment	2.9% pa	3.0% pa	<b>3.2% pa</b>
Rate of increase in deferred pensions	2.9% pa	3.0% pa	<b>3.2% pa</b>
Rate of inflation	2.9% pa	3.0% pa	<b>3.2% pa</b>

## THE GROUP ACCOUNTS

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

	2005		2006		2007	
	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000	Long-term expected return on assets	Fair value £'000
Equities	7.7%	10,200	7.3% pa	13,880	7.7% pa	15,118
Bonds	4.7%	2,080	4.3% pa	2,880	4.7% pa	3,137
Property	6.7%	670	6.3% pa	790	6.7% pa	860
Other assets	4.8%	950	4.6% pa	280	5.6% pa	305
		13,900		17,830		19,420

The net pension liability measured under FRS 17 comprised the following:

	31 March 2005 £'000	31 March 2006 £'000	31 March 2007 £'000
Total market value share of assets	13,900	17,830	19,420
Present value of scheme liabilities	(20,763)	(23,370)	(24,440)
<b>Net FRS 17 Scheme Deficit</b>	<b>(6,863)</b>	<b>(5,540)</b>	<b>(5,020)</b>

Analysis of amount charged to operating profit:

	31 March 2006 £'000	31 March 2007 £'000
Current service cost	540	580
Past service cost	17	0
<b>Total Operating Charge</b>	<b>557</b>	<b>580</b>

Analysis of amount credited to other financial income:

	31 March 2006 £'000	31 March 2007 £'000
Expected return on pension scheme assets	1,010	1,210
Interest on pension scheme liabilities	(1,100)	(1,140)
<b>Net Return</b>	<b>(90)</b>	<b>70</b>

Analysis of amount recognised in statement of total recognised gains and losses:

	31 March 2006 £'000	31 March 2007 £'000
Actual return less expected return on pension assets	2,490	320
Experience gains and losses arising on the scheme assets/(liabilities)	0	(60)
Changes in financial assumptions underlying the scheme (liabilities)/assets	(1,480)	(50)
<b>Actuarial (loss)/gain recognised in statement of total recognised gains and losses</b>	<b>1,010</b>	<b>210</b>

## THE GROUP ACCOUNTS

---

Movements in scheme deficit during the year:

	31 March 2006 £'000	<b>31 March 2007 £'000</b>
At 1 April 2006	(6,863)	<b>(5,540)</b>
Movement in year:		
Total operating charge	(557)	<b>(580)</b>
Contributions	960	<b>820</b>
Net return	(90)	<b>70</b>
Actuarial (loss)/gain in statement of total recognised gains and losses	1,010	<b>210</b>
<b>At 31 March 2007</b>	<b>(5,540)</b>	<b>(5,020)</b>

The disclosures in note 6.1 have been taken directly from the 2006/07 financial statements of Cardiff City Transport Services Ltd.

## THE GROUP ACCOUNTS

6.2 Statutory pensions disclosures in respect of the pensions arrangements of Cardiff Business Technology Centre Ltd are as follows:

The company's employees belong to one principal pension scheme, the Cardiff and Vale of Glamorgan Pension Fund (Funded) (CVGPF), which is of the defined benefit type, the assets of the scheme being held in separate trustee-administered funds. The combined pension cost charged in the financial statements for the period is £24,000 (2006 - £17,000), representing 126% (2006 - 121%) of the contributions payable by the members of the pension scheme. The pension costs are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of the scheme was at 31 March 2004.

The main assumptions which have the most significant effect on the results of the valuation are those relating to the rates of return on investments and the rates of increase in salaries and in pensions payment.

The 31 March 2004 minimum funded requirement ("MFR") valuation identified a deficit of £338.5million (representing a funding level of 63%) on the scheme, and the actuary has recommended that members employer's contributions are increased to the following levels over the next three years: 2006/2007 - 257%; 2007/2008 - 290%. The company is only one of a number of contributing bodies which form this scheme and therefore only a proportion of the assets and the deficit is attributable to the company and its employees past and present.

From 1 April 1996, the scheme became part of the fund administered by the new Cardiff City Unitary Authority and contributions to the fund will be based upon the levels of assets and liabilities appropriate to the company.

The major assumptions used by the actuary were:

	Valuation at 31 March 2005	Valuation at 31 March 2006	<b>Valuation at 31 March 2007</b>
Inflation	2.9% pa	3.0% pa	<b>3.2% pa</b>
Rate of general long-term increase in salaries	4.4% pa	4.5% pa	<b>4.7% pa</b>
Rate of increase in pensions in payment	2.9% pa	3.0% pa	<b>3.2% pa</b>
Rate of increase in deferred pensions	2.9% pa	3.0% pa	<b>3.2% pa</b>
Discount rate	5.3% pa	4.9% pa	<b>5.3% pa</b>



## THE GROUP ACCOUNTS

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

	2005		2006		2007	
	Long-term expected return on assets % pa	Value at 31 March 2005 £'000	Long-term expected return on assets % pa	Value at 31 March 2006 £'000	Long-term expected return on assets % pa	Value at 31 March 2007 £'000
Equities	7.7%	97.7	7.3%	148.1	7.7%	179.0
Bonds	4.7%	19.9	4.3%	28.7	4.7%	33.4
Property	6.7%	6.4	6.3%	8.5	6.7%	15.6
Other assets	4.8%	9.0	4.6%	4.7	5.6%	5.0
		133		190		233

The net pension liability measured under FRS 17 comprised the following:

	31 March 2005 £'000	31 March 2006 £'000	31 March 2007 £'000
Total market value share of assets	133	190	233
Present value of scheme liabilities	(200)	(251)	(291)
<b>Net FRS 17 Scheme Deficit</b>	<b>(67)</b>	<b>(61)</b>	<b>(58)</b>

Analysis of amount charged to operating profit:

	31 March 2006 £'000	31 March 2007 £'000
<b>Current Service Cost and Operating Charge</b>	<b>17</b>	<b>24</b>

Analysis of amount credited to the financing of provisions:

	31 March 2006 £'000	31 March 2007 £'000
Expected return on pension scheme assets	10	13
Interest on pension scheme liabilities	(11)	(13)
<b>Net Return</b>	<b>(1)</b>	<b>0</b>

Analysis of amount recognised in statement of total recognised gains and losses:

	31 March 2006 £'000	31 March 2007 £'000
Actual return less expected return on pension assets	28	4
Experience gains and losses arising on the scheme assets/(liabilities)	0	0
Changes in financial assumptions underlying the scheme (liabilities)/assets	(18)	4
<b>Actuarial (Loss)/Gain Recognised in Statement of Total Recognised Gains and Losses</b>	<b>10</b>	<b>8</b>

## THE GROUP ACCOUNTS

Movements in scheme deficit during the year:

	31 March 2006 £'000	31 March 2007 £'000
At 1 April 2006	(67)	(61)
Movement in year:		
Current service cost	(17)	(24)
Contributions paid by the employer	14	19
Interest on pension liabilities	(1)	0
Actuarial (loss)/gain in statement of total recognised gains and losses	10	8
<b>At 31 March 2007</b>	<b>(61)</b>	<b>(58)</b>

History of experience gains and losses:

	2005/06		2006/07	
	£'000	%	£'000	%
Differences between the expected and actual return on assets	28	14.7	4	1.7
Experience gains and losses on scheme liabilities	0	0	0	0
Changes in the assumptions underlying the present value of the scheme liabilities	(18)	7.2	4	1.4
<b>Net Actuarial Gain/(Loss) in Year</b>	<b>10</b>	<b>4.0</b>	<b>8</b>	<b>2.7</b>

The disclosures in note 6.2 have been taken directly from the 2006/07 financial statements of CBTC Ltd.

## THE GROUP ACCOUNTS

### 7. Fixed Assets

ASSETS	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infra-structure
	£000	£000	£000	£000
Gross Book Value at 31 March 2006	551,506	806,939	36,969	415,032
Additions – Expenditure	25,662	22,168	8,598	29,216
Additions – Other	0	23,509	0	0
Retirement	0	(23,657)	(603)	0
Disposals	(5,504)	0	(1,207)	0
Reclassifications	0	(161)	0	0
Revaluations/ Adjustments	567,746	(78,638)	0	(414)
<b>Gross Book Value at 31 March 2007</b>	<b>1,139,410</b>	<b>750,160</b>	<b>43,757</b>	<b>443,834</b>
<b>DEPRECIATION</b>				
Balance at 31 March 2006	51,564	30,986	17,459	62,766
Depreciation/ Impairment	31,568	13,669	5,412	19,069
Released on Retirement	0	(1,409)	(593)	0
Released on Disposal	(28)	0	(1,179)	0
Released on Revaluation/ Reclassification	(51,564)	(25,764)	0	(21)
<b>Balance at 31 March 2007</b>	<b>31,540</b>	<b>17,482</b>	<b>21,099</b>	<b>81,814</b>
<b>NET BOOK VALUE at 31 March 2007</b>	<b>1,107,870</b>	<b>732,678</b>	<b>22,658</b>	<b>362,020</b>
NET BOOK VALUE at 31 March 2006	499,942	775,953	19,510	352,266

## THE GROUP ACCOUNTS

ASSETS	Community Assets	Non Operational Assets	Intangible Assets (Software)	TOTAL
	£000	£000	£000	£000
Gross Book Value at 31 March 2006	21,417	163,065	182	<b>1,995,110</b>
Additions – Expenditure	1,023	13,181	0	<b>99,848</b>
Additions – Other	9,483	7,610	0	<b>40,602</b>
Retirement	0	(1,196)		<b>(25,456)</b>
Disposals	0	(53,201)	0	<b>(59,912)</b>
Reclassifications	0	161	0	<b>(0)</b>
Revaluations/ Adjustments	118	80,457	0	<b>569,269</b>
<b>Gross Book Value at 31 March 2007</b>	<b>32,041</b>	<b>210,077</b>	<b>182</b>	<b>2,619,461</b>
<b>DEPRECIATION</b>				
Balance at 31 March 2006	688	0	37	<b>163,500</b>
Depreciation/ Impairment	343	0	38	<b>70,099</b>
Released on Retirement	0	0	0	<b>(2,002)</b>
Released on Disposal	0	0	0	<b>(1,207)</b>
Released on Revaluation/ Reclassification	0	0	0	<b>(77,349)</b>
<b>Balance at 31 March 2007</b>	<b>1,031</b>	<b>0</b>	<b>75</b>	<b>153,041</b>
<b>NET BOOK VALUE at 31 March 2007</b>	<b>31,010</b>	<b>210,077</b>	<b>107</b>	<b>2,466,420</b>
NET BOOK VALUE at 31 March 2006	<b>20,729</b>	<b>163,065</b>	<b>145</b>	<b>1,831,610</b>

## THE GROUP ACCOUNTS

### 8. Long Term Investments

	31 March 2006 £000	<b>31 March 2007 £000</b>
The long-term investments of the group consist of :		
Amount held by External Fund Managers	50,000	<b>25,000</b>
Cardiff Council Insurance Fund Investments	327	<b>0</b>
Other Long-term Investments	460	<b>335</b>
<b>TOTAL</b>	<b>50,787</b>	<b>25,335</b>

### 9. Debtors

	31 March 2006 £000	<b>31 March 2007 £000</b>
The Broad Categories are:		
Government & other grants	19,763	<b>12,063</b>
Recoverable accounts	885	<b>1,898</b>
VAT	3,137	<b>2,902</b>
Car Loans/Leasing	2,278	<b>2,374</b>
Interest due	3,178	<b>2,925</b>
Sundry Debtors	19,361	<b>32,315</b>
Court Costs	799	<b>1,058</b>
HRA Rent Arrears	3,199	<b>2,491</b>
Housing Benefit	2,973	<b>3,240</b>
NDR	4,908	<b>5,994</b>
Council Tax	9,987	<b>11,348</b>
Other	13,468	<b>13,763</b>
Less Bad Debt Provisions	(14,888)	<b>(15,807)</b>
	<b>69,048</b>	<b>76,564</b>

An analysis of the Bad Debt Provisions is shown below:

	31 March 2006 £000	<b>31 March 2007 £000</b>
Court Costs	799	<b>1,058</b>
NDR	1,565	<b>1,828</b>
Council Tax	4,080	<b>4,356</b>
HRA	2,672	<b>2,059</b>
Housing Benefit Overpayments	2,473	<b>2,942</b>
Other	3,299	<b>3,564</b>
	<b>14,888</b>	<b>15,807</b>

### 10. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £3.44 million (£3.14 million in 2005/06) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities.

## THE GROUP ACCOUNTS

### 11. Cash and Bank

In addition the council's cash in hand and bank as detailed in note 25 to the single entity accounts (page 57), subsidiary companies hold cash in hand and bank totalling £2.18 million (£1.58 million in 2005/06).

### 12. Creditors

The Broad Categories are:	31 March 2006 £000	<b>31 March 2007 £000</b>
Deposits & Income in Advance	10,608	<b>12,273</b>
Extra District Education	1,948	<b>1,365</b>
Government & other grants	6,935	<b>5,722</b>
Inland Revenue	7,461	<b>7,960</b>
Interest Accrued	5,482	<b>5,453</b>
Pay Accruals	5,414	<b>5,126</b>
Recoverable Accounts	1,003	<b>1,440</b>
Sundry Accruals	35,562	<b>46,751</b>
Teachers Pensions Agency	1,608	<b>1,794</b>
Other	3,304	<b>68</b>
	<b>79,325</b>	<b>87,952</b>

### 13. Provisions and Deferred Liabilities

	Balance 31 March 2006 £000	Transfers from Provisions in 2006/07 £000	Transfers to Provisions in 2006/07 £000	<b>Balance 31 March 2007 £000</b>
South Glamorgan Insurance Fund	251	(98)	87	<b>240</b>
Cardiff Insurance Provision	11,491	(4,537)	3,475	<b>10,429</b>
Other Provisions	311	(44)	19	<b>286</b>
Commuted Maintenance Sums	9,595	(1,166)	1,360	<b>9,789</b>
Deferred Liability	6,339	(594)	0	<b>5,745</b>
Deferred Taxation	1,198	(30)	0	<b>1,168</b>
Cardiff Bus Insurance Provision	3,357	(1,690)	1,383	<b>3,050</b>
	<b>32,542</b>	<b>(8,159)</b>	<b>6,324</b>	<b>30,707</b>

## THE GROUP ACCOUNTS

### 14. Group Statement of Total Movements on Reserves

	Balance at 1 April 2006	(Gains)/Losses for Year	Transfers Between Reserves	Balance at 31 March 2007	Note
	£000	£000	£000	£000	
Fixed Asset Restatement Reserve	(1,261,938)	(663,768)	58,677	(1,867,029)	
Capital Financing Account	(65,864)	(296)	(26,979)	(93,139)	
Usable Capital Receipts	(17,427)	(431)	6,636	(11,222)	
Deferred Credits	(968)	0	396	(572)	
Pension Reserve	347,713	(10,442)	3,971	341,242	
General Fund Reserves:					
General Fund Balance	(9,417)	49,382	(49,057)	(9,092)	
Earmarked Reserves	(24,781)	0	431	(24,350)	
Transport Reserve	(5,317)	0	0	(5,317)	
Housing Revenue Account Balance	(9,960)	0	4,942	(5,018)	
Housing Revenue Account Earmarked Reserves	(3,526)	0	504	(3,022)	
Profit & Loss Reserves in Respect of Subsidiaries	(6,047)	(1,270)	346	(6,971)	
Profit & Loss Reserves in Respect of Joint Venture	(326)	277	0	(49)	15
Revaluation Reserves of Subsidiaries	(4,864)	(2)	133	(4,733)	
<b>Total</b>	<b>(1,062,722)</b>	<b>(626,550)</b>	<b>0</b>	<b>(1,689,272)</b>	

### 15. Authority's Share of Assets of Joint Venture

The Council's share in Medicentre Joint Venture is included in the single entity balance sheet at the asset value of the land and buildings. During 2006/07 the Council revalued its fixed assets resulting in an increased value for this asset. However Medicentre's balance sheet has not been correspondingly updated to reflect this increase. The effect of this in the group balance sheet is as follows:

	2005/06 £000	2006/07 £000
Authority's share in Medicentre JV	1,038	1,038
Value of asset in Cardiff balance sheet	(771)	1,200
Increased asset value to be added to group balance sheet	267	0 *
Authority's share in Medicentre general reserve	59	49
Total amount to be added into group balance sheet in respect of JV	326	49

\* No additional amount is required to be included in the group balance sheet in respect of the fixed asset as the value is already fully included on Cardiff Council's balance sheet.

### 16. Trust Funds

For the following Trust Funds the Council is the sole trustee or the trustees are people appointed/nominated by the Council:

Cardiff Further Education Trust/Craddock Wells  
Cardiff Central Youth Club

## THE GROUP ACCOUNTS

Llandaff War Memorial Fund  
 Lord Pontypridd Bequest Fund  
 Maindy Park Foundation  
 W. Sanders Trust Fund  
 W.R.Burnip Trust Fund

However as the assets and liabilities of charitable trusts are not legally the property of the Council it is considered that it would be incorrect to consolidate these Funds into the Council's group accounts. For information, the summary financial position of these trusts for 2006/07 is as follows:

	Balance as at 31 March 2006	Income	Asset Re- valuation	Expenditure	Balance as at 31 March 2007
	£	£	£	£	£
Cardiff Further Education Trust/ Craddock Wells	23,013,559	157,537	186,513	(97,490)	<b>23,260,119</b>
Cardiff Central Youth Club	13,691	655	(320)	(350)	<b>13,676</b>
Llandaff War Memorial Fund	1,621	62	0	0	<b>1,683</b>
Lord Pontypridd Bequest Fund	90,919	2,912	0	(40,000)	<b>53,831</b>
Maindy Park Foundation	151,624	4,857	0	(50,000)	<b>106,481</b>
W.R. Burnip	19,750	902	(289)	0	<b>20,363</b>
W. Sanders (Sanders & Rae)	110,753	4,717	(322)	0	<b>115,148</b>
<b>Total</b>	<b>23,401,917</b>	<b>171,642</b>	<b>185,582</b>	<b>(187,840)</b>	<b>23,571,301</b>

Details of all of the Trust Funds managed by Cardiff Council are given in the Trust Funds statement on pages 120 to 122.

### 17. NOTES TO CASH FLOW STATEMENT

#### 17.1 Reconciliation of Net Surplus on Group Income and Expenditure Account to Revenue/Operating Activities Net Cash Flow

	2005/06 £000	2006/07 £000
(Surplus)/Deficit for the year on I&E account	36,088	<b>48,108</b>
<b>Non-cash transactions</b>		
Depreciation	(44,231)	<b>(70,083)</b>
Amortisation of deferred grants & contributions	6,796	<b>7,825</b>
Charges made for retirement benefits (FRS17)	(38,447)	<b>(38,059)</b>
<b>Add back cash item</b>		
Employer's contributions to pension schemes	29,095	<b>34,088</b>
<b>Items on an Accruals Basis</b>		
Increase/(Decrease) in Stock	649	<b>(30)</b>
Increase/(Decrease) in Debtors	20,061	<b>(4,038)</b>
(Increase)/Decrease in Creditors	1,641	<b>(6,307)</b>
(Increase)/Decrease in Provisions	(1,744)	<b>1,836</b>
<b>Items included in another Classification</b>		
Deferred charges financed by borrowing	(9,309)	<b>(6,458)</b>
Net gain/(loss) on sale of fixed assets	5,099	<b>8,299</b>



## THE GROUP ACCOUNTS

Net gain/(loss) on sale of investments	0	(202)
Interest Paid incl. finance lease interest	(22,152)	(22,345)
Interest and Dividends Received	7,000	7,254
<b>Net Cash Flow from Revenue Activities</b>	<b>(9,454)</b>	<b>(40,112)</b>

### 17.2. (Increase)/Decrease in Cash and Cash Equivalents

	Balance 31 March 2006 £000	Balance 31 March 2007 £000	<b>Movement in Year £000</b>
Cash in hand and at bank	3,702	7,663	<b>(3,961)</b>

### 17.3 Net Increase/(Decrease) in Liquid Resources

	Balance 31 March 2006 £000	Balance 31 March 2007 £000	<b>Movement in Year £000</b>
Short term deposits	73,575	101,526	<b>27,951</b>

## TRUST FUNDS

---

During 2006/07, the Chief Financial Services Officer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The funds are managed and expenditure is approved in accordance with criteria set out in the governing document of each fund. The following trusts are administered either solely by the Council or by a combination of Council members and/or officers. The purposes of the Trusts, are outlined below. The Trusts' objects are shown, in most cases, quoted directly from the relevant Trust deeds.

**Lord Mayor's Distress Fund** – Necessitous cases (such as old age pensioners, widows, patients at hospital).

**Lord Pontypridd Bequest Fund** – For the improvement of the City and the benefit of the inhabitants.

**Llandaff War Memorial Fund** – For defraying the cost of upkeep of the war memorial at Llandaff.

**Dr R J Smith Trust Fund** – To assist persons who suffer undeserved distress. Such persons to be preferably selected from the professions of medicine, law, and the Church or from the families of masters of the mercantile marine.

**The Third Marquis of Bute's Silver Wedding Dowry Fund** – Income to be applied in April annually as a wedding dowry to a girl of the poorer classes who shall be domiciled in Cardiff whose marriage might be facilitated by the receipt of such a sum.

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

**Harvey Salter Educational Trust** – For funding school exchange visits.

**Hardcastle Howells Trust** – To fund maintenance grants and scholarships to students.

**Millicent Street Trust** – For the benefit of children living in Cardiff by (a) assisting them to attend schools other than elementary by paying fees or travelling expenses, or by maintenance allowances for those in need of financial assistance (b) in otherwise promoting the education (including social and physical training) of boys and girls of the poorer classes.

**J J Neale Trust** – To provide prizes for Police officers in Cardiff, Penarth or Barry who are high achievers in foreign language examinations at the University of Wales Institute Cardiff (UWIC).

**Alderman C F Sanders Trust** – To provide awards for students from Cardiff attending university.

**W Sanders Trust (also known as Sanders and Rae for Exhibitions)** – To provide means of higher education for deserving persons either independently or by way of supplementing any public or other funds which may be available for that purpose so that such persons may be enabled to obtain an education which would otherwise in the opinion of the trustees be difficult or impossible of attainment by them and so that preference shall be given to such persons as may be or may have been scholars of the existing intermediate schools

## TRUST FUNDS

---

established in Cardiff and failing such for such person or persons as may be or may have been scholars at any other secondary school in Cardiff or students at the University of Wales Cardiff.

**Taff Vale Railway (West Yard) Trust** – To provide a prize to the engineering apprentice at any locomotive workshops in Cardiff who distinguishes himself most.

**J A Thompson Trust** – To provide prizes for engineering students employed in Cardiff docks.

**Cardiff Central Youth Club Trust** – For the purpose of helping boys and girls resident in the City of Cardiff through their leisure time activities so to develop their physical, mental and spiritual capacities that they may grow to full maturity as individuals and as members of society and that their conditions of life may be improved.

**William Robert Burnip Memorial Fund** – To provide additional facilities for blind pupils or partially sighted pupils belonging to the City of Cardiff whether or not the schools being attended by such pupils are within the City of Cardiff.

**Cardiff Further Education Trust Fund/Craddock Wells Trust** – apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to University of Wales, Cardiff.

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

Christine Salter  
Chief Financial Services Officer  
County Hall  
Cardiff  
CF10 4UW

## TRUST FUNDS

	Balance as at 31 March 2006 £	Income £	Asset Re- valuation £	Expenditure £	Balance as at 31 March 2007 £
<b>General Funds</b>					
Lord Mayor's Distress Fund (1)	5,689	145	0	0	5,834
Cardiff Charity for Special Relief (2)	14,264	883	(811)	0	14,336
Marjorie Williams Bequest Fund (2)	29,449	1,515	933	0	31,897
Lord Pontypridd Bequest Fund	90,919	2,912	0	(40,000)	53,831
Willie Seager Memorial Homes (2)	806,796	37,871	595,751	(21,720)	1,418,698
Llandaff War Memorial Fund	1,621	62	0	0	1,683
Dr. R.J. Smith Trust Fund	2,102	82	0	0	2,184
Third Marquis of Bute's Silver Wedding Dowry Fund (3)	13,942	497	0	0	14,439
Maindy Park Foundation	151,624	4,857	0	(50,000)	106,481
Harvey Salter Educational Trust	12,233	474	0	0	12,707
<b>Educational Funds</b>					
Hardcastle / Howells	90,392	3,699	760	0	94,851
Millicent Street	3,691	175	(94)	0	3,772
R. Presswood Memorial	12,348	562	(188)	(650)	12,072
R. Fice Memorial Trust	57,466	2,235	2,262	(2,140)	59,823
C.F. Sanders	6,967	329	(187)	0	7,109
W. Sanders (Sanders & Rae)	110,753	4,717	(322)	0	115,148
Taff Vale Railway (West Yard)	743	33	(19)	0	757
J.A. Thompson Trust	984	38	0	0	1,022
J.J. Neale Trust	4,218	163	0	0	4,381
Cardiff Central Youth Club	13,691	655	(320)	(350)	13,676
W.R. Burnip	19,750	902	(289)	0	20,363
The Howardian Trust	23,261	1,053	195	0	24,509
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	23,013,559	157,537	186,513	(97,490)	23,260,119
<b>Total</b>	<b>24,486,462</b>	<b>221,396</b>	<b>784,184</b>	<b>(212,350)</b>	<b>25,279,692</b>

Notes:

- (1) Balances as at 19 May 2006 and 2007.
- (2) Balances as at 31 December 2005 and 31 March 2007.
- (3) Balances as at 31 December 2005 and 2006.



# **STATEMENT OF ACCOUNTS**

**2006/07**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

# CARDIFF PORT HEALTH AUTHORITY

---

## FOREWORD

1. The Cardiff Port Health Authority's accounts for the year 2006/07 are set out on page 126. They comprise a Revenue Account and Balance Sheet.

These records are supported by the Statement of Accounting Policies as set out on pages 27 to 31.

2. Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.
3. The Cardiff Port Health Authority was constituted by a Provisional Order of 1882 and its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.
4. The Authority, through the officers of the Strategic Planning and Environment Service of Cardiff Council, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on Cardiff Council and The Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of De-ratting Exemption Certificates.

# CARDIFF PORT HEALTH AUTHORITY

<b>REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007</b>		
2005/06 £		2006/07 £
	<b>Expenditure</b>	
84,885	Employees	94,260
0	Premises	0
4,887	Transport	7,961
16,440	Supplies	11,442
26,126	Support Costs	35,517
132,338		<b>149,180</b>
	<b>Income</b>	
(2,123)	Fees and Charges	(1,591)
(90,486)	Levies : Cardiff Council	(116,116)
(9,720)	The Vale of Glamorgan Council	(12,759)
(102,329)		<b>(130,466)</b>
30,009	(Surplus)/Deficit for the year	18,714
(53,354)	Revenue Balance brought forward	(23,345)
(23,345)	Revenue Balance carried forward	<b>(4,631)</b>

<b>BALANCE SHEET AS AT 31 MARCH 2007</b>		
31 March 2006 £		31 March 2007 £
	<b>Current Assets</b>	
23,345	Cash in Hand	4,631
0	Debtors	0
0	Income in Advance	0
23,345	Net Assets represented by Revenue Balance	<b>4,631</b>



# CARDIFF PORT HEALTH AUTHORITY

---

## **CERTIFICATE OF THE CHIEF FINANCE OFFICER**

I certify that the Statement of Accounts summarised on page 125 is a true and correct record of the transactions of the Cardiff Port Health Authority for the year ended 31 March 2007.

**Christine Salter**  
**City and County Treasurer**

**Date: 28 September 2007**

## **AUDITOR'S REPORT TO CARDIFF PORT HEALTH AUTHORITY**

I have audited the accounting statements of Cardiff Port Health Authority for the year ended 31 March 2007 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account and Balance Sheet and the related notes. The accounting statements have been prepared under the accounting policies set out in the statement of accounts.

This report is made solely to Cardiff Port Health Authority in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales.

### **Respective responsibilities of the Chief Finance Officer and auditors**

The Chief Finance Officer is responsible for preparing the Statement of Accounts in accordance with relevant legal and regulatory requirements and proper practices.

My responsibility is to audit the accounting statements 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 present fairly the financial position of the authority in accordance with relevant legal and regulatory requirements and proper practices.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises 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. 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. It also includes an assessment of the significant estimates and

# CARDIFF PORT HEALTH AUTHORITY

---

judgments made by the Authority in the preparation of the accounting statements, and of whether the accounting policies are appropriate to the Authority'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 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.

## **Opinion**

In my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and proper practices, the financial position of the Cardiff Port Health Authority as at 31 March 2007 and its income and expenditure for the year then ended.

## **Certificate**

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

**Gill Lewis**

**Date: 28 September 2007**

**Wales Audit Office  
2-4 Park Grove  
Cardiff  
CF10 3PA**

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

# GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

---

## **Agency Services**

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

## **Consolidated Revenue Account (CRA)**

The account showing the Council's Income and Expenditure as shown in previous years' Statement of Accounts, which has been replaced by the Income and Expenditure Account in 2006/07.

## **Direct Service Units (DSUs)**

A semi-independent organisation within the authority acting as a contractor, providing specific services to service areas.

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

The accounting statement that includes all financial transactions relating to the management and maintenance of the Council's housing stock.

## **Lender Option Borrower Option (LOBO) Loan**

A long term loan which gives the lender the option to amend the interest rate at specified dates at which point the borrower has the option to accept the change or repay the loan.

## **Pension Fund**

A fund built up from deductions from employees' pay and contributions from employers and investment income from which pension benefits are paid. Community Councils and certain other public bodies are admitted to the fund.

## **Precept**

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

## **Recharge**

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

## **Revenue Support Grant**

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

## **Trust Funds**

Funds held in trust administered by the Council.