



**STATEMENT OF ACCOUNTS**

**2007/2008**

**OF**

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

**AND**

**CARDIFF PORT HEALTH AUTHORITY**



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**STATEMENT OF ACCOUNTS**

**2007/08**

**OF**

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



# FOREWORD

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## 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 2007 'A Statement of Recommended Practice' (the 2007 SORP). The 2007 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.

## The Financial Statements

The Council's financial statements are set out on pages 28 to 128 and comprise:

- Statement of Main Policies Adopted in Compiling the Financial Statements
- Income and Expenditure Account
- Statement of Movement on Council Fund Balance
- Statement of Total Recognised Gains and Losses (STRGL)
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account
- Cardiff & Vale of Glamorgan Pension Fund Accounts
- Group Accounts
- Trust Funds Statement

The main accounting changes introduced in the 2007 SORP concern:

- the requirement to comply with accounting standards FRS25, FRS26 and FRS29 which cover the accounting, presentation and disclosures in respect of Financial Instruments, and
- the elimination of the Fixed Asset Restatement Account (FARA) and replacement with a Revaluation Reserve.

Further details on both topics can be found in the notes to the core financial statements.

References in previous years' Statements of Accounts to the 'General Fund Balance' have been replaced in this year's document with the term 'Council Fund Balance'. The purpose of this balance remains unchanged.

## FOREWORD

### The Outturn for the Year

Cardiff Council at its meeting on 22 February 2007 (and reconvened 27 February 2007) set a cash limit budget of £475.952 million for 2007/08. 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. These figures are exclusive of Community Council precepts.

	<b>Budget</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<i>Financing:</i>			
Revenue Support Grant (RSG)	(274,885)	(274,885)	0
Non-domestic Rates (NDR)	(77,339)	(77,339)	0
Council Tax	(106,900)	(107,733)	(833)
Local Authority Business Growth Incentive Scheme (LABGI)	(1,877)	(1,366)	511
Other central grants	(12,446)	(12,446)	0
Budgeted transfers from balances/reserves	(2,735)	(2,735)	0
	(476,182)	(476,504)	(322)
<i>Net Expenditure</i>			
Net budgeted expenditure	476,182		
Net operating expenditure as per Income & Expenditure a/c		566,857	
Net additional amount to be credited to Council Fund Balance (incl. transfers to/(from) reserves)		(93,842)	
Less budgeted transfers from reserves		2,735	
Less Community Council precepts		(192)	
	476,182	475,558	(624)
Net (surplus)/deficit for year transferred to Council Fund Balance			(946)

The Council Fund Balance brought forward at 31 March 2007 was £9.09 million. The balance at 31 March 2008 has increased by £0.95 million to £10.04 million.

### 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 £141 million with actual expenditure in the year totalling £127.5 million.

Major investment continued in Public Housing (£18.1 million) toward meeting the Welsh Housing Quality Standard and also in Private Housing, with grants for disabled facilities, targeted elderly and renewal area improvements (£9.3 million) and the creation of provision for remediation works at St Donats, Leckwith (£2.6 million).

Schools investment continued (£9 million), utilising Schools Building Improvement Grant and significant investment by the Council in property renewal. Investment continued on conservation works to the Castle and the Castle Interpretation Centre.



## FOREWORD

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Highways and Transportation improvements included highways reconstruction, street lighting and other road safety schemes (£11.6 million). There was investment of £8.5 million in Culture, Leisure and Parks, including a new library and learning centre in Llanrumney, the refurbishment of Western Leisure Centre, a start on the refurbishment of Penylan Library/Roath Community Hall and provision of play equipment across the city. Waste Management infrastructure improvements cost £8.5 million, including the provision of Household Waste Recycling facilities, new depot and a transfer station. A loan was also made to Glamorgan County Cricket Club as part of the redevelopment of the stadium to accommodate test-match cricket.

Investment in Major Regeneration projects (£37.8 million) continued with the completion of the Cardiff International Pool and the start of the Leckwith Development which will deliver a replacement athletics Stadium and also the Cardiff City Football Club Stadium. These projects will continue into 2008/09, along with new investment in existing and new assets proposed in the Capital Programme set by Council in February 2008. This includes continuing improvements to waste management infrastructure to allow for the collection of food waste, the provision of a Park and Ride site, investment in Public Realm, a start on Schools Organisational Planning proposals, subject to the outcome of consultation, the provision of a Canoe Slalom Facility and the fit out of the New Central Library provided as part of the Saint Davids II development.

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 £35.6 million of grants and contributions, £5.4 million of revenue / reserves and £32.3 million of capital receipts to fund the capital programme.

### **Capital Receipts**

The sale of surplus assets including council dwellings and the recouping of house renovation grants during the year generated receipts of £44.5 million. A proportion of the receipts from sales of council dwellings are set aside as a provision to repay external loans with the balance available to fund capital schemes.

### **Long Term Borrowing**

The Council can raise funding from many sources including the Public Works Loan Board (PWLB) and the Market. Long term borrowing is £393.9 million at the end of the year. During the year new loans totalling £29.5 million were raised - £12.5 million from the PWLB and £17.0 million from the Market. Lender Option Borrower Option (LOBO) loans totalling £12.0 million were repaid and a rescheduling of £67.1 million was carried out with the PWLB.

### **Equal Pay**

During 2007/08 the Council made payments in respect of its Equal Pay liability totalling £9.2 million and made a provision in the sum of £2.3 million for claims not yet settled. These payments are included in the Income and Expenditure Account as an exceptional item within Net Cost of Services.

### **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.

## FOREWORD

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The Council's actuary has estimated the Council's pension liability to be £315.83 million at 31 March 2008.

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

	<b>£000</b>
Net Worth excluding Pensions Reserve	1,989,571
Net Worth as per Balance Sheet	1,673,741

### **Accounting Policies**

The accounting policies are set out on pages 28 to 34.

### **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 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: 25 September 2008**

# GUIDE TO THE FINANCIAL STATEMENTS

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

### **Income and Expenditure Account (Page 35)**

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 Council Fund Balance (Page 36)**

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 37 )**

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 38)**

The Balance Sheet summarises the Council's financial position as at 31 March 2008. 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 40)**

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 Income & Expenditure Account (Page 86)**

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

### **Pension Fund Accounts (Page 91)**

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 104)**

The 2007 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

# GUIDE TO THE FINANCIAL STATEMENTS

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**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 Cash Flow Statement**

## **Trust Funds' Statement (Page 126)**

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

# THE STATEMENT ON INTERNAL CONTROL

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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 indicators are submitted to the Local Government Data Unit on behalf of the Welsh

# THE STATEMENT ON INTERNAL CONTROL

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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 a view regarding the corporate management, performance management, financial management, financial standing, financial statements and legal matters in the Annual Letter. The Annual Letter 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 regularly by the Constitution Committee and recommendations made to Council.

During 2007/08 extensive work was undertaken to again review and update the Council's Scheme of Delegation and associated Financial, Contract and Land Procedure Rules. A series of workshops is scheduled to raise awareness and help in understanding the changes made, later in the summer of 2008.

## ***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

# THE STATEMENT ON INTERNAL CONTROL

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Procedure Rules, Contract Procedures Rules, subject to 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 City & County Treasurer, who is also the Authority's Section 151 Officer, has overall responsibility for the financial administration of the Council. Finance staff provides 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 financial 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 and Managing the Risks to the Council's Objectives***

The Council has produced a Risk Management Policy, Strategy and Methodology document and has introduced a standard approach to assessing and recording risks within the Authority. In consultation with the Council's insurers Zurich, work is currently ongoing to review and update these documents, including the format of the risk matrix and likelihood/consequence definitions.

A Risk Management Steering Group oversees the development of risk management throughout the Council and a network of Risk Champions, representing 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.

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

# THE STATEMENT ON INTERNAL CONTROL

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## ***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 and Touche and an unqualified audit opinion was issued. The recommendations raised in the prior period regarding Journal Authorisation have been satisfactorily addressed.



# THE STATEMENT ON INTERNAL CONTROL

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## 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 control 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 previous work on the Statement of Internal Control, Internal Audit facilitated an update of the Issues log from the 2006/07 Statement and through Annual Assurance statements sought the views of Chief Officers of any "new" significant issues

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

Chief Officers 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. They were asked to consider any outstanding "significant" issues in the 2006/07 Statement and either close these, where action had been taken, or update them, where the issues were still ongoing. For most, the issues were still "live" and thus the emphasis was on capturing developments and actions taken to progress the issue. Chief Officers were also encouraged to identify any "new" issues for inclusion on the Statement of Internal Control issues log for 2007/08, which is included in Section 5.

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

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

It is considered there are no matters of significance arising from this to merit inclusion in the 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 STATEMENT ON INTERNAL CONTROL

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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 City & County Treasurer but has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members.

The Annual Audit report for 2007/08 has been prepared and presented to the Section 151 Officer and to Audit Panel and this outlines internal control issues highlighted over the past 12 months. Each audit assignment provides management with assurance on controls and/or identifies areas where there is scope to improve the internal control environment.

It is considered there are no matters of significance arising from this to merit inclusion in the 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.	Risk Policy, Strategy & Methodology document was finalised although in conjunction with Zurich Municipal the risk matrix and definitions are being revised and updated. Risk Management workshops have been held with Senior Management groups which have helped to identify barriers to achieving business needs. Further work is required on capturing properly defined risks and associated control measures onto the CIS database.	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.	Business Continuity Management (BCM) Policy has been issued and is currently being reviewed. BCM Guidance & Template has been revised and is on CIS. BCM software is being developed to improve awareness and implementation of BCM; this includes the development of service plans and corporate arrangements to support significant business interruptions.	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.	Efficiency Programme has been rolled into the Corporate Resources Programme, and future projects will be significantly influenced by the FOR. Benefits realisation strategy is in development	Chief Scrutiny, Performance & Governance Officer.
4	Budgets need to be managed to avoid any major overspend and savings identified as part of the budget negotiations must be realised.	Service areas are provided with budgetary information to enable them to monitor their position, in conjunction with Service Accountants. Meetings are held where considered necessary to ensure effective budget	Chief Officers and City & County Treasurer

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
		monitoring.	
5	<p>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-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.</p>	<p>On-going. Food Waste Rollout New Technology – MRF recycling plant.</p>	<p>Chief Highways and Waste Management Officer</p>
6	<p>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.</p>	<p>The Job Evaluation Workshop approach has been confirmed as the revised mechanism to review jobs. It was subsequently agreed by Single Status Steering Group and Employment Conditions Committee on 19<sup>th</sup> June 2007. The job evaluation process is proceeding and it is anticipated that this will be completed by 2010.</p> <p>Following receipt in July of Equal Pay Grievances from UNISON, Unite and GMB, the Council established a Senior Co-Ordinating Group of officers to discuss and negotiate with Senior Trade Union representatives. Meeting commenced on 24<sup>th</sup> September, 2007 and final meeting on 11<sup>th</sup> February.</p> <p>A compensation offer was agreed by the Executive on 18<sup>th</sup> February. As the Trade Unions could not recommend acceptance of the offer to their members, the Council embarked on an intense period</p>	<p>Chief People &amp; Organisational Development Officer.</p>

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
		<p>of information briefings from 19<sup>th</sup> February, 2008 followed by making offers to 3,500 staff. Either through a process of Signing Day or via external solicitors, over 85% staff accepted the Council's offer by the deadline of 31<sup>st</sup> March, 2008. For those staff who have not accepted the Council's offer, (following conclusion of their internal grievances) their cases will be dealt with via Employment Tribunal in future.</p>	
7	<p>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.</p>	<p>The Council has completed the consultation on the initial 'Fast Track Proposals and is now progressing implementation. The Executive has additionally agreed for officers to proceed on a set of further proposals around a number of 'spotlight' areas. These include a set of proposals for the permanent establishment of four new Welsh Medium Primary schools, three of which already operate from temporary locations, entailing some re-organisation of and investment in a number of English Medium primary schools. Officers have completed these consultations and a report on the outcome of the consultations will be considered by the Executive in June 2008.</p>	Chief Schools & Lifelong Learning Officer
8	<p>The Children's Services Inspection Report highlights a number of areas where improvements to service delivery are recommended.</p>	<p>Improvement continues in the specified areas. Progress with improvement actions is monitored on a quarterly basis and is incorporated in Service business planning and development of inter-agency planning through Children and Young People's Partnership and the Local Safeguarding Children's Board.</p>	Chief Children's Services Officer

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
9	Commissioning Projects with Adult Services	PQA process well established with support from the Centre for Excellence.	Chief Adult Services Officer
10	Challenging budget saving targets in Adults Services.	Balanced budget achieved. Achieved by hard work by staff and improved monitoring and management systems.	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 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>The 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 Proud Capital Vision Forum consisting of public, private and voluntary sector partners and chaired by the Leader of the Council provides strategic leadership of the Cardiff agenda, prioritises partnership activity and projects and monitors progress.</p> <p>A new Executive Local Service Board (LSB) was established in May 2007 as a 'leadership team' of Chief Executives or equivalents of Cardiff Council, Cardiff Local Health Board, Cardiff &amp; Vale NHS Trust, South Wales Police, South Wales Fire and Rescue Service and Voluntary Action Cardiff who are tasked with tackling 'fundamental and unmet' challenges from a citizen perspective and ensuring an effective whole-system response to the needs of citizens. Identified LSB 'priority projects' will be delivered in 2008/9 and progress will be monitored against identified outcomes in a Local Delivery Agreement with WAG and also be subject to scrutiny by a proposed joint scrutiny panel consisting of all LSB partner representatives.</p>	Chief Strategy & Enterprise Officer.

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
		<p>Risk assessment and monitoring of partnership projects is undertaken through a recognised project management approach (PQA). Responsibilities of project partners are identified at the outset of joint working and regular reports on progress and any issues are made to either the Proud Capital Vision Forum, the Executive LSB or the Council's own Programme Management Board.</p>	
12	<p>Information/ Data Strategy The Framework 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 review has not commenced but will remain on the agenda until resources permit.</p>	Information Manager
13	<p>Officers have been tasked with undertaking a Fundamental Operational 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>Monthly progress reports have been made to the Programme Management Board. Phase 1 of the Review, the comprehensive data gathering stage was completed in July 2007. Phase 2 included applying a self scoring gap analysis model for good practice comparison was completed in February 2008. Over 200 opportunities were identified in this process. These have been logged and grouped under specific themes. The results of Phases 1 and 2 informed the Budget Report in February 2008. Phase 3 is nearing completion and a high level Case for Change will be produced in May 2008 with recommendations to the Executive in September. A Green Paper public consultation exercise on potential future models of service delivery is also commencing in May 2008.</p>	Chief Executive

## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
14	The Council's Capital Programme relies heavily on capital receipts targets being achieved. There is a risk this will not be done.	Every effort shall be made to realise capital receipts and the position monitored and reported on a regular basis.	City & County Treasurer
15	<p>The number of schools finding themselves with budget problems is increasing. In 2008-2009 the Service expects more than 20 schools to make a request to set a deficit budget.</p> <p>The Schools &amp; Lifelong Learning Service has worked with Financial Services and the People and Organisational Development Service to provide schools with advice and support in drawing up medium term plans to balance school budgets.</p> <p>In undertaking this work the Service has lacked the necessary capacity to provide advice, support and challenge on the aspects of school management required to activate these plans.</p>	<p>The S&amp;LL Service along with Finance, Property and ICT will continue to monitor the number of schools with budget difficulties.</p> <p>The S&amp;LL have advertised for two part time (one Primary and one Secondary) Headteacher secondment opportunities to be able to provide advice, support and challenge to schools with deficit budgets on aspects of school management.</p>	Chief Schools & Lifelong Learning Officer
16	Some non compliance with expectations in respect of financial management procedures, for example in respect of placement arrangements for Looked After Children.	Management advice given and financial awareness training for management team members to be arranged.	Chief Children's Services Officer
17	Potential benefit for Service area for more formal application of PQA.	Proposed establishment of programme for CS projects.	Chief Children's Services Officer
18	Revenue budget challenges are significant for Culture, Leisure & Parks. These include competition for paying customers from Wales Millennium Centre & ISV International Pool, as well as increased corporate costs, for example building cleaning – particularly at St.David's Hall & New Theatre. Additional corporate savings targets for income, staff vacancies, agency	<p>Regular budget review &amp; corrective actions.</p> <p>Sales team for Stretch Cards &amp; Leisure sales.</p> <p>Revised pricing policy to be put to new Administration.</p> <p>Service delivery options at SDH/NT should be considered, &amp; a revised catering agreement at SDH is to be pursued.</p>	Chief Culture, Leisure & Parks Officer



## THE STATEMENT ON INTERNAL CONTROL

No.	Issue	Action	Responsible Officer
	& consultancy have not historically been met.		
19	Schools Grounds Maintenance is already forecast to lose £190K by 31/03/2009. Catering continue to pass losses to this service area at St.David's Hall.	FOR review should help address some of these issues. Catering arrangement needs to be changed to fixed rental rather than geared to turnover which is not being achieved.	Chief Culture Leisure & Parks Officer
20	The Eisteddfod will require significant grounds re-instatement for which there may not be sufficient budgets. This could then adversely impact public perceptions & income for pitch hire.	Costs are being reviewed.	Chief Culture Leisure & Parks Officer
21	The Third Framework for Library Standards is being introduced, & raises standards, entitlements & expectations. Additional resources will be required to meet top decile or quartile performance levels.	Forecasts have been made re the costs of meeting the standards, but not all of them will be affordable.	Chief Culture Leisure & Parks Officer
22	As a result of the transfer of the loss making schools GM DSU to Parks, no expenditure was made in 2007/08 from the transport renewal budget to help balance the overall budget position.	Instructions have been given to only renew essential vehicles but spending will not allow this budget to be used to offset schools GM losses as last year.	Chief Culture Leisure & Parks Officer
23	Repair and maintenance and asset renewal budget are insufficient for the needs of the service. Emergency closures of buildings could arise as a result.	Planned maintenance programmes in place in major buildings.	Chief Culture Leisure & Parks Officer

# THE STATEMENT ON INTERNAL CONTROL

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## 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.

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## 7. Statement on Internal Control 2007/08

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

This Statement on Internal Control was considered by the Council's Independent Audit Panel at their May 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 on Internal Control 2007/08.

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

**Date: 29 September 2008**

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

**Date: 29 September 2008**

# STATEMENT OF RESPONSIBILITIES FOR FINANCIAL STATEMENTS

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## **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 2007/08 that officer was Christine Salter, City and County Treasurer who holds 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 Kate Lloyd  
Lord Mayor**

**Date: 29 September 2008**

## **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 2007 ('the 2007 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 2007 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 2008 and its income and expenditure for the year ended 31 March 2008.

**Christine Salter  
City and County Treasurer**

**Date: 29 September 2008**

# AUDITORS REPORT

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

I have audited the accounting statements, pension fund accounts and the related notes of the County Council of the City and County of Cardiff and its Group for the year ended 31 March 2008 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 Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance together with the Group Accounts and the related notes. The Pension Fund accounts comprise the Fund Account and the Net Assets Statement and 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 City and County Treasurer and the independent auditor**

The City and County Treasurer'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 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements, pension fund accounts and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

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

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

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

### **Basis of audit opinion**

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit and Inspection Practice issued by the Auditor General for Wales, and International Standards on

# AUDITORS REPORT

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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, pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Council in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the Council's and pension fund's circumstances, consistently applied and adequately disclosed.

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

## Opinion

As stated in the report dated 30 September 2008:

- The accounting statements and related notes present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the County Council of the City and County of Cardiff and its Group as at 31 March 2008 and its income and expenditure for the year then ended; and
- The pension fund accounts and related notes present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial transactions of the Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2008 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.

## Certificate

The report dated 30 September 2008 contained an audit opinion on the 2007/2008 accounts though the audit could not be formally concluded until we completed work in respect of correspondence received from a member of the public. That issue has now been resolved.

The 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 2008 has been reported separately in the published Relationship Manager Annual Letter.

I certify that I have completed the audit of the accounts of the County Council of the City and County of Cardiff's 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.

**Signature: Anthony Barrett**

Anthony Barrett  
Appointed Auditor

**Date: 30 September 2009**

Wales Audit Office  
24 Cathedral Road  
Cardiff CF11 9LJ

## **Electronic publication of financial statements**

*The maintenance and integrity of the County Council of the City and County of Cardiff website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.'*

# STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

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## 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 2007 'A Statement of Recommended Practice' (the 2007 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 2007 (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 directly 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 2007 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 re-valued only where they have a readily ascertainable market value.
- Operational land and properties 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.
- Council dwellings are included on the balance sheet at a beacon valuation adjusted for tenanted occupation.
- Non-operational assets, investment properties and assets that are surplus to requirements are included in the balance sheet at market value, whilst assets under construction are held at historic cost.
- 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 2007/08 capital expenditure has been included at cost.
- Infrastructure assets and vehicles, plant, furniture and equipment are included in the balance sheet at historic cost net of depreciation.

Property assets of the Council were re-valued 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.

Assets disposed of during 2007/08 have been written out of the Balance Sheet on the basis of their gross book value and any accumulated depreciation has been released.

The 2007 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

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

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.

### 3. Depreciation

a) A depreciation or amortisation charge is made to service revenue accounts for the consumption of assets based on remaining useful economic life. Depreciation is not chargeable on the value of land.

The rates of depreciation are based on initial useful lives of assets which are shown below:-

	Initial Useful Life
	Years
Intangible Assets	3-5
Council Dwellings	40
Land and Buildings	40
Vehicles, Plant, Furniture and Equipment	5-14
Infrastructure*	10-120
Community Assets	40
Non-operational Assets	n/a

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

(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 Adjustment Account is made to the Income and Expenditure Account to ensure that only the prudent revenue provision for repayment of external loans is charged in accordance with regulation.

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

### 4. Revaluation Reserve

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

### 5. Deferred Charges

Deferred charges incurred during the year are charged to service revenue accounts which are credited with any grants or contributions received. Where the costs of deferred charges are met from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the Council Fund Balance so that there is no impact on the level of Council Tax.

### 6. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest

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

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for the instrument. As the Council doesn't have any variable rate loans or loans at stepped interest rates, the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued at year-end. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Premiums or Discounts incurred on the extinguishment of debt are charged immediately to the Income and Expenditure account, with Regulation being used to mitigate the financial impact of this on the council taxpayer by an adjustment from the Financial Instruments Adjustment Account where the net impact to the council taxpayer is material. Premiums and discounts are then amortised to the Statement of Movement on Council Fund Balance in accordance with statutory regulation.

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

Premiums or discounts payable resulting from a modification of existing loans, are adjusted against the carrying value of the modified loan and charged to Income and Expenditure using the effective interest rate (EIR) method only where the net impact of charging directly to the Income and Expenditure account is deemed material. Where the net impact on revenue is immaterial premiums/discounts are charged directly to the Income and Expenditure Account in the year that they are incurred.

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

### **7. Financial Assets**

Financial assets are classified into three types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- Investments at Fair Value – assets that have a quoted market price and/or do not have fixed or determinable payments.
- Fair Value through Profit and Loss – assets that are held for trading (surplus funds invested by an external cash manager on the Council's behalf).

#### ***Loans and Receivables***

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest at year-end and the interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate of receivable from the voluntary organisations, with the difference serving to increase the



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

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amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the Council Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the Council Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the Council Fund Balance. The Council has no material soft loans at the present time.

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

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

### ***Available-for-sale Assets***

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

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

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

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### **8. Treatment of Government Grants and Contributions (Capital)**

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.

### **9. Stocks**

Balances at the major Council stores are valued at the lower of cost or net realisable value.

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

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**10. 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.

**11. Capital Receipts**

Receipts from the disposal of assets are held in the usable capital receipts reserve until such time as they are used as a prudent provision for the repayment of loans or to finance capital expenditure.

**12. Nature of Substantial Reserves and Provisions**

**Reserves:** In addition to the Council 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 2007 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.

**13. 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.

**14. 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 2007. 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 and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for separately in the Income and Expenditure Account under Net Cost of Services.

**15. 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.

**16. 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

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

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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; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- 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 2007/08 are the full costs relating to early retirements granted in the year which have been calculated as the special contributions payable into the fund adjusted for the financial assumptions used under 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.

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

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**17. 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.

**18. 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.

**19. 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.

**20. Contingent assets and liabilities**

Contingent assets and liabilities are not accrued in the accounting statements. Contingent liabilities in respect of any legal claims for which there is no insurance cover are recognised in a note to the accounts, as are any other material contingent assets and liabilities.

**21. Exceptional Items**

Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly. When they occur they are included in the Income and Expenditure account in the cost of service to which they relate or as a separate line if that degree of prominence is necessary to give a fair presentation of the accounts.

**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008**

2006/07 Net Expenditure <i>Restated</i> £000		Note	Expenditure £000	Income £000	2007/08 Net Expenditure £000
5,800	Central Services		38,674	(33,162)	5,512
68,477	Cultural, Environmental & Planning (CE&P)		149,920	(53,768)	96,152
232,197	Children's & Education Services		317,070	(76,094)	240,976
37,253	Highways, Roads & Transportation (HR&T)		63,529	(26,804)	36,725
26,526	Local Authority Housing		78,023	(50,694)	27,329
9,086	Other Housing Services		115,910	(105,543)	10,367
80,743	Adult Social Care		114,698	(35,658)	79,040
10,340	Corporate & Democratic Core		11,713	(1,510)	10,203
2,368	Non Distributed Costs		9,538	0	9,538
0	Exceptional Items	4	17,693	0	17,693
<b>472,790</b>	<b>Net Cost of Services</b>		<b>916,768</b>	<b>(383,233)</b>	<b>533,535</b>
(5,954)	(Gain)/loss on sale of fixed assets				0
(2,371)	(Gain)/loss on sale of investments				0
189	Community Council Precepts	3			193
16,140	Levies & Contributions	3			13,985
22,640	Interest Payable & similar charges				21,784
(7,282)	Interest & Investment Income				(9,440)
6,980	Pensions Interest cost & expected return on pensions assets	19			6,800
<b>503,132</b>	<b>Net Operating Expenditure</b>				<b>566,857</b>
(266,031)	Revenue Support Grant incl. amending report				(274,885)
(70,734)	Non-Domestic Rates	6			(77,339)
(15,962)	Other Central Grants				(13,812)
(101,023)	Council Tax Income	5			(107,925)
<b>49,382</b>	<b>(Surplus) / Deficit for the Year</b>				<b>92,896</b>

As required by the Best Value Accounting Code of Practice a new Service Expenditure Analysis (SEA), Childrens & Education Services has been created in 2007/08. This consists of the Education SEA and Children's Services SEA. The prior year comparative figures have been restated to reflect this new analysis.

# STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE

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

2006/07 £000		Note	2007/08 £000
49,382	(Surplus)/Deficit for the year on the Income & Expenditure Account		<b>92,896</b>
(49,057)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Council Fund Balance for the year	1	<b>(93,842)</b>
325	(Increase)/Decrease in Council Fund Balance for the year		<b>(946)</b>
(9,417)	Council Fund Balance brought forward		<b>(9,092)</b>
<b>(9,092)</b>	<b>Council Fund Balance carried forward</b>		<b>(10,038)</b>

## Schools Balances

The Council Fund Balance does not include balances held by schools under local management schemes. Schools balances are included in schools' earmarked reserves (note 29.5)

## 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 available-for-sale financial assets and the re-measurement (in accordance with FRS17) of the net liability to cover the cost of retirement benefits. Further details are given in Note 29 to the Core Financial Statements.

2006/07 £000		2007/08 £000
49,382	(Surplus)/deficit on the Income and Expenditure Account for the year	92,896
(663,768)	(Surplus)/Deficit arising on the revaluation of fixed assets	(39,761)
0	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	(20,406)
(9,390)	Actuarial (gains)/losses on pension fund assets and liabilities	(25,390)
0	De-recognition of Premiums/discounts at 1 April 2007	5,111
(727)	Other gains and losses required to be included in the STRGL	0
<b>(624,503)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>12,450</b>

## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2008

31 March 2007			31 March 2008	
£000		Note	£000	£000
107	Fixed Assets	20	70	
	Intangible Fixed Assets			
	Tangible Fixed Assets			
	Operational Assets:			
1,107,870	Council Dwellings		1,091,615	
726,163	Other Land and Buildings		742,496	
9,254	Vehicles, Plant, Furniture & Equipment		9,766	
362,020	Infrastructure		348,790	
31,010	Community Assets		33,186	
	Non-Operational Assets:			
86,835	Investment Properties		81,912	
23,826	Assets under construction		27,724	
99,416	Surplus assets		101,655	
<b>2,446,501</b>	<b>Total Fixed Assets</b>			<b>2,437,214</b>
30,989	Long-term Investments	21	56,762	
8,204	Deferred Debtors		1,817	
5,837	Deferred Premiums	21	0	
<b>45,030</b>				<b>58,579</b>
<b>2,491,531</b>	<b>Total Long Term Assets</b>			<b>2,495,793</b>
	Current Assets			
2,653	Stocks		2,714	
76,044	Debtors	22	64,673	
96,040	Investments	21	119,141	
5,482	Cash and Bank	23	2,060	
<b>180,219</b>	<b>Total Assets</b>			<b>188,588</b>
	Current Liabilities			
(3,754)	Loans due within one year	21	(11,211)	
(83,705)	Creditors	24	(83,381)	
0	Bank overdraft	23	(1,540)	
<b>(87,459)</b>				<b>(96,132)</b>
<b>2,584,291</b>	<b>Total Assets less Current Liabilities</b>			<b>2,588,249</b>
(386,434)	Long Term Borrowing	21	(399,286)	
(26,489)	Provisions and Deferred Liabilities	26	(24,860)	
(135,020)	Government Grants – Deferred Account	27	(153,283)	
(16,861)	Contributions/Capital Balances Unapplied	28	(21,249)	
(726)	Deferred Discounts	21	0	
(332,570)	Net Pensions Liability		(315,830)	
<b>(898,100)</b>				<b>(914,508)</b>
<b>1,686,191</b>	<b>Total Assets less Liabilities</b>			<b>1,673,741</b>
	Financed by:	29		
1,960,168	Capital Adjustment Account		1,894,594	
0	Financial Instruments Adjustment Account		(4,762)	
0	Revaluation Reserve		2,500	
5,317	Available-for- Sale Financial Instruments Reserve		26,024	
11,222	Usable Capital Receipts Reserve		22,372	
572	Deferred Capital Receipts		424	
(332,570)	Pensions Reserve		(315,830)	



## BALANCE SHEET AS AT 31<sup>st</sup> MARCH 2008

31 March 2007 £000		Note	<b>31 March 2008</b>	
			£000	<b>£000</b>
9,092	Council Fund Balance		10,038	
5,018	Housing Revenue Account Balance		5,335	
27,372	Earmarked Reserves		35,393	
0	Equal Pay Back Pay Reserve		(2,347)	
<b>1,686,191</b>	<b>Total Net Worth</b>			<b>1,673,741</b>

# CASH FLOW STATEMENT

2006/07 £000		2007/08	
		£000	£000
	<b>REVENUE ACTIVITIES</b>		
	<b>Expenditure</b>		
383,284	Cash Paid to and on Behalf of Employees	400,904	
48,345	Housing Benefits paid out	57,074	
32,711	Precept Payments	33,540	
12,081	Housing Subsidy Payable	12,380	
135,569	NDR Payments to National Pool	139,597	
299,481	Other Operating Costs	315,838	
911,471			<b>959,333</b>
	<b>Income</b>		
(266,031)	Revenue Support Grant	(274,885)	
(97,334)	Council Tax Receipts	(104,126)	
(12,183)	Council House Rents (after rebates)	(12,126)	
(135,516)	NDR Receipts	(140,205)	
(70,734)	NDR Receipts from National Pool	(77,339)	
(83,445)	Housing Benefit Subsidy	(90,563)	
(121,100)	Other Government Grants	(112,370)	
(164,277)	Cash Received for Goods and Services	(184,841)	
(950,620)			<b>(996,455)</b>
<b>(39,149)</b>	<b>REVENUE ACTIVITIES NET CASH FLOW</b>		<b>(37,122)</b>
	<b>SERVICING OF FINANCE</b>		
	<b>Expenditure</b>		
22,344	Interest Paid	21,895	
	<b>Income</b>		
(6,948)	Interest Received	(7,824)	
(173)	Dividends Received	0	
15,223			<b>14,071</b>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
93,614	Purchase of Fixed Assets	87,184	
15,572	Deferred Charges	31,564	
0	Purchase of Long Term Investments	4,000	
109,186			<b>122,748</b>
	<b>Income</b>		
(75,000)	Sale of Fixed Assets & Investments	(60,179)	
(33,598)	Capital Grants Received	(28,530)	
(5,819)	Other Capital Contributions Received	(9,974)	
(114,417)			<b>(98,683)</b>
<b>(29,157)</b>	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>		<b>1,014</b>
	<b>MANAGEMENT OF LIQUID RESOURCES</b>		
27,763	Net Increase/(Decrease) in Short Term Deposits	19,444	
	<b>FINANCING</b>		<b>19,444</b>
	<b>Expenditure</b>		
59,830	Repayments of Amounts Borrowed	81,191	
	<b>Income</b>		
(61,800)	New Loans Raised	(96,602)	
0	New Short Term Loans	(85)	
<b>(1,970)</b>			<b>(15,496)</b>
<b>(3,364)</b>	<b>(INCREASE)/DECREASE IN CASH</b>		<b>4,962</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

2006/07 £000		2007/08 £000
	<b>Amounts in the Income &amp; Expenditure Account but required by statute to be excluded when determining the Movement on Council Fund Balance for the year:</b>	
(67,577)	Depreciation, amortisation and impairment of fixed assets	<b>(87,917)</b>
7,825	Government Grants deferred amortisation matching depreciation and impairments	<b>8,898</b>
(6,458)	Write downs of deferred charges to be financed from capital resources	<b>(26,569)</b>
5,954	Net gain/(loss) on sale of fixed assets	<b>0</b>
0	Amortisation of premiums/discounts	<b>349</b>
2,371	Contribution to the Capital Financing Account in respect of profits on investments	<b>0</b>
(36,660)	Net FRS 17 based pension costs included in the Income and Expenditure Account	<b>(43,370)</b>
<b>(94,545)</b>		<b>(148,609)</b>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year:</b>	
11,688	Prudent provision for repayment of external loans (MRP)	<b>12,793</b>
7,467	Capital expenditure charged to Council Fund Balance	<b>5,430</b>
32,210	Employers contributions to the Pension Fund and benefits paid direct to pensioners	<b>34,720</b>
<b>51,365</b>		<b>52,943</b>
	<b>Transfers to/(from) the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year:</b>	
(4,942)	Transfer to the HRA balance	<b>317</b>
(431)	Net transfer to /(from) earmarked reserves	<b>8,912</b>
(504)	Net transfer to /(from) HRA earmarked reserves	<b>(891)</b>
0	Net transfer to /(from) Transport Reserve	<b>301</b>
0	Net transfer to Capital Reserves	<b>(4,468)</b>
0	Transfer from Equal Pay Reserve	<b>(2,347)</b>
<b>(5,877)</b>		<b>1,824</b>
<b>(49,057)</b>	<b>Total</b>	<b>(93,842)</b>

Regulations introduced with effect from 1 April 2007 require the Council to make a 'prudent' provision for the repayment of external loans. The Minimum Revenue Provision (MRP) and Voluntary Revenue Provision (VRP) which were previously shown separately in the 2006/07 figures have been combined to show comparable figures.

## 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 2007 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 2006/07 comparative figures have been restated to reflect:

- i) a restructuring of Council Services in 2007/08
- ii) an adjustment in the allocation of support recharges across services, totalling £0.856m

2006/07 Net Expenditure <i>Restated</i> £000		Expenditure  £000	Income  £000	2007/08 Net Expenditure  £000
76,614	Adult Services & Health	112,720	(33,881)	<b>78,839</b>
36,183	Children's Services	46,098	(8,654)	<b>37,444</b>
3,295	Clerk to Council	4,035	(595)	<b>3,440</b>
12,279	Corporate	37,165	(3,416)	<b>33,749</b>
27,581	Culture, Leisure & Parks	49,132	(17,776)	<b>31,356</b>
(1,235)	Finance, Property & ICT	8,290	(10,728)	<b>(2,438)</b>
4,319	Harbour & Associated Activities	13,919	(10,558)	<b>3,361</b>
53,785	Highways & Waste Management	83,767	(24,891)	<b>58,876</b>
9,963	Housing & Neighbourhood Renewal	143,175	(131,138)	<b>12,037</b>
26,526	Housing Revenue Account	78,023	(50,694)	<b>27,329</b>
(376)	Legal & Democratic Services	179	(445)	<b>(266)</b>
289	People & Organisational Development	185	0	<b>185</b>
625	Projects, Design & Development	3,939	(3,701)	<b>238</b>
196,543	Schools & Lifelong Learning	267,773	(68,500)	<b>199,273</b>
1,086	Scrutiny	1,228	(2)	<b>1,226</b>
10,711	Strategy & Enterprise	18,100	(7,391)	<b>10,709</b>
12,302	Strategic Planning & Environment	21,809	(10,863)	<b>10,946</b>
2,300	Non Distributed Costs (FRS17)	9,538	0	<b>9,538</b>
0	Exceptional Item	17,693	0	<b>17,693</b>
<b>472,790</b>	<b>Net Cost of Services</b>	<b>916,768</b>	<b>(383,233)</b>	<b>533,535</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 3. Precepts and Levies

	2006/07 £000	2007/08 £000
<b>Precepts</b>		
Community Councils:		
Lisvane	23	<b>23</b>
Pentyrch	63	<b>65</b>
Radyr	56	<b>58</b>
St Fagans	15	<b>15</b>
Old St Mellons	20	<b>20</b>
Tongwynlais	12	<b>12</b>
	<b>189</b>	<b>193</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire Service	15,617	<b>13,432</b>
Caldicot & Wentlooge Drainage Board	145	<b>151</b>
Cardiff Port Health Authority	116	<b>128</b>
Newport Health Authority	4	<b>4</b>
South Wales Sea Fisheries Committee	16	<b>18</b>
Glamorgan Archives Service	242	<b>252</b>
	<b>16,140</b>	<b>13,985</b>

The South Wales Fire Service levy of £15.371 million for 2007/08 has been reduced by £1.939 million following advice from Wales Audit Office to Fire Authorities that they should remove all accumulated reserves and balances from their balances sheets. The Council has recognised £1.939 million, as the estimated sum due, in its income and expenditure account and on the balance sheet as a debtor.

In addition, the Council collected precepts of £17,423,320 on behalf of the South Wales Police Authority (£16,383,193 in 2006/07).

### 4. Exceptional Items

Expenditure was incurred on two exceptional items during the year:

Payments of £9.212 million were made in respect of Equal Pay claims. In addition a contribution of £2.347 million was made to a provision to cover possible future liabilities.

Expenditure of £6.134 million incurred by the former Cardiff Bay Development Corporation (CBDC) on the creation of Gwent Levels, as a result of the construction of the Cardiff Bay barrage, had until 2007/08 been included as a fixed asset on the Council's Balance Sheet. Guidance has now been received that this expenditure is required to be shown in the accounts of the Countryside Council for Wales rather than those of the Council. This asset has therefore been removed from the Council's balance sheet in 2007/08 by means of a charge to Income and Expenditure (exceptional item). This charge is reversed in the Statement of Movement on Council Fund Balance by a transfer from the Capital Adjustment Account ensuring that there is no impact on the Council Fund Balance arising from this transaction.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 5. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the police 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 2007/08 was 131,259 (129,595 for 2006/07).

The amounts for a band D property in Cardiff during 2007/08 were as follows:

<b>Band D Council Tax:</b>	2006/07 £	<b>2007/08 £</b>
Cardiff Council	782.10	<b>814.42</b>
South Wales Police Authority	126.42	<b>132.74</b>
<b>TOTAL</b>	<b>908.52</b>	<b>947.16</b>

The above amount (£947.16) 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:

	2006/07 £000	<b>2007/08 £000</b>
Council tax collectable	118,421	<b>126,709</b>
Less payable to the police authority	(16,383)	<b>(17,423)</b>
Provision for non-payment of council tax	(1,015)	<b>(1,361)</b>
	<b>101,023</b>	<b>107,925</b>

### 6. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (44.8p in 2007/08 and 43.2p in 2006/07) 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 authorities on the basis of a fixed amount per head of population.

The NDR income, after relief and provision, of £140,990,084 for 2007/08, (£137,604,000 for 2006/07) was based on a total rateable value of £369,650,194 for the year (£369,274,134 for 2006/07).

## NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of the net proceeds from non-domestic rates:

	2006/07 £000	2007/08 £000
Non-Domestic Rates collectable	137,604	140,990
Cost of collection allowance	(759)	(767)
Provision for non payment of NDR	(951)	(616)
Payment into national pool	135,894	139,607
<b>Redistribution from national pool</b>	<b>(70,734)</b>	<b>(77,339)</b>

### 7. Building Regulations Charging Account 2007/08

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 2007/08 £000	Non Fee Earning 2007/08 £000	Building Regulations Total 2007/08 £000
<b>Expenditure</b>			
Employees	800	343	1,143
Premises	1	10	11
Transport	42	14	56
Supplies & Services	98	19	117
Central and Support Service charges	172	48	220
<b>Total Expenditure</b>	<b>1,113</b>	<b>434</b>	<b>1,547</b>
<b>Income</b>			
Building Regulation Charges	(979)	(12)	(991)
Other Income	(1)	0	(1)
<b>Total Income</b>	<b>(980)</b>	<b>(12)</b>	<b>(992)</b>
<b>(Surplus)/Deficit for the year</b>	<b>133</b>	<b>422</b>	<b>555</b>
Consolidated (Surplus)/Deficit brought forward	(353)	2,810	2,457
Use of Surplus in year	5	0	5
<b>Consolidated (Surplus)/Deficit carried forward</b>	<b>(215)</b>	<b>3,232</b>	<b>3,017</b>

Comparatives for 2006/07			
Expenditure	1,132	400	1,532
Income	(964)	(11)	(975)
<b>(Surplus)/Deficit for the year</b>	<b>168</b>	<b>389</b>	<b>557</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 8. 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 2007/08 under this power was £309,549 (£150,712 in 2006/07).

### 9. 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 2007/08 expenditure amounted to £863,943 (£1,317,817 in 2006/07).

### 10. Agency Income & Expenditure

During 2007/08, 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 reimbursement received in 2007/08 was £1,212,829 (£1,211,485 in 2006/07).

### 11. Local Government (Goods and Services) Act 1970

The following income was generated from bodies under the Act:

	2006/07 £000	2007/08 £000
Administrative & Professional Services	(47)	(81)
ICT Technical Services – for Office of Fair Trading	(1,017)	(915)
– Single Non-Emergency Number	(1,370)	(1,489)
– for other clients	(519)	(669)
Other Technical Services	(161)	(629)
	<b>(3,114)</b>	<b>(3,783)</b>

### 12. 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	
	2006/07	2007/08
150 – 160	0	1
140 – 150	1	0
130 – 140	0	0
120 – 130	0	0
110 – 120	3	4
100 – 110	1	0
90 – 100	2	3
80 – 90	8	17
70 – 80	16	6
60 – 70	23	41



## NOTES TO THE CORE FINANCIAL STATEMENTS

The figures for 2007/08 can be further analysed as follows:

Remuneration Band £000	
150-160	1 Chief Executive
110-120	4 Corporate Directors
90-100	2 Chief Officers 1 Headteacher
80-90	8 Chief Officers 8 Headteachers 1 Operational Manager
70-80	5 Headteachers/principals 1 Chief Officer
60-70	16 Headteachers 9 Deputy Headteachers 1 Chief Officer 3 Heads of Function 9 Operational Managers 3 Managers (incl. severance payment)

(b) The total amount of Members' Allowances (basic and special responsibility) paid in 2007/08 was £1,076,557 (£1,078,222 in 2006/07). The total amount of Care Allowance paid in 2007/08 was £11,520 (£11,520 in 2006/07).

### 13. **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 2007/08 it received and spent £1.023 million (£1.022 million in 2006/07) 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.

### 14. **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 31.4 to the Core Financial Statements.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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**Subsidiary Companies** - Cardiff Council has three subsidiary companies, Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff & Co. Details of transactions with these companies are shown in note 25 to the Core Financial Statements.

**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. Details of transactions with Medicentre are shown in note 25 to the Core Financial Statements.

**Pension Fund** – details of pension contributions paid over to the Pension Fund are shown in note 19 to the Core Financial Statements.

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

**South Wales Police Authority (SWPA)** – the precept paid to SWPA during 2007/08 is detailed in note 3 to the Core Financial Statements. In addition to this the Council paid £0.411 million to SWPA during 2007/08 (£0.590 million in 2006/07), the majority of which (£0.240 million) was in respect of traffic wardens connected to the voucher parking scheme.

**Glamorgan County Cricket Club (GCCC)** – 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 balance of the loan in the sum of £3.470 million was paid to GCCC during 2007/08. Accrued interest of £46,195 was also added to the loan in 2007/08. In addition during 2007/08 the Council made payments to the Club of £13,000 and received income of £33,934. A Youth Cricket Development grant was paid to GCCC during 2007/08 amounting to £100,000.

**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 2007/08, goods and services to the value of £3.931 million were commissioned from companies in which members had an interest (£2.871 million in 2006/07). In addition, the Council appoints members and chief officers to certain charitable organisations and to the Chamber of Commerce. During 2007/08, a total of £0.235 million was paid to these bodies (£0.406 million in 2006/07). Details of members' allowances are shown in note 12(b) to the Core Financial Statements.

**Officers** - during 2007/08, the Council received income of £7,000 from Chief Officers relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£6,000 in 2006/07). Details of Officers' emoluments are shown in note 12(a) to the Core Financial Statements.

# NOTES TO THE CORE FINANCIAL STATEMENTS

## Related Party Balances

As at 31 March 2008 the following balances were held in respect of related parties:

31 March 2007 £000		31 March 2008	
		Debtors £000	Creditors £000
6,330	Central Government Grants	14,988	(10,033)
(78)	Cardiff City Transport Services Ltd	65	(342)
315	Cardiff Medicentre/CBTC	169	(11)
8	Chief Officers and above – outstanding car loan balances	11	0
(115)	Precepting Bodies	0	(40)
0	Glamorgan County Cricket Club	4,046	0
373	Companies in which members interests declared/other	0	(365)

## 15. External Audit Costs

In 2007/08 the Council incurred the following fees relating to external audit and inspection:

	2006/07 £000	2007/08 £000
Fees payable to Wales Audit Office for external audit services carried out by the appointed auditor	437	447
Fees payable to Wales Audit Office in respect of statutory inspection	46	48
Fees payable to Wales Audit Office for the certification of grant claims and returns	134	107
Fees payable in respect of other services provided by the appointed auditor	10	0

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 16. 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. The following figures have been compiled in accordance with the requirements of the 2007 SORP and BVACOP. The 2006/07 figures have been restated to reflect the Council's 2007/08 structure.

2006/07 Trading (Surplus) /Deficit (Restated) £000		2007/08		
		Expenditure £000	Income £000	Trading (Surplus) /Deficit £000
2,787	St. David's Hall	6,606	(3,835)	<b>2,771</b>
1,404	New Theatre	5,081	(3,733)	<b>1,348</b>
630	Cardiff Castle	2,053	(1,395)	<b>658</b>
98	Highways Operations DSU	7,778	(7,627)	<b>151</b>
76	Parks DSU	6,528	(6,339)	<b>189</b>
78	Venues Catering DSU	2,676	(2,700)	<b>(24)</b>
7	Street Cleansing DSU	6,838	(6,779)	<b>59</b>
170	Refuse Collection DSU	9,828	(9,929)	<b>(101)</b>
315	Recreation DSU	7,072	(6,796)	<b>276</b>
(83)	Council Cleaning DSU	5,846	(5,976)	<b>(130)</b>
158	Schools Building DSU	11,113	(11,548)	<b>(435)</b>
(129)	Schools & Staff Catering DSU	7,278	(7,345)	<b>(67)</b>
(63)	CMS Building Maintenance	8,868	(9,068)	<b>(200)</b>
(1,362)	Car Parking/Voucher Parking	1,395	(3,338)	<b>(1,943)</b>
39	Vehicle Maintenance	3,449	(3,449)	<b>0</b>
(2,298)	Other trading accounts (14)	15,526	(18,439)	<b>(2,913)</b>

### 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 2007/08:

	2006/07 £000	2007/08 £000
Property leases	1,470	<b>2,583</b>
Other leases	3,282	<b>2,940</b>

The Council has two properties whose leases commenced in 2004/5 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 equal to the equivalent of the rent free periods is therefore held on the balance sheet as a deferred liability to be used to offset revenue rental payments until the period of review. An amount totalling £133,583 was paid out of the balance in 2007/8 in respect of rent free periods apportionment. 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 2008 to making payments of £4.105 million under operating leases in 2008/09 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2008/09	183	222
Leases expiring between 2009/10 and 2012/13	549	1,887
Leases expiring after 2012/13	1,264	0

(b) **Finance Leases**

The Council has no finance leases

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

The Council is required to set aside from its revenue budget each year a prudent amount for the repayment of external loans undertaken to pay for capital expenditure.

The depreciation and impairment charges included in the Income & Expenditure Account are replaced by the MRP via an appropriation to/from the Capital Adjustment Account in the Statement of Movement on Council Fund Balance. The calculation of this provision is set out below:

	2006/07 £000	<b>2007/08</b> <b>£000</b>
Non Housing Revenue Provision	9,997	<b>11,192</b>
HRA Provision	1,691	<b>1,601</b>
Prudent Minimum Revenue Provision	11,688	<b>12,793</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 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.

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 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 Council Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the Council Fund Balance during the year:

	2006/07 £000	2007/08 £000
<b>Income and Expenditure Account</b>		
<i>Net Cost of Services:</i>		
Current Service Cost	27,380	<b>27,820</b>
Past Service Costs	2,300	<b>8,750</b>
<i>Net operating Expenditure:</i>		
Interest Cost	42,010	<b>48,160</b>
Expected return on scheme assets	(35,030)	<b>(41,360)</b>
<i>Net charge to the Income and Expenditure Account</i>	36,660	<b>43,370</b>
<b>Statement of Movement on Council Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS17	(36,660)	<b>(43,370)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year:</b>		
Employers contributions payable to the scheme	29,180	<b>31,950</b>
Payments in respect of unfunded pensions liabilities	3,030	<b>2,770</b>
	32,210	<b>34,720</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 2007 £000	31 March 2008 £000
Share of assets in Cardiff and Vale of Glamorgan Pension Fund	572,720	<b>546,210</b>
Estimated liabilities in Cardiff and Vale of Glamorgan Pension Fund	(864,520)	<b>(824,280)</b>
Estimated unfunded pension liabilities	(40,770)	<b>(37,760)</b>
Cardiff Council's Net Pensions Liability	(332,570)	<b>(315,830)</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 £315.8 million at 31 March 2008 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.

### Main Financial Assumptions

The latest valuation of the Cardiff and Vale of Glamorgan Pension Fund was carried out as at 31 March 2007. The principal assumptions used by the independent qualified actuary in updating the latest valuation of the fund for FRS17 purposes were:

	31 March 2007 % pa	31 March 2008 % pa
Rate of inflation	3.2	<b>3.7</b>
Rate of general long-term increase in salaries *	4.7	<b>5.2</b>
Rate of increase in pensions in payment	3.2	<b>3.7</b>
Rate of increase in deferred pensions	3.2	<b>3.7</b>
Discount rate for scheme liabilities	5.3	<b>6.8</b>
Rate of return on Equities	7.7	<b>7.6</b>
Rate of return on Property	6.7	<b>6.6</b>
Rate of return on Government Bonds	4.7	<b>4.6</b>
Rate of return on Corporate Bonds	5.3	<b>6.8</b>
Rate of return on other assets	5.6	<b>6.0</b>
Average Long Term Expected Rate of Return	7.2	<b>7.2</b>

\* In addition, allowance has been made for the same age related promotional salary scale as used at the actuarial valuation of the Fund as at 31 March 2007.

The mid market value of the assets of the Cardiff and Vale of Glamorgan Pension Fund at 29 February 2008 was £909.8m (only a proportion of those assets are allocated to the Employer). The assets as at 31 March 2008 have been estimated using index returns appropriate to the mix of assets between 29 February 2008 and 31 March 2008. The asset values, for the entire Fund, used as at the accounting date are set out below:

## NOTES TO THE CORE FINANCIAL STATEMENTS

	Estimated value at 31 March 2007 £000	Estimated value at 31 March 2008 £000
Equities	692,100	<b>636,900</b>
Property	60,400	<b>51,000</b>
Government Bonds	31,500	<b>43,800</b>
Corporate Bonds	97,500	<b>121,400</b>
Other	19,500	<b>43,400</b>
<b>Total</b>	<b>901,000</b>	<b>896,500</b>

The proportions of total assets held in each asset type by the Fund as a whole at 31 March 2008 are:

	31 March 2007 %	31 March 2008 %
Equities	77	<b>70</b>
Property	7	<b>6</b>
Government Bonds	3	<b>5</b>
Corporate Bonds	11	<b>14</b>
Other	2	<b>5</b>
<b>Total</b>	<b>100</b>	<b>100</b>

The movement in the net pension liability is as follows:

	2006/07 £000	2007/08 £000
<b>Net Pensions Liability as at 31 March b/f</b>	(337,510)	<b>(332,570)</b>
<i>Movements in the Year:</i>		
Contributions towards funded liabilities	29,180	<b>31,950</b>
Contributions towards unfunded liabilities	3,030	<b>2,770</b>
Current Service Cost	(27,380)	<b>(27,820)</b>
Past Service Costs	(2,300)	<b>(8,750)</b>
Gain/Loss on any Settlement or Curtailments	0	<b>0</b>
<i>Finance Income:</i>		
Expected return on Pension Scheme Assets	35,030	<b>41,360</b>
Interest on Pension Scheme Liabilities	(42,010)	<b>(48,160)</b>
Actuarial Gain/(Loss)	9,390	<b>25,390</b>
<b>Net Pensions Liability at 31 March</b>	<b>(332,570)</b>	<b>(315,830)</b>

### The 2008 Scheme

A new benefit structure was introduced in the Local Government Pension Scheme (LGPS) from 1 April 2008. This change affects both the value of benefits earned up to 31 March 2008 and the cost going forward from that date.

The changes introduced in the 2008 scheme that affect the active members' benefits earned before 1 April 2008 are:

- An increase in the period of the pension guarantee following retirement from 5 to 10 years.
- The introduction of contingent dependents benefits for co-habitees.
- An increase in the lump sum on death in deferment benefits following the member leaving service, from three times to five times the deferred pension.



# NOTES TO THE CORE FINANCIAL STATEMENTS

- A change to service enhancements for ill-health and death in service pensions.

This change has been accounted for as a past service cost. The cost of these benefit improvements has been calculated as a percentage of the value placed on the active member liabilities for the Fund as a whole, a figure of 1.6%. This percentage increase in liabilities has then been applied to the active liabilities of Cardiff Council to give a past service cost of £8.75 million in 2007/08 compared to £2.3 million in 2006/07.

## Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets and liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£m	%	£m	%	£m	%	£m	%	£m	%
Differences between the expected and actual return on assets	44.73	12.8	17.31	4.4	80.01	15.5	9.27	1.6	(80.3)	(14.7)
Differences between actuarial assumptions about liabilities and actual experience	(0.62)	(0.1)	(4.21)	(0.6)	1.01	0.1	(1.68)	(0.2)	(17.52)	(2)
Changes in the demographic and financial assumptions used to estimate liabilities	1.35	0.2	(127.75)	(17.1)	(57.88)	(6.8)	1.8	0.2	123.21	14.3
Net actuarial gain/(loss) in year	45.46	7.9	(114.65)	(15.3)	23.14	2.7	9.39	1.0	25.39	2.9

## 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 2007/08 the Council paid £14.904 million in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (£14.092 million representing 13.6% of teachers' pensionable pay in 2006/07).

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

## 20. Fixed Assets

### 20.1 Fixed Asset Valuation

Fixed assets are valued as per the according policies shown on Page 28.

## NOTES TO THE CORE FINANCIAL STATEMENTS

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

ASSETS	Council Dwellings  £000	Other Land & Buildings  £000	Vehicles, Plant & Equipment  £000	Infrastructure  £000	Community Assets  £000
Gross Book Value at 31 March 2007	1,139,410	743,250	17,340	443,833	32,041
Additions – Capital Expenditure	18,086	15,731	3,674	11,994	1,205
Impairment	(1,709)	(17,174)			
Disposals	(2,625)	(1,511)	(690)	(9,087)	
Reclassifications	1,821	33,762	181	78	
Revaluations					
<b>Gross Book Value at 31 March 2008</b>	<b>1,154,983</b>	<b>774,058</b>	<b>20,505</b>	<b>446,818</b>	<b>33,246</b>
<b>DEPRECIATION &amp; AMORTISATION</b>					
Balance at 31 March 2007	31,540	17,087	8,086	81,813	1,031
Depreciation & Amortisation	31,967	14,720	3,343	19,169	(971)
Released on Disposal	(139)	(11)	(690)	(2,954)	
Reclassification		(234)			
Released on Revaluation					
<b>Balance at 31 March 2008</b>	<b>63,368</b>	<b>31,562</b>	<b>10,739</b>	<b>98,028</b>	<b>60</b>
<b>NET BOOK VALUE at 31 March 2008</b>	<b>1,091,615</b>	<b>742,496</b>	<b>9,766</b>	<b>348,790</b>	<b>33,186</b>
NET BOOK VALUE at 31 March 2007	1,107,870	726,163	9,254	362,020	31,010

## NOTES TO THE CORE FINANCIAL STATEMENTS

<b>ASSETS</b>	<b>Investment Properties</b>	<b>Surplus Assets held for disposal</b>	<b>AUC</b>	<b>Intangibles</b>	<b>TOTAL</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Gross Book Value at 31 March 2007	86,835	99,416	23,826	182	<b>2,586,133</b>
Additions – Capital Expenditure	1,708		36,938		<b>89,336</b>
Impairment	(768)				<b>(19,651)</b>
Disposals	(994)	(39,355)			<b>(54,262)</b>
Reclassifications	(5,429)	2,393	(32,806)		<b>0</b>
Revaluations	560	39,201			<b>39,761</b>
<b>Gross Book Value at 31 March 2008</b>	<b>81,912</b>	<b>101,655</b>	<b>27,958</b>	<b>182</b>	<b>2,641,317</b>
<b>DEPRECIATION &amp; AMORTISATION</b>					
Balance at 31 March 2007	0	0	0	75	<b>139,632</b>
Depreciation & Amortisation				37	<b>68,265</b>
Released on Disposal					<b>(3,794)</b>
Reclassification			234		<b>0</b>
Released on Revaluation					<b>0</b>
<b>Balance at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>234</b>	<b>112</b>	<b>204,103</b>
<b>NET BOOK VALUE at 31 March 2008</b>	<b>81,912</b>	<b>101,655</b>	<b>27,724</b>	<b>70</b>	<b>2,437,214</b>
NET BOOK VALUE at 31 March 2007	86,835	99,416	23,826	107	2,446,501

## NOTES TO CORE FINANCIAL STATEMENTS

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

Allotment Gardens (26)	Physically Disabled Centre
Caravan Park	Play Centres (7)
Cardiff Bay Barrage	Residential Establishments (15)
Cardiff Castle	Resource Centres (15)
Cemeteries (7)	Road Safety Centre
Central Bus Station	Roads - Non-Principal (992 km)
City Hall	Roads - Principal (94 km)
Civic Residence	Schools - Nursery (4)
Community Halls (7)	Schools - Infants, Junior & Primary (80)
Council Dwellings	Schools - Secondary (14)
County Hall	Schools - Special (7)
Crematorium	Sports and Leisure Centres (7)
Day Centres and Clubs (12)	St David's Hall
Depots (6) and Workshops (10)	Surface Car Parks (10)
Family Centres (6)	Swimming Pools (3)
Heliport	Training Centre
Horse Riding School	Traveller Sites (2)
Maindy Cycle Track	Various Administrative Buildings
Libraries (20)	Various Property & Land Holdings
Indoor Market	Vehicles, Plant, Furniture & Equipment
Mental Health Day Centres (2)	Works of Art & Civic Regalia
New Theatre	Youth, Community & Adult Centres (35)
Parks & Public Open Spaces (Approx 1510 ha)	

Under the terms of development agreements, a new library building is currently being constructed by the developer of the St David's II Development which will be transferred to the Council on completion during 2008/09.

### 20.4 Capital Expenditure and Financing

Expenditure as per Financial Statements	2006/07 £000	2007/08 £000
<b>Opening Capital Financing Requirement</b>	365,489	<b>351,872</b>
Expenditure on Fixed Assets and Loan	95,629	<b>92,806</b>
Expenditure on Deferred Charges:		
- Equal Pay settlement		<b>9,141</b>
- Other Deferred charges	14,836	<b>25,555</b>
Sources of Finance:-		
Grants and Contributions	(33,246)	<b>(35,807)</b>
Revenue and Reserves	(7,467)	<b>(5,430)</b>
Capital Receipts	(47,055)	<b>(32,309)</b>
Prudent Revenue and Capital provision for loan repayment	(36,314)	<b>(14,964)</b>
<b>Closing Capital Financing Requirement</b>	<b>351,872</b>	<b>390,864</b>

## NOTES TO CORE FINANCIAL STATEMENTS

Leckwith Development Agency

The Council operates a bank account to administer payments in relation to the Leckwith Development. Contributions of the Council and its partners are held in this account. Any non-Council contributions to the development are accounted for on an Agency basis.

### 20.5 Revenue Expenditure funded from Capital under Statute (Deferred Charges) Movement

	2006/07 £000	2007/08 £000
<b>Balance as at 31 March 2007</b>	0	0
Equal Pay	0	9,140
St. Donats Remediation	0	2,640
Leckwith Development	0	10,784
Disabled Facility and Renovation Grants	10,082	10,022
Other expenditure	4,754	2,110
	14,836	34,696
Amortisation to Income and Expenditure Account	(14,836)	(34,696)
<b>Balance as at 31 March 2008</b>	0	0

### 20.6 The main asset disposals during the year were:

Sale Proceeds of Council Dwellings
Land at Leckwith
Land at Pentwyn
Land at Beechley Drive
Former Grangetown Library
Land at Dumballs Road
Land at Lamby Way
Land at Trowbridge Centre
Former lowerth Jones Home for the Elderly
Former Arjo Wiggins site land
Lease Reviews

### 20.7 Significant capital expenditure contractual commitments as at 31 March 2008 include the following:

	£000
Leckwith Development / Cardiff City Football Club	24,225
New Glamorgan Record Office	2,543
Western Leisure Centre	2,414
Penylan Library / Roath Community Hall	1,796
Cardiff Castle Conservation and Development Scheme	1,340
Waungron Road Household Waste Recycling Centre	790

# NOTES TO CORE FINANCIAL STATEMENTS

## 21. Financial Instruments

### 21.1 Change of Accounting Policy in 2007/08

With effect from 1 April 2007, local authorities have had to adopt a major change of accounting policy in order to comply with the requirements of the SORP. This has been based on major changes in international accounting standards which have resulted in this country in the introduction of new U.K. accounting standards for financial instruments – Financial Reporting Standards (FRS) 25, 26 and 29.

This has caused changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present additional information in order to show the significance of financial instruments for the Council's financial position and performance. In addition, in order to help identify, quantify and inform on the exposure to and management of risk, new "fair value" disclosure requirements have been introduced.

#### De-recognition of Premiums and Discounts

As a result of changes in accounting policy, premiums and discounts existing as at 31 March 2007 arising from the premature repayment of debt were required to be re-examined. Premiums and discounts with a net value of £5.111 million that were recognised on the Balance Sheet at 31 March 2007 were derecognised at 1 April 2007 on transition to the new arrangements. No adjustments were required to be made to the carrying amount of loan instruments at 1 April 2007 since either:-

- Replacement loans were not the same value as replaced loans
- Replacement loans were no longer in the loan portfolio i.e. have subsequently been repaid
- Replacement loans were not with the same lender
- Repayment and replacement were not a simultaneous event or
- In the authorities view, the attachment of premium / discount to a loan resulted in an immaterial impact on the accounts

Therefore the sum of £5.111 million has been written off to the Council Fund Balance and the impact on the Council Fund Balance has been ameliorated by a transfer from the Financial Instruments Adjustment Account in accordance with the Regulations/statutory guidance.

	Balance 31 March 2007	Write off on transition to 2007 SORP	Effect of applying the Regulations	<b>Balance 1 April 2007</b>
	£000	£000	£000	<b>£000</b>
Deferred Premiums	5,837	(5,837)		<b>0</b>
Deferred Discounts	(726)	726		<b>0</b>
Council Fund Balance	9,092	5,111	(5,111)	<b>9,092</b>
Financial Instruments Adjustment Account			5,111	<b>5,111</b>

With the exception of premiums and discounts there were no other recognition/de-recognition issues that affected the 2007/08 opening Balance Sheet.

## NOTES TO CORE FINANCIAL STATEMENTS

### Amortised Cost

This change in accounting standards has meant that most financial instruments (whether borrowing or investment) have, in 2007/08, to be valued on an amortised cost basis using the Effective Interest Rate (EIR) method.

However, it should be noted that figures for 31 March 2007 which appear in these disclosure notes are shown unaltered from those which were published in the accounts for 2006/07 i.e. they have not been restated to amortised cost etc. Consequently, the figures for 31 March 2007 and 31 March 2008 are not comparable as they have been produced on two different bases. This is a one-off problem which will not occur in the accounts for future years when two years' figures will be available.

### Fair Value

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

Guidance from CIPFA states that as fair value valuations were not calculated as at 31 March 2007, 2006/07 comparative figures for fair value cannot be completed.

For the same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

### 21.2 Compliance

The Council has adopted the Treasury Management Code of Practice and sets Treasury Prudential Indicators to control key financial instrument risks in accordance with the Prudential Code of Capital Finance in Local Authorities. A borrowing strategy and Investment Strategy is prepared at the start of each financial year, with a Treasury Management outturn report prepared at the end of the financial year.

### 21.3 Financial Instrument Balances

Financial Instruments disclosed in the balance sheet are analysed into the defined categories of Financial Instruments below:

	<b>Long Term</b>	<b>Short Term</b>	<b>Total</b>
	31 March 2008	31 March 2008	<b>31 March 2008</b>
	£000	£000	£000
<b>Investments/Financial Assets</b>			
Loans & Receivables at amortised cost	17,636	110,911	128,547
Investments at Fair Value	25,000	184	25,184
Fair value through Profit and Loss	26,498	0	26,498
<b>Total</b>	<b>69,134</b>	<b>111,095</b>	<b>180,229</b>
<b>Borrowings/Financial Liabilities</b>			
Financial Liabilities at Amortised Cost	(399,286)	(12,751)	(412,037)
<b>Total</b>	<b>(399,286)</b>	<b>(12,751)</b>	<b>(412,037)</b>

## NOTES TO CORE FINANCIAL STATEMENTS

The Council's shareholding in Cardiff City Transport Limited was previously shown in the Council's accounts at its historic valuation of £4.618m. Using estimates of Fair Value, this has been deemed to be £25 million, with the gain recognised through the STRGL and taken to the Available for Sale Reserve.

Long Term Financial Liabilities at amortised cost include debt instruments totalling £12 million which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date (Lender Option Borrower Option Loans). The maturity period for such investments is taken to be the contractual period to maturity.

### 21.4 Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to Financial Instruments comprised:

	Financial Liabilities	Financial Assets			Total
	Liabilities at Amortised Cost	Loans & Receivables	Investments at Fair Value	Fair Value through P & L	
	£000	£000	£000	£000	£000
Interest Expense	21,785	0	0	0	21,785
Losses on De-recognition	2,884	0	0	0	2,884
Impairment Losses	0	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>24,669</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,669</b>
Interest/Dividend Income	0	(8,194)	0	(1,498)	(9,692)
Gains on De-recognition	(2,885)	0	0	0	(2,885)
<b>Interest and Investment Income</b>	<b>(2,885)</b>	<b>(8,194)</b>	<b>0</b>	<b>(1,498)</b>	<b>(12,577)</b>
Gains on Revaluation	0	0	(20,406)	0	(20,406)
Losses on Revaluation	0	0	0	0	0
<b>Surplus arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>(20,406)</b>	<b>0</b>	<b>(20,406)</b>
<b>Net gain / (loss) for the year</b>	<b>21,784</b>	<b>(8,194)</b>	<b>(20,406)</b>	<b>(1,498)</b>	<b>(8,314)</b>

Comparable figures are not available for 2006/07 due to the change in accounting standards.

### 21.5 Investments / Financial Assets

**Loans and receivables** are predominately represented by the temporary cash balances deposited for various maturities with financial institutions.

They also include a Debenture issued originally in 1987 by Cardiff City Transport Services Limited of £1 million which is repayable to the Council in 2016. The Council has also provided a loan of £4 million to Glamorgan County Cricket Club to support the redevelopment of the ground. The loan requires no cash repayments in the first five years, with such deferred costs recoverable in the last 15 years of the loan. The



# NOTES TO CORE FINANCIAL STATEMENTS

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Council operates a car loan scheme to provide assistance to eligible Council Staff to purchase cars. This is repaid with interest, within a stipulated period as well as other conditions as specified in a loan agreement. Over 500 such agreements existed during 2007/08 and the value of loans outstanding total £2.266 million as at 31 March 2008. All such loan investments are made at the cost of funds available to the authority and result in no loss on interest over the life of the Instruments. Accordingly no adjustment is required to either the Income and Expenditure account or fair value of the Instruments on the Balance Sheet.

**Investments at fair value** include the Council's 100% shareholding in Cardiff City Transport Services Limited. Since the council's shareholding is not listed on any quoted market, the fair value of the investment of £25 million is based on comparisons with transactions of a similar nature as well as a ratio of value per pound of turnover. This is only an estimate and could be influenced by many factors including the significant investment being made by the Council in Public Transport. Investments at Fair Value also include a Debenture loan issued by the former Association of District Councils (ADC). This was scheduled to be redeemed on maturity in 2011, along with a share of any appreciation in property value to which the Debenture is linked. However, the property was sold on the 1 April 2008 and proceeds estimated at £184,000 are likely to be received during 2008/09.

Gains or losses in fair value are posted to the STRGL, matched with an entry in the Available for Sale reserve, unless there is an impairment or de-recognition, when the adjustment is recognised in the Income and Expenditure account.

**Investments at Fair Value through profit and loss** comprise cash balances which are invested by an External Fund Manager. This fund is a managed portfolio of financial instruments such as Certificates of Deposits and Gilts which are traded to enhance investment returns and also allow diversification of the Council's investments. The investments held are valued at quoted mid market prices on recognised exchanges.

Interest income is recognised in the Income and Expenditure account on an accruals basis, applying the effective rate of interest to the amortised cost of the asset. Dividends are credited to the Income and Expenditure account when the right for the authority to receive the payment is established.

## 21.6 Borrowings / Financial Liabilities

Financial liabilities at amortised cost are represented by the borrowing undertaken to fund the long term capital expenditure requirements of the Council and the prudent management of its financial affairs e.g. to meet any short term cash flow requirements. Such borrowing is undertaken from the Public Works Loan Board or from the Markets.

Financing costs payable, calculated by applying the effective rate of interest to the amortised cost for the year, are debited to the Income and Expenditure account. Any gains or losses on early repayment of such liabilities are debited or credited to the Income and Expenditure account if extinguished or if immaterial. If loans are modified or exchanged, gains or losses incurred on early repayment are held against the carrying amount of the liability.

The Council has given no financial guarantee commitments that need to be recognised on the Balance Sheet.

# NOTES TO CORE FINANCIAL STATEMENTS

## 21.7 Fair Value of Assets and Liabilities Carried at Amortised Cost

The fair value of each class of financial assets and liabilities which are carried in the balance sheet at amortised cost is disclosed below. Fair values as at 31 March 2007 are not calculated.

### Methods and Assumptions in fair valuation technique

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

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

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing on 31 March 2008.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised.

### Fair value of Financial Assets Carried at Amortised Cost

	31st March 2008	
	Carrying amount	Fair value
	£000	£000
Cash	2,060	2,060
Deposits with banks and building societies	119,116	118,962
Assisted Car Purchase Loans	2,266	2,266
Loans to External Organisations / Subsidiary	5,105	5,105
<b>Financial assets</b>	<b>128,547</b>	<b>128,393</b>

The fair value is lower than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar financial assets at the Balance Sheet date.

## NOTES TO CORE FINANCIAL STATEMENTS

### Fair Value of Financial Liabilities Carried at Amortised Cost

	31st March 2008	
	Carrying amount	Fair value
	£000	£000
Public Works Loan Board Loans *	(356,649)	(425,298)
Lender Option Borrower Option Loans	(51,641)	(49,889)
Market loans, Bonds and Temporary Balances	(2,207)	(2,608)
Bank overdraft	(1,540)	(1,540)
Short term borrowing	0	0
<b>Financial liabilities</b>	<b>(412,037)</b>	<b>(479,335)</b>

\* It should be noted that the PWLB provided a fair value of £454.018 million based on the premature repayment set of rates in force at 31 March 2008.

Fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

### 21.8 Nature and Extent of Risks arising from Financial Instruments

The authority's activities in relation to financial instruments exposes it to a variety of financial risks:

- Credit Risk – the possibility that other parties may fail to pay amounts due to the authority
- Liquidity Risk – the possibility that the authority may not have funds available to meet its commitments to make payments
- Market Risk – the possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and quoted market movements

Risk management is carried out in conjunction with specialist Treasury advisors in accordance with the Council's Treasury Management Strategy, Treasury Management Practices and Prudential Indicators. The aim is to maximise returns or minimise costs at minimal risk.

#### **Credit Risk**

Credit risk arises from lending of temporary cash balances to banks, building societies, other local authorities, as well as credit exposures to the authority's customers and organisations to whom it may have provided a loan.

The following analysis summarises the Council's main exposures to credit risk and current likelihood of default.

## NOTES TO CORE FINANCIAL STATEMENTS

Credit Risk	Amounts at 31 March 2008	Current Likelihood of Default
	£000	%
Deposits with Banks, Building Societies and External Fund Manager	145,614	0
ADC Debenture	184	0
Car Loans	2,266	0
Loan to Glamorgan County Cricket Club	4,046	0
Loan to Subsidiary - Cardiff Bus	1,000	0
Customers	20,090	see below
<b>Total</b>	<b>173,200</b>	

The authority does not generally allow credit for customers and provision is made for non payment based on the age profile of the outstanding debt, adjusted for large invoices that are known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.

The bad debt provision for 2007/08 was based on the following adjusted age profile:

	£000
Less than one year	8,838
1 – 2 years	1,517
2 – 3 years	736
3 – 4 years	382
4 – 5 years	451
Over 5 years	1,058
	12,982

Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non payment is not usually considered necessary.

It is the policy of the Council to place deposits only with a limited number of high quality banks and building societies who have a minimum credit rating and to restrict lending to a prudent maximum amount and duration for each financial institution. The Council uses credit ratings from Fitch, with minimum criteria of F1. (F1 is designated as “Highest Credit Quality” and indicates the strongest capacity for timely payment of financial commitments). The ratings of financial institutions are reviewed regularly and changes made to the Council’s approved list of investment counterparties if required. The agreements between the Council and the External Fund Manager additionally stipulate guidelines and duration limits in order to contain and control risk. The authority does not currently anticipate any losses from non-performance by any of its counterparties in relation to deposits given its strict criteria and the historic experience of default. However recent experience in the financial markets (Credit Crunch) have seen a number of financial institutions globally facing the need to raise additional capital to shore up their balance sheets and the ratings of organisations continue to be monitored closely.

The Council has made a loan to Glamorgan County Cricket Club. Whilst repayments are dependant on the financial and operating performance of the club, there is no reason currently to indicate that the sums will not be repaid.

## NOTES TO CORE FINANCIAL STATEMENTS

Based on past experience and current market conditions there is no reason to indicate that the debenture loan to Cardiff City Transport Services Ltd. will not be repaid.

Repayments of principal and interest in respect of car loans are recovered directly from employees pay and Indemnity Insurance is a condition of the loan. Accordingly, default experience is minimal.

### Liquidity Risk

The Council has ready access to funds from the Market and Public Works Loan Board in order to raise finance to meet its commitments under financial instruments and for the purposes of the prudent management of its financial affairs. The main risk is that the authority may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The loan portfolio is regularly reviewed with any new loans carefully planned as well as taking opportunities for early repayment where economic to do so. The maturity analysis of borrowing and amount of fixed rate debt maturing in any period are as follows:

31 March 2007	Loans outstanding	31 March 2008
£000s		£000s
339,434	Public Works Loans Board	351,934
2,089	EIB	0
47,014	Market debt / LOBO's / Bonds	52,014
<b>388,537</b>	<b>Total</b>	<b>403,948</b>
2,103	Less than 1 year	10,014
0	Between 1 and 2 years	60
238	Between 2 and 5 years	179
18,368	Between 5 and 10 years	13,302
367,828	More than 10 years	380,393
<b>388,537</b>	<b>Total</b>	<b>403,948</b>

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost (note 21.7) by the addition of accrued interest of £5.364 million, bank overdraft £1.54 million and temporary borrowing of £1.185 million.

Trade and other payables are generally due to be paid in less than one year.

### Market Risk

#### *Interest rate risk*

Movements in interest rates occur on a daily basis, subject to conditions in the financial markets and have a complex impact on the authority.

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

## NOTES TO CORE FINANCIAL STATEMENTS

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- Positive movements in interest rates will affect interest earned on variable rate investments, potentially increasing income credited to the Income and Expenditure Account.
- Positive movements in interest rates will affect interest paid on variable rate borrowings and or result in a lender exercising their option to increase rates in a Lender Option Borrower Option Loan, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Income and Expenditure account or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.
- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on Income and Expenditure account or Balance Sheet values for the majority liabilities held at amortised cost, but will impact on the disclosure note for fair value.

The Council has a number of strategies for managing interest rate risk. This is set out in the Council's Treasury Management Strategy approved by Council annually at the start of the year, based on then forecasts of future interest rate movements from advisors and leading market forecasts. Based on these forecasts and existing interest rate exposure, the revenue impact of financial instruments is fed into the annual budget process and monitored regularly throughout the year.

By borrowing fixed rate, the Council aims to minimise the often uncertain revenue impact of interest fluctuations to provide stability for planning purposes. Where financially beneficial, opportunities are taken to restructure borrowings in order to reduce the average rate paid on borrowings and achieve a balanced debt portfolio. For investment returns, whilst stability is key, the Council aims to maximise returns from interest, but with the key aim of protection of principal and diversification to protect itself where possible from adverse movements in rates.

Given movements in interest rates occur on a daily basis, subject to conditions in the financial markets and have a complex impact on the authority, an indication of the sensitivity of the authority to changes in interest rates is given below in terms of an estimate of the potential impact on the Income and Expenditure Account

If interest rates had been 1% higher on average during 2007/08 with all other variables held constant, an estimate of the financial effect would be:

	<b>£000</b>
Increase in interest payable on borrowings	114
Increase in interest receivable on variable rate investments	(941)
<b>Impact on Income and Expenditure Account</b>	<b>(827)</b>
Increase in interest transferred to other balances and accounts including HRA	<b>344</b>
<b>Net (Income) / Expenditure</b>	<b>(483)</b>

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

## NOTES TO CORE FINANCIAL STATEMENTS

### **Price Risk**

The Council's external fund manager may invest in Certificates of Deposit and Gilts which can result in gains or losses from movements in prices subject to the holding at any one point in time. An increase in interest rates reduces the price of Gilts. The fund manager invests in such instruments based on their views of long term and short term interest rate movements and often has a stop loss position to minimise any losses that may be being incurred in such a scenario of increasing interest rates. If rises are foreseen the aim is to reduce the average duration of the fund. This would reduce any "book losses" from arising but it would not eliminate them. As a rule each 10 basis points alteration in rates will generate a (+) or (-) variation in returns equal to a multiple of 10 times the fund's duration.

All book losses would evaporate if the assets were held to maturity or if interest rates subsequently fell back to the pre hike levels.

The Council's 100% shareholding in Cardiff City Transport Services Ltd. is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. As per the SORP requirements, the shareholding is classified as 'Available for Sale', meaning that all movements in fair value will impact on gains and losses recognised in the STRGL. A general shift of 5% in the fair value (positive or negative) would result in a £1.25 million gain or loss being recognised in the STRGL for 2007/08.

### **Foreign Exchange Risk**

The authority's exposure to loss arising from movements in exchange rates is minimal.

## 22. Debtors

The broad categories are:	31 March 2007 £000	<b>31 March 2008 £000</b>
Government & other grants	12,063	<b>18,653</b>
H.M. Revenue & Customs	2,696	<b>2,301</b>
Car Loans/Leasing	2,374	<b>2,282</b>
Interest due	2,925	<b>0</b>
Sundry Debtors	32,583	<b>19,790</b>
Court Costs	1,058	<b>1,117</b>
HRA Rent Arrears	2,491	<b>2,545</b>
Housing Benefit	3,240	<b>3,220</b>
NDR	5,994	<b>4,977</b>
Council Tax	11,348	<b>11,971</b>
Other	15,070	<b>14,899</b>
Less Bad Debt Provisions	(15,798)	<b>(17,082)</b>
	<b>76,044</b>	<b>64,673</b>

With effect from 2007/08, under the Financial Instruments requirements, accrued interest is added to the value of the investment held on the balance sheet rather than being included under debtors.

## NOTES TO CORE FINANCIAL STATEMENTS

An analysis of the Bad Debt Provisions is shown below:

	31 March 2007 £000	<b>31 March 2008 £000</b>
Court Costs	1,058	1,117
HRA Rent Arrears	2,059	1,894
Housing Benefit	2,942	3,220
NDR	1,828	2,183
Council Tax	4,356	4,543
Other	3,555	4,125
	<b>15,798</b>	<b>17,082</b>

**23. Cash**

Cash and bank consists of the bank balance of cheque book schools. Bank overdraft represents the net balance on all of the Council's other accounts, including petty cash accounts, which form part of the formal set-off arrangement with the bank.

**24. Creditors**

The broad categories are:	31 March 2007 £000	<b>31 March 2008 £000</b>
Deposits & Income in Advance	12,165	9,893
Extra District Education	1,365	948
Government & other grants	5,722	10,292
H.M. Revenue & Customs	7,460	7,595
Interest Accrued	5,425	0
Pay Accruals	4,573	3,891
Sundry Accruals	45,133	46,017
Teachers Pensions Agency	1,794	1,833
WAG re WWA Barrage liability Agency	0 68	2,844 68
	<b>83,705</b>	<b>83,381</b>

With effect from 2007/08, under the Financial Instruments requirements, accrued interest is added to the value of the loan held on the balance sheet rather than being included under creditors.

**25. Interests in companies and other organisations**

The Council has interests in 3 subsidiary companies and one joint venture. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on Pages 104-125. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2007/08. This constitutes a change in accounting policy compared to the previous year.



## NOTES TO CORE FINANCIAL STATEMENTS

### Cardiff Transport Services Ltd (Cardiff Bus)

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by 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 operating results for 2007/08 are summarised below:

	Year to 31 March 2007	Year to 31 March 2008
	£000	£000
Turnover	(28,894)	<b>(30,402)</b>
Operating and other expenditure	27,144	<b>28,186</b>
<b>Net (Profit) / Loss before Taxation</b>	(1,750)	<b>(2,216)</b>
Less: Taxation	472	<b>558</b>
<b>(Profit) / Loss after Taxation</b>	<b>(1,278)</b>	<b>(1,658)</b>

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

	31 March 2007	31 March 2008
	£000	£000
Bus and other operating assets	18,739	<b>21,765</b>
Current Assets	8,767	<b>10,467</b>
Less Current Liabilities	(4,551)	<b>(4,803)</b>
Net Assets	22,955	<b>27,429</b>
Provisions & Long term liabilities	(6,544)	<b>(9,347)</b>
Deferred Taxation	(1,168)	<b>(1,084)</b>
Pension Liability	(8,614)	<b>(7,536)</b>
Total Assets less liabilities	6,629	<b>9,462</b>
Represented by:		
Share Capital	4,618	<b>4,618</b>
Profit and Loss account	6,930	<b>8,150</b>
FRS17 Pension Reserve	(8,614)	<b>(7,536)</b>
Revaluation Reserve	3,695	<b>4,230</b>
	6,629	<b>9,462</b>

In 2007/08 the Council made payments totalling £9.282 million to Cardiff Bus (£8.601 million in 2006/07) and received income of £0.275 million (£0.355m in 2006/07) which included debenture interest of £56,300. No dividends were paid to the Council by Cardiff Bus Ltd during 2007/08.

At 31 March 2008, Cardiff Bus had inter-company balances with Cardiff Council as follows: debtors £0.342 million (£0.288 million in 2006/07); creditors £0.065 million (£0.103 million in 2006/07).

For the year ended 31 March 2008 Deloitte & Touche LLP 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.

## NOTES TO CORE FINANCIAL STATEMENTS

### **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 2008. The most recent operating results are shown below:

	Year to 31 March 2007	Year to 31 March 2008
	£000	£000
Net (Profit)/Loss before taxation	10	61
Less: Taxation	(2)	0
<b>(Profit)/Loss for year after taxation</b>	<b>8</b>	<b>61</b>

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

	31 March 2007	31 March 2008
	£000	£000
Total assets less current liabilities	1,203	1,147
Creditors: falling due after more than one year	(124)	(124)
Provision for taxation	0	0
Pension Liability	(58)	(36)
	1,021	987
Represented by:		
Retained Profit	41	5
Revaluation Reserve	1,038	1,018
FRS17 Pension Reserve	(58)	(36)
	1,021	987

The accounts for the year ended 31 March 2008 have been audited by Deloitte & Touché LLP 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.

During 2007/08 the Council received income of £49,000 (£52,000 in 2006/07) from CBTC. At 31 March 2008 CBTC owed Cardiff Council £0.169m and was owed £11,000.

### **Cardiff & Co.**

Cardiff & Co. is a new company that was set up during 2007/08 to promote and publicise the City of Cardiff and surrounding area. It is a company limited by guarantee and is a wholly owned subsidiary of Cardiff Council. The liability of its directors, who are its members, is limited to £1 per member.

The company's operating results for the period 14 May 2007–31 March 2008, as summarised below, are still provisional:

## NOTES TO CORE FINANCIAL STATEMENTS

	<b>Period to 31 March 2008</b> <i>(provisional)</i> <b>£000</b>
Net (Profit)/Loss before taxation	<b>29</b>
Taxation	<b>(11)</b>
<b>(Profit)/Loss for year after taxation</b>	<b>18</b>

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

	<b>31 March 2008</b> <i>(provisional)</i> <b>£000</b>
Total assets less current liabilities	<b>20</b>
Creditors falling due after more than one year	<b>(2)</b>
	<b>18</b>
Represented by:	
Retained Profit	<b>18</b>

During the year Cardiff Council made payments of £0.492 million to Cardiff & Co. of which £0.489 million was core funding, and received income of £0.128 million from the company

The companies auditors are Grant Thornton UK LLP. To date no audit opinion has been issued.

### **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 joint venture had net assets of £2.4 million at 31 March 2008.

During 2007/08 the Council received a total income of £15,000 from Medicentre (£14,000 in 2006/07). No profit distribution was made in respect of 2006/07.

A net profit of £91,925 was made in 2007/08. As yet no decision has been made as to profit distribution.

## NOTES TO CORE FINANCIAL STATEMENTS

### 26. Provisions and Deferred Liabilities

	Balance 31 March 2007 £000	Utilised in year £000	Transfers to Provisions £000	<b>Balance 31 March 2008 £000</b>
Cardiff Insurance Provisions	10,429	(4,641)	3,314	<b>9,102</b>
South Glamorgan Insurance Fund	240	(148)	31	<b>123</b>
Commuted Maintenance Sums	9,789	(984)	1,224	<b>10,029</b>
Deferred Liabilities	5,745	(5,534)	125	<b>336</b>
Equal Pay Back Pay Provision	0	0	2,347	<b>2,347</b>
Capital Provision	0	0	2,640	<b>2,640</b>
Other Provisions	286	(38)	35	<b>283</b>
	<b>26,489</b>	<b>(11,345)</b>	<b>9,716</b>	<b>24,860</b>

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

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 £3.390 million received from the former CBDC.

The deferred liability, relating to drainage works on the construction of Cardiff Bay Barrage, which was due to be paid to WAG upon the receipt of the deferred asset from Welsh Water, was settled during 2007/08. The liability was estimated at £5.4 million in the 2006/07 accounts. A total sum of £6.944 million was received from Welsh Water as a full and final payment during 2007/08.

Other deferred liabilities include £0.211 million in respect of 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.

The Equal Pay Back Pay provision represents an estimate of the possible cost of the Council's future liability in respect of unsettled equal pay claims.

The capital provision represents monies set aside from capital resources for remediation works that environmental surveys have identified as being required on a number of properties in the St Donats Road area, Leckwith. This work is included in the Council's capital programme for 2008/09 – 2010/11. Further information is detailed in Note 30.

## NOTES TO CORE FINANCIAL STATEMENTS

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**27. Government Grants and Contributions – Deferred Account**

Where grants or contributions are received to pay for fixed assets, they are held on the Balance Sheet and released to the Income and Expenditure account at the same rate as depreciation on those assets.

	2006/07 £000	<b>2007/08 £000</b>
<b>Balance as at 31 March b/f</b>	120,955	<b>135,020</b>
Grants and contributions applied in the year to fixed assets	24,827	<b>27,469</b>
Released on disposal and impairment of assets	(2,937)	<b>(309)</b>
Amortisation to Income and Expenditure Account	(7,825)	<b>(8,897)</b>
<b>Balance as at 31 March</b>	135,020	<b>153,283</b>

**28. Developers' Contributions and Other Capital Balances Unapplied**

This represents the sums received from developers, in the main, and from other external sources, 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:

	2006/07 £000	<b>2007/08 £000</b>
<b>Balance as at 31 March b/f</b>	13,460	<b>16,861</b>
Contributions received during the year	6,513	<b>8,365</b>
Contributions applied to expenditure during the year	(3,109)	<b>(3,859)</b>
Reclassification / Return of balances	(3)	<b>(118)</b>
<b>Balance as at 31 March</b>	16,861	<b>21,249</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 29. 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 2007	Gains/ (losses) in the year	Net amounts transferred to other reserves	Balance 31 March 2008
	£000	£000	£000	£000
Capital Adjustment Account	1,960,168	0	(65,574)	<b>1,894,594</b>
Financial Instruments Adjustment Account	0	(5,111)	349	<b>(4,762)</b>
Revaluation Reserve	0	39,761	(37,261)	<b>2,500</b>
Available for Sale Reserve	5,317	20,406	301	<b>26,024</b>
Usable Capital Receipts	11,222	0	11,150	<b>22,372</b>
Deferred Capital Receipts	572	0	(148)	<b>424</b>
Pensions Reserve	(332,570)	25,390	(8,650)	<b>(315,830)</b>
Council Fund Balance	9,092	(92,896)	93,842	<b>10,038</b>
HRA Balance	5,018	0	317	<b>5,335</b>
Council Fund Earmarked Reserves	24,350	0	8,912	<b>33,262</b>
HRA Earmarked Reserves	3,022	0	(891)	<b>2,131</b>
Equal Pay Back Pay Reserve	0	0	(2,347)	<b>(2,347)</b>
	<b>1,686,191</b>	<b>(12,450)</b>	<b>0</b>	<b>1,673,741</b>

#### 29.1 Revaluation Reserve

The Revaluation Reserve represents the difference between the historic cost of assets and the current valuation as at 31 March 2008. Due to this being a new requirement in the 2007 SORP, there are no 2006/07 comparator figures.

	2007/08 £000
<b>Balance as at 31 March 2007</b>	<b>0</b>
Movements during year:	
Revaluations	<b>39,761</b>
Revalued assets disposed of	<b>(37,261)</b>
<b>Balance as at 31 March 2008</b>	<b>2,500</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 29.2 Capital Adjustment Account

As a result of new SORP 2007 requirements, the balance on the former Fixed Asset Restatement Account (FARA) was combined with the Capital Financing Account at 1 April 2007 to form the Capital Adjustment Account. The Capital Adjustment Account contains amounts set aside as provision to repay external 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.

	2006/07	2007/08	
	restated	£000	£000
<b>Balance as at 31 March b/f</b>	65,864		<b>93,139</b>
1 April 2007: Transfer from FARA	0		<b>1,867,029</b>
			<b>1,960,168</b>
Capital Financing			
- Capital Receipts	47,055	<b>32,309</b>	
- Direct Revenue Financing	2,147	<b>2,564</b>	
- Use of Reserves	5,320	<b>2,866</b>	
- Insurance Settlement & Other	40	<b>211</b>	
	54,562		<b>37,950</b>
Capital Receipts set aside as provision for repayment of external loans	24,615		<b>2,170</b>
Release of Deferred Government Grant on disposals and impairment	2,937		<b>309</b>
Depreciation, amortisation & impairment charged to Income & Expenditure a/c	(67,577)	<b>(87,917)</b>	
Prudent Revenue Provision	11,688	<b>12,793</b>	
Neutralise amortisation of Government Grants and contributions	7,825	<b>8,897</b>	
Net Book Value of Equity Investments disposed of	(327)	<b>0</b>	
Historic cost of assets disposed of	0	<b>(13,207)</b>	
Neutralise Deferred Charges made to Income & Expenditure a/c	(6,458)	<b>(26,569)</b>	
Other Balance Transfers	10	<b>0</b>	
	(54,839)		<b>(106,003)</b>
<b>Balance as at 31 March</b>	<b>93,139</b>		<b>1,894,594</b>

## NOTES TO CORE FINANCIAL STATEMENTS

### 29.3 Financial Instruments Adjustment Account

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

	<b>2007/08 £000</b>
Restated balance as at 1 April 2007 in respect of premiums and discounts	<b>5,111</b>
Amortisation to Council Fund Balance	<b>(349)</b>
<b>Balance as at 31 March 2008</b>	<b>4,762</b>

### 29.4 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 as provision to repay external loans. The movements are as follows:

	2006/07	2007/08	
	£000	£000	£000
<b>Balance as at 31 March b/f</b>	17,427		<b>11,222</b>
Received during the year from:-			
Sale of Land and Buildings	59,540	41,749	
Sale of Council Dwellings	5,777	2,680	
Private Mortgage Repayments	27	25	
Recoupments of grant	148	90	
	65,492		<b>44,544</b>
Interest on Earmarked Receipts	0		<b>1,110</b>
Applied during the year to:-			
Pay for Capital Expenditure	(47,055)	(32,309)	
Provide for Repayment of External Loans	(24,615)	(2,170)	
	(71,670)		<b>(34,479)</b>
Additional set aside from Private Mortgage Repayments	(27)		<b>(25)</b>
<b>Balance as at 31 March</b>	<b>11,222</b>		<b>22,372</b>



## NOTES TO CORE FINANCIAL STATEMENTS

### 29.5 Earmarked Reserves

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

	Balance 31 March 2007 £000	Contributions From                      To Revenue                Revenue £000                      £000		Balance 31 March 2008 £000
<b>SCHOOLS BALANCES</b>				
Schools Balances inc. Nursery schools	6,996	2,331	(2,250)	<b>7,077</b>
Nursery Schools – General Reserve	55	0	0	<b>55</b>
Cathays HS – Maint. of Playing Field	3	0	0	<b>3</b>
Primary/Special DSU Contingency	(56)	602	(345)	<b>201</b>
	<b>6,998</b>	2,933	(2,595)	<b>7,336</b>
<b>SCHOOLS RESERVES</b>				
Cardiff Achievement Project	228	0	0	<b>228</b>
ICT Schools Practice Account	34	100	0	<b>134</b>
LMS Contingency	107	260	0	<b>367</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	1,386	2,416	(1,134)	<b>2,668</b>
S.E.N. Unit	102	0	0	<b>102</b>
Special Schools Support	52	0	0	<b>52</b>
	<b>2,141</b>	2,776	(1,134)	<b>3,783</b>
<b>OTHER EARMARKED RESERVES</b>				
Approved Grants – Rev Assistance to Industry	27	0	(13)	<b>14</b>
Asylum Seeker Leased Properties Reserve	565	466	0	<b>1,031</b>
Baycar Reserve	308	0	0	<b>308</b>
Bute Avenue Highway Link	21	0	(21)	<b>0</b>
Bute Park Match Funding Reserve	0	141	0	<b>141</b>
C2C Refurbishment Reserve	100	0	0	<b>100</b>
Cardiff Dogs' Home Legacy	157	0	(96)	<b>61</b>
Cardiff Insurance Reserve	4,763	1,777	(500)	<b>6,040</b>
Cardiff Museum Project Reserve	12	0	0	<b>12</b>
Cardiff Works Trading Reserve	9	0	(9)	<b>0</b>
Care First Reserve	96	219	0	<b>315</b>
CBTC Asset Maintenance Reserve	25	0	(25)	<b>0</b>
Central Market Minor Works Reserve	0	1	0	<b>1</b>
City Hall Functions Reserve	0	20	0	<b>20</b>
Cleaner Cardiff Reserve	136	10	(50)	<b>96</b>
Comino Project Reserve	28	0	0	<b>28</b>
Corporate Initiatives Reserve	1,120	776	(240)	<b>1,656</b>
Corporate Management Pension Fund Reserve	78	63	(17)	<b>124</b>
Creative Industries Reserve	25	0	(20)	<b>5</b>
Crematorium & Cemetery Improvement Reserve	680	228	(193)	<b>715</b>

## NOTES TO CORE FINANCIAL STATEMENTS

	Balance	Contributions		Balance
	31 March 2007 £000	From Revenue £000	To Revenue £000	31 March 2008 £000
Design & Construction Contracts Manager Reserve	47	47	(47)	47
Design & Construction ICT Reserve	100	33	(33)	100
Design & Construction Vehicle Reserve	64	0	0	64
DSU Reserve	(7)	520	(32)	481
Energy Conservation	92	44	0	136
Extracare Reserve	0	120	0	120
Flatholm Reserve	31	3	0	34
Fraud Detection Reserve	103	90	0	193
Freedom of Information Act	25	0	(15)	10
Friary Projects Reserves	133	0	(130)	3
Grants Database Reserve	29	0	(12)	17
Grant Management IT Costs	56	0	0	56
Highways DSU Remedial Reserve	39	0	0	39
Highways Vehicle Renewal	88	25	0	113
House Mortgage Reserve	86	1	(19)	68
Hub Manager Salary Reserve	0	69	0	69
ICT Holding A/C Reserve	0	135	0	135
Job Preparation Project Reserve	45	0	(10)	35
Legal Case Management System	36	0	0	36
Licensed Premises Supervisors	72	0	0	72
Lifelong Learning Funding Reserve	0	802	0	802
Local Plan Reserve	268	0	0	268
Local Service Board Initiative Reserve	0	40	0	40
Major Projects Reserve	60	0	(7)	53
Mansion House Repairs	63	0	0	63
Members Computer Hardware	43	0	0	43
MRP Reserve	396	500	(354)	542
Multi Media Reserve	12	0	0	12
Municipal Election Reserve	284	108	0	392
NCP Income Reserve	342	0	(342)	0
NewCo Reserve	26	0	(26)	0
Members Development	131	0	(85)	46
Parking Reserve	365	704	(431)	638
Parks Operations DSU Vehicle and Plant Renewal	156	22	(119)	59
PDD Bessemer Improvements Reserve	0	209	0	209
PDD – Impact on Design Reserve	80	3	(3)	80
POD Initiatives Reserve	0	112	0	112
Procurement Initiatives Reserve	0	140	0	140

## NOTES TO CORE FINANCIAL STATEMENTS

	Balance 31 March 2007 £000	Contributions From Revenue £000	To Revenue £000	Balance 31 March 2008 £000
Regulatory Building Control Fee Earning Surplus	353	0	(138)	215
Scrutiny Development & Training Reserve	88	0	(48)	40
Scrutiny Reserve	5	26	0	31
Section 117 Mental Health Act	510	0	(300)	210
South Wales Fire Service Reserve	0	1,939	0	1,939
Specialist Advice incl. Project Gwyrdd	0	394	0	394
Superannuation Reserve	1,050	0	(1,050)	0
Supporting Business Development Reserve	50	0	0	50
Supporting Business Reserve	886	463	(174)	1,175
Telephone Switchboard Reserve	260	300	0	560
Transformational Change Reserve	0	1,000	0	1,000
Valuers Reserve	220	46	(45)	221
Vehicle Reserve – Bereavement Services	19	15	0	34
Waste Management Recycling Reserve	330	0	(75)	255
Workshops Asset Maintenance Reserve	25	0	0	25
	<b>15,211</b>	11,611	(4,679)	<b>22,143</b>
<b>HRA RESERVES</b>				
Leased Houses	1,467	0	(540)	927
HRA / Housing IT Reserve	1,049	80	0	1,129
HRA Tree Maintenance Reserve	0	25	0	25
HRA Vacants Clearance Team Depot	50	0	0	50
Tenants Environmental Levy reserve	456	0	(456)	0
	<b>3,022</b>	105	(996)	<b>2,131</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>27,372</b>	17,425	(9,404)	<b>35,393</b>

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 2008 schools' own balances, including the balances of nursery schools, amounted to £7,076,490 (£6,995,607 in 2006/07). 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.

## NOTES TO CORE FINANCIAL STATEMENTS

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

**The Crematorium & Cemetery Improvement Reserve** is to be used to fund a planned programme of refurbishment and improvement.

**The Lifelong Learning Reserve** represents surpluses generated from franchise funding, to be used to support the provision of adult learning courses.

**The MRP Reserve** provides funding to enable the Council to make a prudent revenue provision for the repayment of loans.

**The Parking Reserve** represents surpluses on street parking schemes which, under the Road Traffic Act 1984, have to be reinvested in Road Traffic Schemes.

**South Wales Fire Service Reserve** –the anticipated reimbursement in respect of the South Wales Fire Service (SWFS) levy is being held in an earmarked reserve pending confirmation from the Fire Authority of its intentions regarding this sum.

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

**The Transformational Change Reserve** has been set up to support the process of transformational change arising from the outcomes of the Fundamental Operational Review and the Council's Stakeholder Consultation Process.

**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.

### 30. Contingent Assets & Liabilities

#### Assets

In accordance with the Section 165 Agreement and the Deed of Variation signed in March 2007 in respect of the functions transferred from the former CBDC, any savings on the fixed costs revenue budgets accrue to the Council. These savings along with any income generated are to be added to the Enhancement Fund (previously known as the 'Savings Budget') which is held by WAG to the credit of the Council. At the end of 2007/08, the Enhancement Fund amounted to an estimated £8.938 million. This is considered to be a contingent asset because future use of the funds is dependant upon WAG approval of projects submitted by the Council.

#### Liabilities

As at 31 March 2008 there existed ten claims against the Council for which there is no insurance cover. The claims are in respect of, inter alia, unfair dismissal and racial and

## NOTES TO CORE FINANCIAL STATEMENTS

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sex discrimination. One claim has subsequently been withdrawn and the Council is resisting liability in the other cases. The Council's estimate of its maximum possible liability for unsettled and disputed claims is £121,000.

Other outstanding issues, which could affect the Council are:

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 2008 this liability amounted to £2.64 million for the former South Glamorgan County Council and £0.113 million for the former Cardiff City Council. No provision has been made in the Balance Sheet for these amounts.

3.28 hectares of land at St. Donats Road area, Leckwith has been identified as potentially being contaminated which could impact on 110 houses (77 privately owned houses and 33 Council owned) in the area. The new Department for Environmental Food and Rural Affairs (DEFRA) guidance has been issued and outlines that the Council would need to complete work on properties that are above the unacceptable risk level, but there is no legal definition of what this level should be within the regulation. Based on Technical advice and results of testing, this needs to be determined by the Council. There are also properties where the results of the original testing will need to be confirmed. Once the results of these tests and determination of an unacceptable risk level are known with certainty, the Council will be in a position to consider the appropriate remedial action to undertake. There is currently £2.64m contained as a provision within the Councils Capital Programme 2008/09-2010/11 to meet this liability.

The Council has worked in partnership 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 has worked closely with the Wales European Funding Office to assist with national representations on this issue.

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.

During 2007/08 the Council made payments in relation to equal pay claims and, in addition, has made a provision to cover claims that remain unsettled. A number of claims have been lodged with solicitors and the authority is unable to fully establish and quantify any possible additional liability.

## NOTES TO CORE FINANCIAL STATEMENTS

### 31 Notes to Cash Flow Statement

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

	2006/07 £000	2007/08 £000
(Surplus)/Deficit for the year on I&E account	49,382	92,896
<b>Non-cash transactions</b>		
Depreciation and impairment	(67,577)	(87,917)
Asset transfer	0	(6,134)
Amortisation of deferred grants & contributions	7,825	8,898
Charges made for retirement benefits (FRS17)	(36,660)	(43,370)
<b>Add back cash item</b>		
Employer's contributions to pension fund	32,210	34,720
<b>Items on an accruals basis</b>		
Increase/(decrease) in stock	(31)	63
Increase/(decrease) in debtors	(2,662)	3,306
(Increase)/decrease in creditors	(9,778)	(74)
Contributions (to)/from provisions	1,498	1,130
<b>Items included in another classification</b>		
Deferred charges financed by borrowing	(6,458)	(26,569)
Net gain/(loss) on sale of fixed assets	5,954	0
Net gain/(loss) on sale of investments	2,371	0
Interest paid	(22,344)	(21,895)
Interest and dividends received	7,121	7,824
<b>Net Cash Flow from Revenue Activities</b>	<b>(39,149)</b>	<b>(37,122)</b>

#### 31.2 (Increase)/ Decrease in Cash

	Balance 31 March 2007 £000	Balance 31 March 2008 £000	<b>Movement in the year £000</b>
Cash at bank and in hand	5,482	520	4,962

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

	Balance 31 March 2007 £000	Balance 31 March 2008 £000	<b>Movement in the year £000</b>
Short term deposits	96,040	115,484	19,444

## NOTES TO CORE FINANCIAL STATEMENTS

### 31.4 Other Government Grants:

	2006/07 £000	2007/08 £000
<b>Revenue Grants</b>		
Education & Lifelong Learning Grants	26,681	31,769
Social Services Grants	24,548	17,969
Council Tax Benefit Subsidy	20,077	21,077
Grant for Harbour Authority	8,301	9,216
Performance Incentive Grant	3,038	3,124
Deprivation Grant	1,480	1,511
Concessionary Fares	7,640	8,764
LABGI	4,782	1,366
Supporting People	9,812	10,096
Other Specific Grants	14,741	7,478
	<b>121,100</b>	<b>112,370</b>
<b>Capital Grants</b>		
Welsh Assembly Grants	27,221	26,900
UK Government Department	153	125
European Community Structural Funds	1,108	711
Sponsored / Non Departmental Public Bodies	983	491
Lottery	4,111	303
Industry	22	0
	<b>33,598</b>	<b>28,530</b>

### 32 Post Balance Sheet Events

32.1 In May 2008, the Council received notification from HMRC that a claim for backdated VAT in respect of Cultural Services had been successful. A sum of around £3.2 million (net after fees) is expected to be received in 2008/09.

32.2 The Wales Audit Office has recently obtained a legal view which confirms that fire authorities in Wales are not permitted to retain balances and reserves and that any money paid by constituent authorities in excess of the requirement to meet the net expenditure of the fire authorities to 31 March 2008 must be refunded.

As a constituent of the South Wales Fire Authority the Council has treated this as an adjusting post balance sheet event in the 2007/08 Accounts. A sum of £1.939 million has been credited to Income and Expenditure being a reduction of the 2007/08 SWFS levy and a debtor for the same amount recognised in the balance sheet. The resulting surplus has been transferred into an earmarked reserve pending official notification from the Fire Authority of its intentions in respect of this issue.

### 33 Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 25 September 2008 by Christine Salter, City and County Treasurer. Post Balance Sheet events have been considered up to this date.

**HOUSING REVENUE ACCOUNT: INCOME & EXPENDITURE  
ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008**

2006/07 £000		Note	2007/08 £000
	<b>Income</b>		
(42,949)	Dwelling rents	1	<b>(44,747)</b>
(23)	Non-dwelling rents		<b>(85)</b>
(5,020)	Charges for services and facilities		<b>(5,017)</b>
(538)	Credits in respect of deferred grants & contributions		<b>(845)</b>
<b>(48,530)</b>	<b>Total Income</b>		<b>(50,694)</b>
	<b>Expenditure</b>		
26,535	Management and maintenance		<b>27,225</b>
1,731	Rents, rates, taxes and other charges		<b>2,147</b>
12,380	Housing Revenue Account subsidy payable		<b>13,097</b>
603	Increased provision for bad and doubtful debts	2	<b>468</b>
31,685	Depreciation and impairment of fixed assets	9/10	<b>33,794</b>
2,073	Write down of deferred charges to be financed from capital resources		<b>1,242</b>
49	Debt management costs		<b>50</b>
<b>75,056</b>	<b>Total Expenditure</b>		<b>78,023</b>
<b>26,526</b>	<b>Net Cost of HRA Services as included in the whole authority Income &amp; Expenditure Account</b>		<b>27,329</b>
53	HRA Services share of Corporate & Democratic Core		<b>53</b>
<b>26,579</b>	<b>Net Cost of HRA Services</b>		<b>27,382</b>
	<b>HRA share of the operating Income &amp; Expenditure included in the whole authority Income &amp; Expenditure Account</b>		
(378)	(Gain)/loss on sale of HRA assets		<b>0</b>
4,765	Interest payable		<b>4,381</b>
66	Amortisation of premiums and discounts		<b>2</b>
(920)	HRA investment income	3	<b>(780)</b>
<b>30,112</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>30,985</b>



## STATEMENT OF MOVEMENT ON HRA BALANCE

### STATEMENT OF MOVEMENT ON HRA BALANCE

2006/07 £000		2007/08 £000
30,112	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account	30,985
(25,170)	Net additional amount required by statute to be debited or credited to the HRA balance for the year, as detailed below	(31,302)
4,942	(Increase)/Decrease in HRA balance for the year	(317)
(9,960)	HRA Balance brought forward	(5,018)
<b>(5,018)</b>	<b>HRA Balance carried forward</b>	<b>(5,335)</b>

### NOTE TO THE STATEMENT OF MOVEMENT ON HRA BALANCE

2006/07 £000		2007/08 £000
	<b>Amounts in the HRA Income &amp; Expenditure Account but excluded from movement on HRA Balance for the year:</b>	
(31,685)	Depreciation and impairment of fixed assets	(33,794)
538	Government Grants deferred amortisation matching depreciation and impairments	845
(2,073)	Write down of deferred charges to be financed from capital resources	(1,242)
378	Net gain/(loss) on sale of fixed assets	0
(1,051)	Net charges for retirement benefits in accordance with FRS17	(1,569)
(33,893)		(35,760)
	<b>Amounts not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year:</b>	
1,691	HRA prudent provision for repayment of external loans (MRP)	1,601
6,375	Capital expenditure funded by the HRA	1,936
1,160	Employers contributions to the Pension Fund and benefits paid direct to pensioners	1,921
(503)	Net transfer to /(from) HRA earmarked reserves	(891)
0	Transfer from Usable Capital Receipts Reserve	(109)
8,723		4,458
<b>(25,170)</b>	<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>	<b>(31,302)</b>

# NOTES TO THE HOUSING REVENUE ACCOUNT

**1. Rental Income**

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.4% of rental income (2.6% in 2006/07). Average rents were £64.47 per week (£60.24 in 2006/07) based on a 52 week year.

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

	As at 31 March 2007		As at 31 March 2008	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
HRA properties	1,938	1,299	1,963	1,314
Leasehold properties	368	366	390	388
Hostels	185	185	192	192
<b>Total</b>	<b>2,491</b>	<b>1,850</b>	<b>2,545</b>	<b>1,894</b>

In addition the following sums were also due from tenants:

	As at 31 March 2007		As at 31 March 2008	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Community alarm	8	3	0	0
Service Charges	77	34	87	39
Tenants recoverables	172	172	145	145
<b>Total</b>	<b>257</b>	<b>209</b>	<b>232</b>	<b>184</b>

During 2007/08 a number of old debts (former tenants' rents) totalling £744,520 were written off as irrecoverable (£1,216,580 in 2006/07).

**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:

	2006/07 £000	2007/08 £000
Cost of employer's contributions plus discretionary benefits	1,160	1,921
Current service cost	(1,051)	(1,569)
<b>Net transfer to Pensions Reserve</b>	<b>109</b>	<b>352</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 £56,556 (£57,588 in 2006/07) and prepayments were £117,443 (£130,311 in 2006/07).

6. **Housing Stock**

The Council's housing stock is shown below:

	31 March 2007	<b>31 March 2008</b>
Houses	7,343	<b>7,336</b>
Bungalows	620	<b>622</b>
Flats/Bedsits	5,169	<b>5,184</b>
Maisonettes	298	<b>297</b>
Retirement complexes	363	<b>363</b>
<b>Total</b>	<b>13,793</b>	<b>13,802</b>

The Council also had:

	31 March 2007	<b>31 March 2008</b>
Bed spaces in hostels	24	<b>24</b>
Flats in hostels	23	<b>23</b>
Leased properties	210	<b>220</b>
<b>Total</b>	<b>257</b>	<b>267</b>

7. **Capital Expenditure and Financing**

<b>Expenditure as per Financial Statements</b>	2006/07 £000	<b>2007/08 £000</b>
<b>Opening Capital Financing Requirement</b>	84,560	<b>80,028</b>
Expenditure on Fixed Assets	27,308	<b>18,181</b>
Expenditure on Deferred Charges	2,058	<b>1,242</b>
Sources of Finance:		
Grants and Contributions *	(10,223)	<b>(9,598)</b>
Revenue and Reserves	(6,375)	<b>(1,936)</b>
Capital Receipts	(11,318)	<b>(6,636)</b>
Prudent revenue and capital provision for loan repayment	(5,982)	<b>(3,681)</b>
<b>Closing Capital Financing Requirement</b>	<b>80,028</b>	<b>77,600</b>

\* £9.4 million (£9.4 million in 2006/07) of Major Repairs Allowance was received and applied in the year.

8. **Capital Receipts**

Proceeds from the disposal of HRA Assets during 2007/08 were as follows:

- Council Dwellings, Repayment of Discount & Home Purchase Contributions  
£2.68 million
- Land £0.896 million

## NOTES TO THE HOUSING REVENUE ACCOUNT

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9. **Depreciation charged**

Depreciation was charged on HRA assets as follows:

	2006/07 £000	2007/08 £000
Council dwellings	31,568	31,967
Land and buildings	93	93
Vehicles, plant & equipment	24	25
	31,685	32,085

10. **Impairment**

Impairment of £1.709 million was charged in the year in relation to demolished Council dwellings.

11. **Deferred charges**

Deferred charges totalling £1.242 million were charged to the Housing Revenue Account in 2007/08.

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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## **Foreword**

Cardiff Council is the administering authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS). During 2007/08 the Fund completed an actuarial valuation of its liabilities as at 31 March 2007. The funding level (i.e. assets as a proportion of liabilities) improved to 71% from 63% in 2004. This improved funding level was due to an increase in investment returns in the previous three years. The higher funding level was achieved despite the use of new assumptions which take account of the longer life expectancy of members. The actuary has calculated new employer contribution rates which will continue to recover the funding deficit from each employer.

Despite delays in the necessary legislation, the Council has implemented the new-look LGPS from 1 April 2008. Members and employers were informed of the main aspects of the new scheme through various newsletters and a short video (available on the Council's website). Some aspects of the application of the new scheme have yet to be resolved by central government however the new scheme is operating effectively. Looking ahead, the scheme faces further challenges in 2009 when the government will issue guidance on how the future costs of the scheme can be more fairly shared between employers and employees.

Investment conditions have been difficult during 2007/08 due to credit-market problems and wider fears of a slowdown in the global economy. The Fund's investment performance exceeded the Fund's benchmark return by 0.7%. The long-term nature of the Fund's liabilities have been reflected in the Fund's investment strategy.

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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## Actuarial Statement

### Cardiff and Vale of Glamorgan Pension Fund

#### Statement of the Actuary for the year ended 31 March 2008

#### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2007, in accordance with Regulation 77(1) of the Local Government Pension Scheme Regulations 1997.

#### Actuarial Position

1. Rates of contributions paid by the participating Employers during 2007/08 were based on the actuarial valuation carried out as at 31 March 2004.
2. The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £903.4m) covering 71% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration.
3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:
  - 15.5% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

#### Plus

- 8.6% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date, over a recovery period of 22 years from 1 April 2008.

#### Less

- 2.7% of pensionable pay in respect of assumed additional investment returns over the period to 1 April 2011.

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

- The Rule of 85 retirement provisions were reinstated, and subsequently removed again. Transitional protections for some categories of member were extended to widen their coverage.
  - Changes were made consistent with the Finance Act 2004.
  - A new scheme has been put in place which came into effect as at 1 April 2008. All existing members transferred to the new scheme as at that date.
4. The majority of Employers participating in the Fund pay different rates of contributions depending on their past experience, their current staff profile, and the recovery period agreed with the Administering Authority.

The rates of contributions payable by each participating Employer over the period 1 April 2008 to 31 March 2011 are set out in a certificate dated 27 March 2008 which is appended to our report of the same date on the actuarial valuation.

If the assumptions are borne out in practice, the rate of contribution for each employer would increase as at 1 April 2011 due to the cessation of the allowance for assumed additional short term investment returns. It would then continue at the resultant level for the balance of the recovery period used for that employer, before

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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reverting to the relevant long term rate. In practice contribution rates will be reviewed at the next actuarial valuation which is due to be carried out as at 31 March 2010.

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

6. The main actuarial assumptions were as follows:

Discount rate for periods

In service

Scheduled Bodies: 6.2% a year

Admitted Bodies: 6.2% a year

Left service

Scheduled Bodies: 6.2% a year

Admitted Bodies: 5.2% a year

Short term investment returns until 1 April 2011

Equity/property assets 7.2% a year

Other investments 5.2% a year

Rate of general pay increases 4.7% a year

Rate of increases to pensions in payment 3.2% a year

Valuation of assets market value.

7. This statement has been prepared by the Actuary to the Fund, Hewitt Associates Limited (previously Hewitt Bacon & Woodrow Limited), for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2007. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

Hewitt Associates Limited

June 2008

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

**FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2008**

2006/07 £000		2007/08	
		£000	£000
	<b>CONTRIBUTIONS AND BENEFITS</b>		
	<b>Contributions receivable</b>		
46,889	from employers (Note 5)	<b>50,765</b>	
13,315	from employees (Note 5)	<b>13,726</b>	
12,512	Transfers in	<b>4,526</b>	
1,718	Other Income (Capitalised Payments)	<b>2,223</b>	
74,434			<b>71,240</b>
	<b>Benefits Payable</b>		
(33,091)	Pensions (Note 6)	<b>(34,890)</b>	
(6,993)	Lump Sums (Note 6)	<b>(8,345)</b>	
	Payments to and on account of leavers		
(21)	Refunds of contributions	<b>(100)</b>	
(4,309)	Transfers out	<b>(4,366)</b>	
(825)	Admin. & other expenses (Note 8)	<b>(1,202)</b>	
(45,239)			<b>(48,903)</b>
29,195	Net (Additions)/Withdrawals from dealings with Members of the Fund		<b>22,337</b>
	<b>RETURNS ON INVESTMENT</b>		
9,930	Investment Income (Note 9)	<b>12,969</b>	
59,454	Change in market value of investments (Note 10)	<b>(25,521)</b>	
(2,169)	Investment management expenses (Note 8)	<b>(2,501)</b>	
67,215	Net Returns on Investments		<b>(15,053)</b>
96,410	Net Increase/(Decrease) in the Fund during Year		<b>7,284</b>
803,138	Opening Net Assets of the Scheme		<b>899,548</b>
<b>899,548</b>	<b>Closing Net Assets of the Scheme</b>		<b>906,832</b>



## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

2006/07 £000	NET ASSETS STATEMENT	2007/08 £000	£000
882,786	Investments at market value (Note 10)	<b>858,327</b>	<b>905,723</b>
13,670	Cash & investment proceeds due (Note 10)	<b>47,396</b>	
896,456	Current assets		
319	UK & Overseas Tax	<b>302</b>	
3,777	Contributions due from Employers	<b>1,840</b>	
55	Investment Income accrued due	<b>158</b>	
51	Sundry Debtors (Note 12)	<b>6</b>	
4,202	Less		<b>2,306</b>
	Current liabilities		
(495)	Unpaid Benefits	<b>(674)</b>	
(615)	Sundry Creditors (Note 12)	<b>(523)</b>	
(1,110)			<b>(1,197)</b>
<b>899,548</b>	<b>Net Assets of the Scheme at 31 March</b>		<b>906,832</b>

### 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 2007 Local Authority SORP which also refers to pension funds (the revised pensions SORP, issued in May 2007, will apply to the 2008/09 accounts). The accounts do not take account of future liabilities to pay pensions and other benefits. The actuarial position, which does take account of such liabilities, is summarised in the Actuarial Statement which is included in the annual report. This shows that the overall funding level as at 31 March 2007 is 71%.

#### 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 received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future.

##### (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 2008. (Market value is the price at which an investment can be sold at a given date.) Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying

# CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Equity Fund's audited account date and the Pension Fund's year end. 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 2008 by The Northern Trust Co. in the account of the Council. Statements of holdings have been provided by Northern Trust.

### 5. **Employing Bodies - Contributions**

EMPLOYER	No of Contrib- utors at 31.3.08	Contribution Rates (% of employees' contributions)		Employees £	Employers £	Total £
		2007/08	2006/07			
<b>SCHEME</b>						
Barry College	145	298	274	122,373	364,420	486,793
Barry Town Council	19	378	343	22,915	86,615	109,530
Cardiff City Transport	93	235	235	115,516	812,859	928,375
Cardiff Council	8,677	355	330	8,768,629	30,906,921	39,675,550
Coleg Glan Hafren	143	298	274	155,836	464,327	620,163
Cowbridge Town Council	4	378	343	3,555	13,436	16,991
Dinas Powys Comm Council	2	308	271	2,151	6,626	8,777
Llantwit Major Town Council	2	378	343	2,392	9,044	11,436
PSOW	4	372	348	12,135	111,404	123,539

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

EMPLOYER	No of Contrib- utors at 31.3.08	Contribution Rates (% of employees' contributions)		Employees £	Employers £	Total £
		2007/08	2006/07			
Penarth Town Council	10	378	343	11,570	43,737	55,307
Radyr & Morganstown Community Council	1	308	271	687	2,120	2,807
St Cyres Comp GM	39	316	304	31,682	100,119	131,801
St Davids Sixth Form Coll	21	316	304	23,729	74,982	98,711
Stanwell Comp GM	53	316	304	32,133	101,539	133,672
Univ of Wales Inst, Cardiff	574	298	274	793,331	2,372,360	3,165,691
Vale of Glamorgan Council	2,812	374	374	2,721,958	10,049,014	12,770,972
<b>Sub-total</b>	<b>12,599</b>			<b>12,820,592</b>	<b>45,519,523</b>	<b>58,340,115</b>
<b>NON-SCHEME</b>						
Cardiff & Co	2	250	0	2,201	7,689	9,890
CBAT the Arts & Regen Agency	0	0	348	0	11,850	11,850
Cardiff Business Technology	8	290	267	6,948	20,151	27,099
Cardiff Gypsy & Traveller Project	1	306	288	1,004	3,071	4,075
Cardiff Institute for Blind	10	372	348	7,952	18,601	26,553
Cardiff University	104	493	444	126,057	615,221	741,278
Career Wales (Cardiff & Vale)	143	242	242	196,342	818,024	1,014,366
Children in Wales	20	306	288	25,056	76,949	102,005
Citizens Advice Bureau (Cardiff)	9	193	182	10,677	20,607	31,284
Civic Trust For Wales	1	306	288	2,064	6,315	8,379
Design Commission for Wales	4	200	200	8,452	16,904	25,356
Dimensions	2	335	0	1,684	5,640	7,324
Fforwm	8	240	222	16,935	40,643	57,578
Glamorgan Holiday Hotel	1	372	348	1,853	6,895	8,748
Housing for Wales	2	325	325	3,049	1,509,909	1,512,958
One Voice Wales	1	220	0	1,222	2,689	3,911
Opportunity Housing Trust	10	306	288	18,880	167,598	186,478
Play Wales	12	240	222	17,432	41,837	59,269
Race Equality First	1	372	348	4,855	18,053	22,908
Royal National Eisteddfod	11	400	356	27,325	109,298	136,623
Sports Council for Wales	164	324	298	273,934	887,486	1,161,420
Wales & West Housing Assoc	1	372	348	6,231	23,181	29,412
Welsh Council for Voluntary Action	87	223	204	120,000	267,595	387,595
Wales Youth Agency	0	0	348	0	500,000	500,000
Workers Education Assoc	20	200	200	24,863	49,725	74,588
<b>Sub-total</b>	<b>622</b>			<b>905,016</b>	<b>5,245,931</b>	<b>6,150,947</b>
<b>TOTAL</b>	<b>13,221</b>			<b>13,725,608</b>	<b>50,765,454</b>	<b>64,491,062</b>

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

### 6. Employing Bodies - Benefits Paid

EMPLOYERS	Retirement Pensions £	Lump Sums on Retirement £	Death Grants £	Commutation Payments £
<b>SCHEME:</b>				
Barry College	131,581	305,966		
Barry Town Council	50,141			
Cardiff City Transport	1,584,328	211,727		
Cardiff Council	24,052,602	4,256,697	312,958	417
Coleg Glan Hafren	95,153	18,590		
Cowbridge Town Council	4,202			
Llantwit Major Town Council	12,168			
Mary Immaculate High School	11,807			
Penarth Town Council	11,630			
Probation Service	204,930			
Public Services Ombudsman for Wales	125,966			
Royal Welsh College of Music & Drama	46,761	4,275	2,132	
S Wales Magistrates Courts	700,799	212,232	35,588	
St Cyres Comprehensive GM	13,029	92,973		
St Davids Sixth Form Coll	43,013	53,407		
Stanwell Comprehensive GM	4,193			
Univ of Wales Inst, Cardiff	458,538	357,390		
Vale of Glamorgan Council	4,932,143	1,681,855	192,417	2,847
<b>Sub-total</b>	<b>32,482,984</b>	<b>7,195,112</b>	<b>543,095</b>	<b>3,264</b>
<b>NON-SCHEME</b>				
Cardiff Bay Devpt Corp	367,706			
Cardiff Gypsy Sites	1,133			
Cardiff Institute for Blind	65,097			
Cardiff University	767,561	122,585		
Catholic Children's Soc	1,434			
Careers Service	71,954	30,226		
Children in Wales	6,732	33,736		
Citizens Advice Bureau (Cardiff)	4,592	2,922		
Citizens Advice Bureau (Vale)	672			
Civic Trust for Wales	2,472			
Fforwm	787	9,438		
Glam & Gwent Hsg Assoc	47,380			
Glamorgan Holiday Hotel	48,377	7,606		
Intervol	4,350			
Housing for Wales	88,767		23,200	
Land Authority for Wales	237,460	27,798	10,181	
Opportunity Housing Trust	16,399	5,714		
Play Wales	9,900			

## 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>
Royal National Eisteddfod	16,192	1,762		
S E Wales Com Trust	5,714			
Sports Council for Wales	449,580	280,483		
STAR	10,622			
Wales & West Housing Assoc.	125,099			
Wales Youth Agency	32,932	47,766		
Welsh Council for Voluntary Action	22,007			
Welsh Water	2,521			
<b>Sub-Total</b>	<b>2,407,440</b>	<b>570,036</b>	<b>33,381</b>	<b>0</b>
<b>TOTAL</b>	<b>34,890,424</b>	<b>7,765,148</b>	<b>576,476</b>	<b>3,264</b>

### 7. Membership of the Fund

Fund membership at 31 March 2008 is as follows:

	2007	2008
Contributing Employers	<u>38</u>	<u>39</u>
Contributors	13,020	13,221
Pensioners	8,007	8,189
Deferred Pensioners	6,811	7,450
Total Membership	27,838	28,860

### 8. Investment and Administration Expenses

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

	2006/07 (restated) £000	2007/08 £000
Management Fees	(2,071)	(2,370)
Custody Fees	(98)	(131)
	(2,169)	(2,501)
Support Service Charges	(155)	(172)
Other Administration Expenses	(670)	(1,030)
	(825)	(1,202)
Total	<b>(2,994)</b>	<b>(3,703)</b>

Investment fees have increased mainly due to the growth in the assets of their fund. Other charges have increased due to the usual pay awards and the need for additional actuarial work.

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

**9. Investment Income**

	2006/07 £000	2007/08 £000
UK Fixed Interest Securities	4,420	(90)
Overseas Fixed Interest Securities	268	5,500
UK Equities & Private Equity Funds	1,411	2,621
Overseas Equities (net of irrecoverable tax)	1,319	1,648
Property Unit Trust Income	1,410	1,510
Interest on UK cash	1,102	1,780
	<b>9,930</b>	<b>12,969</b>

**10. Investments at Market Value**

	31 March 2007		31 March 2008	
	£000	£000	£000	£000
UK Fixed Interest:				
Public Sector	38,489		<b>38,647</b>	
Other (pooled)	56,521		<b>66,808</b>	
		95,010		<b>105,455</b>
Overseas Fixed Interest				
Public Sector (Pooled)	32,855		<b>48,235</b>	
Other	390		<b>11,107</b>	
		33,245		<b>59,342</b>
UK Quoted Equities & Convertibles		47,035		<b>46,677</b>
Foreign Quoted Equities		68,248		<b>67,205</b>
UK Property Unit Trusts		60,809		<b>50,759</b>
Private Equity		36,015		<b>48,302</b>
Pooled Funds				
UK	378,314		<b>320,288</b>	
Overseas	164,110		<b>160,299</b>	
		542,424		<b>480,587</b>
		882,786		<b>858,327</b>
Cash:				
UK	22,501		<b>46,956</b>	
Overseas	0		<b>539</b>	
Net investment proceeds due	(8,831)		<b>(99)</b>	
		13,670		<b>47,396</b>
		<b>896,456</b>		<b>905,723</b>

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

Gross purchases in the year (excluding cash) were £186.993m, while sales were £185.931m. From these a net realised profit of £17.7m (2006/7, £24.2m profit)

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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.

	Value at 31/3/07 £000	Purchase at Cost £000	Sale Proceeds £000	Change in Mkt Value £000	Value at 31/3/08 £000
Fixed Interest Securities	128,255	73,439	(44,328)	7,431	<b>164,797</b>
Equities	115,283	82,379	(82,067)	(1,713)	<b>113,882</b>
Pooled Funds	542,424	20,387	(48,513)	(33,711)	<b>480,587</b>
Property unit trusts	60,809			(10,050)	<b>50,759</b>
Private equity	36,015	10,788	(11,023)	12,522	<b>48,302</b>
<b>Total</b>	<b>882,786</b>	186,993	(185,931)	(25,521)	<b>858,327</b>
Debtors	3,195				<b>1,800</b>
Creditors	(12,026)				<b>(1,899)</b>
Cash	22,501				<b>47,495</b>
	<b>896,456</b>				<b>905,723</b>

### 11. Summary of Managers' Portfolio Values at 31 March 2008

	£000	% of Fund
Aberdeen Asset Management	166,086	18.4
Barclays Global Investors	122,897	13.6
F & C	8,368	0.9
Invesco Perpetual	45,235	5.0
J P Morgan	44,774	4.9
Jupiter	10,431	1.2
Majedie	46,677	5.1
Nikko	31,093	3.4
Schroder Investment Managers	37,508	4.2
State Street Global Advisers	248,919	27.5
Property Unit Trusts	50,759	5.6
Private Equity Managers	48,302	5.3
Internally Managed (Cash)	44,674	4.9
	<b>905,723</b>	<b>100.0</b>

### 12. Sundry Debtors & Creditors

	2006/07 £000	2007/08 £000
<b>Debtors</b>		
Pensions Administration	51	6
	<b>51</b>	<b>6</b>
<b>Creditors</b>		
Management & Custody Fees	583	521
Miscellaneous	32	2
	<b>615</b>	<b>523</b>

## CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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**13. Additional Voluntary Contributions**

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

The amount of AVC contributions paid during the year amounted to £459k and the market value of separately invested AVC's as at 31/03/2008 was £2.505m

**14. Commitments**

At 31 March 2008 the Fund had outstanding private equity commitments of a maximum of £52.02 million (£53.97 million at 31 March 2007).

**15. Contingent Liabilities**

The Fund has no contingent liabilities.

**16. 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 as 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.

**17. Post Balance Sheet Events**

There are no post balance sheet events to report.

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

Christine Salter  
City and County Treasurer





# THE GROUP ACCOUNTS

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## INTRODUCTION

The group accounts that follow comply with the requirement of the 2007 SORP that a Local Authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Cardiff Council and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus).

The Council has interests in 2 other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff & Co., and in Cardiff Medicentre Joint Venture. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2007/08. Details of the Council's interests in these organisations are included in note 25 to the Core Financial Statements.

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### Basis of Consolidation

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

### Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 28 to 34 with the following additions and exceptions:

1. **Retirement Benefits**

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with 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.

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

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

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation

## THE GROUP ACCOUNTS

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charged on the current value of fixed assets held by the subsidiary and what would have been the historical cost depreciation for the year.

5. **Derivatives Financial Instruments**

Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk.

# THE GROUP ACCOUNTS

## THE GROUP INCOME AND EXPENDITURE ACCOUNT

2006/7 Net Expenditure £000 Restated		Note	Expenditure £000	Income £000	2007/8 Net Expenditure £000
5,800	Central Services		38,674	(33,162)	5,512
68,353	Cultural, Environmental & Planning (CE&P)		149,770	(53,768)	96,002
232,197	Children's & Education Services		317,041	(76,094)	240,947
35,725	Highways, Roads & Transportation (HR&T)		82,783	(47,699)	35,084
26,526	Local Authority Housing		78,023	(50,694)	27,329
9,086	Other Housing Services		115,910	(105,543)	10,367
80,743	Adult Social Services		114,698	(35,658)	79,040
10,340	Corporate & Democratic Core		11,713	(1,510)	10,203
2,368	Non Distributed Costs		9,538	0	9,538
(3)	Reporting Authority's share of operating results of Associates & JVs		0	0	0
0	Exceptional item		17,693	0	17,693
<b>471,135</b>	<b>Net Cost of Services</b>		<b>935,843</b>	<b>(404,128)</b>	<b>531,715</b>
(5,928)	(Gain)/loss on disposal of fixed assets				(24)
(2,371)	(Gain)/Loss on sale of investments				0
189	Community Council Precepts				193
16,140	Levies & Contributions				13,985
22,843	Interest Payable & similar charges				21,993
(7,415)	Interest & Investment Income				(9,751)
(1)	Authority's share of Investment Income of Joint Venture				0
6,796	FRS17 Interest Cost/Return on Assets	5			6,530
470	Taxation of group entities				558
<b>501,858</b>	<b>Net Expenditure</b>				<b>565,199</b>
(281,993)	General Government Grants				(288,697)
(70,734)	Non-Domestic Rates				(77,339)
(101,023)	Precept				(107,925)
<b>48,108</b>	<b>(Surplus) / Deficit for the Year</b>				<b>91,238</b>

## THE GROUP ACCOUNTS

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

2006/07 £000		2007/08 £000
49,382	(Surplus)/deficit on the authority's single entity Income & expenditure Account for the year	92,896
	(Surplus)/deficit arising from other entities included in the group accounts:	
(1,270)	Subsidiaries	(1,658)
(4)	Associates & Joint Ventures	0
<b>48,108</b>	<b>Group Accounts (surplus)/deficit for the year</b>	<b>91,238</b>

### GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2006/07 £000		2007/08 £000
48,108	Net (surplus)/deficit for year	91,238
(663,770)	(Surplus)/deficit on revaluation of fixed assets	(40,429)
0	(Surplus)/deficit on revaluation of available-for-sale assets	(24)
(10,442)	Actuarial (gains)/losses on pensions assets and liabilities	(25,897)
0	De-recognition of premiums/discounts at 1 April 2007	5,111
(446)	Other (gains)/losses recognised in the STRGL	0
(626,550)	Total recognised (gains)/losses for the year	29,999
0	Prior year adjustments	0
<b>(626,550)</b>	<b>Change in Net Worth as per Balance Sheet</b>	<b>29,999</b>

# THE GROUP ACCOUNTS

## GROUP BALANCE SHEET

31 March 2007 £000		Note	31 March 2008	
			£000	£000
	Fixed Assets	6		
107	Intangible Assets: Purchased Software Licences		70	70
	Tangible Assets			
	Operational Assets:			
1,107,870	Council Dwellings		1,091,615	
732,678	Other Land and Buildings		748,321	
22,658	Vehicles, Plant, Furniture & Equipment		25,706	
362,020	Infrastructure		348,790	
31,010	Community Assets		33,186	
210,077	Non-Operational Assets		211,291	
<b>2,466,313</b>				<b>2,458,909</b>
25,335	Long-term Investments		30,762	
8,212	Deferred Debtors		1,817	
5,837	Deferred Premiums		0	
<b>39,384</b>				<b>32,579</b>
49	Additional sum required to be included in respect of Net Assets of Joint Venture		0	
	Current Assets:			<b>0</b>
2,856	Stocks		2,939	
76,564	Debtors	8	66,084	
101,526	Investments	9	125,656	
7,663	Cash and Bank		3,969	
<b>188,609</b>				<b>198,648</b>
	Current Liabilities:			
(87,952)	Creditors	10	(87,777)	
(3,754)	Loans due within one year		(11,211)	
0	Bank Overdraft		(1,540)	
<b>(91,706)</b>				<b>(100,528)</b>
<b>2,602,756</b>	Total Assets less Current Liabilities			<b>2,589,678</b>
(386,434)	Long Term Borrowing			<b>(399,286)</b>
(135,020)	Government Grants – Deferred Account			<b>(153,283)</b>
(30,707)	Provisions and Deferred Liabilities	11		<b>(28,856)</b>
(2,494)	Obligations under Finance Leases			<b>(5,435)</b>
(16,861)	Contributions/Capital Balances Unapplied			<b>(21,249)</b>
(726)	Deferred Discounts			
(341,242)	Net Pensions Liability			<b>(323,366)</b>
<b>(1,689,272)</b>	<b>Total Assets less Liabilities</b>			<b>1,658,203</b>

## THE GROUP ACCOUNTS

31 March 2007 £000		Note	31 March 2008	
			£000	£000
	Financed by:	12		
1,960,168	Capital Adjustment Account		<b>1,894,594</b>	
0	Financial Instruments Adjustment Account		<b>(4,762)</b>	
0	Revaluation Reserve		<b>2,500</b>	
4,733	Revaluation Reserve of subsidiaries		<b>4,230</b>	
5,317	Available-for-Sale Reserve	7	<b>5,642</b>	
11,222	Usable Capital Receipts Reserve		<b>22,372</b>	
572	Deferred Capital Receipts		<b>424</b>	
(341,242)	Pensions Reserves		<b>(323,366)</b>	
9,092	Council Fund Balance		<b>10,038</b>	
5,018	Housing Revenue Account Balance		<b>5,335</b>	
6,971	Group Income & Expenditure Reserve in respect of subsidiaries		<b>8,150</b>	
49	Group Income & Expenditure Reserve in respect of joint venture		<b>0</b>	
27,372	Earmarked Reserves		<b>35,393</b>	
0	Equal Pay Back Pay Reserve		<b>(2,347)</b>	
<b>1,689,272</b>	<b>Total Net Worth</b>			<b>1,658,203</b>

# THE GROUP ACCOUNTS

## GROUP CASH FLOW STATEMENT

2006/07 £000		2007/08 £000	
		£000	£000
<b>(40,112)</b>	<b>Net Cash (Inflow)/Outflow from Revenue Activities</b>		<b>(41,782)</b>
	<b>Returns on Investments and Servicing of Finance</b>		
	<i>Cash outflows</i>		
22,345	Interest paid	21,895	
202	Interest element of finance lease rental payments	209	
	<i>Cash inflows</i>		
(7,156)	Interest received	(8,135)	
(98)	Dividends received from investments	0	
<b>15,293</b>			<b>13,969</b>
<b>5</b>	<b>Taxation</b>		<b>380</b>
	<b>Capital Expenditure and Financial Investment</b>		
	<i>Cash outflows</i>		
95,469	Purchase of fixed assets	87,470	
15,572	Deferred charges	31,564	
0	Purchase of long term investments	4,000	
	<i>Cash inflows</i>		
<b>111,041</b>	Sale of fixed assets & Investments	(60,234)	<b>123,034</b>
(75,001)	Capital grants received	(28,530)	
(33,598)	Other capital cash receipts	(9,974)	
(5,820)			
<b>(114,419)</b>			<b>(98,738)</b>
<b>(28,192)</b>	<b>Net cash (inflow)/outflow before financing</b>		<b>(3,137)</b>
	<b>Management of Liquid resources</b>		
27,951	Net increase/(decrease) in short term deposits	20,570	<b>20,570</b>
	<b>Financing</b>		
	<i>Cash outflows</i>		
59,830	Repayments of amounts borrowed	81,191	
	<i>Cash inflows</i>		
(61,800)	New loans raised	(96,687)	
	<i>Finance leases</i>		
(1,750)	Net capital cost of finance leases	3,204	
<b>(3,720)</b>			<b>(12,292)</b>
<b>(3,961)</b>	<b>Net (increase)/decrease in cash</b>		<b>5,141</b>



# THE GROUP ACCOUNTS

## NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 41 to 85 apply also to the Group Accounts with the following additions and exceptions:

### 1. Remuneration

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

Remuneration Band £000	Number of Employees	
	2006/07	2007/08
150-160	0	1
140-150	1	0
130-140	0	0
120-130	0	0
110-120	3	4
100-110	1	0
90-100	2	3
80 – 90	8	18
70 – 80	16	6
60 – 70	24	42

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

### 2. Related Parties Disclosures

2.1 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 31 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 to the Core Financial Statements. Cardiff Council and Cardiff City Transport Services 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 to SWPA during 2007/08 is detailed in note 3 to the Core Financial Statements. In addition to this the Council paid £0.411 million to SWPA during 2007/08 (£0.590 million in 2006/07), the majority of which (£0.240 million) was in respect of traffic wardens connected to the voucher parking scheme.

**Glamorgan County Cricket Club (GCCC)** – during 2006/07 the Council entered into an agreement with Glamorgan Cricket Club to provide a loan of £4 million to be repaid

## THE GROUP ACCOUNTS

over 20 years. The loan is to be used for the construction of new stands and facilities. The balance of the loan in the sum of £3.470 million was paid to GCCC during 2007/08. Accrued interest of £46,195 was also added to the loan in 2007/08. In addition during 2007/08 the Council made payments to the Club of £13,000 and received income of £33,934. A Youth Cricket Development grant was paid to GCCC during 2007/08 amounting to £100,000.

**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 2007/08, goods and services to the value of £3.931 million were commissioned from companies in which members had an interest (£2.871 million in 2006/07). In addition, the Council appoints members and chief officers to certain charitable organisations and to the Chamber of Commerce and associated companies. During 2007/08, a total of £0.235 million was paid to these bodies (£0.406 million in 2006/07). Details of members' allowances are shown in note 12(b) to the Core Financial Statements.

**Officers** - during 2007/08, the Council received income of £7,000 from Chief Officers and above relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£6,000 in 2006/07). Details of Officers' emoluments are shown in note 12(a) to the Core Financial Statements.

### **PTI Cymru**

During the year Cardiff City Transport Services received £12,439 (£10,247 in 2006/07) from PTI Cymru Ltd. for the rent of a call centre in Cardiff and in turn was charged £26,585 (£36,180 in 2006/07) in respect of calls handled.

## 2.2 Related Party Balances

At 31 March 2008 the following balances were held in respect of related parties of the group.

31 March 2007  £000		31 March 2008	
		Debtors £000	Creditors £000
6,330	Central Government Grants	14,988	(10,033)
8	Chief Officers and above – outstanding car loan balances	11	0
(115)	Precepting Bodies	0	(40)
0	Glamorgan Cricket Club	4,046	0
373	Companies in which members interests declared/other	0	(365)
(7)	PTI Cymru Ltd	0	(1)

## THE GROUP ACCOUNTS

### 3. External Audit Costs

In 2007/08 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2006/07 £000	<b>2007/08</b> <b>£000</b>
Fees payable to the external auditor in respect of audit services carried out by the appointed auditor	442	<b>447</b>
Fees payable to the external auditor in respect of statutory inspection	74	<b>65</b>
Fees payable to the external auditor for the certification of grant claims and returns	137	<b>110</b>
Fees payable in respect of other services provided by the appointed auditor	12	<b>12</b>

### 4. Leasing

#### 4.1 Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2007/08 were as follows:

	2006/07 £000	<b>2007/08</b> <b>£000</b>
Property Leases	1,470	<b>2,650</b>
Other Leases	3,296	<b>2,940</b>

The group was committed at 31 March 2008 to making payments of £10.707 million under operating leases in 2008/09 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2008/09	183	222
Leases expiring between 2009/10 and 2012/13	616	1,887
Leases expiring after 2012/13	1,264	0

#### 4.2 Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 07/08 were as follows:

	2006/07 £000	<b>2007/08</b> <b>£000</b>
Vehicles, Plant & Equipment	202	<b>209</b>

## THE GROUP ACCOUNTS

Details of assets held under finance leases are as follows:

	Vehicles, Plant & Equipment £000
Value at 1 April 2007	8,507
Additions	4,943
Disposals	(210)
Gross Book Value	13,240
Accumulated Depreciation (less release on disposals)	(4,476)
<b>Value at 31 March 2008</b>	<b>8,764</b>

Obligations under finance leases:

	Total £000
Obligations payable in 2008/09	1,167
Obligations payable between 2009/10 and 2012/13	2,305
Obligations payable after 2012/2013	3,130

### 5. Pensions

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

	2006/07 £000	2007/08 £000
<i>Net Cost of Services</i>		
Current Service Cost	28,963	29,214
Past Service Costs	2,300	8,930
<i>Net Operating Expenditure</i>		
Interest Cost	44,138	50,572
Expected Return on Scheme Assets	(37,342)	(44,042)
<b>Net charge to group Income &amp; Expenditure Account</b>	<b>38,059</b>	<b>44,674</b>
Appropriation to/( from) Pension Reserve to Council Fund Balance	(4,450)	(8,650)
Appropriation to/( from) Pension Reserves to Profit & Loss Accounts of subsidiaries	479	571
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>34,088</b>	<b>36,595</b>

<b>Represented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	29,180	31,950
Payments in Respect of Unfunded Pensions Liabilities	3,030	2,770
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	1,878	1,875

# THE GROUP ACCOUNTS

## 5.1 Pensions Assets and Liabilities

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.

### Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2006. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 1.8% 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 total 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.

An approximate actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2007 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2006	31 March 2007	31 March 2008
Rate of increase in salaries	4.0% per annum	4.2% per annum	4.7% per annum
Discount rate	4.9% per annum	5.3% per annum	6.3% per annum
Inflation assumption	2.8% per annum	3.0% per annum	3.5% per annum
Pension increases	n/a	3.0% per annum	3.3% per annum

## THE GROUP ACCOUNTS

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

	2006		2007		2008	
	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	12,947	7.7% pa	14,975	7.7% pa	14,715
Bonds	4.5% pa	1,959	4.7% pa	2,126	5.7% pa	2,424
Cash	4.0% pa	25	5.6% pa	131	5.0% pa	100
		14,931		17,232		17,239

The net pension liability measured under FRS17 comprised the following:

	At 31 March 2006 £000	At 31 March 2007 £000	At 31 March 2008 £000
Total market value of assets	14,931	17,232	17,239
Present value of scheme liabilities	(19,533)	(20,826)	(19,965)
Net FRS17 Scheme Deficit	(4,602)	(3,594)	(2,726)

	At 31 March 2006 £000	At 31 March 2007 £000	At 31 March 2008 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(976)	(979)	894

<b>Analysis of amount credited to other financial income</b>			
Expected return on pension scheme assets	766	1,089	1,292
Interest on pension scheme liabilities	(782)	(975)	(1,122)
<b>Net Return</b>	(16)	114	170

# THE GROUP ACCOUNTS

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

	At 31 March 2006 £000	At 31 March 2007 £000	At 31 March 2008 £000
Actual return less expected return on pension assets	2,350	404	(2,155)
Experience gains and losses arising on the scheme liabilities	(730)	70	40
Changes in financial assumptions underlying the scheme liabilities	(2,680)	360	2,622
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(1,060)	834	507

<b>Movements in scheme deficit during the year</b>			
At 1 April 2007	(3,561)	(4,602)	(3,594)
Movement in year:			
Total operating charge	(976)	(979)	(894)
Contributions	1,011	1,039	1,085
Net return	(16)	114	170
Actuarial gain/(loss) in statement of total recognised gains and losses	(1,060)	834	507
At 31 March	(4,602)	(3,594)	(2,726)

### Cardiff and Vale of Glamorgan Pension Fund

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

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made at 31 March 2007.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 12% of pensionable pay from 1 April 2008. In addition to this rate, Cardiff City Transport Services Limited is required to pay £681,200 per annum.

The most recent valuation was carried out as at 31 March 2007, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2008. 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 355% of members' contributions. The contribution rates certified for Cardiff Bus at the 31 March 2007 valuation are as follows:

April 2005 to March 2006	305% of members' contributions
April 2006 to March 2007	330% of members' contributions
April 2007 to March 2008	355% of members' contributions To be reviewed

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

## THE GROUP ACCOUNTS

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

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

	At 31 March 2006	At 31 March 2007	At 31 March 2008
Rate of increase in salaries	4.5% pa	4.7% pa	5.2% pa
Discount rate	4.9% pa	5.3% pa	6.8% pa
Rate of increase in pensions in payment	3.0% pa	3.2% pa	3.7% pa
Rate of increase in deferred pensions	3.0% pa	3.2% pa	3.7% pa
Rate of inflation	3.0% pa	3.2% pa	3.7% pa

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

	2006		2007		2008	
	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	7.3% pa	13,880	7.7% pa	15,118	7.6% pa	12,762
Bonds	4.3% pa	2,880	4.7% pa	3,137	4.6% pa	878
Property	6.3% pa	790	6.7% pa	860	6.6% pa	1,012
Other assets	4.6% pa	280	5.6% pa	305	6.0% pa	3,308
		17,830		19,420		17,960

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

	At 31 March 2006 £000	At 31 March 2007 £000	At 31 March 2008 £000
Total market value share of assets	17,830	19,420	17,960
Present value of scheme liabilities	(23,370)	(24,440)	(22,770)
Net FRS 17 Scheme Deficit	(5,540)	(5,020)	(4,810)

**Analysis of amount charged to operating profit:**

	At 31 March 2006 £000	At 31 March 2007 £000	At 31 March 2008 £000
Current service cost	(540)	580	(500)
Past service cost	(17)	0	(180)
Total Operating Charge	(557)	580	(680)



## THE GROUP ACCOUNTS

### Analysis of amount credited to other financial income:

	<b>At 31 March 2006 £000</b>	<b>At 31 March 2007 £000</b>	<b>At 31 March 2008 £000</b>
Expected return on pension scheme assets	1,010	1,210	1,390
Interest on pension scheme liabilities	(1,100)	(1,140)	(1,290)
Net Return	(90)	70	100

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

	<b>At 31 March 2006 £000</b>	<b>At 31 March 2007 £000</b>	<b>At 31 March 2008 £000</b>
Actual return less expected return on pension assets	2,490	320	(2,840)
Experience gains and losses arising on the scheme assets/(liabilities)	-	(60)	-
Changes in financial assumptions underlying the scheme (liabilities)/assets	(1,480)	(50)	2,900
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	1,010	210	60

### Movements in scheme deficit during the year:

	<b>At 31 March 2006 £000</b>	<b>At 31 March 2007 £000</b>	<b>At 31 March 2008 £000</b>
At 1 April	(6,863)	(5,540)	(5,020)
Movement in year:			
Total operating charge	(557)	(580)	(680)
Contributions	960	820	790
Net return	(90)	70	100
Actuarial (loss)/gain in statement of total recognised gains and losses	1,010	210	60
Adjustment in respect of revaluing assets at bid value	-	-	(60)
At 31 March	(5,540)	(5,020)	(4,810)

The disclosures in note 5.1 have been taken directly from the 2007/08 financial statements of Cardiff City Transport Services Ltd.

## THE GROUP ACCOUNTS

### 6. Fixed Assets

ASSETS	Council Dwellings  £000	Other Land & Buildings  £000	Vehicles, Plant & Equipment  £000	Infrastructure  £000	Community Assets  £000
Gross Book Value at 31 March 2007	1,139,410	749,000	43,649	443,833	32,041
Additions – Capital Expenditure	18,086	15,731	8,903	11,994	1,205
Impairment	(1,709)	(17,174)			
Disposals	(2,625)	(1,511)	(2,685)	(9,087)	
Reclassifications	1,821	33,762	181	78	
Revaluations		75			
<b>Gross Book Value at 31 March 2008</b>	<b>1,154,983</b>	<b>779,883</b>	<b>50,048</b>	<b>446,818</b>	<b>33,246</b>
<b>DEPRECIATION &amp; AMORTISATION</b>					
Balance at 31 March 2007	31,540	17,482	21,011	81,813	1,031
Depreciation & Amortisation	31,967	14,918	5,985	19,169	(971)
Released on Disposal	(139)	(11)	(2,654)	(2,954)	
Reclassification		(234)			
Released on Revaluation		(593)			
<b>Balance at 31 March 2008</b>	<b>63,368</b>	<b>31,562</b>	<b>24,342</b>	<b>98,028</b>	<b>60</b>
<b>NET BOOK VALUE at 31 March 2008</b>	<b>1,091,615</b>	<b>748,321</b>	<b>25,706</b>	<b>348,790</b>	<b>33,186</b>
NET BOOK VALUE at 31 March 2007	1,107,870	731,518	22,638	362,020	31,010

## THE GROUP ACCOUNTS

ASSETS	Investment Properties  £000	Surplus Assets held for disposal  £000	AUC  £000	Intangibles  £000	TOTAL  £000
Gross Book Value at 31 March 2007	86,835	99,416	23,826	182	2,618,192
Additions – Capital Expenditure	1,708		36,938		94,565
Impairment	(768)				(19,651)
Disposals	(994)	(39,355)			(56,257)
Reclassifications	(5,429)	2,393	(32,806)		0
Revaluations	560	39,201			39,836
<b>Gross Book Value at 31 March 2008</b>	<b>81,912</b>	<b>101,655</b>	<b>27,958</b>	<b>182</b>	<b>2,676,685</b>
<b>DEPRECIATION &amp; AMORTISATION</b>					
Balance at 31 March 2007	0	0	0	75	152,952
Depreciation & Amortisation				37	71,105
Released on Disposal					(5,758)
Reclassification			234		0
Released on Revaluation					(593)
<b>Balance at 31 March 2008</b>	<b>0</b>	<b>0</b>	<b>234</b>	<b>112</b>	<b>217,706</b>
<b>NET BOOK VALUE at 31 March 2008</b>	<b>81,912</b>	<b>101,655</b>	<b>27,724</b>	<b>70</b>	<b>2,458,979</b>
NET BOOK VALUE at 31 March 2007	86,835	99,416	23,826	107	2,465,241

# THE GROUP ACCOUNTS

## 7. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

### 7.1 Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

### 7.2 Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2008 the company was contracted to buy 4,199 (9,320 in 2006/07) metric tonnes of fuel at £321 (£321 in 2006/07) per tonne up to February 2009. The company does not hold derivatives for speculative purposes. As at 31 March 2008 the fair price is considered to be an asset of £758,895 (£35,219 in 2006/07)

## 8. Debtors

The Broad Categories are:	31 March 2007 £000	<b>31 March 2008 £000</b>
Government & Other Grants	12,063	<b>18,653</b>
H.M. Revenue & Customs	2,902	<b>2,479</b>
Car Loans/Leasing	2,374	<b>2,282</b>
Interest due	2,925	<b>0</b>
Sundry Debtors	32,315	<b>20,693</b>
Court Costs	1,058	<b>1,117</b>
HRA Rent Arrears	2,491	<b>2,545</b>
Housing Benefit	3,240	<b>3,220</b>
NDR	5,994	<b>4,977</b>
Council Tax	11,348	<b>11,971</b>
Other	15,661	<b>15,241</b>
Less Bad Debt Provisions	(15,807)	<b>(17,094)</b>
	<b>76,564</b>	<b>66,084</b>

An analysis of the Bad Debt Provisions is shown below:

	31 March 2007 £000	<b>31 March 2008 £000</b>
Court Costs	1,058	<b>1,117</b>
HRA Rent Arrears	2,059	<b>1,894</b>
Housing Benefit	2,942	<b>3,220</b>
NDR	1,828	<b>2,183</b>
Council Tax	4,356	<b>4,543</b>
Other	3,564	<b>4,137</b>
	<b>15,807</b>	<b>17,094</b>

## THE GROUP ACCOUNTS

### 9. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £3.015 million (£3.44 million in 2006/07) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities.

### 10. Creditors

The Broad Categories are:	31 March 2007 £000	<b>31 March 2008 £000</b>
Deposits & Income in Advance	12,273	<b>9,995</b>
Extra District Education	1,365	<b>948</b>
Government & Other Grants	5,722	<b>10,292</b>
H.M. Revenue & Customs	7,960	<b>7,595</b>
Interest Accrued	5,453	<b>0</b>
Pay Accruals	5,126	<b>4,606</b>
Sundry Accruals	48,191	<b>49,596</b>
Teachers Pensions Agency	1,794	<b>1,833</b>
WAG re WWA Barrage liability	0	<b>2,844</b>
Agency	0	<b>68</b>
Other	68	<b>0</b>
	<b>87,952</b>	<b>87,777</b>

### 11. Provisions and Deferred Liabilities

	Balance 31 March 2007 £000	Transfers from Provisions in 2007/08 £000	Transfers to Provisions in 2007/08 £000	<b>Balance 31 March 2008 £000</b>
Cardiff Insurance Provision	10,429	(4,641)	3,314	<b>9,102</b>
South Glamorgan Insurance Fund	240	(148)	31	<b>123</b>
Cardiff Bus Insurance Provision	3,050	(1,374)	1,236	<b>2,912</b>
Commuted Maintenance Sums	9,789	(984)	1,224	<b>10,029</b>
Deferred Liability	5,745	(5,534)	125	<b>336</b>
Deferred Taxation	1,168	(84)	0	<b>1,084</b>
Equal Pay Back Pay Provision	0	0	2,347	<b>2,347</b>
Capital Provision	0	0	2,640	<b>2,640</b>
Other Provisions	286	(38)	35	<b>283</b>
	<b>30,707</b>	(12,803)	10,952	<b>28,856</b>

## THE GROUP ACCOUNTS

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

	Balance at 1 April 2007 <i>Restated</i>	Gains / (Losses) for Year	Transfers Between Reserves	Balance at 31 March 2008
	£000	£000	£000	£000
Capital Adjustment Account	1,960,168	0	(65,574)	1,894,594
Financial Instruments Adjustment Account	0	(5,111)	349	(4,762)
Revaluation Reserve	0	39,761	(37,261)	2,500
Revaluation Reserves of subsidiary	3,695	668	(133)	4,230
Usable Capital Receipts	11,222	0	11,150	22,372
Deferred Capital Receipts	572	0	(148)	424
Pension Reserve	(341,184)	25,897	(8,079)	(323,366)
Council Fund Reserves:				
- Council Fund Balance	9,092	(92,896)	93,842	10,038
- Earmarked Reserves	24,350	0	8,912	33,262
- Available-for sale reserve	5,317	24	301	5,642
Housing Revenue Account Balance	5,018	0	317	5,335
Housing Revenue Account Earmarked Reserves	3,022	0	(891)	2,131
Profit & Loss Reserves in Respect of Subsidiary	6,930	1,658	(438)	8,150
Equal Pay Back Reserve	0	0	(2,347)	(2,347)
<b>Total</b>	<b>1,688,202</b>	<b>(29,999)</b>	<b>0</b>	<b>1,658,203</b>

# THE GROUP ACCOUNTS

## NOTES TO GROUP CASH FLOW STATEMENT

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

	2006/07 £000	2007/08 £000
(Surplus)/Deficit for the year on I&E account	48,108	91,238
<b>Non-cash transactions</b>		
Depreciation and impairment	(70,083)	(90,757)
Asset transfer	0	(6,134)
Amortisation of deferred grants & contributions	7,825	8,898
Charges made for retirement benefits (FRS17)	(38,059)	(44,674)
<b>Add back cash item</b>		
Employer's contributions to pension schemes	34,088	36,595
<b>Items on an accruals basis</b>		
Increase/(decrease) in stock	(30)	83
Increase/(decrease) in debtors	(4,038)	4,134
(Increase)/decrease in creditors	(6,307)	258
(Increase)/decrease in provisions	1,836	(909)
<b>Items included in another classification</b>		
Deferred charges financed by borrowing	(6,458)	(26,569)
Net gain/(loss) on sale of fixed assets & investments	8,097	24
Interest Paid incl. finance lease interest	(22,345)	(22,104)
Interest and dividends received	7,254	8,135
<b>Net Cash Flow from Revenue Activities</b>	<b>(40,112)</b>	<b>(41,782)</b>

### 13.2. (Increase)/Decrease in Cash

	Balance 31 March 2007 £000	Balance 31 March 2008 £000	<b>Movement in Year £000</b>
Cash in hand and at bank	7,570	2,429	5,141

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

	Balance 31 March 2007 £000	Balance 31 March 2008 £000	<b>Movement in Year £000</b>
Short term deposits	101,429	121,999	20,570

## TRUST FUNDS

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During 2007/08, the City and County Treasurer 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 Council is no longer responsible for the day to day administration of the Willie Seager Memorial Fund.

The funds are managed and expenditure is approved in accordance with criteria set out in the governing document of each fund.

In the following cases, either the Council is the sole trustee or the trusts are made up wholly of Council members and/or officers. The purposes of these 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.



## TRUST FUNDS

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**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 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  
City and County Treasurer  
County Hall  
Cardiff  
CF10 4UW.

## TRUST FUNDS

	Balance as at 31 March 2007 £	Income £	Asset Re- valuation £	Expenditure £	Balance as at 31 March 2008 £
<b>General Funds</b>					
Lord Mayor's Distress Fund (1) (4)	5,834	270	0	0	6,104
Cardiff Charity for Special Relief (4)	14,336	777	(69)	0	15,044
Marjorie Williams Bequest Fund (4)	31,897	1,351	(1,247)	0	32,001
Lord Pontypridd Bequest Fund (3) (4)	53,831	2,303	0	(27,176)	28,958
Llandaff War Memorial Fund (3)	1,683	78	0	0	1,761
Dr. R.J. Smith Trust Fund (4)	2,184	101	0	0	2,285
Third Marquis of Bute's Silver Wedding Dowry Fund (2) (4)	14,439	977	0	0	15,416
Maindy Park Foundation (3)	106,481	4,892	0	(8,176)	103,197
Harvey Salter Educational Trust (3)	12,707	214	0	(12,921)	0
<b>Educational Funds</b>					
Hardcastle / Howells (5)	94,851	4,097	(3,500)	0	95,448
Millicent Street (5)	3,772	189	(12)	0	3,949
R. Presswood Memorial	12,072	579	(316)	(500)	11,835
R. Fice Memorial Trust	59,823	2,410	(6,723)	(2,213)	53,297
C.F. Sanders (5)	7,109	378	(26)	0	7,461
W. Sanders (Sanders & Rae) (3) (5)	115,148	5,348	(2,934)	0	117,562
Taff Vale Railway (West Yard) (3) (5)	757	38	(1)	0	794
J.A. Thompson Trust (3) (5)	1,022	48	0	0	1,070
J.J. Neale Trust (3) (5)	4,381	203	0	0	4,584
Cardiff Central Youth Club (3) (5)	13,676	754	(115)	0	14,315
W.R. Burnip (3) (5)	20,363	1,047	(360)	0	21,050
The Howardian Trust	24,509	1,138	(847)	(1,350)	23,450
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells (3)	23,450,759	168,388	(419,206)	(204,080)	22,995,861
<b>Total</b>	<b>24,051,634</b>	<b>195,580</b>	<b>(435,356)</b>	<b>(256,416)</b>	<b>23,555,442</b>

Notes:

- (1) Balances as at 19 May 2007 and 2008.
- (2) Balances as at 31 December 2006 and 31 March 2008.
- (3) Cardiff Council is the sole trustee of these charities.
- (4) Arrangements are being made to combine these charities into a new charity to be known as the Cardiff Citizens Charity.
- (5) Arrangements are being made to combine these charities into a new charity to be known as the Education Trust for Cardiff Citizens.

# **STATEMENT OF ACCOUNTS**

**2007/08**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

# CARDIFF PORT HEALTH AUTHORITY

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## FOREWORD

1. The Cardiff Port Health Authority's accounts for the year 2007/08 are set out on page 131. They comprise a Revenue Account and Balance Sheet.
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.

## ACCOUNTING POLICIES

1. **General**  
The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2005 (as amended).
2. **Debtors and Creditors**  
The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.
3. **Support Services Costs**  
Cardiff Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Code of Accounting Practice 2007. This applies to support service recharges from Cardiff Council service areas to the Port Health Authority.

# CARDIFF PORT HEALTH AUTHORITY

<b>REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008</b>		
2006/07 £		2007/08 £
	<b>Expenditure</b>	
94,260	Employees	102,733
0	Premises	0
7,961	Transport	6,076
11,442	Supplies	9,056
35,517	Support Costs	31,098
149,180		<b>148,963</b>
	<b>Income</b>	
(1,591)	Fees and Charges	(2,203)
(116,116)	Levies : Cardiff Council	(128,294)
(12,759)	The Vale of Glamorgan Council	(13,835)
(130,466)		<b>(144,332)</b>
18,714	(Surplus)/Deficit for the year	4,631
(23,345)	Revenue Balance brought forward	(4,631)
(4,631)	Revenue Balance carried forward	<b>0</b>

<b>BALANCE SHEET AS AT 31 MARCH 2008</b>		
31 March 2007 £		31 March 2008 £
	<b>Current Assets</b>	
4,631	Cash in Hand	(4,611)
0	Debtors	4,611
0	Income in Advance	0
4,631	Net Assets represented by Revenue Balance	<b>0</b>

# CARDIFF PORT HEALTH AUTHORITY

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## **Certificate of the Chief Finance Officer**

I certify that the Statement of Accounts summarised on page 131 is a true and correct record of the transactions of the Cardiff Port Health Authority for the year ended 31 March 2008.

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

**Date: 25 September 2008**

## **Independent auditor's report to the Cardiff Port Health Authority**

I have audited the accounting statements of the Cardiff Port Health Authority for the year ended 31 March 2008 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Revenue Account and Balance Sheet. 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 City and County Treasurer and the independent auditor**

The City and County Treasurer 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, in accordance with relevant legal and regulatory requirements, the financial position of the Cardiff Port Health Authority and its income and expenditure for the year.

I read other information published with the accounting statements and consider whether it is consistent with the audited accounting statements and related notes. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. 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 judgments made by the Cardiff Port Health Authority in the preparation of the

# CARDIFF PORT HEALTH AUTHORITY

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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 Cardiff Port Health Authority as at 31 March 2008 and its income and expenditure for the year then ended.

## **Certificate**

I certify that I have completed the audit of the accounts of Cardiff Port Health Authority 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.

Signature: Anthony Snow

Date: 30 September 2008

Anthony Snow  
Appointed Auditor

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## ***Electronic publication of financial statements***

*The maintenance and integrity of the County Council of the City and County of Cardiff website is the responsibility of the Council. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since they were initially presented on the web site.*

*Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.'*

# **GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS**

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

## **Agency Services**

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

## **AUC – Asset under Construction**

An Asset under Construction is another term for Work in Progress.

## **Business Continuity Management (BCM)**

Business Continuity Management encompasses the identification and risk management of the services which are relied upon by the people of Cardiff.

## **Capital Expenditure**

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

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in Financial Reporting Standard 15 (FRS 15) to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in FRS 15- 'Costs directly attributable to bringing the specific asset into working condition for its intended use'

## **Capital Financing Requirement**

The Authority's underlying need to borrow for a capital purpose and measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account

## **Capital Receipts**

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, but cannot be used to fund revenue expenditure. These receipts can also be used to repay debt, thus lowering the Capital Financing Requirement (CFR), which in turn reduces the Minimum Revenue Provision (MRP) that will be charged to revenue.

## **CIS - Cardiff Improvement System**

An internal, intranet-based information system capable of performance management, process description and supporting documentation that enables the efficient and effective control of Council operations.

## **Credit Rating**

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



# GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

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**Deferred Charges**

Deferred charges represent expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the authority e.g. house renovation grants to private individuals.

**Depreciation**

A charge made to the Income and Expenditure account to reflect an estimate of the use or consumption of fixed assets in the year as a result of provision of Council services.

**Direct Revenue Funding**

The amount of revenue funding used to directly fund capital expenditure incurred.

**Direct Service Units (DSUs)**

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

**Fair Value**

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

**Financial Guarantee**

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

**Financial Instrument**

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

**Fundamental Operational Review (FOR)**

A project which is reviewing the way council services are provided, exploring other options for service delivery and planning for change.

**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.

**Minimum Revenue Provision**

An amount required to be set aside as a provision each year to repay loans taken out to pay for capital expenditure. A prudent amount and any voluntary additional amounts must be set aside for this purpose in accordance with statute and professional guidance.

**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.

# GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

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**Precept**

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

**Provisions & Reserves**

Amounts set aside in a year to cover expenditure in the future. Provisions are amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain. Reserves are also amounts set aside for future use but fall outside the definition of provisions. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Authority must maintain as a matter of prudence.

**Public Works Loan Board (PWLB)**

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

**Recharge**

An internal charge for services rendered by one Council 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.

**Soft Loans**

A loan given by the Council to an external body at rates below prevailing market rates. Such loans are often made for strategic policy reasons if the authority considers that the benefits will be seen by all Cardiff residents

**Trust Funds**

Funds held in trust administered by the Council.