

Statement of Accounts 2007/2008



City and County of Swansea • Dinas a Sir Abertawe

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INTRODUCTION



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

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

The population of the area is approximately 227,200 with 40,500 being under 16 years old and 47,900 of pensionable age, with 20,200 being 75 years of age and over.



The City has a mixed agricultural and industrial economy, with some heavy industry, mixed with quiet rural settings. The City sits at the mouth of the River Tawe, from which its Welsh name, Abertawe, derives.

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

Copies of these accounts can be obtained from:

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



EXPLANATORY FOREWORD

This booklet summarises the Council's accounts for the year 2007/2008 and contains:

- * The statement of accounting policies which shows the basis on which we have prepared the accounts
- * The income and expenditure account and reconciling statements, which shows the income from, and spending on, council services for the year. It also shows how much money we get from central government, business ratepayers and council tax payers
- * The statement of total recognised gains and losses which summarises all the Council's gains and losses for the year
- * The balance sheet, showing a snapshot of the Council's financial position at the end of the year
- * The cash flow statement, which shows transactions for the year on a cash basis rather than on an accruals basis
- * The housing revenue account, which shows income from, and spending on, council housing for the year
- * An extract of the pension fund accounts, which show all contributions received and benefits paid for the year together with a snapshot of the financial position of the fund at the year end
- * The group accounts, which show the consolidated accounts of the Council and its subsidiary/related companies
- * The certificate and statement of responsibilities of the Director of Resources who is the responsible officer for the production of the statement
- * The statement of internal control, which gives an indication of the arrangements for and effectiveness of internal control procedures within the Council
- * The auditor's opinion and certificate relating to the Statement of Accounts

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

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

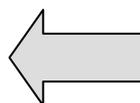
Capital expenditure covers spending on assets such as roads, redevelopment and the major renovation of buildings. These assets will provide benefits to the community for several years and the expenditure is largely financed by borrowing, capital grants and sale of fixed assets. Amounts borrowed for capital purposes are repaid in part each year as part of our revenue expenditure.

Sources of borrowing utilised include the Public Works Loan Board (PWLB), stock issue and capital markets.

EXPLANATORY FOREWORD

Revenue spending on the services we provide

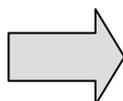
	£m	%
Revenue support grant	222.4	35
Non domestic rates	55.4	9
Council tax	73.1	11
Other income (rents, fees and charges, specific grants)	286.7	45
	<u>637.6</u>	<u>100</u>



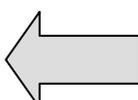
Where our money comes from

	£m	%
Employees	295.5	46
Capital charges	29.0	5
Running costs	282.5	44
Precepts/Levies	10.3	2
Reserve transfers	20.3	3
	<u>637.6</u>	<u>100</u>

What we spend it on



	£m	%
Education & Children's Services	211.5	33
Adult Social Services	80.1	12
Highways/transport	29.2	5
Culture, environment & planning	100.1	16
Housing	129.3	20
Precepts/levies	10.3	2
Reserve transfers	20.3	3
Other	56.8	9
	<u>637.6</u>	<u>100</u>



And the services it provides

Revenue outturn compared to the Council's budget

The deficit of £1.431m transferred from general reserves as shown in the Statement of Movement on the General Fund on page 22 of this statement compares to a budgeted deficit of £1.828m shown in the Council's revised estimate for the year.

This net movement can be analysed as follows:-

	£'m
Budgeted deficit	1.828
Decrease in service expenditure	-3.430
Reduction in capital financing charges	-1.325
Change in transfer to earmarked reserves	4.358
Actual deficit	<u>1.431</u>

EXPLANATORY FOREWORD

Capital spending in 2007/2008

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, roads and housing. The total capital spending during 2007/2008 was £91.879m.

Where the money comes from		The services it is spent by	
	£'000		£'000
External borrowing	46,027	Education	10,600
Government grants	33,817	Social Services	1,142
European grants	2,695	Highways and Transport	15,151
Other grants/contributions	2,536	Culture, Environment & Planning	25,205
Capital receipts/reserves	2,925	Housing	18,796
Revenue derived funds	3,289	Administration	20,985
Unfinanced	590		
Total	91,879	Total	91,879

And some of the assets provided

Education	£'000	Highways and Transportation	£'000
Gowerton Comprehensive School	793	Local Roads Maintenance Grant Scheme	885
Morryston Comprehensive School	2,129	Metro Phase I - Kingsway	916
Llwynderw New School	2,554	Fabian Way Bus Route	3,333
		Park and Ride Carmarthen Road	908
		Highways Carriageways	1,022
		Metro Phase 2 - Westway	2,164
		Landore Express Bus Route	618
Housing		Other Services	
Council House Adaptations	3,348	E-government – Resource @ Swansea	369
Hafod Renewal Area	1,882	Civic Centre and Library	6,255
Housing Disabled Facilities Grants/Housing Renovation Grants	5,275	Guildhall Refurbishment	1,178
Boiler replacements	1,367	City Centre – core improvements	1,744
Enveloping Cwmrhyd y ceirw	808	Equal Pay back pay	7,204
		Replacement Childrens Home	899
		Pentre Mentre Centre	2,271
Culture / Leisure			
Swansea Leisure Centre	18,805		
Bowls Hall	1,465		
Brynmill Park	863		

EXPLANATORY FOREWORD

Reserves, Balances and Provisions

The Council maintains a number of provisions and reserves, details of which are given on pages 65 to 67.

Provisions are amounts included in the accounts as liabilities where there is uncertainty over timing and the precise value of the liability that has been incurred.

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

At the end of the year, the Authority's reserve balances and provisions amounted to £103.086m.

The Euro

It has not yet been decided if, and when, the United Kingdom will join the single European currency. We have not made any assessment or financial provision in the 2007/2008 accounts of the effect on the Council if this currency is introduced.

Financial Reporting Standard 17 (FRS17)

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2008 and the reserve needed to fund that liability.

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

The fund is subject to a triennial valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies as to the appropriate rate of employers contributions that need to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2007/08 relate to the valuation undertaken on 1st April 2004. A further revaluation that took place as at 1st April 2007 will relate to Accounts from 2008/09 onwards.

The Local Government Pension Scheme is a statutory scheme and, as such, benefits accruing under the scheme can only be changed by legislation. The Department for Communities and Local Government has legislated for a new scheme to commence in April 2008 which will have a material and beneficial effect on the projected cost of the scheme in the future (p83).

Group Accounts

The 2007/08 Statement contains Group Accounts which are intended to show the consolidated position of the City & County of Swansea and its subsidiary/related companies. Comparative figures for previous years have been shown for consistency. These are shown on pages 88 to 101 of this statement.

EXPLANATORY FOREWORD

Changes in the form and content of the Statement

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

The requirements of the SORP are updated on an annual basis and the current Statements reflect the requirements of the 2007 SORP.

In terms of presentation of the accounts the significant changes are as follows:-

1. Income and Expenditure Account.

- The requirement to Group Education and Children's Social Services Income and Expenditure within one service line in the Accounts
- The requirement to show a separate line detailing Housing Revenue Account activities separately from other Housing activities.
- In both instances the Income and Expenditure Account for 2006/7 has been restated for comparative purposes.

2. Balance Sheet

- The replacement of the previous Capital Financing Reserve and the Fixed Asset Restatement Account as they existed on 31st March 2007 with two new accounts, the Capital Adjustment Account and the Revaluation Reserve.
- The creation of a new reserve – the Financial Instrument Adjustment Account – to take account of gains and losses on the Restatement of Loans and Investments at fair value within the Council's Balance Sheet. An explanation of the purpose of this account is given below and the technical calculations surrounding its construction are given in the notes to the Balance Sheet.

In terms of technical content of the accounts the main changes are as follows:-

1. Accounting for expenditure on Fixed Assets

- The Council incurs significant capital expenditure which, for various reasons, does not either create an asset, significantly add value to an existing asset or significantly extend the useful life of an existing asset.
Examples include expenditure on Disabled Facilities Grants and Group Repair Schemes. Due to the nature of valuation applied to Council Housing Stock (Discounted future income schemes based on existing use for social housing) there is also a significant level of expenditure incurred in terms of major ongoing schemes such as window replacement, rewiring, etc which fall into the above category.
- In the past such expenditure has been charged directly to the Fixed Asset Restatement Account.
- Guidance issued by the Wales Audit Office outlines the following accounting treatment:-
 - o Expenditure should be recognised as a fixed asset addition;
 - o The asset should then be impaired to recognise that the expenditure has not resulted in an increase in the carrying value of the asset

This is then reversed out within the Statement of Movement on the General Fund Balance to leave a net nil effect on the Council's available reserves.

EXPLANATORY FOREWORD

- No comparative entries have been made to the 2006/07 Accounts.

2. Accounting for downward revaluation of fixed assets.

- In previous years any upward or downward revaluation of fixed assets has been adjusted to the Fixed Asset Restatement Account
- Within the 2007/08 Accounts the entries reflect the 2007 SORP in that:-
 - a) Unrealised revaluation gains are credited directly to the revaluation reserve.
 - b) In respect of downward revaluations, where an asset has previously been revalued upwards with a credit to the revaluation reserve, then the downward revaluation is offset against the previous credit.
 - c) Where the downward revaluation exceeds previous upward revaluations, or where there has been no previous upward revaluation, then the SORP requires that the value of the downward revaluation is shown as expenditure within the relevant service line in the Income and Expenditure Account.
 - d) As above, this expenditure is subsequently reversed within the Statement of Movement on General Fund Balances.
 - e) No comparative adjustments have been made to the 2006/07 Accounts.

3. Accounting treatment of Financial Instruments, Soft Loans and Guarantees

- The 2007 SORP has introduced major changes in the accounting treatment of financial instruments, soft loans and guarantees, which have been designed to present a higher quality of information on financial instruments, in line with the private sector. 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. The need for this has arisen in recent years through the high profile failure of a number of financial institutions e.g. Barings, Enron, and World Com.
- 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 costs basis using the effective interest rate (EIR) method. However, it should be noted that figures for 31.3.07 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. Consequently, the figures for 31.3.07 and 31.3.08 are not properly 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 properly comparable.
- In these disclosure notes, financial instruments are also required to be shown at fair value. Fair value 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 31.3.07, the column for fair value as at 31.3.07 in the relevant disclosure notes which appear in the notes to the Balance Sheet cannot be completed for the prior financial year. Hence no comparative figures are shown.
- For the very same reasons, no figures appear under 'Gains and losses on financial instruments' for 2006/07.

EXPLANATORY FOREWORD

- This authority has complied with the following: -
 - a) It has adopted the CIPFA's Treasury Management in the Public Services: Code of Practice
 - b) It has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code

4. Extraordinary/Exceptional items

As part of the 2006/07 Accounts the Council made Revenue provision of £9.4m in respect of potential liabilities in respect of equal pay claims.

During 2007/08 a substantial number of these potential claims were settled and, following application to the Welsh Assembly Government, a capitalisation directive was issued allowing the Council to capitalise all payments made during 2007/08 in respect of these claims.

The authority has therefore reversed the prior year accounting entries made in respect of equal pay provision in the 2007/08 Statement of Accounts.

The value of capital payments made largely negates the write back of provisions leaving a marginal effect on service costs within the Income and expenditure account. The value of the capital expenditure is, however, reversed out within the Statement of Movement on General Fund Balances effectively releasing revenue resource to the Council.

5. Current Economic Climate

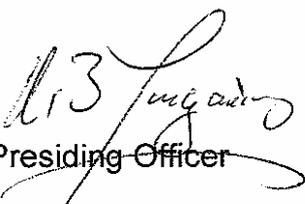
The accounting statements are required to reflect the conditions applying at the end of the financial year. Therefore no adjustments are made for any changes in market value of investments and property between 1 April and the date that the accounting statements are authorised for issue. It is not possible to provide a reliable estimate of the current market value of investments or property.

Further information

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

The Statement of Accounts was approved by Council at its meeting on 26th June 2008.

Signed



Presiding Officer

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts follow the Code of Practice on Local Authority Accounting in the UK (2007) – a Statement of Recommended Practice (“the SORP”) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

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

2. Debtors and Creditors

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

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

Where appropriate, provision has been made in the accounts in respect of bad and doubtful debts. This is generally calculated on the basis of age of debt outstanding but in the case of non domestic business rates is calculated on the recovery status of individual debtors.

3. Tangible Fixed Assets

- i. Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.
- ii. **Recognition:** Expenditure on buying, constructing or improving fixed assets is treated as capital expenditure provided the fixed assets are useful to us for a period of more than one year. The expenditure on routine repairs and maintenance of fixed assets is charged directly to the service revenue accounts.
- iii. **Measurement:** Fixed property assets are valued on the basis recommended by the SORP and the RICS ‘Appraisal and Valuation Standards’. All fixed property assets have been valued by the Head of Corporate Property Mr Steve Dinnick BSc Hons MRICS.

Fixed property assets are categorised into classes as follows:-

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

Non-operational assets – investment properties and surplus land.

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

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

- v. **Impairment (reduction in value):** Fixed assets that are not being depreciated are reviewed for impairment at the end of each reporting period for evidence of reductions in value. Examples of events and changes in circumstances that indicate a reduction in value may have occurred include:-

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

- vi. **Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts.

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis. Usable capital receipts can only be used to finance new capital investments (or be set aside to reduce the borrowing requirements). Usable capital receipts from Housing Revenue Account (HRA) assets are reserved for reinvestment in council housing.

Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

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

Where an asset has major components with different estimated useful lives, these are depreciated separately.

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to reflect charges in respect of debt principal repayment (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General

STATEMENT OF ACCOUNTING POLICIES

Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

4. Deferred Charges and Non Enhancing Capital Expenditure

Deferred charges are capital payments from which no fixed asset is created. One example is renovation grants for private individuals. Deferred charges are deemed to be capital by statutory prescription. The SORP requires deferred charges to be written out of the balance sheet immediately.

Non enhancing capital expenditure relates to expenditure which, although providing benefit over more than one year, does not enhance the value of an asset or extend the useful life of the asset.

In both the above cases the relevant expenditure has been charged against the relevant service line in the Income and Expenditure Account.

- This has been achieved in accordance with guidance issued by the Wales Audit Office which in essence :-
 - o adds such expenditure as an addition to fixed assets within the Accounts of the Authority.
 - o Then impairs the asset value by reducing fixed asset values and creating a charge to service lines within the Income and Expenditure Account.
- The effective charge to the service lines is subsequently reversed out within the Statement of Movement on the General Fund Balances to leave a net nil effect on the Council's available reserves.

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

5. Capital Financing

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

The position for 2007/2008 was as follows:-

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

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

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

- Council dwellings – 40 years
 - Other buildings – 40 years
 - Infrastructure – 20 to 40 years
 - Vehicles and plant etc – 5 to 10 years
- Charges are also made in respect of impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.

7. Stocks and work in progress

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

8. Central administrative expenses

An apportionment of all support service costs and some overheads are included within the total cost of services as shown in the housing revenue account and the Income and Expenditure account, and these central administrative expenses are allocated over the services to which they relate on one of the following bases:

- Legal Services: estimated time allocations
- Human Resources and Organisational Development: estimated time allocations
- Financial Services: estimated time allocations
- Information and Communication Technology Services: use of computing facilities
- County Supplies: estimated time allocations

STATEMENT OF ACCOUNTING POLICIES

- Property Management: estimated time allocations
- Office Accommodation: floor area occupied

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

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

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

NDC's are comprised of:

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

9. Interest on investments

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

10. Pensions

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

Teachers - this is an unfunded scheme administered by Capita Teachers' Pensions on behalf of the Department for Education and Skills (DfES). The pension cost charged to the account is the contribution rate set by that Department on the basis of a notional fund.

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

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

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

STATEMENT OF ACCOUNTING POLICIES

11. Provisions and Reserves

The Council maintains a number of provisions and reserves. Details of these are given on pages 65 to 67.

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

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

12. Taxation

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

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

13. Financial relationship with companies

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

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

Details of the Council's interests in the National Waterfront Museum (Swansea) Ltd, the Wales National Pool (Swansea) Ltd, Swansea Stadium Management Company Limited and Bay Leisure Ltd are given in note 12 to the Balance Sheet on pages 41 to 45.

14. Leases

The council holds no assets obtained under finance leases. Details of operating leases together with future commitments are given in note 5 to the Income and Expenditure Account. Net rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

STATEMENT OF ACCOUNTING POLICIES

15. Investments

Investments held by the Pension Fund (see page 76), long term investments and investment properties (see note 3, page 13) are carried at market value.

16. Group Accounts

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

The Accounts comprise the Group Income and Expenditure Account, Group Balance Sheet, Group Statement of Total Realised Gains and Losses and Group Cash Flow Statement along with associated notes and are shown on pages 88 to 101 of this statement.

17. Capital Funding for Council Housing

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

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

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

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The income and expenditure account discloses the income receivable and expenditure incurred in operating the Council for the year. The deficit on the Income and Expenditure Account represents the amount by which income is less than expenditure. Both income and expenditure are measured using essentially the same accounting conventions (i.e. United Kingdom Generally Accepted Accounting Principles) that a large (but unlisted) company would use in preparing its audited financial statements.

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

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

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

2006/07 £'000		2007/08 £'000
-20,473	Depreciation and Impairment of Fixed Assets	-38,701
4,167	Government Grants Deferred Amortisation	4,877
-1,995	Write downs of deferred charges to be financed from capital resources	-9,338
0	Statutory adjustment relating to the early redemption of debt	-152
-34,570	Net charges made for retirement benefits in accordance with FRS 17	-42,770
-52,871		-86,084

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

2006/07 £'000		2007/08 £'000
11,277	Statutory provision for the repayment of debt	12,154
3,820	Capital expenditure charged to the General Fund	3,289
25,110	Employers contribution to the Local Government Pension Fund	29,280
40,207		44,723

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2006/07		2007/08
£'000		£'000
-245	Transfer to (from) Housing Revenue Account	1,773
-327	Net transfer to (from) schools delegated reserve	270
-1,955	Net transfer to (from) other earmarked reserves	18,272
-2,527		20,315

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

2006/07		2007/08
£'000		£'000
15,876	Deficit for year in the Income and Expenditure Account	22,477
-15,191	Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-21,046
685	Net (Surplus) / Deficit for the year	1,431
-11,280	General Fund Balance brought forward	-10,595
-10,595	General Fund Balance carried forward	-9,164

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2006/07</u> <u>£'000</u>		<u>2007/08</u> <u>£'000</u>
-15,876	Deficit for the year on the Income and Expenditure Account	-22,477
40,793	Surplus arising on the revaluation of fixed assets	68,107
-2,420	Actuarial (loss)/gain on pension fund assets and liabilities	76,010
0	(Surplus)deficit arising on revaluation of available-for-sale financial assets	0
<u>22,497</u>	Total recognised gains and losses for the year	<u>121,640</u>
0	Loss on revaluation of Financial Instruments	-1,242
<u><u>22,497</u></u>	Total recognised gains and losses	<u><u>120,398</u></u>

BALANCE SHEET

31/03/2007			31/03/2008	
£'000	£'000		£'000	£'000
		Fixed Assets - Note 1 & 2		
		Operational Assets:		
88,700		- council dwellings	85,425	
477,909		- other land and buildings	562,595	
15,516		- plant/vehicles and equipment.	16,516	
201,620		- infrastructure assets	222,186	
14,199		- community assets	14,314	
	797,944			901,036
		Non Operational Assets		
	35,028	Assets under construction		6,795
	86,143	Investment properties		95,337
	919,115	Total Fixed Assets		1,003,168
10,794		Long term investments Note 16	5,629	
314		Long term debtors Note 16	222	
1,485	12,593	Deferred premiums	0	5,851
	931,708	Total Long-Term Assets		1,009,019
		Current Assets		
2,106		- stocks and work in progress	2,340	
53,240		- debtors: Note 4	51,084	
61,782		- temporary investments Note 16	147,236	
368	117,496	- cash in hand of officials	578	201,238
	1,049,204			1,210,257
		Current Liabilities		
-76,123		- creditors: Note 5	-67,507	
-5,200		- short term borrowing: Note 6/16	-6,503	
-7,470	-88,793	- bank overdrawn	-26,841	-100,851
	960,411	Total Assets Less Current Liabilities		1,109,406
		Long Term Liabilities		
-295,708		Long-term borrowing: Note 6/16	-371,166	
-24,704		Provisions: Note 7	-29,077	
-142,990		Government grants deferred: Note 8	-157,459	
-3,183		Deferred discounts	0	
-348,040	-814,625	Liability relating to defined pension scheme	-285,520	-843,222
	145,786	Total Assets Less Liabilities		266,184
		Financed by		
	427,980	Capital Adjustment Account: Note 9		405,797
	0	Revaluation Reserve: Note 9		60,953
	0	Financial instrument Adjustment Account Note 16		-1,242
	-348,040	Pensions reserve: Note 15		-285,520
	10,841	Usable Capital receipts reserve: Note 10		12,187
	36,818	Earmarked reserves: Note 7		55,354
	7,592	Balances – Housing Revenue Account		9,491
	10,595	Balances – general fund: Note 7		9,164
	145,786	Total Net Worth		266,184

CASH FLOW STATEMENT

2006/07 <u>£'000</u>	<u>2007/08</u> <u>£'000</u>	<u>£'000</u>
<u>Revenue Activities</u>		
Cash Outflows		
-285,136 Cash paid to and on behalf of employees	-295,466	
-259,496 Other operating cash payments	-295,088	
-28,234 Housing benefit paid out	-29,275	
-63,009 NNDR payments to National Pool	-64,359	
-11,895 Precepts paid	-11,274	
Cash Inflows		-695,462
11,534 Rents (after rebates)	12,460	
67,169 Council tax receipts	70,923	
50,991 NNDR receipts from National Pool	55,341	
61,006 NNDR rate receipts	64,528	
214,184 Revenue support grant	222,358	
27,873 DWP grant for benefits	29,384	
141,200 Other government grants (Note 4)	149,702	
119,855 Cash received for goods and services	130,817	735,513
46,042		40,051
<u>Returns on Investments/Servicing of Finance</u>		
Cash Outflows		
-16,862 Interest paid		-18,042
Cash Inflows		
4,113 Interest received		4,444
33,293		26,453
Net Cash Flow from Revenue Activities (Note: 1)		
 <u>Capital Activities</u>		
Cash Outflows		
-69,950 Purchase of fixed assets	-74,276	
-8,969 Other capital cash payments	-17,013	
-4,898 Purchase of long term investments	6,690	-84,599
Cash Inflows		
16,862 Sale of fixed assets	8,708	
33,356 Capital grants received	40,729	
		49,437
-306		-8,709
Net Cash Outflow before Financing (Note: 2)		
 <u>Financing</u>		
Cash Outflows		
-82,665 Repayments of amounts borrowed		-34,997
Cash Inflows		
50,196 New loans raised	108,975	
2,596 New short term loans	1,024	109,999
-30,179		66,293
Net Increase/(Decrease) in Cash (Note: 3)		

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Provisions and Balances

The Council maintains a number of provisions and reserves - details are given on pages 65 to 67.

2. Government Grants

We received revenue support grant of £222.4m from the Welsh Assembly during 2007/2008. (2006/2007 - £214.2m). As well as this we received specific/special government grants amounting to £146.5m for 2007/2008 (2006/2007 £141.2m). The main items are:

2006/07		2007/08
£'000		£'000
1,679	Better schools fund	1,635
1,673	Mental handicapped strategy	1,688
27,873	Rent allowance subsidy	29,308
26,099	Rent rebate subsidy	27,838
14,008	Council tax benefit	14,337
4,215	Cymorth	4,409
11,149	Supporting people	11,706
6,351	DCELLS	5,859
2,297	Performance incentive grant	2,351
3,307	Local Authority Business Growth Incentive Scheme	1,494
2,243	Sustainable Waste Management	2,461
2,402	Housing Benefit Processing	2,314
3,836	Concessionary fares	4,748
2,909	TEC Contract	5,135
0	Minority Ethnic Achievement Grant	1,512
1,524	Substance Misuse Action Team	2,269

3. Central Administrative Expenses

The expenditure on services as shown in the Income and Expenditure Account includes the cost of central administrative recharges to these services from central support departments as follows:

2006/07		2007/08
£'000		£'000
3,186	Head of Finance – Financial Services	3,250
4,548	Head of Information and Communication Technology	4,639
4,275	Head of Legal & Administration	4,360
2,525	Head of Human Resources /Organisational Development	2,575
2,322	Director of Environment	2,662
16,856		17,486

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

4. Levies and Contributions Paid

We make payments to a number of organisations which operate services across South, West and Mid Wales. We must make whatever payments these organisations demand.

2006/07		2007/08
£'000		£'000
92	Swansea Bay Port Health Authority	96
10,919	Combined Fire Authority	9,367
129	Sea Fisheries	143
<u>11,140</u>		<u>9,606</u>

In addition, the Council is obliged to pay precepts to local precepting bodies (community councils). In 2007/2008 these amounted to £0.682m (06/07 £0.755m). These sums are set by the individual councils, and are collected from council tax payers living within each community council area.

5. Leasing Commitments

The Council uses leased vehicles, plant, I.C.T. hardware, etc., financed under the terms of operating leases. The amount paid during the year in respect of such leases was £1.769m (2006/07 £1.930m). Lease payments due in 2008/09 are £1.151m, (2007/08 1.383m) comprising the following elements:

2006/07			2007/08
£'000			£'000
328	Leasing expiring	< 1 year	0
1,023		1 to 5 years	1,123
32		5 years +	28

6. Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2007/2008 has been calculated as £12.238m (2006/07 £11.277m). The net amount charged to the general fund in respect of capital financing charges equates to the calculated MRP plus interest charges payable for the year.

7. Statutory Accounts

S.137 of the Local Government Act 1972.

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

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

2006/07		2007/08
£'000		£'000
57	Swansea Council for Voluntary Service	59
31	Swansea Bay Racial Equality Council	32
495	Funding to local groups	471
142	Welsh Local Government Assoc./Syniad/LGA	142
198	Other grants	176
923		880

Section 5 of the Local Government Act 1986.

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

2006/07		2007/08
£'000		£'000
98	Expenditure on publicity	83
360	Recruitment advertising and legal notices	468
61	Public consultation	43
519		594

Local Government (Goods and Services) Act 1970.

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

2006/07		2007/08
£'000		£'000
	Local Government (Goods and Services) Act 1970	
29	Payroll Services - F E Colleges/charities	30
180	County Supplies – stationery etc.	435

8. Accounting for Pension Costs

a) Teachers:

This is an unfunded scheme administered by the teachers pensions agency. In 2007/2008, the Council paid £10.16m (06/07 £9.59m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 14.1% (06/07 13.65%) of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years awarded by it and previous authorities, together with the related increases.

In 2007/2008, these amounted to £2.80m (06/07 £2.83m), representing 3.9% (06/07 4%) of pensionable pay.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

b) Other Employees:

(See also note 16 to the balance sheet).

- (i) All other employees who choose to join are members of the local government pension scheme which is a defined benefits scheme where final pension payments are based on final salary and length of local government service.
- (ii) The following entries have been reflected in the income and expenditure account for the year in accordance with Financial Reporting Standard 17 (FRS 17):

<u>2006/07</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>		<u>2007/08</u> <u>£'000</u>	<u>2007/08</u> <u>£'000</u>
	-25,450	Current service cost of pension provision	-25,870	
	-250	Past service costs	-6,960	
	<hr/>		<hr/>	
	-25,700	Total charged to cost of services		-32,830
-39,250		Interest on pension scheme liabilities	-45,120	
30,380	-8,870	Expected return on pension fund assets	35,180	-9,940
	<hr/>		<hr/>	
	-34,570			-42,770
	25,110	Amounts paid to/on behalf of pension fund		29,280
	<hr/>		<hr/>	
	-9,460	Net contribution to/(from) pension reserve		-13,490
	<hr/>		<hr/>	

9. Officers' Emoluments/Members' Allowances

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

<u>2006/2007</u>			<u>2007/2008</u>	
Number	Band		Number	
25	£60,000 - £69,999		35	
11	£70,000 - £79,999		13	
5	£80,000 - £89,999		6	
8	Over £90,000		5	
<hr/>			<hr/>	
49	<u>Total</u>		59	
<hr/>			<hr/>	

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The numbers shown include teaching staff.

The Councillors' remuneration ranged between £8,986 and £44,892 is determined in accordance with a scheme approved by the Council in accordance with the provisions of the Local Government Act 1972 and the Local Government and Housing Act 1989.

The total value of allowances paid to members in 2007/2008 was £1.271m (2006/2007 £1.247m).

10. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been grouped into nine valuation bands estimating 1st April 2004 values for this specific purpose. Charges are calculated by taking the amount of income required for the City and County of Swansea, each community council and the South Wales Police Authority and dividing this amount by the council tax base.

The council tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts 84,853 in 2007/2008 (83,600 in 2006/2007).

The basic amount for a band 'D' property is £982.26 (£947.21 in 2006/2007).

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

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97% (97% in 2006/2007) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number	14	8,652	17,847	17,144	12,970	12,742	9,777	5,447	1,962	922

Analysis of the net proceeds from council tax:

2006/07		2007/08
£'000		£'000
81,793	Council tax collectable	85,065
-10,569	Less:- Payable to South Wales Police Authority	-11,263
-471	Provision for non payment of Council tax	-653
<u>70,753</u>	Net proceeds from council tax	<u>73,149</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Application of council tax proceeds:

2006/07 £'000		2007/08 £'000
69,676	City & County of Swansea precept	72,484
<u>755</u>	Community Council precept	<u>682</u>
70,431	Council Tax requirement	73,166
322	Transfer to reserves	-17
<u><u>70,753</u></u>	Net application of proceeds	<u><u>73,149</u></u>

11 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (0.448p in 2007/08) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £61.88m for 2007/08 (£60.98m for 2006/07) was based on a rateable value at year end of £163.122m (£163.57m 2006/07).

Analysis of the proceeds from non domestic rates:

2006/07 £'000		2007/08 £'000
62,222	Non – domestic rates due	63,395
-214	Council fund contribution to rate relief	-227
<u>62,008</u>		<u>63,168</u>
-409	Less: cost of collection	-425
-576	Provision for bad debts	-764
-39	Interest due on overpayments	-97
<u>60,984</u>	NNDR due to pool	<u>61,882</u>
<u><u>50,991</u></u>	Net receipt from pool	<u><u>55,341</u></u>

12. Interests in Companies

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

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

13. Building Control Trading Account

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

Total Building Control 2006/07 £		Chargeable 2007/08 £	Non Chargeable 2007/08 £	Total Building Control 2007/08 £
	Expenditure			
541,733	Employee expenses	442,113	148,701	590,814
21,516	Transport	17,903	1,989	19,892
40,450	Supplies and services	35,039	7,073	42,112
	Central and support service			
186,000	charges	62,752	29,101	91,853
-16,600	Less Non distributable costs	-3,000	-2,000	-5,000
-56,700	Less Corporate and Democratic core	-5,000	-2,000	-7,000
716,399	Total expenditure	549,807	182,864	732,671
	Income			
597,816	Building regulation charges	567,954	0	567,954
3,474	Miscellaneous income	0	3,080	3,080
601,290	Total income	567,954	3,080	571,034
-115,109	Deficit (-) for year	18,147	-179,784	-161,637

14. Trading Accounts

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

Wherever possible the financial information relating to these accounts is shown within the income and expenditure account (page 20) under the relevant service definition. Some trading activities, however, do not fall within the specific service definitions as contained in the Income and Expenditure account and the results from these accounts are shown as a net surplus/deficit on trading activities as a separate line within the account. As and when possible the Council is including more services within the service definitions within the Income and Expenditure account.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The following is a summary of the defined trading activities:-

Trading activities not included in service definitions:-

2006/2007 Surplus/ Deficit (-) £'000	Activity	2007/2008 Turnover £'000	2007/2008 Expenditure £'000	2007/2008 Surplus/ Deficit(-) £'000
-217	Design & print – In house design & print studio	1,528	1,756	-228
127	Building & property services	29,161	29,628	-467
-369	Central Transport Unit	8,689	9,369	-680
-2	Landscaping	80	115	-35
-452	Catering - In house catering & school meals	5,063	5,650	-587
-4	Cleaning – In house cleaning of buildings	2,146	2,202	-56
-427	County Supplies-office equipment/consumables	1,560	2,155	-595
-1,344	Total not included in service definitions	48,227	50,875	-2,648

15. Audit Fees

In 2007/08 the City & County of Swansea Council incurred the following fees relating to external audit and inspection:

	2006/07 £'000	2007/08 £'000
• Fees payable to the WAO/PwC with regard to external audit services carried out by the appointed auditor	371	375
• Fees payable to the WAO in respect of statutory inspection	78	80
• Fees payable to WAO/PwC for the certification of grant claims and returns	204	198
• Fees payable in respect of other services provided by the appointed auditor	4	46

The fees for other services payable in 2006/07 and 2007/08 are in respect of fees relating to professional services.

16. Agency Income and Expenditure

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

NOTES TO THE BALANCE SHEET

1. Fixed Assets

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

	Council Dwellings	Other Land & Buildings	Plant, vehicles etc.	Infra-structure Assets	Community Assets	Investment Properties	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Values 31/03/07	91,895	492,394	17,092	256,349	16,278	86,421	35,028	995,457
LESS accumulated depreciation	-3,195	-14,485	-1,576	-54,729	-2,079	-278	0	-76,342
NET Book Value 31/03/07	88,700	477,909	15,516	201,620	14,199	86,143	35,028	919,115
Additions	11,627	2,609	251	511	11	1,947	61,039	77,995
Transfers	1,823	56,796	2,950	26,899	515		-88,983	0
Reclassification	-36	5,177			5	-5,146		0
Write off to I & E A/c							-289	-289
Disposal of assets	-5,238	-619				-1,042		-6,899
Depreciation written off on disposal	18	3						21
Revaluations	4,543	27,212			-5	13,427		45,177
Depreciation written off on revaluation	22	6,906				8		6,936
Impairment	-13,450	-3,034			-11			-16,495
Depreciation written off on impairment		49						49
Depreciation – annual charge	-2,584	-10,412	-2,201	-6,845	-400	0		-22,442
Certified values as at 31/03/08	91,164	580,535	20,293	283,759	16,793	95,607	6,795	1,094,946
LESS accumulated depreciation	-5,739	-17,939	-3,777	-61,574	-2,479	-270	0	-91,778
NET Book Value 31/03/08	85,425	562,596	16,516	222,185	14,314	95,337	6,795	1,003,168

NOTES TO THE BALANCE SHEET

The additions shown under infrastructure assets includes a sum of £627k in respect of land acquired under statutory compulsory purchase orders for which payment will be made in future years. Provision for such a payment has been made in these accounts. A summary schedule itemising the main fixed assets of the authority is given on pages 68 to 69. Please see Accounting Policies note 3 (ii) re method of council housing revaluation.

2. Capital Expenditure and Financing

The following capital expenditure incurred in 2007/2008 was financed as follows:-

2006/07 Total		2007/2008 Fixed Assets	2007/2008 Deferred charges/ Long term debtors	2007/2008 Total
£'000		£'000	£'000	£'000
1,672	Unfinanced at 1 st April	1,803	0	1,803
79,050	Expenditure during year	74,679	17,200	91,879
80,722		76,482	17,200	93,682
	Financed by:			
33,495	Loan	37,147	8,880	46,027
34,186	Grants/contributions	31,164	7,884	39,048
7,418	Capital receipts	2,740	185	2,925
3,820	Revenues and reserves	3,225	64	3,289
78,919		74,276	17,013	91,289
1,803	Unfinanced at 31 st March	2,206	187	2,393

The unfinanced balance consists of provisions for creditors, to be financed in 2008/2009.

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

Expenditure During 2006/2007 £'000		Expenditure During 2007/2008 £'000	Revised Budget 2007/2008 £'000	Net Over/(Under) Spend £'000
703	Community/Leadership etc.	2,040	2,538	-498
12,782	Top.Performance & E-Gov	6,876	8,596	-1,720
10,420	Culture, recreation etc.	22,055	25,294	-3,239
1,457	Economic & Strategic Development	653	2,008	-1,355
10,495	Education	10,600	13,217	-2,617
16,441	Highways and Transport	15,151	19,852	-4,701
25,491	Housing	18,796	20,540	-1,744
0	Finance	12,069	19,069	-7,000
403	Social services	1,142	1,813	-671
858	Community regeneration	2,497	3,897	-1,400
79,050		91,879	116,824	-24,945

NOTES TO THE BALANCE SHEET

Significant commitments for future capital expenditure include the following schemes:

31 March 2008		£'000
Regeneration	City Centre Core	1,226
	Leisure Centre	1,106
Housing	M Type Flats	713
Community Regeneration	Pentre Menter Resource Centre	1,424
Environment	Landore Express Bus Route	1,633
	Metro 2	571
Education	Penyrheol rebuild	8,300
	Llwynderw new build	2,825

31 March 2007		
Regeneration	Leisure Centre	16,555
Top Performance	E-Government Resource @ Swansea	2,294
	Civic centre Library	5,688
Community Regeneration	Pentre Menter Resource Centre	3,604

3. Deferred Charges

Capital expenditure, which does not result in a tangible (real) asset to the Authority (e.g. housing renovation grants), is classified as a deferred charge.

2006/07		2007/08
£'000		£'000
9,019	Expenditure	17,200
-1,995	Less amounts charged to capital financing account via the Income and Expenditure Account	-9,316
<u>-7,024</u>	Less amounts funded by grant etc	<u>-7,884</u>
<u>0</u>		<u>0</u>

The current system of capital accounting allows for the writing down of deferred charges balances to zero in so far as they represent no continuing value to the Authority.

4. Debtors

31st March 2007		31st March 2008
£'000		£'000
1,937	Housing rents	1,759
3,693	NNDR	4,050
7,377	Council tax	7,375
15,346	Government departments	14,463
4,060	Other public bodies	2,772
<u>31,749</u>	Sundry debtors	<u>31,122</u>
64,162		61,541
<u>-10,922</u>	Less provision for doubtful debts	<u>-10,457</u>
<u>53,240</u>		<u>51,084</u>

NOTES TO THE BALANCE SHEET

5. Creditors

31st March 2007 £'000		31st March 2008 £'000
2,198	Government departments	3,933
16,643	Other public bodies	7,985
57,282	Sundry creditors	55,589
76,123		67,507

6. Analysis of Borrowing

31st March 2007 £'000	Sources of borrowing	31st March 2008 £'000	31st March 2008 £'000	
237,708	Public Works Loan Board	271,553		72
58,000	Money market	99,613		26
295,708	Total borrowing greater than one year		371,166	
1	Stock issues	1		0
3,894	Public Works Loans Board	5,154		1
75	Local bonds & internal mortgages	104		0
1,230	Temporary loans	1,244		1
5,200			6,503	
300,908			377,669	100

Maturity dates for the repayment of loans

31st March 2007 £'000		31st March 2008 £'000	
1,230	Temporary loans up to 1 year	1,244	1
3,970	Long term debt maturing within -1 year	5,259	1
5,154	1 - 2 years	5,882	1
2,944	2 – 5 years	18,237	5
13,257	5 -10 years	26,083	7
274,353	Over 10 years	320,964	85
300,908		377,669	100

NOTES TO THE BALANCE SHEET

7. Reserves and Balances

Details of other reserves, balances and provisions are given on pages 65 to 67.

8. Government Grants Deferred

This account is credited with capital grants and contributions used to partly or wholly finance assets. The balance at 31st March 2008 of £157.458m (31st March 2007 £142.990m) represents cumulative grant and contributions utilised for funding since inception of the current capital accounting arrangements.

9. Capital Adjustment Account and Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 3). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The credit balance of £317.462m on the FARA at 31 March 2007 has been written off to the Capital Financing Account (£110.518m credit balance) to form the new Capital Adjustment Account with a balance of £427.980m. The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore will only show revaluation gains accumulated since the 1st April 2007.

The effect on the 2006/07 balance sheet is therefore as follows :-

	31st March 2007 Published £'000	Adjustments £'000	31st March 2008 Restated £'000
Fixed Asset Restatement Account	317,462	-317,462	0
Capital Financing Account	110,518	-110,518	0
Revaluation Reserve			0
Capital Adjustment Account		+427,980	427,980

NOTES TO THE BALANCE SHEET

Capital Adjustment Account

31 st March 2007		31 st March 2008
£'000		£'000
101,829	Balance brought forward	427,980
4,384	Capital receipts set aside	4,081
7,188	Capital financing - capital receipts	2,925
-26	- loan repayments	-28
3,785	- revenue	3,289
4,549	- grants written off	4,877
11,277	Minimum revenue provision	12,238
	Disposals	-6,878
	Disposals written off balance from	5,045
	Revaluation Reserve	
	Historical Depreciation cost adjustment	255
	Downward Revaluations	-11,336
-19,955	Less depreciation	-22,442
-518	Less impaired	-16,446
112,513		403,560
-1,995	Deferred charges	2,237
110,518	Published Balance as at 31st March	405,797
317,462	Adjustments (transfer from FARA)	-
427,980	Redrafted balance as at 31st March	-

Revaluation Reserve

		2007/08
		£'000
Balance brought forward		0
Surplus/deficit on revaluations – cost	56,873	
- depreciation	6,575	
		63,448
Disposals - balance on revenue		-5,045
reserve written out to CAA		
Additions		2,805
Historical Depreciation cost		-255
adjustment		
Write off capital expenditure –	Expenditure in	0
	year	
Balance carried forward		60,953
Adjustment (transfer to CAA)		-
		-

NOTES TO THE BALANCE SHEET

10. Usable Capital Receipts Reserve

2006/07		2007/08	2007/08	2007/08
Total		Gen fund	H.R.A	Total
£'000		£'000	£'000	£'000
8,085	Opening balance	5,908	4,933	10,841
16,863	Receipts during the year	3,094	5,614	8,708
-4,384	Less set asides	0	-4,081	-4,081
-2,305	Less other costs	-228	-128	-356
-230	Less transfer to revenue - deferred charges	-201	-695	-896
18,029	Available to use	8,573	5,643	14,216
-7,188	Less applied	-2,029		-2,029
<u>10,841</u>		<u>6,544</u>	<u>5,643</u>	<u>12,187</u>

11. Trust funds

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

The principal funds are:

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

NOTES TO THE BALANCE SHEET

<u>2006/2007</u>	Income For year £	Expenditure For year £	Assets 31/03/07 £	Liabilities 31/03/07 £
Welsh Church Acts – various Charitable schemes	43,838	44,746	980,970	112,593
Swansea Children’s Relief in Need	46,900	46,630	805,192	21,604
Swansea Further Education Trust Fund	8,328	6,914	140,295	0
Swansea Foundation – education	15,206	21,430	304,099	180
Lord Mayors Fund – various charitable schemes	64,815	56,993	81,804	0
Other capital trust funds	3,255	1,516	44,998	0
Other trust funds - various charitable schemes	33,660	20,906	299,710	0
Swansea Workshops for the Blind	9,107	9,107	690,214	0
West Glamorgan Blind Welfare Association	17,519	39,892	41,945	1,132
Total	242,628	248,134	3,389,227	135,509

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

12. Related Party Transactions and Ultimate Controlling Party

a) Central Government

The Council receives significant funding from the Welsh Assembly Government. Details of the sums received in respect of revenue support grant and redistributed non domestic rates are shown in the income and expenditure account, with details of other grant income being shown in note 2 to the Income and Expenditure Account.

b) Charitable and Voluntary Bodies

The Council appoints members to represent it on numerous charitable and voluntary bodies which operate primarily within the City & County of Swansea, as well as to a number of national bodies where it is deemed in the Council’s interest to be represented. Any transactions with these bodies are unlikely to be significant and would be undertaken at arms length.

c) Other Public Bodies

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

- Arts Council of Wales
- Coleg Harlech
- Community Health Council J.C.C.
- Council of the University of Wales, Swansea

NOTES TO THE BALANCE SHEET

Cymdeithas Caer Las
Environment Agency (Welsh Region) – S.W. Area Environment Group
Federal University of Wales - Court
Gower Commoners Association
Industrial Common Ownership Financial Fund
Mid and West Wales Fire Brigade
National Library of Wales
National Museum of Wales
South Wales Police Authority
South Wales Sea Fisheries Committee
Swansea Bay Port Health Authority
Swansea Local Health Board
University of Wales Swansea – Court of Governors
Welsh Joint Education Committee

A full listing can be obtained from the Finance department, Civic Centre, Oystermouth Road, Swansea, SA1 3SN.

In respect of the Environment Agency, Mid and West Wales Fire Brigade, South Wales Sea Fisheries Committee and the Swansea Bay Port Health Authority, significant sums are paid by the Council in respect of levies and precepts to these bodies. Details are given in note 4 to the income and expenditure account.

The Council is responsible for the collection of council taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2007/08 was £11.263m (2006/07 £10.569m).

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

d) Subsidiary and Associated Companies

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

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

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

The value of the Council’s investment in the company as at 31st March 2008 remains at £0m.

The nature of the Company’s activities is such that net worth (and hence the value of the Council’s shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2008 the net worth of the Company was £-895k (31st March 2007 £-584k).

Purchases from, and charges made to the Company in 2007/08 amounted to £9.50m (2006/07 £9.55m). Rent, rates and royalties receivable total £68k (2006/07 £85k). Sales of £718k (2006/07 £579k) were made to the Company. Landfill tax paid to the Company amounted to £4.8k (2006/07 £11.2k).

NOTES TO THE BALANCE SHEET

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

The National Waterfront Museum Swansea Ltd

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

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

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

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

Income for the company for 2007/08 amounted to £0.010m (2006/07 £0.041m) with expenditure for the year totalling £0.262m (2006/07 £0.580m) which reflects the fact that the museum was substantially completed prior to 1st April 2006.

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

The Wales National Pool (Swansea) Ltd

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

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

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

2006/07		2007/08
£’000		£’000
306	Funding provided by the Council towards operating costs of the pool	390
154	Sum paid for the free use of the pool by Schools and other bodies	138
(651)	Recharges of wages , salaries and other costs to the Company	(703)

NOTES TO THE BALANCE SHEET

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

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

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

Swansea Stadium Management Company Ltd. (SSMC)

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the (now known as) Liberty Stadium in Swansea. The stadium is a circa-20000 seater stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd. The stadium also has a number of banqueting and hospitality suites which can also be used for activities outside of sporting events.

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

Swansea Bay Futures Limited

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

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

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

2006/07 £'000		2007/08 £'000
18	Grant payment	30
	Retained balance 06/07	1
<u>12</u>	Premier partner fees	<u>12</u>
<u>30</u>		<u>43</u>

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

NOTES TO THE BALANCE SHEET

Bay Leisure Ltd

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

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

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

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

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

The LC did not start effective trading until March 2008 and the Company's sole source of income to that point in time being a grant from the Council to cover pre-opening costs of £687,123.00.

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

Funding set aside in the Council's revenue budget for 2008/9 amounts to £1.3m which reflects both the management fee payable to the company and a contribution to the future major repairs fund.

e) Other Organisations

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

During 2007/8 invoices totalling £77,473 (2006/07 £116,800) were paid by the Council on behalf of recipients of Housing Improvement Grants to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

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

NOTES TO THE BALANCE SHEET

13. Insurance provisions/self insurance

We hold a range of insurance policies with external insurance companies so that protection is afforded against all major risks. These policies are subject to substantial excesses and we maintain an internal (own fund) insurance provision to meet these excesses. The value of the provision as at 31st March 2008 was £20,513m (31/03/2007 £12.998m). The provision has been created by charging revenue accounts a premium reflecting annual insurance costs. The provision covers the following excess levels under the policies in place:-

	£
Public Liability	200,000
Employers Liability	125,000
Material Damage	
• General	100,000
• Educational/Schools	250,000
• Educational/Schools with sprinkler	50,000
Motor (own vehicle damage only)	10,000

14. Contingent Liabilities

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

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Disturbance/ Compensation claims	Unknown	The Council has received a significant claim for compensation from a business in respect of alleged loss of trade due to disturbance arising from the City Centre/Kingsway redevelopment and urban transportation schemes. This claim is being rigorously defended by the Council's insurers and, if successful, no compensation will be payable. The Council cannot rule out similar claims from other businesses who may claim a similar loss of trade.	2008/9 at earliest
Land slippage	500	This relates to a potential cost to the Council for remedial work to retaining walls at Brynmill, Swansea. This liability was initially dependent on the outcome of a court case which was held during 2007 in order to establish liability. However, the outcome of the case was inconclusive as to the extent of the Councils eventual liability and is subject to appeal.	2008/9

NOTES TO THE BALANCE SHEET

Personal Social Services	Unknown	Relates to potential abuse claims relating to children cared for in previous authorities. Recent legislation has extended the period in which claims can be made beyond the initial period of six years during which a persons life could be said to be affected by abuse and, as such, the potential for such claims is greater than in the past. The Council is not currently aware of any major claims.	Unknown
Planning compensation claims	Unknown	The Council has received notice of potential claims arising out of the refusal to grant planning permissions for tourism related activities within the Gower area of outstanding Natural Beauty.	2008/9
Asbestos exposure	Unknown	<p>The timescale for the development of asbestos related illness can be extremely protracted and, as such, claims relating to illness derived from asbestos exposure often arise many years after exposure is claimed.</p> <p>Recent changes in legislation extend the period in which asbestos related claims can be made from people who contract illness due to asbestos exposure.</p> <p>It is estimated that, because of insurance excesses in place when exposure was most likely to occur, the Council's liability in these cases will be limited.</p>	Unknown
Financial Guarantees	Unknown	<p>The Council has in place funding agreements in respect of operating losses/management fees with regard to the following operational companies:-</p> <ul style="list-style-type: none"> - Bay Leisure Ltd (Leisure centre) - Wales national Pool (Swansea) Ltd <p>To date any contributions made to these companies have fallen within the annual revenue budget provision.</p> <p>With respect to Bay Leisure Limited (Swansea Leisure Centre) there is an obligation to consider annual funding requests but no contractual liability to fund deficits.</p> <p>In both instances the Council makes what it considers to be a reasonable annual budget provision to meet its obligations based on business plans from both organisations and past funding experience, and, as such, any further liability would be limited to sums in excess of the normal budget provision.</p>	Unknown

NOTES TO THE BALANCE SHEET

Equal pay and Equal Value claims	Unknown	<p>During 2007/2008, in common with many other Local Authorities, the Council made substantial payments to certain staff in full settlement of potential equal pay claims. In respect of known future liabilities the Council has made what it considers to be adequate revenue provision within the Accounts to cater for the estimated value of such liabilities.</p> <p>The actual future treatment as a revenue cost will depend upon future decision on the application for and granting of capitalisation directives for remaining payments which will effectively allow the expenditure to be treated as capital rather than revenue expenditure.</p> <p>There is a potential for further (as yet unknown) claims in respect of equal pay claims and in respect of equal value claims which are not provided for in these accounts.</p>	Unknown
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15. Pension Assets and Liabilities

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

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

The most recent valuation was carried out at 31st March 2007 and has been updated by independent actuaries to the City & County of Swansea Pension Fund (the Fund) to take account of the requirements of FRS 17 in order to assess the liabilities of the fund as at 31st March 2008. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

City & County of Swansea's contribution rate over the accounting period was 250% of members' contributions. The contribution rates certified for City & County of Swansea at the 31st March 2004 valuation are as follows:-

April 2005 to March 2006	250% of Members' contributions
April 2006 to March 2007	290% of Members' contributions
April 2007 to March 2008	330% of Members' contributions

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

NOTES TO THE BALANCE SHEET

Assumptions:

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

	31/03/04	31/03/05	31/03/06	31/03/07	31/03/08
Discount rate	6.4%	5.3%	4.9%	5.3%	6.8
Rate of increase in salaries	4.4%	4.4%	4.5%	4.7%	5.2
Rate of increase in pensions payments	2.9%	2.9%	3.0%	3.2%	3.7
Rate of increase in deferred pensions	2.9%	2.9%	3.0%	3.2%	3.7
Rate of inflation	2.9%	2.9%	3.0%	3.2%	3.7
Long term expected rates of return on:-					
Equities	7.7%	7.7%	7.3%	7.7%	7.6
Government Bonds	4.7%	4.7%	4.3%	4.7%	4.6
Corporate Bonds	5.5%	5.3%	4.9%	5.3%	6.8
Property	6.7%	6.7%	6.3%	6.7%	6.6
Other assets	4.2%	4.8%	4.6%	5.6%	6.0
Average long term expected rate of return	7.0%	6.9%	6.6%	7.0%	6.32

History of experienced gains and losses:

	2004/05	2005/06	2006/07	2007/08
Difference between expected and actual return on scheme assets	£13.21m	£62.01m	-£1.96m	-£58.71m
Expressed as a percentage of scheme assets	3.6%	13.5%	-0.4%	-12%
Experience gains (losses) on scheme liabilities	-£28.90m	£0.48m	-£1.99m	£4.6m
Expressed as a percentage of the present value of scheme liabilities	-4.2%	0.1%	-0.2%	0.6%
Change in assumptions	-£149.2m	- £55.86m	£1.53m	£130.12m
Expressed as a percentage of the present value of scheme liabilities	-21.5%	-7%	0.2%	16.8%
Total amount recognised in movement in reserves	-£164.9m	£6.63m	-£2.42m	£76.01m
Expressed as a percentage of the present value of scheme liabilities	-23.8%	0.8%	-0.3%	9.8%

Position in the Fund

Assets are valued at fair value, principally the market value for investments. The proportions of total assets held in each asset type by the Fund as a whole from 31st March 2004 to 31st March 2008 are as follows:

NOTES TO THE BALANCE SHEET

	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/03/2008
Equities	77%	74%	76%	75%	69%
Bonds	17%	19%	17%	18%	19%
Other	6%	7%	7%	7%	12%

The following amounts, needed for reconciliation to the balance sheet, were measured in accordance with the requirements of FRS 17:

	31/03/2004	31/03/2005	31/03/2006	31/03/2007	31/03/2008
	£'000	£'000	£'000	£'000	£'000
Share of assets	320,890	364,180	459,200	498,460	488,140
Estimated funded liabilities	-428,800	-632,920	-732,060	-781,220	-711,390
Estimated unfunded liabilities	-45,480	-61,310	-63,310	-65,280	-62,270
City & County of Swansea's deficit	-153,390	-330,050	-336,170	-348,040	-285,520

The movement in net deficit for the year to 31st March 2008 is as follows:-

2006/07		2007/08
£'000		£'000
-336,170	Net deficit at beginning of year	-348,040
25,120	Contributions paid	29,280
-25,450	Current service cost	-25,870
-250	Past service cost	-6,960
0	Gain/loss on any settlements or curtailments	0
30,380	Expected return on pension fund assets	35,180
-39,250	Interest on pension scheme liabilities	-45,120
-2,420	Actuarial gain/loss	76,010
-348,040	Net deficit at end of year	-285,520

16. Financial Instrument Adjustment Account

TYPES OF FINANCIAL INSTRUMENTS

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

NOTES TO THE BALANCE SHEET

TABLE 1 – FINANCIAL INSTRUMENT BALANCES

	Long-Term		Current		31st March 2008 £000s	31st March 2007 £000s
	31st March 2008 £000s	31st March 2007 £000s	31st March 2008	31st March 2007		
Borrowings						
Financial liabilities at amortised cost	371,166	0	6,503	0	377,669	0
Financial liabilities at fair value through profit and loss	0	0	0	0	0	0
Other borrowing (Finance lease)	0	0	0	0	0	0
Financial Liabilities at cost as at 31 st March 2007 (see note 1)	0	295,708	0	5,200	0	300,908
Total borrowings	371,166	295,708	6,503	5,200	377,669	300,908
Investments						
Loans and receivables	5,000	10,000	126,376	42,474	131,376	52,474
Available-for-sale financial assets	0	0	0	0	0	0
Fair value through Profit and Loss	0	0	20,650	0	20,650	0
Unquoted equity under available for sale through x method	50	50	0	0	50	50
Securities at cost as at 31 st March 2007 (see note 1)				19,099		19,099
Total investments	5,050	10,050	147,026	61,573	152,076	71,623

NOTES

1. Since the balances at 31.03.07 are not reclassified into the SORP 2007 categories, only the total borrowing and investment figures are shown in the table above (see introduction).

2. LOBOs of £50m have been included in long term borrowing but have an option date in the next 12 months.

The above long term figures are based on para B12 of SORP 2007 which states that in undertaking EIR calculations the maturity period for a LOBO should be taken as being the contractual period to maturity.

NOTES TO THE BALANCE SHEET

GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows:

TABLE 2 – FINANCIAL INSTRUMENTS GAINS/LOSSES

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

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

NOTES TO THE BALANCE SHEET

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. We have not calculated fair values as at 31.03.07.

Methods and Assumptions in valuation technique

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

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

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing as per rate sheet number 064/08.
- For other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender.
- We have used interpolation techniques between available rates where the exact maturity period was not available.
- No early repayment or impairment is recognised.
- We have calculated fair values for all instruments in the portfolio, but only disclose those which are materially different from the carrying value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

TABLE 3 – FAIR VALUE OF LIABILITIES CARRIED AT AMORTISED COST

	31st March 2008		31st March 2007	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
PWLB - maturity	267,465	325,104	231,639	n/a
PWLB - annuity	9,018	11,832	9,689	n/a
PWLB - EIP	224	257	274	n/a
PWLB - variable	0	0	0	n/a
LOBOs	99,619	101,909	58,000	n/a
LOBO range accruals	0	0	0	n/a
Bank overdraft	0	0	0	n/a
Financial liabilities	376,326	439,102	299,602	0

NOTES TO THE BALANCE SHEET

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

TABLE 4 – FAIR VALUE OF ASSETS CARRIED AT AMORTISED COST

	31st March 2008		31st March 2007	
	Carrying amount £000s	Fair value £000s	Carrying amount £000s	Fair value £000s
Cash	22,377	22,376	20,474	n/a
Deposits with banks and building societies	109,755	109,671	32,000	n/a
Investments in subsidiaries	0	0	0	n/a
Callable deposits	0	0	0	n/a
Financial assets	132,132	132,047	52,474	0

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

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

1. Credit Risk

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

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

NOTES TO THE BALANCE SHEET

TABLE 5 – CREDIT RISK (A)

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

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

Debtors

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

TABLE 6 – CREDIT RISK (B)

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

2. Liquidity Risk

The Council has access to a facility to borrow from the Public Works Loans Board. As a result there is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The Council's policy is to ensure that not more than 35% of loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of

NOTES TO THE BALANCE SHEET

prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

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

TABLE 7 – LIQUIDITY RISK

On 31 March 2008 £000s	Loans outstanding	On 31 March 2007 £000s
	Public Works Loans	
276,707	Board	241,602
98,000	Market debt / LOBOs	58,000
1,244	Temporary borrowing	1,230
104	Local bonds	75
0	Deferred purchase	0
1	Other	1
376,056	Total	300,908
5,706	Less than 1 year	3,894
5,000	Between 1 and 2 years	4,357
15,230	Between 2 and 5 years	230
30,761	Between 5 and 10 years	16,761
319,359	More than 10 years	274,360
376,056	Total	299,602

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

3. Market Risk

Interest rate risk -

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

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

- Decreases in interest rates will affect interest earned on variable rate investments, potentially reducing income credited to the Income and Expenditure Account.
- Increases in interest rates will affect interest paid on variable rate borrowings, potentially increasing interest expense charged to the Income and Expenditure Account.
- The fair value of fixed rate financial assets will fall if interest rates rise. This will not impact on the Balance Sheet for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value. It would have a negative effect on the Balance Sheet for those assets held at fair value in the Balance Sheet, which would also be reflected in the STRGL.

NOTES TO THE BALANCE SHEET

- The fair value of fixed rate financial liabilities will rise if interest rates fall. This will not impact on the Balance Sheet for the majority of liabilities held at amortised cost, but will impact on the disclosure note for fair value.

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

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

According to this assessment strategy, at 31 March 2008, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

TABLE 8 – INTEREST RATE RISK

	£000s
Increase in interest payable on variable rate borrowings	500
Increase in interest receivable on variable rate investments	0
Increase in government grant receivable for financing costs	0
Impact on Income and Expenditure Account	500
Share of overall impact debited to the HRA	110
Decrease in fair value of 'available for sale' investment assets	0
Impact on STRGL	0
Decrease in fair value of fixed rate borrowing liabilities (no impact on I&E account or STRGL)	61,828
Decrease in fair value of fixed rate investment assets (no impact on I&E account or STRGL)	221

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

Foreign Exchange Risk

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

NOTES TO THE CASHFLOW STATEMENT

Cashflow Statement Notes:-

Note 1 - Reconciliation of deficit to net cash flow

	<u>31/03/07</u>	<u>31/03/08</u>
Deficit for the year	-685	-22,477
Non cash transactions (capital, etc.)	24,177	55,034
Items on an accrual basis		
Less: Increase in stock	280	-234
Add: Decrease in revenue debtors	-12,117	2,156
Less: Decrease in revenue creditors	21,638	-8,026
	33,293	26,453
Net cash flow revenue activities	33,293	26,453

Note 2 - Management financing /liquid resources

	Balance 31/03/2007	Cash Flow	Non cash	Balance 31/03/2008
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Temporary Investments	61,782	85,454		147,236
Financing: - Maturing within one year	-5,200	-1,303		-6,503
Long Term	-295,708	-73,699	-1,759	-371,166
Cash	368	210		578
Bank overdrawn	-7,470	-19,371		-26,841
	-246,228	-8,709	-1,759	-256,696

Within the above analysis Temporary Investment, Cash and Bank Overdrawn are classed as cash or cash equivalent.

Note 3 - Movement in cash & cash equivalents

	Balance 31/03/2007	Cash Flow	Balance 31/03/2008
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Cash	368	210	578
Bank overdrawn	-7,470	-19,371	-26,841
Temporary Investments	61,782	85,454	147,236
	54,680	66,293	120,973

NOTES TO THE CASHFLOW STATEMENT

Note 4 – Analysis of main government grants received

2006/07		2007/08
£'000		£'000
1,679	Better schools fund	1,216
1,673	Mental handicapped strategy	1,688
67,980	Housing /Council Tax Benefits	73,285
4,215	Cymorth	4,409
11,149	Supporting people	11,706
6,351	DCELLS	5,859
2,297	Performance incentive grant	2,351
3,307	Local Authority Business Growth Incentive Scheme	1,494
2,243	Sustainable Waste Management	2,461
2,402	Housing Benefit Processing	2,314
3,836	Concessionary fares	4,748
2,909	TEC Contract	5,135
0	Minority Ethnic Achievement Grant	1,512
1,524	Substance Misuse Action Team	2,269

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

<u>2006/07</u>			<u>2007/08</u>	
<u>£'000</u>		<u>Note</u>	<u>£'000</u>	<u>£'000</u>
	<u>Income</u>			
-35,913	Dwelling rents		-37,725	
-66	Non dwelling rents		-136	
-609	Charges for services and facilities		-642	
-1,289	Contributions towards expenditure		-1,286	
0	MRA Applied		-9,200	
0	Tfr from earmarked reserves		-1,772	
0	Government grants deferred		-890	
-37,877				-51,651
	<u>Expenditure</u>			
12,568	Repairs and Maintenance		12,991	
12,365	Supervision and management	5	12,487	
5,142	Negative Housing revenue account subsidy payable	6	4,839	
2,615	Depreciation and impairment of fixed assets	4	16,113	
0	Deferred Charges		0	
59	Debt management costs		48	
265	Increase in bad debt provision	2	206	
481	Transfer to council fund		0	
33,495				46,684
-4,382	Net cost of HRA services per authority income and expenditure account			-4,967
664	HRA services share of corporate and democratic core	7		657
-3,718	Net cost of HRA services			-4,310
5,191	Interest payable and similar charges		4,911	
75	Amortisation of premiums and discounts		-85	
-506	Interest and investment income		-571	
459	Pensions interest cost and expected return on pension assets		501	
5,219				4,756
1,501	Surplus(-)/deficit on HRA services			446

STATEMENT OF MOVEMENT ON THE HRA BALANCE

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
1,501	Surplus (-) / Deficit for the year on the HRA income/expenditure account	446	
-1,256	Net amount required by statute to be debited to the HRA balance for the year	-2,220	
245	Increase (-) / Decrease in the Housing Revenue Account balance		-1,774
7,837	Housing Revenue Account balance brought forward		7,592
	Reserve transfer correction 2006-07		125
7,592	Housing revenue Account balance carried forward		9,491

Note to Statement of Movement on the HRA balance

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	Items included in the HRA income and expenditure account but excluded from the HRA balance for the year		
-2,615	Depreciation and impairment of fixed assets (note 4)	-5,141	
	Government grants deferred amortisation	890	
	Deferred charges	0	
-1,776	Net charges for retirement benefits made in accordance with FRS17 (note 5)	-1,805	
			-6,056
	Items not included in the HRA income and expenditure account but included in the HRA balance for the year		
1,299	Employers contributions payable to the City and County of Swansea pension fund (note 5)	1,267	
3	Difference between amounts charged in respect of amortisation of premiums and discounts in the Income and Expenditure account and that chargeable by statute	0	
1,833	HRA minimum revenue provision	1,709	
0	Capital expenditure funded by the HRA	860	
			3,836
-1,256	Net adjustment required by statute to be credited to the Housing revenue Account balance		-2,220

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

As at 31st March 2008 the Council owned a total of 13,689 properties, made up of a number of types of dwelling including detached houses, semi-detached houses, bungalows, low level flats, high rise accommodation and sheltered accommodation..

The change in stock numbers can be summarised as follows:

31/3/07		31/03/08
Units		Units
13,922	Stock at 1 st April	13,793
-123	Sales	-101
-6	Demolitions/out of income	-3
0	New buildings, acquisitions	0
<u>13,793</u>	Stock at 31 st March	<u>13,689</u>

2. Rent arrears and provisions for bad debts.

31/3/06		31/03/08
£'000		£'000
1,263	Current tenants	1,170
674	Former tenants	580
<u>1,937</u>		<u>1,750</u>

Former tenants arrears written off during 2007/08 totalled £0.395m (2006/07 £0.726m). The value of the provision at 31st March 2008 is £1.201m (31st March 2007 £1.390m). A bad debts provision has been made in the accounts in respect of potentially uncollectable rent arrears which is represented by:-

2006/07		2007/08
£'000		£'000
-1,851	Provisions as at 1st April 2006	-1,390
726	Arrears written off during year	395
-265	Increase in provision required	-206
<u>-1,390</u>	Provisions as at 31st March 2008	<u>-1,201</u>

3. Capital receipts during the Year

Capital receipts received during the year in respect of the sale of HRA properties amounted to £5.614m. Of this £4.081m was set aside for the repayment of debt, £0.128m was used to defray costs and £0.695m was transferred to revenue to meet the cost of expenditure on deferred charges. The following is a summary of the Usable capital receipts reserve as it applies to the Housing Revenue Account:-

NOTES TO THE HOUSING REVENUE ACCOUNT

	2007/08 £'000
Opening balance 1 st April 2007	4,933
Receipts during the year	5,614
Less set asides	-4,081
Less other costs	-128
Less transfer to revenue -deferred charges	-695
Available to use	5,643
Less applied	0
Balance available as at 31st March 2008	5,643

4. Depreciation charges

The total charge for depreciation made to the HRA for 2007/08 amounted to £2.657m and is analysed as follows:-

	2007/08 £'000
Depreciation on operational assets	
- dwellings	2,591
- other land and buildings	28
Impairment	13,456
Depreciation on non operational assets	38
Total	16,113

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

5. FRS 17 – Accounting for pension costs.

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

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Negative Housing Subsidy

This represents an outflow of funds from the HRA back to the government and is a partial offset to the amount of HRA rental income that derives from Housing Benefit. The amount payable varies between Councils and provides the Welsh Assembly some influence over the distribution of housing resources between different Councils.

7. HRA share of Corporate and Democratic Core Costs

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

PROVISIONS AND RESERVES

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

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

		<u>Provisions</u>				
<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/07</u>	<u>Utilised during the year</u>	<u>Created during the year</u>	<u>Balance 31/03/08</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Insurances	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	12,998	-9,663	17,178	20,513
Land acquisition	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	591		522	1,113
Other	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	2007/08	11,115	-6,423	2,759	7,451
Total			24,704	-16,086	20,459	29,077

PROVISIONS AND RESERVES

Reserves

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

Details of the Council's reserves as at 31st March 2008 are as follows:-

<u>Earmarked revenue reserves</u>	<u>Balance</u> 01/04/07 £'000	<u>Movement</u> For the year £'000	<u>Balance</u> 31/03/08 £'000
Schools delegated reserves These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.	5,254	270	5,524
Capital financing charges reserve Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio	4,208	0	4,208
Other equalisation reserves To even out year on year variations on major income and expenditure items	1,626	-468	1,158
Information technology reserves Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies	317	959	1,276
E- Government Amount set aside to fund ongoing work on resource system implementation	639	571	1,210
Contingency reserve A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan	3,826	9,500	13,326
Development reserves Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums	1,112	1,183	2,295
Insurance reserves To provide for unforeseen expenditure	12,946	-5,957	6,989
Other earmarked revenue reserves	2,260	12,726	14,986
Revenue reserve earmarked to fund future capital expenditure	2,088	-248	1,840
Total earmarked revenue reserves	34,276	18,536	52,812

PROVISIONS AND RESERVES

<u>Housing revenue account balances</u>	7,592	1,899	9,491
<u>Earmarked capital balances</u>			
Regulated companies	2,542	0	2,542
To provide for capital costs arising from related activities			
Total earmarked reserves	44,410	20,435	64,845
General balances	10,595	-1,431	9,164
<u>Total reserves</u>	55,005	19,004	74,009

ASSET STRUCTURE

Major fixed assets held by the Council at 31 March 2008.

Number

<u>31/03/07</u>		<u>31/03/08</u>
	Education	
83	• Primary/junior/infants/nursery schools (excluding church schools)	82
14	• Secondary schools (excluding church schools)	14
6	• Special schools / referral units	6
16	• Community Education/Youth Centres (including part time)	16
19	Libraries	18
	Social Services	
15	• Residential establishments	12
15	• Day care and Other establishments	
		19
	Housing	
13,793	• Council dwellings	13,689
10	• Area housing offices	10
	Culture & Tourism	
5	• Leisure centres	4
	• LC	1
43	• Pavilions/changing rooms	43
2	• Sports centres	2
1	• Blackpill Lido	1
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Botanic Gardens	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
1	• Patti Pavilion	1
53	• Parks and open spaces (497 hectares)	77
970 hectares	• Foreshore	970 Hectares
133	• Children's playgrounds	103
1	• Caravan park	1
1	• Tourist Information Centre	1
1	• Stadium	1
0	• Bowls Hall	1
	Community Regeneration	
3	• Residential Activity Centres (Outdoor Pursuit Centres)	3
5	• Youth clubs	5
35	• Community Centres	35
0	• Senior Citizen Pavilions	10

ASSET STRUCTURE

Museums and Art Galleries		
4	• Museums	4
1	• Art Galleries	1
Environment		
2	• Depots	2
Planning		
1	• Garth Farm	1
Economic & Strategic Development		
1	• Business Connect	1
Corporate Property		
5	• Fishmarket Quay Units	5
1	• Business parks	1
10	• Industrial/Warehousing sites	10
Highways and Transportation		
102Kms	• Principal Roads	102 Kms
227Kms	• Other Classified Roads	227 Kms
725Kms	• Other Roads	744Kms
48	• Car Parks	47
Waste Collection and Disposal		
5	• Refuse Collection - Amenity sites	5
1	• - Landfill sites	1
Cemeteries and Cremation		
7	• Cemeteries	7
1	• Crematorium	1
5	• Cemetery Lodges/Chapel of Rest	5
Other		
1	• Civic Centre (Swansea)	1
0	• Civic Centre (Penllergaer)	1
1	• Guildhall (and Annex)	1
1	• Mansion House	1
1	• Market	1

CITY & COUNTY OF SWANSEA PENSION FUND

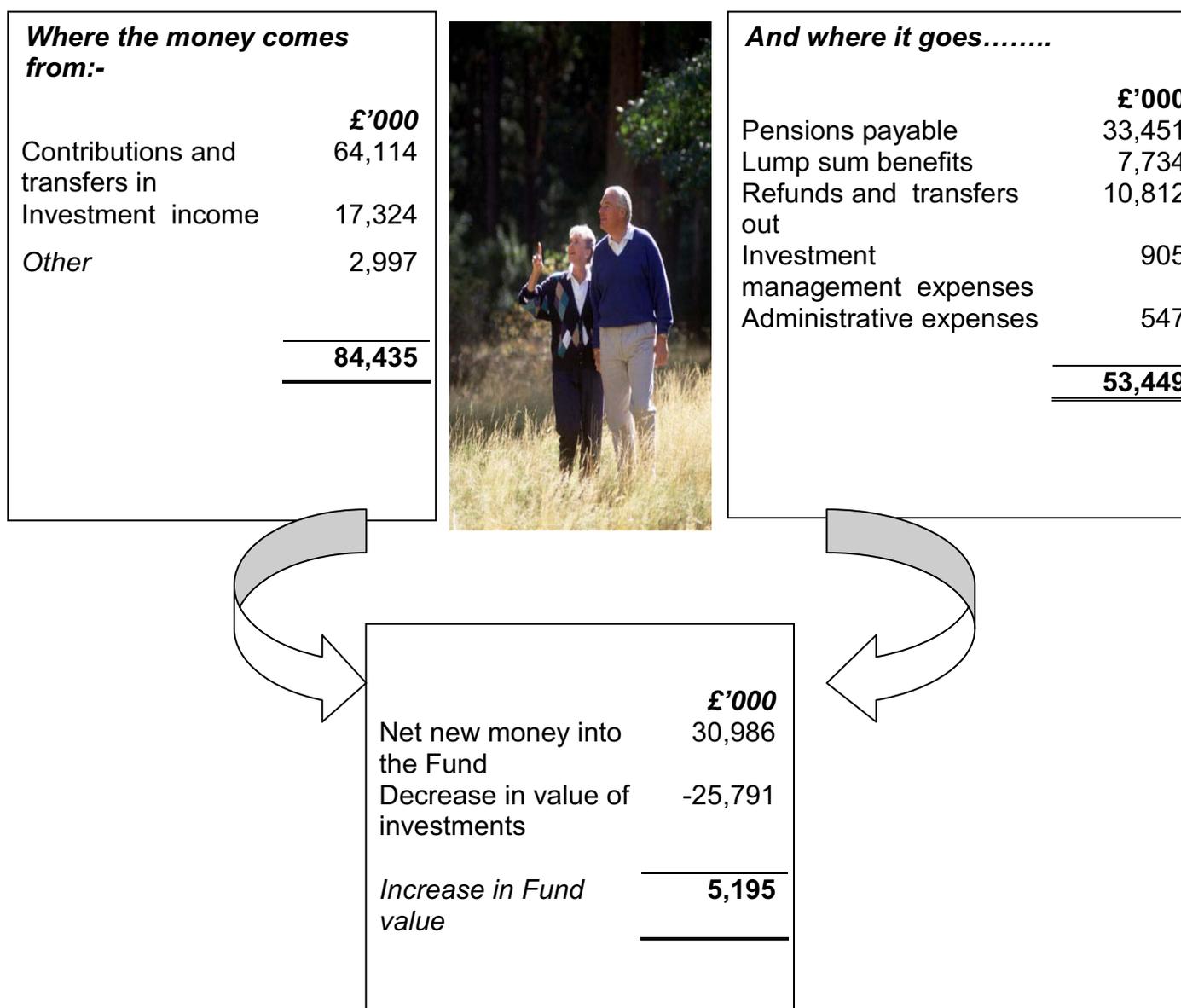
1. Introduction

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

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

- The **Fund Account** which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The **Net Assets Statement** which gives a snapshot of the financial position of the fund as at 31 March 2008.
- The **Notes to the Account** designed to provide further explanation of some of the figures in the statements and to give a further understanding of the nature of the fund.

2. Summary of transactions for the year



CITY & COUNTY OF SWANSEA PENSION FUND

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 70 to 87 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2008.

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

29/3/08

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account

2006/07 £'000	Contributions and benefits :	Note	2007/08 £'000 £'000	
	Contributions receivable :			
39,711	Employers contribution	14	46,163	
13,580	Employees contribution	14	13,977	
7,000	Transfers in	15	3,974	64,114
1,466	Other income (inc Tax reclaim)	6		2,997
61,757				67,111
	Benefits payable :			
-31,245	Pensions payable		-33,451	
-9,630	Lump sum benefits	16	-7,734	-41,185
	Payments to and on account of leavers :			
-7	Refunds of contributions		-6	
-6,244	Transfers out	15	-10,806	-10,812
-582	Administrative expenses (inc SLA)	17		-547
14,049	Net additions /withdrawals(-) from dealing with members			14,567
Returns on investments				
12,839	Investment income	4		17,324
	Change in market value of investments			
23,181	Unrealised		-42,485	
15,333	Realised	11	16,694	-25,791
-1,194	Investment management expenses	17		-905
50,159	Net returns on investments			-9,372
64,208	Net increase/decrease(-) in the fund during the year			5,195
792,812	Opening Net Assets of the Scheme			857,020
857,020	Closing Net Assets of the Scheme			862,215

Net Assets Statement

31 st March 2007 £'000		31 st March 2008 £'000
	Investments at market value:	
116,604	Fixed interest	13 119,515
33,262	Index linked securities	13 48,469
343,210	U.K. equities	298,774
294,234	Overseas	281,855
53,543	Cash/Temporary Investments	104,210
16,167	Debtors less creditors	9 9,392
857,020	Net assets	862,215

CITY & COUNTY OF SWANSEA PENSION FUND

Notes to the Accounts

1. The accounts have been prepared in accordance with chapter 2 the Statement of Recommended Practice and summarise the transactions and net assets of the scheme. They do not take account of liabilities and other benefits after the period end. The actuarial position of the scheme, which does take account of such liabilities, is dealt with in the Statement of the Actuary in the Annual Report of the Pension Fund and a summary is included in section 18 of this statement.

2. Accounting Policies

The Accounts have been prepared in accordance with the Statement of Recommended Practice, which sets out the accounting principles to be followed in the preparation of the Pension Fund accounts:

(a) The accounts are prepared on an accruals basis.

(b) The net assets statement includes all assets and liabilities of the fund at the 31st March.

(c) All investments included in the net assets statement are shown at their market value (note 7).

(d) Other assets and liabilities are valued in accordance with normal accounting conventions. Items denominated in foreign currency are translated into sterling at year-end rates.

(e) The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

3. Under current rules, employers can exercise discretion to enhance the pension of certain employees by awarding 'added years' to their normal pension entitlement. Where this is done the additional pension costs arising because of the added years are recharged by the fund to the relevant Authority and therefore do not fall as a cost to the fund.

4. Investment Income

2006/07 £'000		2007/08 £'000
126	Fixed Interest Securities	349
118	Index Linked Securities	354
7,902	U.K. Equities	8,032
3,832	Overseas Equities	6,581
861	Interest	2,008
12,839		17,324

The investments of the fund are managed externally by two appointed fund managers, Legal and General and Schroders Investment Management.

The assets under management by Legal and General are managed wholly in a pooled investment vehicle. The pooled investment vehicles are a combination of equity, bond and

CITY & COUNTY OF SWANSEA PENSION FUND

money market unit funds which operate on an 'accumulation' basis, i.e. all dividends and investment income are automatically reinvested back into their relevant funds and not distributed as investment income. Therefore, the fund value will reflect both capital appreciation / depreciation plus reinvested investment income.

It is possible to identify the amount of income reinvested back into the Legal and General fund. In the year 2007/08 it was £13,751,004.28 (2006/07 £11,932,531).

5. Taxation

a. United Kingdom

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

b. Overseas

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

6. Other Income

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

7. Valuation of Investments

All investments are valued at their market value at 31st March 2008 determined as follows:

- (i) Securities with a full U.K. Stock Exchange listing are valued at the mid - point of the official quotation at close of business on 31st March.
- (ii) Unit trusts are valued at the Managers' offer prices at 31st March.
- (iii) Investments held in foreign currencies have been translated into sterling values at the relevant rate ruling as at 31st March.

8. Gross Purchases and Sales of Investments

2006/07 £'000		2007/08 £'000
86,560	Gross purchase of investments	75,006
89,950	Gross sales of investments	74,714

CITY & COUNTY OF SWANSEA PENSION FUND

9. Debtors and Creditors

The amounts shown in the statement of Net Assets comprise:

2006/07 £'000		2007/08 £'000
	Debtors	
6,132	Contributions	5,013
1,531	Dividends Due	1,592
12,194	Other	5,023
<u>19,857</u>		<u>11,628</u>
	Creditors	
-463	Management Expenses*	475
-3,227	Other	1,761
<u>-3,690</u>		<u>2,236</u>
<u>16,167</u>	Net	<u>9,392</u>

*Management expenses relate to recharges by City & County of Swansea.

10. Investment Expenses

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

11. Realised Profit/Loss on Sale of Investments

2006/07 £'000			2007/08 £'000	
Profit	Loss		Profit	Loss
0	0	Fixed Interest Securities	276	0
0	0	Index Linked Securities	0	0
14,849	3,051	U.K. Equities	13,935	1,628
3,535	0	Overseas	4,111	0
18,384	3,051			
<u>15,333</u>		Net Profit / Loss (-)	<u>16,694</u>	

CITY & COUNTY OF SWANSEA PENSION FUND

12. Analysis of Investments

	L & G MV £'000	Schroders MV £'000	Fund cash £'000	Total £'000	%
UK	157,227	141,547		298,774	35
Europe	52,176	44,666		96,842	11
N America	41,220	41,953		83,173	10
Japan	19,831	12,220		32,051	4
Pacific	19,515	13,663		33,178	4
Emerging Markets	10,625	25,986		36,611	5
Fixed Interest	59,793	59,722		119,515	14
Index linked	31,140	17,329		48,469	5
Cash	19,918	51,463	32,829	104,210	12
Total	411,445	408,549	32,829	852,823	100
%	48	48	4	100	

The fund's assets are managed by two external fund managers, Legal and General and Schroders.

The assets managed by Legal and General are managed passively in pooled investment vehicles in 2 managed insurance contracts.

The assets managed by Schroders are managed via a combination of a segregated fund (for UK equities only £141,547m) and various pooled funds for the remainder.

Included within the assets managed by Schroders identified above are a number of futures contracts for the various asset classes:

	Schroders MV £'000
UK	-21,293
Europe	4,244
N America	9,326
Japan	-245
Pacific	-3,346
Fixed Interest	12,243
Index linked	0
Total	929

Schroders' cash balances of £51,462,658.00 include an amount of cash backing for open futures of £929,232.00.

CITY & COUNTY OF SWANSEA PENSION FUND

13. Fixed Interest Investments

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

2006/07		2007/08
£'000		£'000
65,766	UK Public Sector	122,735
84,100	Other	45,249
149,866	Total	167,984

14. Analysis of Contributions

**Total Contributions
2006/07**

£'000

**Total
Contributions**

2007/08

£'000

Admitted Bodies

57	BAPTIE	59
312	Celtic Community Leisure	397
16	Colin Laver Central Heating	24
12	Swansea Bay Racial Equality Council	4
72	Wales National Pool	84
123	Cappgemini	113

Scheduled Bodies

6	Briton Ferry Town Council	7
28,511	City & County of Swansea	33,223
4	Cilybebyll Community Council	4
20	Coedffranc Community Council	24
388	Gorseinon College	496
893	Neath Port Talbot College	1,162
28	Neath Town Council	34
18,802	Neath Port Talbot County Borough Council	22,104
0	Neath Port Talbot Waste Disposal	0
6	Pelenna Community Council	8
9	Pontardawe Town Council	10
31	Swansea Bay Port Health Authority	32
1,171	Swansea College	1,292
70	Swansea City Waste Disposal	71
776	Swansea Metropolitan University	992

51,307 Total Contributions Receivable

60,140

CITY & COUNTY OF SWANSEA PENSION FUND

Total Employer/Employee contributions during 2007/08 comprised of:

2006/07			2007/08
£'000	Employers		£'000
39,055		Normal	44,607
2		Additional	6
654		Early Access	1,550
39,711		Total	46,163
	Employees		
13,508		Normal	13,907
72		Additional	70
13,580		Total	13,977

15. Transfers In/Out

Transfers during 2007/08 comprised of :

2006/07			2007/08
£'000			£'000
	Transfers In		
-		Bulk transfer	-
7,000		Individual transfers	3,974
7,000		Total	3,974
	Transfers Out		
1,868		Bulk transfer	7,497
4,376		Individual transfer	3,309
6,244		Total	10,806

The above bulk transfer of £7.497M was in respect of Rhondda Cynon Taf County Borough Council.

16. Lump Sum Benefits

The lump sum benefits paid during 2007/08 comprised of :

2006/07		2007/08
£'000		£'000
8,778	Commutation lump sums	6,971
852	Death grant lump sums	763
9,630	Total	7,734

CITY & COUNTY OF SWANSEA PENSION FUND

17. Administration and Investment management expenses

All administration and investment management expenses are borne by the scheme:

2006/07		2007/08
£'000		£'000
463	Recharges by City & County of Swansea	475
1,313	Third party services	977
1,776	Total	1,452

18. Actuarial Report Extract from Pension Fund Annual Report and Accounts Applicable For Financial Year 2007/08.

Actuarial Position

In compliance with LGPS regulations, an actuarial valuation of the Fund was carried out, as at 31 March 2007. The actuaries to the Fund, Hewitt, Bacon and Woodrow undertook the valuation. The main purposes of the actuarial valuation are to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in the future. This valuation determined contribution rates with effect from 1 April 2008. Contribution rates for the period 2007-08 were based upon the 2004 valuation.

Valuation Methodology

The main results of the actuarial valuation are :

- An assessment of the funding deficit (surplus) in the scheme at the valuation date, which shows how the scheme's assets compare to its funding target.
- The cost of providing the benefits to accrue in the future

The scheme actuary combines the results of these two calculations to estimate the contributions needed to meet the scheme's funding target in the future. This may be lower or higher than the long term cost in order to adjust for the funding surplus or deficit.

The scheme actuary also needs to carry out calculations for the H M Revenue & Customs surplus test, which sets out a maximum level for a scheme's assets.

After looking at these funding measures, the scheme actuary may need to revise the overall contribution rate designed to meet statutory requirements as well as the funding requirement.

CITY & COUNTY OF SWANSEA PENSION FUND

Previous Valuation

The report on the previous valuation as at 31 March 2001 showed a past service deficiency of £37.4M as at 31 March 2001 and a funding ratio of 94%. After allowing for the deficit the report recommended that Employer contributions should be made by the City and County of Swansea at 210% of Members' Contributions for the period 1 April 2002 to 31 March 2005. Different rates were payable by other Employers participating in the Fund, reflecting differences in their demographic profiles and experience. The contribution rate of the other large employer, Neath Port Talbot County Borough Council was 195%. Additional contributions were payable over a period of three years to fund early retirements in normal health.

Valuation Assumptions

The benefit structure of the fund, its membership and its assets are all known facts at valuation date. But the fund's future finances also depend on uncertain factors such as future investment returns, pay and pension increase, rates of mortality and employee turnover. The actuary therefore has to make assumptions about the long term future.

For all employers (bar admitted bodies) for whom participation is expected to extend beyond April 2008, the actuary has set a discount rate to calculate the funding target as equal to the yield on fixed interest gilts of appropriate term at valuation date plus 1.5% per annum. For these employers the actuary has also assumed higher returns in the period up to the next valuation by assuming an above discount rate return for equities (+3%) and fixed interest (+1%) .

Another key assumption is made for the mortality of pensioners and future mortality of scheme members. The current assumptions are best estimates and reflect the observed experience of the scheme over a period of time. These assumptions are to kept under review and may need to revised at future valuations. The 2004 valuation adopted the PMA (92) short cohort tables, which reflect published work on expected future improvements in mortality adjusted for the observed experience of the fund.

Valuation Result

The funding objective is to hold assets equal to the funding target. The market value of the assets held by the Fund at 31 March 2004 was £571.1M with a smoothed funding target of £876.2M. The past service deficit on the Fund increased to £280.5M in 2004, from £37.4M in 2001 and the funding level has decreased from 94% to 68%. The funding deficit has increased largely because of the poor returns earned by the funds assets and changes in gilt yield which are used to discount the fund's future liabilities and have therefore magnified the size of the fund's liabilities.

CITY & COUNTY OF SWANSEA PENSION FUND

The funding deficit has increased largely because of the poor returns earned in the past and changes in gilt yields which are used to discount the fund's future liabilities and have therefore magnified the size of the fund's liabilities.

Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2007/08

In accordance with Regulation 77 of the Local Government Pension Scheme Regulations 1997, we certify that contributions should be paid by Employers at the following rates for the period 1 April 2005 to 31 March 2008. A common rate under Regulation 77 (3) (a) of 215% of Members' Contributions. Individual adjustments under Regulation 77 (3) (b) which, when added or subtracted from the common rate, produce the following Employer contribution rates:

	Year commencing 1 April		
	2005	2006	2007
	% Members' Contributions	% Members' Contributions	% Members' Contributions
City and County of Swansea	250	290	330
Neath Port Talbot County Borough Council	235	275	315
Britton Ferry Town Council	285	355	425
Pelenna Community Council	170	170	170
Coedffranc Community Council	285	355	425
Margam Joint Crematorium Committee	285	355	425
Neath Town Council	285	355	425
Swansea Bay Port Health Authority	315	415	415
Swansea Metropolitan University	230	290	350
Swansea College of Further Education	185	230	275
Gorseinon College of Further Education	225	270	315
Neath Port Talbot College of Further Education	220	280	340
Swansea City Waste Disposal Company	360	405	450
Pontardawe Town Council	220	260	300
Colin Laver Heating Ltd	205	230	335
Swansea Bay Racial Equality Council	200	225	250
Cilybebyll Community Council	275	275	275
Babtie Group	200	200	200
Celtic Community Leisure	205	215	225
Wales National Pool	210	210	210
Capgemini	310	310	310

CITY & COUNTY OF SWANSEA PENSION FUND

For future service, the employers' common rate was set at 165% of the employee's contributions. The contribution to remove the Fund deficiency remained at 40%.

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

- £474,960 paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.
- Contributions received from admitted and scheduled bodies as detailed on pages 85 to 86.

20. **Legislative Changes**

LGPS

Retirement

The '85 year' rule (age plus LGPS membership), which provided for unreduced benefits, was removed from 1 October 2006 with benefits protected for all LGPS membership accrued to 30 September 2006.

In July 2006 the LGPS was amended to provide the following additional protections –

Protections for LGPS membership accrued extended to 31 March 2008.

Full protection for all LGPS membership for members age 60 by 31 March 2016 with 25 years' LGPS membership by that date.

A tapered reduction applied in respect of LGPS membership accrued from 1 April 2008 for LGPS members age 60 with 25 years' membership between 1 April 2016 and 31 March 2020.

A further paper was issued for consultation by the Department of Communities and Local Government (CLG) on 16 May 2007 requesting views on removing the tapering and thereby allowing the extension of full protection to 31 March 2020.

On 13 December 2007, CLG confirmed that no final or immediate decision had been made and would consider a fresh assessment of costs and experience using the 2007 Valuation data. Pension Funds were requested to allow release of the data on 21 January 2008 and it is currently being considered by a Policy Review Group.

Additional Voluntary Contributions (AVCs)

In April 2006 tax changes allowed LGPS members to pay up to 100% of pay into the LGPS and other pension arrangements. However from 6 April 2007 AVC payments are limited to 50% of pay.

CITY & COUNTY OF SWANSEA PENSION FUND

New Look LGPS 2008

A new look LGPS was introduced with effect from 1 April 2008.

Following a consultation exercise, the new look Scheme retained a final salary package, whilst ensuring that it remained viable, affordable and fair to all scheme members and tax payers.

Regulations were to be issued covering the following areas to be effective from 1 April 2008.

- (a) LGPS (Benefits, Membership & Contribution) Regulations 2007 were made on 4 April 2007.

The main changes included –

- i) Final salary pension based on 1/60th of salary with an option for commutation.
- ii) Tiered contribution rates for LGPS members ranging from 5.5% for employees earning less than £12,000 per annum to 7.5% for employees earning over £75,000 per annum.
- iii) Death in service benefit increased from 2 to 3 times pay
- iv) Better targeted ill health provisions
- v) Pension for nominated Cohabiting Partners
- vi) The option to buy additional membership replaced by an option to purchase an additional pension of up to £5,000 pa by payment of Additional Regular Contributions (ARCs)

- (b) LGPS (Administration) Regulations 2008- made on 6 February 2008.

The main provisions include –

- i) Local Pension Administration Strategy Document – intended to improve flow of data between the administering authority and employers.

It is envisaged that performance targets will be set and monitored. It would also provide for the administering authority to recover costs incurred in respect of unsatisfactory performance of any employing authority.

- ii) Governance Compliance Statement
further matters to be included in line with DCLG and CIPFA guidance.
- iii) Pension Fund Annual Report
- formalises issues covering annual reports

CITY & COUNTY OF SWANSEA PENSION FUND

(c) LGPS (Transitional Provisions) Regulations 2008 were also made on 6 February 2008 and confirm the transition arrangements from an 'eightieth' to a 'sixtieth' benefit structure from 1 April 2008.

Discretionary Compensation Payments

The Discretionary Payment 2006 regulations were issued on 6 November 2006 which removed the discretion of awarding compensatory added years for all local authorities from 1 April 2007.

Instead local authorities have the discretion to award a lump sum compensation payment of up to 104 weeks pay which would include the value of any redundancy payment.

Cost-Sharing

A Policy Review Group involving all key stakeholders has also been set up to assist in the on-going stewardship of the Scheme's regulatory and policy development

An informal consultation was published on 18 February 2008 which sets out principles and propositions for analysis and comment on how best to prepare the statutory mechanism required to be in place, no later than 31 March 2009, to provide the basis for future cost-sharing arrangements in the LGPS. Comments are required by 30 May 2008.

Admitted Body Status Provisions

On 18 January 2008, the CLG commenced an informal consultation exercise on Admitted Body Status (ABS) provisions in the LGPS.

The provisions allow contractors who take on local authority contracts to provide transferring staff with continued access to the LGPS if they wish, rather than provide a broadly comparable scheme. ABS is an attractive and useful mechanism for dealing with pensions in the contracting out process and there is nothing in the fundamental concept that needs to be changed. However, concerns have been expressed by some stakeholders that the detailed arrangements are not always being implemented in the way intended.

The consultation document examines specific concerns raised about the implementation of ABS provisions and sets out three possible broad approaches which might be developed to address those concerns. Responses were required 10 April 2008.

21. **Investment Fund Management**

The Investment Panel is responsible for determining broad investment policy and responding to changing market conditions and economic trends. The investment objective of the Fund, to which the Investment Panel controls and monitors the investment managers, is to achieve the maximum returns consistent with acceptable levels of risk and the long term nature of the Fund's liabilities.

The performance benchmark against which returns are measured is the WM Local Authority Pension Fund Universe, the average for all such funds, as measured by the WM Company. The target set for active managers in 2007/08 is to outperform the benchmark by one per cent over a rolling three year period.

22. **Statement of Investment Principles and Funding Strategy Statement**

The City and County of Swansea Pension Fund has prepared a Statement of Investment Principles and Funding Strategy Statement. Copies are available from the Head of Finance, Civic Centre, Swansea SA1 3SN.

23. **Additional Voluntary Contributions**

Some members of the pension scheme paid voluntary contributions to Equitable Life and Scottish Equitable to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Scottish Equitable, which were valued at £640,452.49 (£1,010,624 06/07) in Equitable Life and at £1,059,064.01 (£1,564,809 06/07) in Scottish Equitable as at 31st March 2008

CITY & COUNTY OF SWANSEA PENSION FUND

24. Organisation

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2008

Scheduled Bodies	Contributors	Pensioners	Deferred Benefits	% of Employees Contribution
City & County of Swansea	7767	3150	2563	330
Neath Port Talbot County Borough Council.	5827	2163	2223	315
Briton Ferry Town Council	1	0	2	425
Cilybebyll Community Council	3	0	0	275
Clydach Community Council	0	1	1	0
Coedffranc Community Council	4	1	1	425
Gorseinon College	128	30	42	315
Lliw Valley BC	0	299	42	0
Margam Joint Cremation Committee	5	9	3	425
Neath Port Talbot College	270	76	77	340
Neath Port Talbot Waste Management Co. Ltd.	0	1	0	0
Neath Town Council	7	8	5	425
Pelenna Community Council	4	0	0	170
Pontardawe Town Council	5	0	0	300
Swansea Bay Port Health Authority	3	7	4	415
Swansea City Waste Disposal Company	15	1	12	450
Swansea College	352	49	192	275
Swansea Metropolitan University	217	69	99	350
West Glamorgan County Council	0	2896	512	0
West Glamorgan Magistrates Courts	0	45	20	0
West Glamorgan Probation Service	0	69	11	0
West Glamorgan Valuation Panel	0	5	0	0
Admitted Bodies				
BABTIE	14	2	2	200
Celtic Community Leisure	129	10	42	225
Colin Laver Heating Limited	3	0	1	255
Swansea Bay Racial Equality Council	2	0	0	250
The Careers Business	0	3	12	0
Wales National Pool	32	2	9	210
West Wales Arts Association	0	1	1	0
Capgemini	17	0	1	310
Total	14,805	8,897	5,877	

CITY & COUNTY OF SWANSEA PENSION FUND

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

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2008 there were 14,805 contributors, 8,897 pensioners and 5,877 deferred pensioners.

Membership statistics	31/03/05	31/03/06	31/03/07	31/03/08
Contributors	14,336	14,711	15,049	14,805
Pensioners	8,271	8,447	8,634	8,897
Deferred Benefits	3,796	4,363	4,937	5,877
Total	26,403	27,521	28,620	29,579

25. Further details and the audited statement of accounts will be contained in the City & County of Swansea Pension Fund Annual Report and Accounts for the year ended 31st March 2008, available from the Chief Treasury & Technical Officer, Civic Centre, Swansea SA1 3SN.
26. The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2008.

GROUP ACCOUNTS

Introduction

1. These accounts consolidate the City & County of Swansea's accounts with the accounts of companies in which the Council has an interest and are considered to be part of our group.
2. The 2006 SORP requires that Group Accounting Statements have to be prepared, consolidating the Accounts of the Parent and any Subsidiary, Associate or Joint Undertakings. An assessment of the activities and interests of City & County of Swansea has been undertaken, which has determined that City & County of Swansea Group consists of the Local Authority as the Parent, and the following companies:

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

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

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

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

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

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2008 the net worth of the Company was -£895k (31st March 2007 - £533k).

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

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

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

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

GROUP ACCOUNTS

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

- **National Waterfront Museum Swansea (NWMS) - Joint Venture**

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

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

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

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

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

In March 2005, the City & County of Swansea purchased shares to the value of £50,000 in Swansea Stadium Management Company Ltd., a company formed to operationally run the Liberty Stadium in Swansea. The stadium is a circa-20000 seat stadium, and is the home to Swansea City AFC Ltd. and Ospreys Rugby Ltd.

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

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

GROUP ACCOUNTS

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

Although the Council is able to share in any surplus the Company may make on trading operations, it is indemnified from contributing to any loss under a specific agreement made with the remaining shareholders during 2006.

Bay Leisure Ltd – Associate

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

The LC was officially opened on 18th March 2008.

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

The Council is obliged to consider funding requests from the company on an annual basis and will commit each financial year to making payment in respect of an agreed management fee which is negotiated annually.

No consolidation of the results of the company has been undertaken in the 2007/08 Accounts due to the limited trading period and the immaterial nature of transactions in this period.

Swansea Bay Futures Limited

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

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

4. The core Group Accounts for 2007/2008 consists of:-

- **The Group Income and Expenditure Account** which records the income and Expenditure on the Group’s activities
- **The Group Statement of Total Recognised Gains and Losses** which identifies any gains or losses for the period which have been recognised in the Group Income and Expenditure Account
- **The Group Balance Sheet** which sets out all the assets and liabilities of the Group and the reserves and liabilities that underlay those net assets

GROUP ACCOUNTS

- **The Group Cash Flow Statement** which summarises the inflows and outflows of cash arising from transactions with parties external to the Group.

5. Notes to the Accounting Statements

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

6. Intra-group transactions and balances

Where necessary, transactions between the various Group members have been eliminated from Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Account. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2008.

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

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

The requirement of FRS17 in relation to Local Authority Accounts allows the creation of a debit reserve (The pension reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2008.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st March 2008

2006/07 Net Expenditure £'000		Gross Expenditure £'000	2007/08 Gross Income £'000	Net Expenditure £'000
	DIRECT SERVICES			
3,091	Central Services to the public	26,095	-16,530	9,565
41,058	Cultural and Related Services	102,357	-47,784	54,573
151,006	Education & Childrens Services	211,534	-35,740	175,794
16,113	Highways, Roads & Transport	29,209	-13,983	15,226
	Housing Services (HRA)	46,685	-51,651	-4,966
-1,748	Other Housing Services	82,639	-78,511	4,128
83,558	Social Services	80,092	-21,194	58,898
919	Miscellaneous	0	0	0
14,465	Corporate and Democratic Core	34,440	-17,997	16,443
9,073	Non distributable costs	8,697	0	8,697
	Share of the Operating Results of Joint Ventures:			
	Wales National Pool (Swansea) Ltd (WNPS) – Turnover	0	-427	-427
-398	WNPS – Cost of Sales & Operating Expenses	427	0	427
	National Waterfront Museum (Swansea) Ltd (NWMS) – Turnover			
	NWMS - Cost of Sales & Operating Expenses	131	0	131
249		0	0	0
47	Share of Operating results of SSMC	0	0	0
317,831	NET COST OF SERVICES	622,306	-283,817	338,489
	LEVIES AND CONTRIBUTIONS			
	Precepts:- Local precepting authorities	682	0	682
755				
11,140	Levies and Contributions paid:	9,606	0	9,606
1,344	Surplus/Deficits on trading activities	50,875	-48,227	2,648
16,954	Interest Payable	17,867	0	17,867
-4,582	Interest and Investment income	0	-5,410	-5,410
	Share of Interest Receivable (NWMS)	0	-5	-5
-18				
	Pensions Interest cost and expected return on pension assets	9,940	0	9,940
8,895				
0	Taxation Credit			
352,319	NET OPERATING EXPENDITURE	711,276	-337,459	373,817
-214,184	Revenue Support Grant			-222,358
	Contribution From National Non- Domestic Rate Pool			-55,341
-50,991				
-70,753	Council Tax Requirement			-73,149
16,391	DEFICIT FOR YEAR			22,969

RECONCILIATION OF THE SINGLE ENTITY SURPLUS/DEFICIT TO THE GROUP SURPLUS/DEFICIT

2006/07		2007/08
£000s		£000s
-15,876	Deficit for the year on the Authority Income and Expenditure Account	-22,477
0	Adjustments for transactions with other group entities (dividend income, etc)	0
-15,876	Deficit in the Group Income and Expenditure Account attributable to the Authority	-22,477
-515	Deficit in the Group Income and Expenditure Account attributable to group entities – Swansea City Waste Disposal Company Limited	-366
0	Share of Operating results in NWMS	-126
-16,391	Surplus / Deficit (-) for the year on the Group Income and Expenditure Account	-22,969

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2006/07</u> <u>£'000</u>		<u>2007/08</u> <u>£'000</u>
-16,391	Deficit for the year on the Income and Expenditure Account	-22,969
40,793	Surplus arising on the revaluation of fixed assets	68,303
-2,378	Actuarial (loss)/gain on pension fund assets and liabilities	76,010
0	Loss on Revaluation of Financial Instruments	-1,242
<u>22,024</u>		<u>120,102</u>

GROUP BALANCE SHEET

31/03/2007		31/03/2008	
£'000	£'000	£'000	£'000
Fixed Assets			
<i>Operational assets:</i>			
88,700	- council dwellings	85,425	
478,191	- other land and buildings	562,798	
15,682	- plant/vehicles etc.	16,887	
201,620	- infrastructure assets	222,186	
14,199	- community assets	14,314	
798,392		901,610	
<i>Non operational assets</i>			
35,028	Assets under construction		6,795
86,143	Investment properties		95,337
919,563 Total Fixed Assets		1,003,742	
10,794	Long term investments		5,629
314	Long term debtors		222
1,485	Deferred Premiums		0
945,540 Total Long-Term Assets		1,022,851	
Current Assets			
2,110	- stocks and work in progress	2,342	
53,799	- debtors	51,879	
61,782	- temporary investments	147,236	
2,107	119,798 - cash in hand of officials	2,316	203,773
1,065,338		1,226,624	
Current Liabilities			
-76,653	- creditors	-68,717	
-5,200	- short term borrowing	-6,503	
-7,470	-89,323 - bank overdrawn	-26,841	-102,061
976,015 Total Assets Less Current Liabilities		1,124,563	
Long -Term Liabilities			
-295,708	Long-term borrowing	-371,166	
-142,990	Government Grants Deferred	-157,459	
-3,183	Deferred Credits	0	
-33,457	Provisions	-37,830	
0	Deferred Tax	0	
-349,044	-824,382 Liability relating to defined pension scheme	-286,373	-852,828
151,633 Total Assets Less Liabilities		271,735	

GROUP BALANCE SHEET

Financed by:	
317,462 Fixed asset restatement account	60,953
0 Financial Instrument Adjustment Account	-1,242
110,518 Capital financing account	405,797
-349,044 Pensions reserve	-285,520
10,841 Usable Capital receipts reserve	12,187
50,202 Earmarked reserves	55,354
4,062 Balances – General fund	14,715
7,592 Balances – Housing revenue account	9,491
151,633 Total Net Worth	271,735

With respect to the 2006/07 comparative figures included in the Group Balance Sheet, these have been restated from the original 2006/07 position to include an additional provision of £6m made by the Swansea Waste Disposal Company Ltd as disclosed in their final audited accounts for that year.

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March 2008

<u>2006/07</u>		<u>2007/08</u>	
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
33,402	Net cash flow from revenue activities		26,451
	<u>Capital Activities</u>		
	Cash outflows		
-69,950	Purchase of fixed assets	-74,276	
-8,969	Other capital cash payments	-17,013	
-4,898	Purchase of long term investments	6,690	-84,599
	Cash inflows		-58,148
16,862	Sale of fixed assets	8,708	
33,356	Capital grants received	40,729	
0	Sale of long term investments	0	49,437
	Net cash inflow/outflow (-) before financing (Note 1)		-8,711
	<u>Financing</u>		
	Cash outflows		
-82,665	Repayments of amounts borrowed		-34,997
	Cash inflows		
50,196	New loans raised	108,975	
2,596	New short term loans	1,024	109,999
-30,070	Net increase/decrease in cash (Note 2)		66,291

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Intra-Group Transactions

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

<u>2006/2007</u> <u>£'000</u>		<u>2007/2008</u> <u>£'000</u>
9,766	Sales to City & County of Swansea	9,771
10	Landfill Tax charged on sales	5
(578)	Purchases from City & County of Swansea	(718)
(19)	Rent, Rates & Royalties	(68)
957	Debtors	1,054
(157)	Creditors	(222)

2. Continuing Group Activities

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

3. Pension Costs

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

The Swansea City Waste Disposal Company Ltd. contributions to the scheme for the year ended 31st March 2008 amounted to £58,316 (2007: £56,005).

Further analysis can be found in the Notes to the City & County of Swansea Pension Fund (pages 73 to 86).

4. Tax on Profit on Ordinary Activities

The Group's total tax liability on profits generated arises out of the activities of the subsidiary, Swansea City Waste Disposal Company Ltd. The charge for taxation in the accounts is made up as follows:

NOTES TO THE GROUP FINANCIAL STATEMENTS

<u>2006/2007</u> <u>£'000</u>		<u>2007/2008</u> <u>£'000</u>
	Current Tax	
-	UK Corporation Tax charge	-
0	(Over)-provision in respect of previous periods	0
0		0
	Deferred Tax	
0	(Credit) for the year	0
0	Tax (credit) for the year	0

No taxation figures are available for 2007/08 due to non audited financial statements for the relevant bodies being available.

5. Analysis of Net Assets Employed

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

<u>31st March</u> <u>2007</u> <u>£'000</u>		<u>31st March</u> <u>2008</u> <u>£'000</u>
513,535	City & County of Swansea (Parent)	551,704
(533)	Swansea City Waste Disposal Company Ltd. (Subsidiary)	(6,854)
13,384	National Waterfront Museum Swansea (Joint Venture)	13,258
0	Wales National Pool Swansea (Joint Venture)	0
526,386	Net Assets Employed (exc. Pensions Fund)	558,108
(348,044)	Net Group Pension Fund Liabilities	(286,373)
178,342	Net Assets Employed	271,735

6. Construction of the Group Accounts

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

Swansea City Waste Disposal Co Ltd	Management Accounts for the year ending 31st March 2008
National Waterfront Museum (Swansea) Ltd	Draft Annual Accounts for the year ending 31 st March 2008

NOTES TO THE GROUP FINANCIAL STATEMENTS

Swansea Stadium Management
Company Limited
Wales National Pool (Swansea) Ltd

Management Accounts for the year ended 31st March
2008.
Annual report 31st July 2007 (audited)

In the opinion of the Council the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2008 and the use of current information would not be significant in relation to the group position as stated.

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

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

NOTES TO THE GROUP CASH FLOW STATEMENT

Note 1 - Management financing /liquid resources

	Balance 01/04/2007 £'000	Cash Flow £'000	Non cash £'000	Balance 31/03/2008 £'000
Temporary Investments	61,782	85,454		147,236
Financing:-				
Maturing within one year	-5,200	-1,303		-6,503
Long term	-295,708	-73,699	-1,759	-371,166
Cash	2,107	208		2,315
Bank overdrawn	-7,470	-19,371		-26,841
	-244,489	-8,711	-1,759	-254,959

Note 2 - Movement in cash & cash equivalents

	Balance 01/04/2007 £'000	Cash Flow £'000	Balance 31/03/2008 £'000
Cash	2,107	209	2,316
Bank overdrawn	-7,470	-19,371	-26,841
Temporary Investments	61,782	85,454	147,236
	56,419	66,292	122,711

DIRECTOR OF RESOURCES' CERTIFICATE & STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

I hereby certify that the statement of accounts on pages 5 to 69 and 88 to 122 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

Signed:



Date:

29. 9. 08

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

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

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

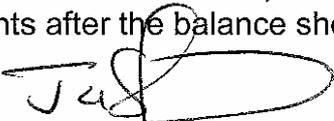
The Chief Finance Officer has also:

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

Date of Authorisation for Issue

The 2007/08 Statement of Accounts was authorised for issue on 29th September 2008 by Jack Straw, Director of Resources, who is the Section 151 Officer of the Council. This is the date up to which events after the balance sheet date have been considered.

Signed



Date :-

29. 9. 08.

STATEMENT ON INTERNAL CONTROL

Statement on Internal Control (S.I.C.) for 2007/08

1. Scope of Responsibility

The Council of the City & County of Swansea is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions. This includes arrangements for the management of risk and ensuring that there are proper arrangements in place for governing its affairs.

In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2005, this statement sets out how the Council has sought to meet these requirements in 2007/08 and how it intends to make further improvements in 2008/09.

2. The Purpose of the System of Internal Control

The system of internal control within the Council is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement covers the internal control environment as at 31 March 2008, describing the main elements in place or in development during 2007/08. Any significant changes or developments after 31st March 2008 and up to the date of approval of the annual report and accounts are also covered in this statement.

3. The Internal Control Environment

The key elements of the internal control environment under 9 main headings, which were specified in the Code of Audit and Inspection published by the Auditor General for Wales on 11/5/2005, are described in the attached Annex.

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

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and the executive managers within the Council who have the responsibility for the development and maintenance of the internal control environment, also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The review of the effectiveness of the system of internal control for 2007/08 was carried out by the Chief Internal Auditor in consultation with the following group of officers: Executive Director, Head of Legal Services/Monitoring Officer (both of these officers have statutory

STATEMENT ON INTERNAL CONTROL

responsibilities in relation to the internal control framework), Head of Financial Services , Head of Performance and Strategic Projects.

The review took into account the latest versions of the following:

4.2.1. The Annual Letter from the Relationship Manager (part of the Wales Audit Office - WAO) which incorporates the Annual Audit Letter from the Appointed Auditors (PricewaterhouseCoopers - PWC). The Annual Letter was issued in December 2007 and it is in respect of the work carried out for the 2006/07 financial year and draws on published reports of other inspectorates (ESTYN, CССИW and BFI).

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

the outcome of the 2006/07 accounts audit which resulted in an unqualified report being issued on 28/9/07; suitable budget monitoring arrangements were in place and budgets cover all relevant areas of income and expenditure and are based on realistic assumptions; positive engagement with WAO initiatives such as sickness absence management; the reliance placed on the relevant work of the internal audit section which had met the required professional standards; there are robust arrangements in place to secure economy, efficiency and effectiveness in the use of resources and this conclusion is partly based on the SIC for 2006/07 (which also met the requirements of the guidance from CIPFA and was consistent with the external auditor's knowledge of the Council).

The key messages from the Annual Letter are quoted as follows:

services—the annual risk assessment identified high risk in the areas of : aspects of children's social services (which resulted in a quarterly monitoring process involving the CССИW); schools reorganisation (surplus places etc.); education inclusion; waste management; housing (meeting the Welsh Housing Quality Standard) and regeneration (given the nature and scope of investment activity in Swansea).

performance management—there is a well established framework which continues to be refined but needs to address the issue of further embedding sustainability and equality into service and corporate planning arrangements. The audit of the 2007/08 Improvement Plan concluded that it complied with national guidance but it could be improved if it summarised the outcomes of inspections, made stronger links between the outcomes of risk assessment and future actions.

financial statements—these are said to present fairly the financial position of the Council as at 31/3/07. A number of significant adjustments were made as a result of the external audit, most of which related to expenditure classification errors, with a net impact of £189K on the General Fund Balance.

financial management---the Council has adequate arrangements but there were a range of weaknesses in internal financial control, partly due to segregation of duties problems, which affected the second half of 2006/07. However, additional testing by PWC with considerable assistance from Internal Audit led to the conclusion that these weaknesses had not given rise to any material mis-statements in the accounts.

debt management---there is an effective income and debt management strategy for council tax, NNDR and housing rents but there is insufficient information available to track and monitor collection performance in respect of social care and miscellaneous debts and the inconsistent management of queries within the sundry income streams appear to cause ongoing issues with

STATEMENT ON INTERNAL CONTROL

debt collection. Several recommendations on how to improve procedures etc. were made in 2006/07 by both external and internal audit. The internal audit review resulted in an “unsatisfactory” opinion rating being given but this has been improved to “adequate” for the 2007/08 review following improvements within the service.

budget---the forecast for 2008/09 to 2010/11 identifies significant and challenging savings requirements of between 3% and 5% up to 2010/11. The capital programme is financed by £70m unsupported borrowing and the Council should review the capital programme to reduce that level.

e-government---there were several learning points arising from the procurement and implementation of this programme (a detailed action plan was taken to the Performance Scrutiny Board in September 2007 which should address these points). By February 2007 Council had signed off £5.9m of realisable savings out of the £26.2m expected from phase one. The e-government programme has delivered improved corporate procurement processes but implementation problems meant that many users had lost confidence in the system which needs to be re-built through effective communication of improvements achieved. The programme and project management techniques and approach documented and used by the e-government programme were satisfactory but further action was required in respect of quality management and control. The Council have produced an action plan to address all the recommendations raised in the review.

job evaluation and equal pay --- the Council is making progress and PWC acted as a critical friend by attending meetings and commenting on reports.

The 34 page Annual Letter considers these and other issues in detail and it was reported to Council on 17/1/08. The Cabinet Member’s response to the Annual Letter was presented to Council on 28/2/08 and it addressed most of the issues mentioned above.

4.2.2. The opinion of the Chief Internal Auditor which was contained in the annual report on the work of the Internal Audit Section for 2006/07 presented to the Audit Scrutiny Board on 11/6/07. The overall opinion on the system of internal financial control was that no significant weaknesses had been identified which would have a material effect on the Council’s financial affairs or its ability to report thereon. Where risks (and the need for better procedures etc.) had been identified, recommendations had been made by Internal Audit and these had generally been accepted by management.

4.2.3. The annual report of the Corporate Complaints Service for 2006/07 was presented to Council on 6/12/07. The report noted that there was a 27% increase in the volume of complaints (from 899 in 2005/06 to 1,148 in 2006/07). Some 306 (34%) of the complaints in 2005/06 were found to be justified but there is no such analysis for 2006/07. There was, however, a big increase in complaints resolved at stage one of the four stage procedure (from 551 in 2005/06 to 797 in 2006/07). In 2005/06 only 2 of the 43 complaints referred to the Ombudsman for investigation were classified as maladministration. For 2006/07 there was a change in the way in which the Ombudsman deals with complaints and of the 41 complaints, 18 were not taken up by him, 7 were ongoing, and of the 16 investigated, 8 were not upheld or withdrawn. The report states that the lessons learned from the complaints received has resulted in some improvements in services. The Corporate Complaints Service also has responsibility for maintaining the registers of interests and hospitality for Councillors mentioned in para. 1.9.4.g of the attached Annex.

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5. Progress on the 2006/07 Action Plan

The SIC for 2006/07 contained the following action plan and the comments indicate the progress that has been made to date:

1. The development of an annual reporting process on risk management.

The Council adopted a Risk Management Policy in March 2004 and this requires an annual report on risk management activities by the Council's Risk Manager.

To date there has been no annual report to Council.

2. The further development of business continuity plans (BCPs) for each of the Council's directorates.

The process of developing BCPs started in mid 2006. As at 4/3/2008, 56 areas have been identified where BCPs are required and progress was as follows:

28 areas have draft plans in place and a tabletop exercise is to be developed in order to identify operational gaps and test the plans;

3 areas have completed business impact assessments and draft plans need populating by the Joint Resilience Unit;

8 areas have populated draft plans which require comments from departmental officers;

17 areas show that little progress appears to have been made.

This review has also considered the progress made in developing the 12 departmental emergency response plans (ERPs) and the process started in September 2006) which, as at 4/3/2008, was as follows:

2 areas (Finance and Social Services) have completed ERPs;

10 areas have draft plans which need to be reviewed for operational gaps and tested.

3. The further development of a fully rolled-out staff appraisal scheme.

Each head of service has a target to get at least 90% of their staff covered by the corporate staff appraisal scheme. Progress in meeting this target should be reviewed when each head of service is appraised (annually with half-yearly reviews) by their service Director.

6. External Bodies

1. The Local Authority Accounting Statement of Recommended Practice published by CIPFA in 2006 requires the Council to review the effectiveness of the system of internal control "where an authority is in a group relationship with other entities and undertakes significant activities through the group"

2. As there is no guidance as to what constitutes "significant activities" the review has been confined to the following bodies, aspects of which are included in the Council's Group Accounts :

Wales National Pool (WNP - which is a joint venture between the Council and Swansea University); the National Waterfront Museum (NWM - which is a joint venture between the Council and the National Museum of Wales -NMW); the Swansea City Waste Disposal Company (SCWDC - which is wholly owned by the Council); and the Swansea Stadium Management Company (SSMC - which operates the Council-owned stadium).

3. The reviews were by reference to the latest reports on the annual financial statements by the independent external auditors of each body and the available internal audit reports, as described below.

STATEMENT ON INTERNAL CONTROL

4. The external audit reports, for the years ended 31/7/07 (WNP), 31/3/07 (SCWDC), and 31/5/07 (SSMC), state in each case that the financial statements had been properly prepared in accordance with the Companies Act 1985 and give a true and fair view of the results for the year.

5. The external audit report for the NMW, dated August 2007, states that the financial statements had been properly prepared under the Museums and Galleries Act 1992 and give a true and fair view of the results for the year to 31/3/07. The 2006/07 accounts also include a Statement on Internal Control for the NMW which includes a reference to the work undertaken by the internal auditors.

6. The joint internal audit unit of Swansea and Cardiff universities produced 3 reports and 1 follow-up report on the WNP during 2007 and they contained one audit assurance category of "good" and three of "satisfactory". The reports contained recommendations to improve procedures etc. which had been accepted by the management of the WNP.

7. Discussions have taken place with the external auditors of SSMC regarding the Council's internal audit requirements and they appear to be satisfied by the audit work undertaken by the external auditors. A recent internal audit by the Council's Internal Audit Section at SCWDC resulted in a few routine recommendations which have been accepted by management.

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

1. The development of an annual reporting process to Council by the Head of Performance and Strategic Projects in accordance with the policy approved by Council in March 2004 (see 5.1 above).

2. The further development of business continuity plans and emergency response plans for each of the Council's directorates (see 5.2 above).

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

STATEMENT ON INTERNAL CONTROL

8. Opinion on the System of Internal control

On the basis of the assurance sources available for 2007/08 it can be concluded that where significant control weaknesses have been identified action plans have been or will be agreed with relevant managers to ensure that these weaknesses do not compromise the Council's ability to achieve its objectives. We can therefore give a reasonable assurance to our stakeholders that the overall system of internal control is operating effectively.

9. Signatures

Signed by the Chief Executive

..... on27th / 5 /2008

Signed by the Leader of the Council

..... on27th / 5 /2008

STATEMENT ON INTERNAL CONTROL

ANNEX

The Internal Control Environment in CCS

The key elements of the internal control environment under 9 main headings, which were specified in the Code of Audit and Inspection published by the Auditor General for Wales on 11/5/2005, include the following:

1.1 Establishing strategic and operational objectives

1. The Council's annual Improvement Plan sets out the priorities for improvement, the progress made since the previous plan and the intended programme of improvement actions. The Plan can be found on the Council's web-site under "Council and Democracy" and it is audited annually by the external auditor. The 2007/08 Plan also contains, at chapter 3, a description of the Corporate Plan for 2004/08 (which sets out the Mission for the Council together with the 5 Overriding Aims as well as the 25 Corporate Priorities). The 2007/08 Improvement Plan also describes the progress made in the previous year and it was approved by Council on 25/10/07.
2. At the service level, each Head of Service is required, annually, to prepare a Service Plan. The purpose of the Service Plan is to list the 5 or 6 service objectives at the Head of Service / departmental level which are intended to be achieved over the next 4 years and it links back to the Corporate Priorities mentioned at 1.1.1 above. The Service Plan also details the necessary actions, to be delivered at a Service Manager/Section level, to achieve the service objectives.

1.2 Determining policy and making decisions

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

The **Council** as a body determines policy and appoints the Leader of the Council ; sets the budget and forward financial plan ; receives reports from Cabinet Members and Officers and overview and scrutiny committees called Scrutiny Boards; provides a forum for questions from the public .

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

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

The role of **Officers** is to give advice, implement decisions and manage the day-to-day delivery of services. Some Officers have a specific duty to ensure that the Council acts

STATEMENT ON INTERNAL CONTROL

within the law and uses its resources wisely. Some Officers have specific decision-making and other duties delegated to them under the Scheme of Delegation.

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

1. The Council's Community Strategy, which is mentioned in chapter 2 of the 2007/08 Improvement Plan, lists 5 Strategic Themes (health and well-being, learning, prosperity, environment plus community safety) and each one is linked to a specific partnership. An overarching body called the Better Swansea Partnership, along with the 5 partnerships mentioned above, is responsible for reviewing and updating the Community Strategy on an annual basis.
2. The Council has a Complaints Policy and arrangements are in place to facilitate the investigation of complaints from members of the public. These can include complaints about the provision of services to users.
3. The Council has established a web-site (Swansea Lives –www.swansea-lives.com) which aims to bring people with a learning disability and their supporters together and to improve access for service users and carers to a range of good quality and easily understandable information on the services available to them and how to access them.
4. The Council publishes "The Swansea Leader", which is a bi-monthly newspaper, to every household in the area aimed at informing local people about the Council's work and progress which it is making.
5. The Council has established a citizens' panel ("Swansea Voices") for consulting on service provision and other matters. There is also the ward representative role played by the 72 members of the Council.
6. The Council is subject to external inspection by various bodies (ESTYN, CSSIW etc.) and is responsible for addressing issues raised and recommendations made by such bodies.

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

1. The Council's Monitoring Officer (under Section 5 of the Local Government and Housing Act 1989) has a responsibility to investigate and report on allegations of contraventions of any laws, policies, procedures, regulations or maladministration and breaches of the Council's Constitution.
2. The terms of reference of the Council's Standards Committee (which consists of Councillors and Independent Members) are incorporated in the Constitution and they include assisting Councillors to observe their Code of Conduct, monitoring the operation of the Members' Code of Conduct, considering breaches of the Code referred to it by the Ombudsman etc.
3. The Council formed eight Scrutiny Boards (Audit, Community Leadership, Education and Lifelong Learning, Environment, Finance and Property, Health and Social Care, Performance, Regeneration and Culture) in 2006 and they were replaced in May 2008 by four Overview Boards and four Scrutiny Boards with one each for: Children and Young People; Environment, Regeneration and Culture; Finance, Audit and Business Improvement; Health, Social Care and Well Being. The Overview Boards are responsible for contributing to corporate policy and strategy development and the development of

STATEMENT ON INTERNAL CONTROL

partnership strategies and plans as well as developing and reviewing the Community Strategy and involving the community in policy development. The Scrutiny Boards are responsible for holding the Council's executive to account, monitoring the performance of public services and policies, conducting in depth reviews of service and policy areas, promoting citizen centred service delivery etc.

4. The Council has an Internal Audit Section and its over-riding objective is to provide an independent and objective opinion to the Council on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the Council's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
5. The Council is also subject to external inspection by various bodies including the external auditors (one of their duties is to audit and certify the annual Statement of Accounts) and the Council is responsible for addressing issues raised and recommendations made by such bodies.

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

1. The Council adopted a Risk Management Policy in March 2004 (which requires an annual report on risk management activities by the Council's Risk Manager); the RM implementation strategy is a process by which financial, operational and other risks can be considered by officers at a departmental level. There is a risk register, plus at least one resilience co-ordinator, for each of the Council's directorates. Service risks should be reviewed quarterly by the chief executive and each director. A wide range of internal and external financial risks are covered by various insurance policies or the Council's own insurance fund.
2. Management guidance on business continuity planning was published in September 2006 and re-issued in November 2007. Half-day workshops were organised during 2006/07 to engage and train senior staff in each directorate in the preparation of business continuity plans.
3. At a corporate level there is an annual assessment of the main corporate and service risks and the "joint risk assessment" for 2007/08 involved the Wales Audit Office, PWC, ESTYN, and the CSSIW. The process is described in Chapter 5 of the 2007/08 Improvement Plan. There is also a corporate risk register which should be reviewed quarterly by the corporate management team.
4. The 2007/08 Improvement Plan contains an analysis of 85 "risk aspects" (consisting of 20 corporate and 65 service risk areas shown at chapter 5 of the Plan) which are classified as high, medium or low. It also shows that the number of high risks has reduced when comparing 2006/07 with 2007/08 from 22 to 19.

STATEMENT ON INTERNAL CONTROL

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

1. As mentioned at 1.1.1 above, the annual Improvement Plan sets out the Council's priorities for improvement. Chapter 5 of the 2007/08 version mentions 13 audits or inspections carried out by the Council's regulators (Wales Audit Office; Appointed Auditors – PWC; CSSIW and ESTYN) during 2006/07 with 11 planned for 2007/08.
2. The Council's Constitution contains a set of Contract Procedure Rules (CPRs) which are designed to regulate the way in which goods and services are procured and contracts are let e.g. by means of a process to invite quotations or tenders.
3. The Council has a Strategic Procurement Unit and it has published a Procurement Guide which aims to assist employees and Councillors to manage the procurement process. The Guide contains a procurement strategy which applies to all of the Council's services and which sets out the policies and actions designed to obtain best value from procurement decisions.
4. The Council's arrangements for securing value for money from its use of resources include financial management (see 1.7 below), performance management (see 1.8 below) and programme/project management arrangements. In addition, best value reviews are carried out annually by the external auditors and inspectors.

1.7 Managing financial and other resources, including arrangements to safeguard the financial standing of the Council

1. The Council's officer designated under S.151 of the Local Government Act 1972 was the Interim Director of Finance until 1/7/07; from 2/7/07 this became the Executive Director. The S.151 role includes responsibility for the system of internal financial control, reporting to Council on the proposed Revenue and Capital Budgets, Plans and Programmes; certifying the annual Statement of Accounts; also, under the Local Government Finance Act 1988, reporting to the Council any unlawful payments etc.
2. The financial position of the Council is summarised in the annual leaflet which is issued to all Swansea council tax payers with the annual demands.
3. The Council is responsible for approving Revenue and Capital Budgets every year (both cover a period of 4 years) based on a recommendation from the Cabinet. The annual budget report for the following financial year, which is based on achieving a balanced budget so that resources equal spending plans and sufficient funds are kept in reserves, also considers variations to the approved budgets for the current financial year. The Council is also required to comply with the "CIPFA Prudential Code for Capital Finance in Local Authorities" when setting its budget.
4. Progress against Budgets should be monitored by means of monthly reports at Performance and Financial Monitoring meetings and quarterly and annual reports to Cabinet. In addition, there is a system of delegated responsibility and accountability for budget management, reference to which appears within the job descriptions of relevant managers. These arrangements should be assessed within the staff appraisal scheme (see 1.8.6 below).
5. The Constitution includes the CPR's as described at 1.6.2 above as well as a set of Financial Procedure Rules (FPRs - with a separate set of Financial Regulations – FRs - for

STATEMENT ON INTERNAL CONTROL

schools which enjoy a measure of delegated power) which are designed to provide a control framework for managing the financial affairs of the Council, including schools. For example, both contain a provision for virement which allows money to be transferred between budget headings.

6. The FPR/FRs are supplemented by Accounting Instructions which describe the controls and procedures to be followed by departments and schools for a range of some 16 functions (e.g. payments to suppliers, safeguarding of physical assets and records, income collection and banking etc.). Common themes in them are (a) that duties are divided between employees as much as possible to minimise the risk of error or fraud and (b) transactions are properly authorised and recorded.
7. There are various policies and guidance notes in existence for use by Accountancy staff within the Finance Dept. covering areas such as capital expenditure, insurance, treasury management and VAT. As part of the Council's new ISIS resource system, comprehensive training materials were published in October 2006 for the new systems and procedures relating to Human Resources, General Ledger, Receivables, Payables, Procurement, Projects, Bank Reconciliation, Fixed Assets and Stores.
8. There is an Asset Management Plan in respect of the Council's land and buildings and for infrastructure assets for 2007/08 (the fourth since 2004/05) which was approved by Council on 25/10/07. There is an A.M. Team in the Corporate Property Service Unit which aims to ensure that the Council makes best use of its property portfolio. Similarly, control over staffing levels is exercised by means of an approved establishment for each department.
9. There is a Strategic Projects Service Unit, which supports the Strategic Programme Board aims to promote and develop the programming and management of major projects.

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

1. The 2007/08 Improvement Plan includes (at Chapter 8 and Appendix A) an analysis of the trends for the Council's set of performance indicators (PIs) which are set by the National Assembly for Wales. The analysis covers the following and the numbers in brackets are the number of PIs involved:

chief executive (5), performance (6), education (29), finance (12), social services/ housing (50), environment (41) and regeneration (53). The Plan also includes a comparison between the Council's results for 2006/07 and those for upper quartile unitary authorities in England and Wales for 2005/06. The Improvement Plan is audited annually by the external auditors.

2. The PIs are a product of the performance management system and they should be monitored and reviewed either monthly (for services where performance is a cause for concern), quarterly or annually (for services where only annual reporting is possible) by means of reports to CMT, Cabinet or Council.
3. The Council formed eight Scrutiny Boards (Audit, Community Leadership, Education and Lifelong Learning, Environment, Finance and Property, Health and Social Care, Performance, Regeneration and Culture) in 2006 and they were replaced in May 2008 by

STATEMENT ON INTERNAL CONTROL

four Overview Boards and four Scrutiny Boards with one each for: Children and Young People; Environment, Regeneration and Culture; Finance, Audit and Business

Improvement; Health, Social Care and Well Being. The Overview Boards are responsible for contributing to corporate policy and strategy development and the development of partnership strategies and plans as well as developing and reviewing the Community Strategy and involving the community in policy development. The Scrutiny Boards are responsible for holding the Council's executive to account, monitoring the performance of public services and policies, conducting in depth reviews of service and policy areas, promoting citizen centred service delivery etc.

4. The arrangements to ensure data quality includes a certification sheet signed by each Head of Service to verify that the information provided is correct and that the collection systems are robust.
5. There is a monthly monitoring process, known as Performance and Financial Monitoring (PFM) meetings, chaired by each Director with the Chief Executive attending biannually.
6. There is a corporate staff appraisal scheme in place and the 2005/06 Improvement Plan stated that 70% of employees were covered; the current Performance Statement for each head of service contains a target to cover at least 90% of their staff. Members of the Council's corporate management team and all heads of service are also appraised annually. The Council's policy is that all departments should be accredited under the Investors in People Scheme.

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

1. The Council adopted a Code of Corporate Governance on 22/9/05 based on guidance published by CIPFA and SOLACE. The Code describes the systems, policies and processes by which the Council regulates its functions and by which it directs, controls, leads and influences the provision of services to its communities. The Code covers the following 5 areas and the numbers in brackets indicate where there is a link to this Statement on Internal Control: community focus (1.3); service delivery arrangements (1.8) ; structures and processes (1.4) ; risk management and internal control (1.5) ; standards of conduct (1.9). The Code can be found on the Council's website under Council and Democracy (Policy and Performance). A revised Code of Corporate Governance based on guidance published by CIPFA and SOLACE in 2007 is due to be recommended to Council soon.
2. Various anti-fraud telephone lines are in existence to enable members of the public to report allegations of fraud (general and benefit fraud) which are then investigated by officers of the Council
3. The Council has an Anti Fraud and Corruption Policy and Strategy which was reviewed and adopted by Council on 21/6/07. It confirms the commitment to preventing, discouraging, detecting and investigating fraud and corruption, whether attempted on the Council, or from within the Council.

STATEMENT ON INTERNAL CONTROL

4. The Anti Fraud and Corruption Policy & Strategy mentions:
- a. the Council's "whistle-blowing" policy which is designed to allow employees to report any concerns they have including instances of fraud or corruption
 - b. the corporate complaints policy and procedures (see 1.3.2 above)
 - c. the requirement to check evidence of qualifications and to obtain written references regarding the honesty and integrity of potential employees
 - d. the requirement for employees to follow the general staff Code of Conduct and any code etc. related to their own personal professional qualifications
 - e. the requirement for staff to obtain consent before undertaking any secondary employment
 - f. the requirement for Councillors to follow their Code of Conduct ; also the role of the Standards Committee (see 1.4.2 above)
 - g. the requirement for Councillors and employees to declare in registers their pecuniary and non-pecuniary interests and any offers of gifts or hospitality which are in any way related to the performance of their duties
 - h. the role of the Internal Audit Section (see 1.4.3 above) which includes investigating any allegations of fraud or corruption except in housing/council tax benefit cases which are investigated by the Benefits Investigations Team
 - i. the Councils FPRs , CPRs and AIs (see 1.6.2 and 1.7.5 / 6 above)
 - j. the Council's participation in the regular national data matching exercises co-ordinated by the Audit Commission which are designed to identify fraudulent claims for housing benefit etc.
 - k. the role of the Monitoring Officer (see 1.4.1 above) in investigating and reporting on any contravention of any law, code of practice etc.
 - l. the Council's Disciplinary Policies which describe the way in which any cases of alleged misconduct by employees are to be investigated etc.

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

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

I have audited the accounting statements, pension fund accounts and the related notes of the City and County of Swansea 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 General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance together with the Group Accounts. The pension fund accounts comprise the Fund Account and the Net Assets Statement. The accounting statements and pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the City and County of Swansea in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 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 responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 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 local government body 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 local government body'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

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

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 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 City and County of Swansea in the preparation of the accounting statements and pension fund accounts, and of whether the accounting policies are appropriate to the local government body'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

In my opinion:

- 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 City and County of Swansea 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 City and County of Swansea 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

I have carried out the audit of the City and County of Swansea in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales. The audit cannot be formally completed and an audit certificate issued until investigations arising from questions and objections raised by two electors have been formally completed.

My conclusion on the City and County of Swansea's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008 will be reported separately in the published Relationship Manager's Annual Letter.

Appointed Auditor

Address  24 Cathedral Road, Cardiff, CF11 9LJ.

Date

29/09/2008

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

Notes

The maintenance and integrity of the City and County of Swansea web site is the responsibility of the local government body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the statement of accounts since it was initially presented on the web site.'

GLOSSARY OF TERMS

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

Actuary

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

Agency Services

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

Audit

An audit is an independent examination of our activities.

Balance Sheet

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Cashflow Statement

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

Consolidated Balance Sheet

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

GLOSSARY OF TERMS

Depreciation

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

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

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

Earmarked Reserves

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

European Social Fund

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

Financial Year

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

Finance Leases

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

Fixed Asset

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

Fixed Asset Restatement Account

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

Gilt Edged Stocks

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

Government Grants

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

Housing Revenue Account

This account contains all our housing income and spending.

Investments

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

Leasing

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

Liability

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

GLOSSARY OF TERMS

Minimum revenue provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net realisable value

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

Operating leases

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

Precepts

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

Provision

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

Public Works Loan Board (PWLB)

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

Related party transactions

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

Reserves

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

Revenue account

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

Scheduled organisation

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

Securities

These are investments such as stocks, share and bonds.

Stocks

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

GLOSSARY OF TERMS

Temporary Borrowing or Investment

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

Transfer value

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

Trust Funds

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

Unit Trusts

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

Venture Capital Units

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

Work in Progress

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