



STATEMENT OF ACCOUNTS

2009/2010

OF

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

AND

CARDIFF PORT HEALTH AUTHORITY

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STATEMENT OF ACCOUNTS

2009/10

OF

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

FOREWORD

Introduction

The financial statements presented here are published in accordance with the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA / LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2009 'A Statement of Recommended Practice' (the 2009 SORP). The 2009 SORP sets out proper accounting practices required for Statements of Accounts by section 21(2) of the Local Government Act 2003 prepared in accordance with the Accounts and Audit (Wales) Regulations 2005 (as amended) and by sections 41 and 42 of the Local Government and Housing Act 1989.

The Financial Statements

The Council's financial statements are set out on pages 28 to 137 and comprise:

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

FOREWORD

The Outturn for the Year

Cardiff Council at its meeting on 27 February 2009 set a cash limit budget of £514.012 million for 2009/10. In addition a budget of £230,000 was set for discretionary rate relief which is outside the Budget Requirement. The outturn for the year compared to the budget is set out below. These figures are exclusive of Community Council precepts.

	Budget	Outturn	Variance
	£000	£000	£000
<i>Financing:</i>			
Revenue Support Grant (RSG)	(291,756)	(291,756)	0
Non-domestic Rates (NDR)	(87,100)	(87,100)	0
Council Tax	(118,008)	(118,459)	(451)
Other central grants	(14,421)	(14,421)	0
Budgeted transfers from balances/reserves	(2,957)	(2,957)	0
	(514,242)	(514,693)	(451)
<i>Net Expenditure</i>			
Net budgeted expenditure	514,242		
Net operating expenditure as per Income & Expenditure a/c		612,917	
Net additional amount to be credited to Council Fund Balance (incl. transfers to/(from) reserves)		(81,135)	
Less budgeted transfers from reserves		2,957	
Less Community Council & SWPA precepts		(19,831)	
	514,242	514,908	666
Net (surplus)/deficit for year transferred to Council Fund Balance			215

The Council Fund Balance brought forward at 31 March 2009 was £11.32 million. The balance at 31 March 2010 has decreased by £0.22 million to £11.1 million.

The year 2009/10 proved to be very difficult in terms of the financial pressures faced by the authority against its available resources. During the year the Council had to implement a number of cost saving measures in order to remain within its allocated budget.

During 2009/10, over 300 people left the Council under its voluntary severance scheme. It is likely that this will continue during 2010/11 as the Council implements its Strategic Transformation Change Programme. The level of UK Public Sector debt and government actions to minimise spending are likely to have a significant financial impact on the operation of the Council in future years, with current forecasts of reductions in Central Government revenue funding of at least 3 % p.a and capital funding of 10% p.a in cash terms. In addition to this the Council has significant financial pressures, as identified in the February 2010 budget report.

The Council is preparing for these challenges by implementing a Strategic Transformation Change programme. As part of this, a new Strategic Technology Partner was procured under a 15 year partnership; the first phase of Internal Shared Services has started to be developed and other projects are being progressed. Significant investment will be required

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to meet this change. This will increasingly impact on the financial and organisational structure of the Council as projects begin to deliver savings, customer service improvements are made and as functions are aligned to new service areas.

The Housing Revenue Account balance increased to £6.15 million after taking into account the £1.2 million surplus in 2009/10. This will allow the continued investment required towards meeting the Welsh Housing Quality Standard (WHQS).

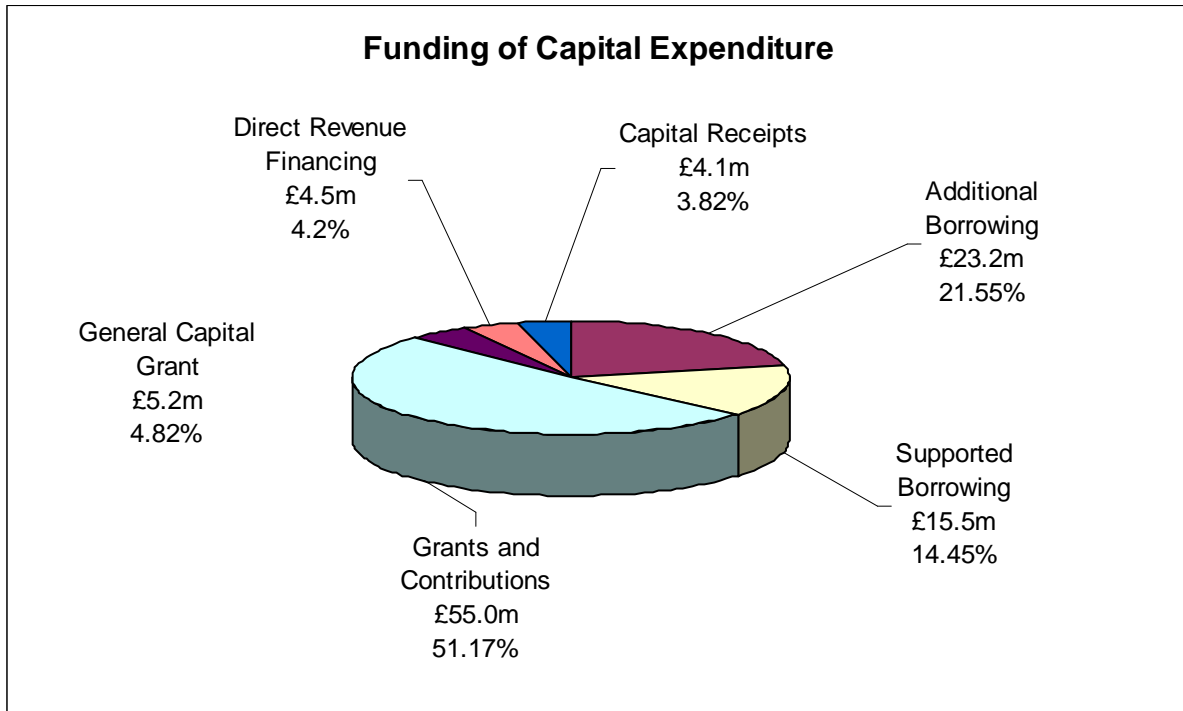
Capital Programme

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. The capital programme for 2009/10 was £143.1 million with actual expenditure in the year totalling £108.6 million, £1.1 million of this was charged directly to a provision created in 2007/08 for the St Donats remediation scheme with the balance of £107.5 million required to be funded in 2009/10: This expenditure included:-

		£m
Schools & Lifelong Learning	Significant investment in property renewal including the new Ty Gwyn Special School and progression of schools organisation plan schemes	29.0
Housing	Public Housing Private Housing Improvement grants, disabled adaptations grants and renewal area improvements	16.1 8.5
Highways & Transportation	Highway improvements, drainage, street lighting, road safety schemes and public transport improvements including new Eastern Park & Ride facility	19.8
Culture, Leisure & Parks	Cathays Library refurbishment; completion of Radio Frequency Identification in Libraries; new road safety centre; rebuilding of Whitchurch Community Centre; Bute Park Restoration as well as play area and pitch enhancements.	4.8
Major Regeneration Projects	Leckwith Development; completion of Cardiff International Whitewater; works to High Street; the Castle restoration and new Pont Y Werin and Bute Park access bridges.	15.6
Adults & Childrens Services	Expenditure on John Kane Residential Unit and Ty Storrie Respite Centre	1.3
Strategic Planning and Environment	Bereavement infrastructure; Clifton Street regeneration; Community Investment Schemes and Registry Office relocation	3.4
Other	Capital Cardiff Fund; Internal Shared Services; New Glamorgan Records Office; remediation works at St Donats estate; Recycling equipment and statutory redundancy payments	10.1

Capital expenditure is funded from a number of sources including borrowing. Borrowing must ultimately be repaid via the revenue account. The following chart shows how the capital spent during the year was paid for:-

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The Council is undertaking a number of projects which are both complex in their accounting requirements and also in the financial risks they represent. Risks are monitored regularly. These projects will continue into 2010/11 and future years along with a significant level of capital expenditure on new and existing assets approved in the Council's budget in February 2010. Such ongoing schemes include investment in the School Organisation Plan; food waste processing facilities following a review of waste strategy; significant investment in transportation and highway infrastructure as part of the Sustainable Travel City Scheme, and an ongoing programme to upgrade kitchens and bathrooms in Council housing stock. The programme includes a number of schemes approved on the basis that they will pay for themselves through income generation, savings or capital receipts. The largest of these is the School Organisation Plan. These schemes could represent a significant financial risk to the Council.

Capital Receipts

The sale of surplus assets and other capital receipts such as council dwellings and recoupment of house renovation grants generated usable capital receipts of £3.832 million. A further £900,000 of receipts are deferred which includes £720,000 from Cardiff City Football Club in relation to release of a covenant to dispose of land. This is deferred for up to 10 years, with the first payment currently due in five years time.

Fixed Assets Revaluation

The Council's non-operational assets were revalued during 2009/10 as part of a rolling programme of revaluation. Downward revaluations are shown as impairments with any increases in value as revaluations. Movements in fixed asset valuations have no impact on the council tax as they are required to be neutralised from capital reserves. In line with current guidance the value of infrastructure assets are required to be shown at historic cost. This is likely to change in 2011/12, but until then the asset values presented in the accounts do not reflect the real value of infrastructure assets held and used by the Council.

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Financial Instruments

The Council can raise funding from many sources including the Public Works Loan Board (PWLB) and the Market. Long term borrowing is £413.8 million at the end of the year. During the year loans totalling £7.1 million were repaid to the PWLB and £20 million of new loans were raised. Investments are predominantly represented by temporary cash balances deposited for various maturities with Financial Institutions. With extreme financial turbulence still prevalent, the significant risks continue to be monitored. The notes to the accounts provide information on the Council's financial assets and liabilities and the nature and extent of risks involved.

Joint Committees

During the year the Council took over from Rhondda Cynon Taff Council as the lead authority for the Glamorgan Archives Joint Committee, which manages the Glamorgan Record Office (GRO), and became the lead authority for the procurement stage of Prosiect Gwyrdd, which is administered by Prosiect Gwyrdd Joint Committee. The Council has been lead authority for the Welsh Purchasing Consortium since 2008/09. Cardiff Council's share of the transactions and balances of these Joint Committees are fully incorporated in these financial statements.

Pensions Assets and Liabilities

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

Further details are given in Note 16 to the Core Financial Statements.

The Council's actuary has estimated the Council's pension liability to be £661.588 million at 31 March 2010. The effect upon the reserves of the Council is as follows

	£000
Net Worth excluding Pensions Reserve	1,552,155
Net Worth as per Balance Sheet	890,567

Accounting Policies

The accounting policies are set out on pages 28 to 35. The requirement to adopt International Financial Reporting Standards with effect from 1 April 2010 will result in changes to policies and accounting treatment during 2010/11, however this will have no initial impact on council tax.

Acknowledgements

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

Christine Salter

City and County Treasurer

Date: 23 September 2010

GUIDE TO THE FINANCIAL STATEMENTS

The Core Single Entity Financial Statements comprise:

Income and Expenditure Account (Page 37)

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

Statement of Movement on the Council Fund Balance (Page 38)

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

Statement of Total Recognised Gains and Losses (STRGL) (Page 39)

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

Balance Sheet (Page 40)

The Balance Sheet summarises the Council's financial position as at 31 March 2010. Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in the ownership of the Council.

Cash Flow Statement (Page 42)

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

The Supplementary Single Entity Financial Statements comprise:

Housing Revenue Account Income & Expenditure Account (Page 95)

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

Pension Fund Accounts (Page 100)

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

The Group Accounts (Page 114)

The 2009 SORP requires local authorities with material interests in subsidiary and associated companies and joint ventures to prepare group accounts in addition to their single entity accounts.

GUIDE TO THE FINANCIAL STATEMENTS

The Group Accounts comprise:

Group Income and Expenditure Account
Reconciliation of the Single Entity Surplus/Deficit for the year to Group Surplus/Deficit

Group Statement of Total Recognised Gains and Losses

Group Balance Sheet

Group Cash Flow Statement

Trust Funds' Summary (Page 136)

Various bequests and donations are held in Trust Funds. Income generated from the investments is available for grants and awards in accordance with the objects of the relevant Trusts.

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Scope of Responsibility

1. Cardiff Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cardiff Council also has a duty under the Local Government Act 2003 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Cardiff Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirement of the Accounts and Audit (Wales) (Amendment) Regulations 2010.

The Council's Governance Framework

4. In April 2010 the Executive approved a Governance Framework for the authority. The framework is based on the CIPFA / SOLACE Guidance – Delivering Good Governance in Local Government Framework – at the heart of public services. A copy can be found on the Council's website under the Executive meeting papers.
5. The Governance Framework contains the overarching principles of good governance with supporting principles and the requirements to be met together with the evidence to demonstrate how the requirements are being met. An action plan identifies where further improvement actions are expected.
6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk and can therefore only provide reasonable, rather than absolute, assurance of effectiveness. The system of control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's aims and objectives, to evaluate the likelihood of those risks being realised, and the impact should they be realised, and to manage them efficiently, effectively and economically.
7. The following paragraphs summarise Cardiff Council's Governance Framework and how the authority has complied with the Framework. The framework reflects the arrangements in place to meet the six core principles of effective governance:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 - Members and officers working together to achieve a common purpose with clearly defined functions and roles
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 - Developing the capacity and capability of members and officers to be effective
 - Engaging with local people and other stakeholders to ensure robust public accountability

THE ANNUAL GOVERNANCE STATEMENT

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

8. Cardiff Council sets out its key priorities and performance measures in its Corporate Plan, linked to the Community Strategy prepared by the Council and its partners. The Corporate Plan provides direction for more detailed service area plans which set out the key objectives and risks associated with service delivery.
9. There is alignment between the Community Strategy, Corporate Plan, Improvement Plan, Service Area Business Plans, Risk Assessment and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements. The Council has in place a Strategic Transformational Change (STC) programme to undertake targeted reviews to drive further efficiencies to improve service delivery.
10. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. A Local Service Board comprising the Chief Executive Officers of key public service providers in the City meet bi-monthly to co-ordinate action to address specific challenging, service gaps or performance challenges.
11. The growing agenda for partnership working within Cardiff through the Local Service Board (LSB) and in order to prepare for the implementation of the Local Government (Wales) Measure, the Council has amended its approach for 2010 onwards. The Council has therefore participated in the development of 7 Citizen Outcomes with the LSB partners and has formally adopted these in the approach to strategic planning by structuring the Corporate Plan 2010/13 around these outcomes. To reflect the transformation nature of the Council an 8th outcome has also been included which specifically references and demonstrates the approach to working in partnership.
12. The Council has agreed a performance management framework based on these 8 outcomes and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order. The annual outturns against these indicators are submitted to the Welsh Assembly Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the Community Strategy for Cardiff, the Corporate Plan, individual Service Business Plans and individual staff performance assessments.
13. The Corporate Plan and individual Service Area Business Plans include key performance targets and these are monitored on a regular basis. Every quarter, each service area provides monitoring reports to the Corporate Management Board, and Executive with scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.
14. An annual Improvement Plan sets out the progress over the previous financial year in terms of:-
 - a review against the key objectives which will in future be based on the Council's contributions to delivering the 8 Outcomes
 - progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local indicators which will in future be based on the measures in the Corporate Plan
 - an assessment of the key risks

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- sets out the challenges for the future which in future will be part of the requirements of the Corporate Planning regime

15. The Local Government (Wales) Measure amends the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Plan will be discussed at Scrutiny, and Executive before being debated and approved by full Council prior to publication. Both Plans assist the Council in meeting the statutory obligations under the Local Government (Wales) Measure and form part of the Regulation and Inspection Regime undertaken by the Wales Audit Office on behalf of the Welsh Assembly Government. This regime was amended under the Measure and the Council will receive two assessments each year that will culminate in an overall picture of the 'ability to improve'. The assessment will be reported to the Audit Panel and the Policy Review and Performance Scrutiny Committee and the Executive Business Meeting.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

16. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It does this by appointing a Leader, who in turn appoints an Executive which has collective decision making powers. Additionally, the Council appoints a number of Committees to discharge regulatory and scrutiny functions. These leadership roles, and the delegation of responsibilities to officers, are set out in the Council's Constitution which is reviewed regularly by the Constitution Committee and recommendations made to Council.

17. The Council's constitution includes key sections which set out the particular roles and responsibilities of officers and members and provide clarity on the interfaces between these roles. These include:

- Scheme of Delegation;
- Members' Code of Conduct
- Employees' Code of Conduct
- Protocol on Member/Officer Relations
- Cardiff Undertaking - upon election all members sign "The Cardiff Undertaking" which underlines their duties to the city and its citizens.

18. The Council's constitution sets out the terms of reference for each of its committees.

19. An Audit Panel, the membership made up of 4 independent external members and 3 Councillors, provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements.

20. The Chief Executive leads the Council's officers and chairs the Corporate Management Board.

21. All staff, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.

22. The City & County Treasurer, who is also the Authority's Section 151 Officer, has overall responsibility for the financial administration of the Council. Finance staff provides advice and guidance to all services areas, where appropriate. All reports to the Council, the Executive and Committees are required to be considered from a financial perspective. All

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staff should be aware of the authority's Financial Procedure Rules and the Contract Standing Order and Procurement Rules.

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

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

24. The Council has defined its values – Accountability, Flexibility, Openness, Professional Integrity, Diversity, Working with Others and Respect. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how members and officers deliver their day to day roles. The Council's values have been actively communicated across the Council and the organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.

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

26. The Council takes fraud, corruption and maladministration very seriously and have the following policies to prevent, and deal with, such occurrences:

- Whistleblowing policy
- Anti Fraud and Anti Corruption Strategy
- HR policies regarding disciplinary of staff involved in such incidents;

27. Under the Anti Fraud and Anti Corruption Strategy all service area managers are required to notify the Audit and Risk Manager where there is any suspicion of fraud or impropriety, which helps to ensure a consistent and high standard of investigation is undertaken.

28. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Member conduct is monitored by the Standards and Ethics Committee.

29. The Council has a complaints policy which encourages the public and other stakeholders to complain where deemed necessary so that the Council can take remedial action and learn from past mistakes where those complaints are upheld.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

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

31. All decisions taken by Members are on the basis of written reports which include assessments of the legal and financial implications arising from the decision. Such reports also address the key risks involved in particular decisions and alternative courses of action which are available.

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32. Decisions are published in a Decisions Registers for the Executive, Senior Officers, and for the Regulatory Committees. These registers are published on the Council's website.
33. Five Scrutiny Committees operate to review various aspects of policy and have the facility to "call in" matters for Scrutiny and report back to the Executive and to Council. The Committees engage in selective "pre-decision" scrutiny, providing the Executive with reflections and recommendations to inform future decisions.
34. The Council's Risk Management Policy, Strategy and Methodology document was updated during 2008/09 and has introduced a standard approach to assessing and recording risks within the Authority. Following this update a number of presentations and workshops were facilitated to raise awareness and encourage a consistent approach to identifying, assessing and controlling risks. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Risk Management Policy, Strategy and Methodology document will be reviewed during 2010/11.
35. The Council has a Risk Management Steering Group which is made up of Chief Officers, a Member Risk Champion and dedicated officers from Internal Audit, Insurance and Risk Management, Scrutiny, Change and Efficiency, and Strategy and Partnerships. The Group oversees the development of risk management throughout the Council and a network of Service Area Risk Champions assist with identifying, assessing and managing risks.
36. A Strategic Corporate Risk Register is maintained, reviewed regularly and links with the Corporate Plan which incorporates strategic objectives. This forms the focus for Corporate Directors and Chief Officers, in identifying their business risks, as detailed in their Service Area Business Plans.
37. The authority appointed Marsh Ltd on 31st December 2009 as a strategic partner, whereby a senior partner will become a key advisor of the Corporate Management Board (CMB) providing effective advice and guidance to senior management as the STC programme develops, particularly in relation to risk. The partner should provide both independent challenge to the Cardiff risk management process and share with Cardiff their experience on the risks relating to both private and public management issues.
38. All major projects and programmes are required to develop and maintain a risk register as an integral part of the project management process.
39. Risk assessment has also become a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

Developing the capacity and capability of members and officers to be effective

40. The Council aims to ensure that Members and managers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.
41. The Council provides a member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary (scrutiny, decision making, chairing skills) elements.

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42. The Council operates a Personal Performance and Development programme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.
43. The Council provides targeted management development programmes including the Sustainable leader's programme, and is developing its approach to talent management
44. The system of financial management is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules within the Council's Constitution and a system of delegation and accountability.
45. Development and maintenance of the system is undertaken by managers within the Council. In particular, the system includes:-
- Forecasting and monitoring budgets on a periodic basis with regular financial reports which indicate actual and projected expenditure against the budget;
 - Setting targets to measure financial and other performance;
 - Clearly defined capital expenditure guidelines;
 - Formal project and programme management disciplines;
 - Managers are expected to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.
46. Financial Procedure Rules, Contract Standing Orders and Procurement Rules set out the structure for financial management in the Council and rules that need to be complied with in relation to all procurement and contracting matters.

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

47. The Council's planning and decision making processes are designed to include consultation with stakeholders and provide opportunities for the views of local people to inform decisions.
48. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda.
49. Elected members offer surgeries to their constituents and the Council is actively developing a model of Neighbourhood Management to facilitate the engagement of local people in the identification of local priorities and solutions.
50. The Council publishes a newsletter "Capital Times" which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.
51. The Council works extensively in partnership, with the Leader of the Council chairing the Proud Capital Vision Forum which provides the strategic leadership for community planning in the City and oversees the development of a long term vision to improve social, economic and environmental wellbeing. Over the next 12 months work is being undertaken to develop an 'Integrated Partnership Strategy' to bring together the components of the new Community Strategy; Children & Young People's Plan; Health, Social Care & Wellbeing Strategy and Community Safety Strategic Assessment to focus on the delivery of 7 Strategic Outcomes for Cardiff. The new Strategy will be informed by citizen consultation and by engagement with various stakeholder groups including young people and the Older Peoples' Forum.

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

53. The Council's decision making and scrutiny processes facilitate public involvement. Full Council meetings include a facility for public questions, and the Council's scrutiny committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address committees.

Review of Effectiveness

54. Under the Accounts and Audit (Wales) (Amendment) Regulations 2010, the Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control including the governance framework.

55. The review of the effectiveness of the system of internal control is informed by:-

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

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

An Internal Control Self Assessment

57. Annually Chief Officers complete a Senior Management Assurance Statement on internal control arrangements within their Service Area. They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process.

58. Building on previous work of the Statement on Internal Control, Internal Audit facilitated an update of the Significant Issues log from the 2008/09 Statement. Chief Officers were asked to consider any outstanding significant issues in the 2008/09 Statement and either close these, where action had been taken, or update them where the issues were still ongoing. Any new issues were to be captured on their Senior Management Assurance Statement. The issues log for 2008/09 had sixteen issues identified but many of these coincided with the Corporate Risk Register and it was felt that there was duplication in monitoring both documents through out the year. Issues identified for 2009/10 which also feature on the Corporate Risk Register will not be listed in the issues log but instead managed through the Corporate Risk Register review process.

External Audit and Inspection

59. The Annual Letter reports on audit and inspection work, including the arrangements for corporate management, performance management, financial management, financial standing, financial statements and legal matters. This is reviewed by the Audit Panel and presented to Scrutiny Committee and the Executive Business Meeting.

60. It is considered there are no matters of significance arising from this to merit inclusion in the Statement.

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Internal Audit

61. The Council operates an independent internal audit function whose role is to review internal control arrangements. This function operates under the requirements of the CIPFA Code of Practice for Internal Audit in Local Government in the UK.
62. The Audit & Risk Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control. He is responsible to the City & County Treasurer but has the authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members.
63. The Annual Audit report for 2009/10 has been prepared and presented to the Section 151 Officer and is to be presented to the Audit Panel at the next meeting in July 2010. This outlines internal control issues highlighted over the past 12 months. Each audit assignment provides management with assurance on controls and / or identifies areas where there is scope to improve the internal control environment.
64. It is considered there are no matters of significance which are not already referred to in the Corporate Risk Register or the significant governance issues as set out below.

Other Sources of Assurance

65. The minutes of the Scrutiny and Standards & Ethics Committees were reviewed and any significant control issues were identified.
66. An annual report on complaints is presented to the Executive and then to Scrutiny. The corporate complaints database and complaints dealt with by the Local Government Ombudsman were examined to identify any significant control issues.
67. Any significant issues identified have been incorporated into the Significant Governance Issues.

Significant Governance Issues

68. The following table highlights the significant issues arising from the review of internal control and details the action being taken to deal with them. As previously mentioned issues identified which also feature on the Corporate Risk Register are not listed below as they are managed through the Corporate Risk Register review process.

No.	Issue	Action	Responsible Officer
1	The Strategic Transformational Change (STC) Programme aims to deliver service improvements and secure savings that will enable the Council to address future budgetary issues through realignment mechanisms, resource switching and cash releasing savings.	Senior Responsible Officers and Project Managers have been identified for a range of priority strategic projects that will achieve service improvements and quantified benefits including cashable savings. A Benefit Realisation Framework has been prepared to ensure the benefits identified through the STC are delivered.	City & County Treasurer

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No.	Issue	Action	Responsible Officer
	<p>The importance of succession planning needs to be recognised through workforce planning.</p> <p>The Council is planning to engage strategic partnerships with the private sector which will require a new approach to contract management to minimise the risk to the Council.</p> <p>With a period of major change such as STC, it is vital to continue to maintain robust systems of financial control.</p> <p>Ensure that effective communication systems are in place.</p> <p>The Council's Capital Programme relies heavily on capital receipts' targets being achieved. There is a risk this will not be done.</p>	<p>A suite of Realignment Mechanisms to support the implementation of the STC programme e.g. reskilling / retraining / redeployment are being developed and will be submitted to Executive Business Meeting in the summer for consideration</p> <p>As each partner is procured a named officer will be designated as the Contract Manager and the Corporate Management Board will oversee the effectiveness of governance arrangements.</p> <p>Reminders to chief officers of the need to be aware of potential issues together with increased monitoring activities.</p> <p>Communication Strategy and Plans are being prepared for STC.</p> <p>Every effort shall be made to realise capital receipts and the position monitored and reported on a regular basis. Best value must then be sought from the capital assets. The STC programme may in the future deal with this under the land and property option.</p>	<p>Chief People & Organisational Development Officer</p> <p>Corporate Management Board</p> <p>City & County Treasurer</p> <p>Chief People & Organisational Development Officer</p> <p>City & County Treasurer</p>
2	<p>The STC project has identified significant "off contract" spend in relation to building maintenance supplies and services.</p>	<p>A Category Management project has been initiated to address the issues.</p>	<p>Chief Officer Direct Services</p>
3	<p>Resources require SMART prioritisation across the Council to avoid issues which could have health and safety, reputation, financial and/or service delivery implications.</p>	<p>Continuous review of work priorities primarily on H&S criteria, client vulnerability etc. Review of contract arrangements.</p>	<p>All Chief Officers</p>
4	<p>Following agreement of a revised Data Protection Policy and Information Management</p>	<p>Information Risk assessment will be mainstreamed into the business planning process from April 2011</p>	<p>Information Manager</p>

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No.	Issue	Action	Responsible Officer
	<p>Strategy in February the need to monitor Information Governance and Risk was identified, to include a formal mechanism for reporting and managing information risk incidents.</p> <p>Introduction of a formal mechanism for reporting and managing information risk incidents and incorporation of Information Risk assessment into business planning processes remains outstanding from 2009-10.</p>	<p>onwards and a formal incident reporting procedure will be introduced by July 2010.</p>	
5	<p>Responsibility for the maintenance and management of CIS is unassigned following deletion of the corporate Quality manager post. There is no corporate co-ordination, communication or training on CIS usage, or how to deal with organisational restructuring within CIS, and duplication of procedures across new services areas is increasing. Proliferation of stale information is creating a significant burden e.g. there are currently nearly 2000 unresolved IACTS some going back as far as 2002. Very significant amounts of time and resource are clearly being wasted in managing the current operational requirements in the absence of corporate guidance.</p> <p>If changes are to be made to CIS it is entirely unclear who is responsible for drawing up any Statement of Requirements.</p>	<p>A decision and guidance on the future development of CIS is required (or if it is to be discontinued on the interim arrangements) with clearly defined governance arrangements, technical assistance and training, and improved communication. Whilst a decision has been made to discontinue external BSI accreditation clear guidance is required as to whether the Council still seeks to have a “single management system: to enable and assist the Council to consistently provide services that meet customer, stakeholder and regulatory requirements; and, to enhance customer satisfaction through continual improvement”</p>	Information Manager
6	<p>Audit investigation during the year has identified significant financial discrepancies in highway operations, resulting</p>	<p>A disciplinary investigation has been instigated, involving internal audit, and risk to authority reduced by suspension of staff alleged to</p>	Chief Officer Highways & Waste Management

THE ANNUAL GOVERNANCE STATEMENT

No.	Issue	Action	Responsible Officer
	<p>from apparent opportunity fraud.</p>	<p>have carried out fraud.</p> <p>Matter reported to Police by means of Police Referral policy, and Police investigation currently ongoing.</p>	<p>Officer</p>
7	<p>The Council faces significant financial penalties if they fail to meet the local authority error threshold for benefits processing as set by the DWP. To meet this target the service needs to keep the benefit workload up to date.</p> <p>The current economic climate has increased benefit claimants by 27%, particularly private benefit claimants whose claims are more complex to assess.</p> <p>There is a need to ensure that sufficient, trained resources are available to deal with the increase in workload and meet the accuracy targets.</p>	<p>The number of benefit officers has been increased to deal with the increase in workload. Funding for this has been provided by the DWP.</p> <p>The incoming and outstanding workload will be monitored carefully, and plans are in place to deal with any backlog of work that may arise.</p>	<p>Chief Housing & Neighbourhood Renewal Officer</p>

THE ANNUAL GOVERNANCE STATEMENT

Monitoring

69. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Certification by Leader of the Council and the Chief Executive

70. The Governance Framework was considered by the Council's Independent Audit Panel at their March 2010 meeting and later taken to the Executive Business Meeting 8 April 2010. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Corporate Directors and Chief Officers.

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

72. On the basis of this process, the legal and financial advice of the statutory officers, and the Council's policies and working arrangements we certify that we approve the Annual Governance Statement 2009/10.

Councillor Rodney Berman
Leader of the Council

Date: 23 September 2010

Tom Morgan
Acting Chief Executive

Date: 27 August 2010

73. Based on the assurances from the Acting Chief Executive, I am satisfied that for the period 1 April 2009 to 31 March 2010 a sound system of internal control was in place which supported the Council's aims and objectives. Over the coming year I will take steps to address the governance issues listed above to further enhance our governance arrangements. On the basis of the process carried out I approve the Annual Governance Statement 2009/10.

Jon House
Chief Executive

Date: 23 September 2010

STATEMENT OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council for 2009/10 that officer was Christine Salter, City and County Treasurer who holds the statutory post of Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts

Councillor Keith Hyde
Lord Mayor

Date: 23 September 2010

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2009 ('the 2009 SORP')

In preparing these financial statements, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the 2009 SORP.

The Chief Finance Officer has also:

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

The Chief Finance Officer's Certificate

The financial statements for Cardiff Council give a true and fair view of the financial position of the authority at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Christine Salter
City and County Treasurer

Date: 23 September 2010

AUDITOR'S REPORT

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

I have audited the accounting statements and related notes of:

- the County Council of the City and County of Cardiff;
- the County Council of the City and County of Cardiff Group; and
- Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's accounting statements comprise the Income and Expenditure Account, Statement of Movement on Council Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet, Cash Flow Statement, Housing Revenue Account Income and Expenditure Account and Statement of Movement on Housing Revenue Account Balance.

The County Council of the City and County of Cardiff's Group accounting statements comprise Group Income and Expenditure Account, Reconciliation of the Single Entity Income and Expenditure Account Surplus or Deficit to the Group Income and Expenditure Account Surplus or Deficit, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet and Group Cash Flow Statement.

Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to The County Council of the City and County of Cardiff in accordance with Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in the *Statement of the Responsibilities* prepared by the Auditor General for Wales.

Respective responsibilities of the responsible financial officer and the independent auditor

The responsible financial officer's responsibilities for preparing the statement of accounts, including the group and the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009:

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

AUDITOR'S REPORT

I review whether the Governance Statement reflects compliance with 'Delivering Good Governance in Local Government: Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 Governance Statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the local government body's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the County Council of the City and County of Cardiff as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2010 and its income and expenditure for the year then ended.

Opinion on the accounting statements of Cardiff and Vale of Glamorgan Pension Fund

In my opinion the pension fund accounts and related notes give a true and fair view, in accordance with relevant legal and regulatory requirements and the Statement of

AUDITOR'S REPORT

Recommended Practice on Local Authority Accounting in the United Kingdom 2009, the financial transactions of Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2010 and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year.

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

My conclusion on the County Council of the City and County of Cardiff's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010 will be reported separately in the published Annual Audit Letter.

Certificate

I have carried out the audit of the accounts of the County Council of the City and County of Cardiff in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales. However, I cannot formally conclude the audit and issue the certificate until I have considered a matter which has recently been brought to my attention. I am satisfied that the issue that I am considering will not have a material effect on the accounting statements.

Anthony Barrett

Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Date: 29 September 2010

Electronic Publication of financial statements

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

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

1. General

The general policies adopted in compiling the financial statements are those recommended by the CIPFA/LASAAC Joint Committee in The Code of Practice on Local Authority Accounting in the United Kingdom 2009 'A Statement of Recommended Practice' (the 2009 SORP). Unless otherwise indicated the financial statements take into account the fundamental concepts as stated in FRS18.

The Income and Expenditure Account has been prepared in accordance with the CIPFA Best Value Accounting Code of Practice 2009 (BVACOP).

2. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised. In the case of computer software this will be capitalised where it relates to the enhancement or development of corporate systems, expenditure on which is deemed to generate long-term economic benefits to the authority in the form of savings and improvements in service delivery. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Intangible assets are included in the balance sheet at historic cost net of amortisation and are re-valued only where they have a readily ascertainable market value.

3. Tangible Fixed Assets

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.

Recognition: expenditure on the acquisition or enhancement of fixed assets is capitalised on an accruals basis provided that the fixed asset yields benefit to the Council and the services it provides, for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the assets into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and properties are included in the balance sheet at depreciated replacement cost if there is no established market for that type of property; otherwise they are valued at open market value for existing use.
- Council dwellings are included on the balance sheet at Existing Use Value for Social Housing (EUV-SH). This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller on the assumption that the property will continue to be let and used for social housing
- Investment properties and assets that are surplus to requirements are included in the balance sheet at market value.
- Community assets, such as parks, open spaces, art and civic regalia are included in the balance sheet at historic cost and depreciated replacement cost for other assets.

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

- Infrastructure assets and vehicles, plant, furniture and equipment are included in the balance sheet at depreciated historic cost in line with current guidance. The SORP does not permit revaluation of infrastructure assets. This results in a number of infrastructure assets being included on the balance sheet at nil/negligible value. This does not represent the true value and size of infrastructure assets.
- Assets under construction are valued at historic cost.

Non-operational assets (investment properties and surplus assets) of the Council were re-valued during 2009/10 with reference to a valuation date of 1 April 2009, by the Chartered Surveyors within the Strategic Estates Division of the Council. Future revaluations are to be based on a rolling programme with Council dwellings and school property assets due for revaluation during 2010/11.

Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains. The revaluation reserve contains revaluation gains recognised since 1 April 2007 only (the date of its formal implementation). Gains arising before that date were consolidated into the Capital Adjustment Account in 2007/08. Decreases in value arising from a revaluation are treated as impairment, as set out below.

Impairment: assets are reviewed at the end of each financial year in conjunction with service areas for evidence of reductions in value.

Where impairment is identified as part of this review, or as a result of a revaluation exercise, the loss is firstly written off against any revaluation gain balance existing for the relevant asset in the Revaluation Reserve. Any loss in excess of this balance is charged to the relevant service revenue account.

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 any carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Depreciation: depreciation is provided for on all assets with a determinable finite life except for investment properties and properties surplus to requirements, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use as identified below:

Asset category	Initial Useful Life
	Years
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings *	3-125
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure **	10-120
Community Assets	n/a
Non-operational Assets	n/a

* Included within Buildings is City Hall with an initial useful life of 125 years

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

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

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

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

Depreciation has no impact on the amount to be met by government grant and local taxpayers in the Income and Expenditure Account. A contribution from the Capital Adjustment Account is made to the Income and Expenditure Account to ensure that only the prudent revenue provision for repayment of external loans is charged in accordance with regulation.

Grants and contributions: where the acquisition of a fixed asset is financed either wholly or in part by a government grant or contribution, the amount of the grant or contribution is credited initially to the Government Grants and Contributions - Deferred Account. Amounts are released to revenue over the useful life of the asset. Government grants and other contributions are accounted for on an accruals basis only when there is reasonable certainty of their receipt.

4. Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but which does not result in the creation of fixed assets, has been charged as expenditure to the relevant service revenue accounts in the year. The revenue accounts are also credited with any grants or contributions received. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account reverses out the amounts charged in the Statement of Movement on the Council Fund Balance so that there is no impact on the Council Tax.

5. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. As the Council doesn't have any variable rate loans or loans at stepped interest rates, the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued at year-end. Interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Premiums or Discounts incurred on the extinguishment of debt are charged immediately to the Income and Expenditure Account, with Regulation being used to mitigate the financial impact on the council taxpayer by an adjustment from the Financial Instruments Adjustment Account.

Where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and amortised to the Statement of Movement on the Council Fund Balance in accordance with statutory regulation.

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

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

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

6. Financial Assets

Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- investments at fair value – assets that have a quoted market price and/or do not have fixed or determinable payments.
- fair value through profit and loss – assets that are held for trading (surplus funds invested by an external cash manager on the Council's behalf).

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

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

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

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

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

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

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

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

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

Interest and Investment Income on financial assets is recognised in the Income and Expenditure Account on an accruals basis, applying the effective rate of interest to the amortised cost of the asset. Dividends are credited to the Income and Expenditure Account when the right to receive the payment is established.

7. Stocks

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

8. Debtors and Creditors

The revenue and capital transactions of the Council are recorded on an accruals basis. Where there was insufficient information available to provide actual figures, estimates have been included although this element is not significant.

9. Capital Receipts

All receipts from the disposal of assets are held in the usable capital receipts reserve until such time as they are used as a prudent provision for the repayment of loans or to finance capital expenditure. Where sums are due but not yet received they are treated as deferred capital receipts.

10. Provisions

Provisions are made when the Council has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation but the timing of the settlement is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision which is held on the Balance Sheet. Estimated settlements are reviewed at the end of each financial year, and provisions that are no longer required are credited back to the relevant service revenue account.

The Council has made a provision for the costs of settling outstanding claims in respect of Equal Pay back pay. Statutory arrangements allow settlements to be financed from the Council Fund in the year that payments actually take place, not when the provision is established. The provision is therefore matched by an Equal Pay Back Pay Account that will be debited to the Statement of Movement on the Council Fund Balance in future financial years as payments are made.

11. Earmarked Reserves

Sums set aside by the Council for future policy purposes or to cover contingencies and which do not fall within the definition of a provision are classified as earmarked

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

reserves. Reserves are created by appropriating amounts in the Statement of Movement on the Council Fund Balance. When the expenditure to be financed by the reserve is incurred, it is charged to the appropriate revenue account in that year and the reserve is then appropriated back, either in full or in part, into the Council Fund Balance statement so that there is no net charge against Council Tax in respect of the expenditure.

12. Leasing

Rentals payable under operating leases are charged to the relevant service revenue account on an accruals basis. The charges are made evenly throughout the period of the lease in accordance with SSAP21.

13. Overheads and Support Services Costs

The costs of overheads and support services are charged to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Code of Accounting Practice 2009. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

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

14. Interest and Investment Income

During the year, temporary cash balances were invested in order to earn interest. A proportion of the cash balances invested is held on behalf of third parties or is legally required to be kept separate. Interest based on these balances has been paid to the relevant third parties accordingly. The remaining interest has been credited to the Income and Expenditure Account.

15. Pensions

The Council participates in two different pension schemes:

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

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

Defined Benefit Schemes

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

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

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

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

- the attributable assets of the scheme have been valued at bid price
- the attributable liabilities have been measured on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- the expected return on assets is based on the long-term expectations at the beginning of the period
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2009/10 are the full costs relating to early retirements granted in the year which have been calculated as the special contributions payable into the fund adjusted for the financial assumptions used under FRS17 to represent the approximate cost of the increase in benefits granted to members under FRS17

Defined Contribution Schemes

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

16. Value Added Tax

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

17. Insurance

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

STATEMENT OF MAIN POLICIES ADOPTED IN COMPILING THE FINANCIAL STATEMENTS

position of individual establishments and service areas. These risks have been selected for insurance after consultation with the Council's insurance brokers. Charges are made to service areas on the basis of the assets insured for vehicle and property related insurances and on the basis of claims' experience for public and employers' liability insurances.

18. Interests in Companies and Other Entities

The Council has material interests in companies and other entities such that it is required to produce group accounts. In the Council's own single entity accounts, the interests in companies are recorded as investments.

19. Contingent assets and liabilities

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

20. Exceptional Items

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

21. Non Domestic Rates

The 2009 SORP introduced an amendment whereby authorities are required to treat the collection of Non Domestic Rates (NDR) as an agency arrangement on behalf of the Welsh Assembly Government (WAG). This is a change in accounting policy. With effect from 2009/10 a net debtor is shown in the balance sheet which represents the amount by which the cash paid over to WAG exceeds the amount collected from ratepayers. In the Cashflow Statement, the movement on the NDR agency debtor is now disclosed under Management of Liquid Resources rather than within Revenue Activities.

This has necessitated a prior period adjustment in respect of the 2008/09 comparative figures. NDR debtor and creditor balances with ratepayers and the provision for bad debts are not the assets and liabilities of the Council. They have therefore been derecognised on the 2008/09 balance sheet and replaced with a debtor which represents the net amount due to the Council from the NDR Pool. Similarly, in the Cashflow Statement, NDR cashflows within Revenue Activities have been derecognised and recognised within Management of Liquid Resources.

22. Joint Committees

Councils who are members of joint committees are required to include within their Income and Expenditure Account and Balance Sheet the relevant proportion of the transactions and balances of the Joint Committee. Cardiff Council has complied with this requirement in respect of the following three Joint Committees for which it is lead authority:

- Glamorgan Archives Joint Committee
- Prosiect Gwyrdd Joint Committee
- Welsh Purchasing Consortium Joint Committee.

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2010**

2008/09 Net Expenditure (restated) £000		Note	Expenditure £000	Income £000	2009/10 Net Expenditure £000
5,114	Central Services		42,100	(37,236)	4,864
144,074	Cultural, Environmental, Regulatory & Planning Services (CER&P)		168,925	(59,165)	109,760
300,401	Children's & Education Services		341,202	(80,184)	261,018
40,851	Highways & Transport Services (H&T)		75,312	(32,449)	42,863
374,218	Local Authority Housing		61,672	(57,158)	4,514
8,597	Other Housing Services		145,542	(138,689)	6,853
80,888	Adult Social Care		119,566	(39,683)	79,883
10,372	Corporate & Democratic Core		10,761	(706)	10,055
1,700	Non Distributed Costs		4,450	0	4,450
(5,641)	Exceptional Items		0	0	0
960,574	Net Cost of Services	2	969,530	(445,270)	524,260
(760)	(Gain)/loss on sale of fixed assets				(1,483)
(30)	(Gain)/loss on sale of investments				0
18,544	South Wales Police Authority precept	4			19,630
200	Community Council Precepts	4			202
15,892	Levies & Contributions	4			18,206
22,129	Interest Payable & similar charges				21,824
(9,603)	Interest & Investment Income				(3,392)
19,350	Pensions Interest cost & expected return on pensions assets	16			33,670
1,026,296	Net Operating Expenditure				612,917
(280,721)	Revenue Support Grant				(291,755)
(84,030)	Non-Domestic Rates	7			(87,100)
(13,269)	Other Central Grants				(14,421)
(131,205)	Council Tax Income	6			(138,291)
517,071	(Surplus) / Deficit for the Year				81,350

The 2008/09 figures have been restated to reflect the requirement to include the South Wales Police Authority precept in expenditure and in Council Tax income.

STATEMENT OF MOVEMENT ON THE COUNCIL FUND BALANCE

Statement of Movement on the Council Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different basis, the main differences being:

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

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

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

2008/09 £000		Note	2009/10 £000
517,071	(Surplus)/Deficit for the year on the Income & Expenditure Account		81,350
(518,348)	Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the Council Fund Balance for the year	1	(81,135)
(1,277)	(Increase)/Decrease in Council Fund Balance for the year		215
(10,038)	Council Fund Balance brought forward		(11,315)
(11,315)	Council Fund Balance carried forward		(11,100)

Schools Balances

The Council Fund Balance does not include balances held by schools under local management schemes. Schools balances totalling £5.593m at 31 March 2010 (£6.797m at 31 March 2009) are included in schools' earmarked reserves (note 28.5).

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all of the gains and losses of the Council for the year and shows the aggregate (increase)/decrease in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and available-for-sale financial assets and the re-measurement (in accordance with FRS17) of the net liability to cover the cost of retirement benefits. Further details are given in Note 28 to the Core Financial Statements.

2008/09		2009/10
£000		£000
517,071	(Surplus)/deficit on the Income and Expenditure Account for the year	81,350
(114,893)	(Surplus)/Deficit arising on the revaluation of fixed assets	(17,071)
0	(Surplus)/Deficit arising on revaluation of available-for-sale financial assets	1,500
154,010	Actuarial (gains)/losses on pension fund assets and liabilities	159,860
184	Other gains and losses required to be included in the STRGL	(49)
556,372	Total recognised (gains)/losses for the year	225,590

The Council's 31 March 2009 Balance Sheet has been restated to include Cardiff's share of the assets and liabilities of two Joint Committees: Glamorgan Records Office and Prosiect Gwyrdd. This had the effect of increasing the Council's Net Worth for the 2008/09 financial year from £1,115.949 million to £1,116.157 million. The recognised gains and losses for 2009/10 represent the decrease in Net Worth compared to the restated figure.

BALANCE SHEET AS AT 31st MARCH 2010

31 March 2009 (restated) £000		Note	31 March 2010	
			£000	£000
118	Fixed Assets	18		
	Intangible Fixed Assets			296
	Tangible Fixed Assets			
	Operational Assets:			
725,291	Council Dwellings		725,053	
801,092	Other Land and Buildings		837,758	
7,702	Vehicles, Plant, Furniture & Equipment		9,625	
343,889	Infrastructure		343,021	
35,623	Community Assets		36,946	
	Non-Operational Assets:			
84,177	Investment Properties		89,050	
74,823	Surplus assets		56,326	
				2,097,779
28,151	Assets under construction			21,126
2,100,866	Total Fixed Assets			2,119,201
55,551	Long-term Investments	19	54,579	
2,794	Deferred Debtors		4,355	
58,345				58,934
2,159,211	Total Long Term Assets			2,178,135
	Current Assets			
2,838	Stocks		2,849	
62,838	Debtors	20	67,862	
64,973	Investments	19	55,661	
11,684	Cash and Bank	22	2,848	
142,333	Total Current Assets			129,220
	Current Liabilities			
(13,564)	Loans due within one year	19	(6,429)	
(73,845)	Creditors	23	(74,837)	
0	Bank overdraft	22	0	
(87,409)	Total Current Liabilities			(81,266)
2,214,135	Total Assets less Current Liabilities			2,226,089
(393,874)	Long Term Borrowing	19	(413,815)	
(26,124)	Provisions and Deferred Liabilities	25	(21,804)	
(183,275)	Government Grants – Deferred Account	26	(223,538)	
(16,715)	Contributions/Capital Balances Unapplied	27	(14,777)	
(477,990)	Net Pensions Liability		(661,588)	
(1,097,978)				(1,335,522)
1,116,157	Total Assets less Liabilities			890,567
	Financed by:	28		
1,408,888	Capital Adjustment Account			1,353,544
(4,420)	Financial Instruments Adjustment Account			(4,078)
110,764	Revaluation Reserve			124,848
25,000	Available-for-Sale Financial Instruments Reserve			23,500
3,767	Usable Capital Receipts Reserve			2,519
285	Deferred Capital Receipts			1,115
(477,990)	Pensions Reserve			(661,588)

BALANCE SHEET AS AT 31st MARCH 2010

31 March 2009 <i>(restated)</i> £000		Note	31 March 2010	
			£000	£000
11,315	Council Fund Balance			11,100
4,931	Housing Revenue Account Balance			6,152
35,964	Earmarked Reserves			35,802
(2,347)	Equal Pay Back Pay Reserve			(2,347)
1,116,157	Total Net Worth			890,567

The following items have been restated for the 2008/09 Balance Sheet to provide meaningful comparators for the current year:-

- The debtors and creditors related to NDR have been restated as a single debtor in line with the change of accounting policy.
- All accrued interest payable/receivable on borrowings/investments has now been reclassified as short term.
- The amounts due in the next 12 months for Car Loans and Welsh Water debt have been reclassified from Deferred Debtors to Debtors.
- Cardiff's share of the 2008/09 Balance Sheet of the Glamorgan Archives Joint Committee is now fully reflected in the 2008/09 Balance Sheet.

CASH FLOW STATEMENT

2008/09 (restated) £000		2009/10	
		£000	£000
	REVENUE ACTIVITIES		
	Cash outflows		
418,249	Cash Paid to and on Behalf of Employees	433,197	
64,290	Housing Benefits paid out	79,398	
34,636	Precepts paid	36,099	
12,684	HRA Subsidy paid	14,500	
341,381	Other Operating Costs	347,407	
871,240			910,601
	Cash inflows		
(280,721)	Revenue Support Grant	(291,755)	
(109,434)	Council Tax Receipts	(113,563)	
(13,458)	Council House Rents (after rebates)	(13,295)	
(84,030)	NDR Receipts from National Pool	(87,100)	
(98,981)	Housing Benefit Subsidy	(116,500)	
(129,826)	Other Government Grants	(134,223)	
(189,216)	Cash Received for Goods and Services	(188,339)	
(905,666)			(944,775)
(34,426)	NET REVENUE ACTIVITIES CASH FLOW		(34,174)
	RETURNS ON INVESTMENTS & SERVICING OF FINANCE		
	Cash outflows		
22,131	Interest Paid	21,968	
	Cash inflows		
(9,880)	Interest Received	(6,219)	
(250)	Dividends Received	(320)	
12,001			15,429
	CAPITAL ACTIVITIES		
	Cash outflows		
82,849	Purchase of Fixed Assets	95,983	
31,530	Revenue Expenditure Funded from Capital Under Statute	14,987	
0	Purchase of Long Term Investments	442	
114,379			111,412
	Cash inflows		
(7,818)	Sale of Fixed Assets	(3,721)	
(38,293)	Capital Grants Received	(61,795)	
(3,468)	Other Capital Contributions Received	(3,637)	
(49,579)			(69,153)
	ACQUISITIONS & DISPOSALS		
	Cash inflows		
(1,000)	Sales of investments in subsidiary undertakings	0	
			0
41,375	NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING		23,514
	MANAGEMENT OF LIQUID RESOURCES		
(54,956)	Net Increase/(Decrease) in Short Term Deposits	(6,159)	
(1,076)	Net Increase/(Decrease) in Other Liquid Resources	4,353	
(56,032)			(1,806)

CASH FLOW STATEMENT

	FINANCING		
	Cash outflows		
10,132	Repayments of Amounts Borrowed	7,128	
	Cash inflows		
0	New Loans Raised	(20,000)	
(7,000)	New Short Term Loans	0	
3,132			(12,872)
(11,525)	(INCREASE)/DECREASE IN CASH		8,836

The 2008/09 comparative figures have been restated to reflect the change in accounting policy in respect of the collection of Non Domestic Rates.

NOTES TO THE CORE FINANCIAL STATEMENTS

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

2008/09 £000		2009/10 £000
	Amounts in the Income & Expenditure Account but required by statute to be excluded when determining the Movement on Council Fund Balance for the year:	
(524,570)	Depreciation, amortisation and impairment of fixed assets	(88,922)
10,060	Government Grants deferred amortisation matching depreciation and impairments	11,940
(22,538)	Revenue expenditure funded from capital under statute	(4,693)
760	Net gain/(loss) on sale of fixed assets	1,483
(42,750)	Net FRS 17 based pension costs included in the Income and Expenditure Account	(61,820)
(579,038)		(142,012)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Council Fund Balance for the year:	
14,358	Prudent provision for repayment of external loans	16,661
10,487	Capital expenditure charged to Council Fund Balance	4,473
36,020	Employers contributions to the Pension Fund and benefits paid direct to pensioners	38,082
342	Amortisation of premiums/discounts	342
61,207		59,558
	Transfers to/(from) the Council Fund Balance that are required to be taken into account when determining the Movement on the Council Fund Balance for the year:	
(404)	Transfer to/(from) the HRA balance	1,221
632	Net transfer to /(from) earmarked reserves	(162)
(262)	Net transfer to /(from) HRA earmarked reserves	0
517	Net transfer to/(from) Capital Reserves	260
(1,000)	Transfer to/(from) Available-for-Sale Reserve	0
(517)		1,319
(518,348)	Total to be debited/(credited) to Council Fund Balance	(81,135)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

The Net Cost of Services as reported in the Income and Expenditure Account has been provided in the Service Expenditure Analysis as defined in BVACOP, in order to comply with the requirements of the 2009 SORP.

The table below shows an analysis of Net Cost of Services based on the Council's own service structure. This table complies with the requirements of the SORP and with the BVACOP concept of 'total cost'.

Due to a restructuring of Council Services in 2009/10 the 2008/09 comparative figures have been restated in the 2009/10 structure.

2008/09 Net Expenditure (restated) £000		Expenditure £000	Income £000	2009/10 Net Expenditure £000
79,863	Adult Services	116,255	(35,402)	80,853
38,195	Children's Services	46,652	(7,365)	39,287
5,533	Citizen Services	9,133	(3,819)	5,314
56,802	Corporate Management	25,920	(5,476)	20,444
9,826	Corporate Services	31,242	(8,270)	22,972
37,000	Culture, Leisure & Parks	48,977	(18,578)	30,399
25,455	Economy, Enterprise & Infrastructure	40,384	(13,556)	26,828
3,287	Harbour & Associated Activities	15,158	(11,520)	3,638
55,336	Highways & Waste Management	78,909	(28,528)	50,381
9,941	Housing & Neighbourhood Renewal	181,234	(173,422)	7,812
374,218	Housing Revenue Account	61,672	(57,158)	4,514
257,425	Schools & Lifelong Learning	289,209	(73,331)	215,878
208	Shared Services	449	(232)	217
11,426	Strategic Planning & Environment	19,886	(8,613)	11,273
1,700	Non Distributed Costs (FRS17)	4,450	0	4,450
(5,641)	Exceptional Item	0	0	0
960,574	Net Cost of Services	969,530	(445,270)	524,260

NOTES TO THE CORE FINANCIAL STATEMENTS

3. Harbour Authority & Associated Activities

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

2008/09 £000	Harbour Authority Income & Expenditure Account	2009/10 £000
	Income	
(9,392)	Government Grants	(9,417)
(490)	Fees and Charges	(613)
(1,488)	Credit for Deferred Grants/Contributions	(1,490)
(11,370)	Total Income	(11,520)
	Expenditure	
3,271	Employees	3,293
1,883	Premises	2,286
210	Transport	391
3,764	Supplies and Services	3,324
616	Support Services	605
4,913	Depreciation	5,259
14,657	Total Expenditure	15,158
3,287	Net Expenditure for the year	3,638
	Appropriations from reserves:	
	Contributions to/(from) Capital Financing Reserve in respect of	
(4,913)	- Depreciation charged to income & expenditure	(5,259)
1,488	- Release of Government Grants re depreciation	1,490
0	- Capital expenditure funded from revenue resources	2
138	Contributions to/(from) Pensions Reserve	129
0	(Surplus)/Deficit for the year	0

NOTES TO THE CORE FINANCIAL STATEMENTS

31 March 2009 £000	Harbour Balance Sheet	31 March 2010	
		£000	£000
	Fixed Assets		
4,044	Land and Buildings	5,147	
289	Vehicles, Plant, Furniture & Equipment	186	
188,768	Infrastructure	184,024	
1,159	Community Assets	1,159	
6,504	Non Operational Assets	660	
200,764	Total Fixed Assets		191,176
	Current Assets		
982	Stocks and Work in Progress	992	
17	Debtors	21	
192	Cash	1,115	
1,191	Total Current Assets		2,128
	Current Liabilities		
(173)	Creditors	(674)	
(1,384)	Grant Account	(1,455)	
(1,557)			(2,129)
200,398	Total Assets less Current Liabilities		191,175
(27,283)	Government Grants – Deferred Account	(20,390)	
0	Provisions & Deferred Liabilities	0	
(27,283)			(20,390)
173,115	Total Assets less Liabilities		170,785
171,948	Capital Adjustment Account	168,528	
1,167	Revaluation Reserve	2,257	
173,115	Total Net Worth		170,785

NOTES TO THE CORE FINANCIAL STATEMENTS

4. Precepts and Levies

	2008/09 £000	2009/10 £000
Precepts		
South Wales Police Authority	18,544	19,630
Community Councils:		
Lisvane	24	24
Pentyrch	67	71
Radyr	62	60
St Fagans	15	15
Old St Mellons	20	20
Tongwynlais	12	12
	18,744	19,832
Levies & Contributions		
South Wales Fire & Rescue Service	15,577	17,854
Caldicot & Wentlooge Drainage Board	157	162
Cardiff Port Health Authority	134	166
Newport Health Authority	4	4
South Wales Sea Fisheries Committee	20	20
	15,892	18,206

With effect from 2009/10 precepts collected on behalf of the South Wales Police Authority are shown in the Income and Expenditure Account following clarification in the 2009 SORP.

The South Wales Fire Service levy shown above is made up of the actual payment in the year of £15.915 million plus a technical adjustment of £1.939 million. The latter relates to an adjustment which was made to the 2007/08 accounts as a result of advice from the Wales Audit Office to Combined Fire Authorities in Wales that they should remove all accumulated reserves from their balance sheets. The Council recognised £1.939 million, being the estimated sum which would be due, in its income and expenditure account and in its balance sheet as a debtor. New legislation introduced during 2009/10 enables Combined Fire Authorities to hold reserves and as a result the amount credited to Income & Expenditure in 2007/08 has been reversed. This adjustment is for accounting purposes only and has no impact on the actual sums paid.

5. Participation in Joint Committees

During 2009/10 the Council was lead authority for three Joint Committees: Glamorgan Archives Joint Committee which is responsible for the management and administration of the Glamorgan Records Office (GRO).

Prosiect Gwyrdd, a new Joint Committee set up during 2009/10, which has been established in order to jointly procure a residual waste treatment facility.

The Welsh Purchasing Consortium (WPC) has been established to support the Member Authorities in delivering joint, collaborative contracts and framework agreements for the procurement of goods and services.

For 2009/10 the revenue contributions made to these Committees were: Glamorgan Archives £286,656 (£257,645 in 2008/09); Prosiect Gwyrdd £155,740; Welsh Purchasing Consortium £14,892 (£14,892 in 2008/09).

The Council has included its share of the transactions and balances of each Joint Committee in its 2009/10 accounting statements on a line-by-line basis.

NOTES TO THE CORE FINANCIAL STATEMENTS

6. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the police authority for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's council tax base for 2009/10 was 134,134 (133,052 for 2008/09).

The amounts for a band D property in Cardiff during 2009/10 were as follows:

Band D Council Tax:	2008/09 £	2009/10 £
Cardiff Council	843.20	879.78
South Wales Police Authority	139.38	146.35
TOTAL	982.58	1,026.13

The above amount (£1,026.13) is multiplied by the proportion specified for the particular band (see table below) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from council tax:

	2008/09 £000	2009/10 £000
Council Tax collectable	133,247	140,753
Provision for non-payment of Council Tax	(2,042)	(2,462)
	131,205	138,291

The prior year comparative figures have been restated to include the Council Tax precept collected on behalf of South Wales Police Authority.

7. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (48.9p in 2009/10 and 46.6p in 2008/09) and, subject to the effects of transitory arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the WAG. The sums collected are redistributed back to local authorities on the basis of a fixed amount per head of population.

The NDR income, after relief and provision, of £150,253,350 for 2009/10, (£153,527,036 for 2008/09) was based on a total rateable value of £393,419,288 for the year (£373,139,699 for 2008/09).

NOTES TO THE CORE FINANCIAL STATEMENTS

Analysis of the net proceeds from non-domestic rates:

	2008/09 £000	2009/10 £000
Non-Domestic Rates collectable	153,527	150,253
Cost of collection allowance	(751)	(755)
Provision for non payment of NDR	(1,515)	(2,068)
Payment into national pool	151,261	147,430
Redistribution from national pool	(84,030)	(87,100)

8. Agency Income & Expenditure

During 2009/10, the Council carried out work on behalf of the South Wales Trunk Road Agency under an agency agreement. The Council is fully reimbursed for this work, including a contribution towards administrative costs. The total reimbursement received in 2009/10 was £961,980 (£1,157,863 in 2008/09).

9. Remuneration

9.1 The Accounts and Audit (Wales) (Amendment) Regulations 2010 requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The table below includes all staff who fall within this category including teaching staff and those whose remuneration is disclosed in more detail in note 9.2.

The figures include all taxable remuneration received in the year, including in some cases, severance payments but exclude employers pension contributions and any expenses that are not chargeable to UK income tax.

Remuneration band £	Number of Employees	
	2008/09	2009/10
60,000-64,999	51	79
65,000-69,999	18	35
70,000-74,999	6	26
75,000-79,999	1	8
80,000-84,999	14	18
85,000-89,999	4	7
90,000-94,999	3	5
95,000-99,999	2	6
100,000-104,999	1	0
105,000-109,999	1	2
110,000-124,999	0	0
125,000-129,999	3	0
130,000-134,999	0	1
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-204,999	0	0
205,000-209,999	1	0

NOTES TO THE CORE FINANCIAL STATEMENTS

9.2 The Regulations introduced a new requirement in 2009/10 to disclose individual remuneration details for senior employees (Chief Officers and Heads of Function and above) whose salary is £60,000 or more per annum but less than £150,000, identified by job title. Employees whose salary is £150,000 on an annualised basis are required to be identified by name.

The following persons fell within this definition for 2009/10:

2009/10 Post title	Salary, fees & allowances	Taxable benefits	Compensati on for loss of employment	Employers pension contribution (21% of salary)	Total remuneration including pension contributions
	£	£	£	£	£
Trefor Thomas Morgan, Acting Chief Executive/Corporate Director (a)	146,282	0	0	30,719	177,001
Byron Davies, Chief Executive/Returning Officer (b)	135,044	0	0	28,360	163,404
Corporate Director, Social	131,235	186	0	27,559	158,980
City & County Treasurer	107,088	0	0	22,488	129,576
City & County Solicitor	107,088	0	0	22,488	129,576
Chief Schools & Lifelong Learning Officer	99,741	79	0	20,946	120,766
Chief People & Organisational Development Officer	99,741	0	0	20,946	120,687
Corporate Director/Chief Officer, Economy, Enterprise & Infrastructure (c)	93,422	0	0	19,619	113,041
Chief Officer, Strategic Planning & Environment	83,991	0	0	17,638	101,629
Chief Direct Services Officer	83,991	0	0	17,638	101,629
Chief Officer, Social Projects & Development	83,991	0	0	17,638	101,629
Chief Housing & Neighbourhood Renewal Officer	83,991	0	0	17,638	101,629
Chief Officer, Children's Services	83,991	0	0	17,638	101,629
Chief Adult Services Officer	83,991	0	0	17,638	101,629
Chief Officer, Highways & Waste Management	83,991	0	0	17,638	101,629
Head of Legal Services	70,128	62	0	14,727	84,917
Head of Function, Marketing, Tourism & Events	70,128	0	0	14,727	84,855
Head of Function, Clerk to the Council	70,128	0	0	14,727	84,855
Head of Function, Information & Communication Technology	70,128	0	0	14,727	84,855
Corporate Director (terminated 04.10.2009)	67,029	38	0	14,076	81,143
Head of Function, Partnerships & Citizen Centred Services (d)	56,268	0	0	11,244	67,512
Chief Officer, Culture Leisure & Parks (terminated 04.08.2009)	32,124	6	0	6,069	38,199

(a) Trefor Thomas Morgan was appointed as Acting Chief Executive on 1 December 2009 on an annualised salary of £176,376. He was previously a Corporate Director on an annual salary of £131,235.

(b) Byron Davies held the post of Chief Executive until his retirement on 30 November 2009. His annualised salary was £183,726. The remuneration shown above includes returning officer's fees of £12,560.

NOTES TO THE CORE FINANCIAL STATEMENTS

(c) The Chief Officer for Economy, Enterprise & Infrastructure was appointed to a vacant Corporate Director post on 15 February 2010.

(d) Head of Function for Partnerships and Citizen Centred Services was on maternity leave for part of 2009/10. Her annualised salary was £70,128.

Comparative details for 2008/09 are:

2008/09 Post title	Salary, fees & allowances	Taxable benefits	Compensation for loss of employment	Employers pension contribution (21% of salary)	Total remuneration including pension contributions
	£	£	£	£	£
Byron Davies, Chief Executive/Returning Officer (e)	207,071	0	0	40,459	247,530
Corporate Director	125,985	166	0	26,331	152,482
Corporate Director	125,985	61	0	26,331	152,377
Corporate Director	125,985	0	0	26,331	152,316
City & County Treasurer	107,088	0	0	22,381	129,469
City & County Solicitor	102,891	0	0	21,504	124,395
Chief Schools & Lifelong Learning Officer	95,538	89	0	19,967	115,594
Chief People & Organisational Development Officer	95,538	0	0	19,967	115,505
Chief Officer, Strategy & Enterprise	86,099	0	0	18,017	104,116
Chief Officer, Culture, Leisure & Parks	83,991	57	0	17,554	101,602
Chief Officer, Strategic Planning & Environment	83,991	37	0	17,554	101,582
Chief Officer, Projects, Design & Development	83,991	0	0	17,554	101,545
Chief Scrutiny, Performance & Governance Officer	83,991	0	0	17,554	101,545
Chief Officer, Children's Services	83,991	0	0	17,554	101,545
Chief Adult Services Officer	83,991	0	0	17,554	101,545
Chief Officer, Highways & Waste Management	83,879	0	0	17,531	101,410
Chief Housing & Neighbourhood Renewal Officer	83,347	13	0	17,420	100,780
Head of Function, Marketing, Tourism & Events	66,900	0	0	13,982	80,882
Head of Legal Services	66,900	0	0	13,982	80,882
Head of Function, Information & Communication Technology	66,900	0	0	13,982	80,882
Head of Function, Clerk to the Council	66,387	16	0	13,875	80,278
Head of Function, Partnerships & Citizen Centred Services	65,877	0	0	13,858	79,735
Corporate Director (retired 30.06.2008)	30,743	6	0	6,425	37,174

(e) The remuneration of the Chief Executive for 2008/09 was made up as follows and was fully documented in the 2008/09 Statement of Accounts:

Salary £179,526

Back pay £15,702

Returning Officer Fees £11,843

In addition, non taxable reimbursements totalling £1,497 were made via payroll.

NOTES TO THE CORE FINANCIAL STATEMENTS

9.3 The total amount of Members' Allowances (including basic and special responsibility) paid in 2009/10 was £1,195,966 (£1,144,379 in 2008/09). As required by the SORP this figure includes all remuneration paid to members including basic and special allowances, care allowances, and expenses which are directly reimbursed.

10. Health Act 1999 Pooled Funds and Similar Arrangements

The Council has not entered into any formal arrangements under Section 31 of the above Act. However, in 2009/10 it received and spent £0.935 million (£0.929 million in 2008/09) from WAG in respect of a Joint Working (Flexibilities) Special Grant, to support and encourage flexible care and joint working between the NHS and Local Government. The partner bodies to these arrangements are Cardiff and Vale UHB, Age Concern (Cardiff and Vale), Cardiff and the Vale of Glamorgan Council.

Under Section 33 of the Health Act 2006, the Council has entered into a formal agreement in respect of Joint Equipment Service, to deliver common equipment and consumables relating to health functions between the NHS and Local Government. The partner bodies to these arrangements are Cardiff and Vale University Health Board, Cardiff Council and the Vale of Glamorgan Council. Although this agreement was signed in 2009/10 it is yet to become operational.

11. Related Party Transactions

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

Central Government has effective control over the general operations of the Council. It sets the statutory framework within which the Council operates, provides the majority of its funding and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with Government departments are set out in the Cash Flow Statement and note 24 to the Core Financial Statements.

Subsidiary Companies - Cardiff Council has three subsidiary companies, Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff & Co. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

Cardiff Medicentre is a joint venture between Cardiff Council, Cardiff University, the Welsh Assembly Government and Cardiff and Vale NHS Trust. Details of transactions with Medicentre are shown in note 24 to the Core Financial Statements.

Pension Fund – details of pension contributions paid over to the Pension Fund are shown in note 16 to the Core Financial Statements.

Precepts and Levies – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 4 to the Core Financial Statements.

South Wales Police Authority (SWPA) – the precept paid to SWPA during 2009/10 is detailed in note 4 to the Core Financial Statements. In addition to this the Council made payments of £1.033 million to SWPA during 2009/10 (£0.895 million in 2008/09).

Members of the Council have direct control over the Council's financial and operating policies. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During

NOTES TO THE CORE FINANCIAL STATEMENTS

2009/10, goods and services to the value of £78,197 were commissioned from companies in which members had an interest (£67,000 in 2008/09). Details of members' allowances are shown in note 9 to the Core Financial Statements.

Officers - during 2009/10, the Council received income of £13,114 from Chief Officers relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£8,866 in 2008/09). Details of Officers' emoluments are shown in note 9 to the Core Financial Statements. During 2009/10, goods and services to the value of £577,704 were commissioned from companies in which officers had an interest.

Related Party Balances

As at 31 March 2010 the following balances were held in respect of related parties:

31 March 2009 £000 <i>(restated)</i>		31 March 2010	
		Debtors £000	Creditors £000
5,356	Central Government Grants	16,537	(12,250)
5,727	NDR Agency	10,080	0
(296)	Cardiff City Transport Services Ltd	535	(221)
396	Cardiff Medicentre/CBTC/Cardiff & Co	228	(13)
17	Chief Officers and above – outstanding car loan balances	15	0
(187)	Precepting Bodies	0	(147)
(3)	Companies in which members'/officers' interests declared/other	0	0

12. External Audit Costs

In 2009/10 the Council incurred the following fees relating to external audit and inspection:

	2008/09 £000	2009/10 £000
Fees payable to Wales Audit Office for external audit services	463	419
Fees payable to Wales Audit Office in respect of statutory inspection	49	0
Fees payable to Wales Audit Office for the certification of grant claims and returns	118	109
Fees payable in respect of other services provided by the appointed auditor	0	4
Total	630	532

NOTES TO THE CORE FINANCIAL STATEMENTS

13. Trading Accounts Summary

The table below summarises the results of the Council's trading activities in those areas where it is operating in a commercial environment. The following figures have been compiled in accordance with the requirements of the 2009 SORP and BVACOP. Net capital charges, which include depreciation and impairment, are shown separately.

2008/09 Trading (Surplus) /Deficit) £000		2009/10			
		Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
(153)	Schools Building Maintenance	(11,290)	0	10,975	(315)
(533)	Schools & Staff Catering	(8,421)	0	8,171	(250)
8,077	Leisure Centres	(4,744)	916	10,306	6,478
(26)	Schools Cleaning	(4,546)	0	4,302	(244)
(2,345)	Car Parking	(4,455)	257	1,980	(2,218)
1,485	New Theatre	(4,054)	54	5,258	1,258
1,073	Materials Recycling Facility	(3,992)	0	4,899	907
(1,367)	Trade Waste Collection Service	(3,666)	0	2,280	(1,386)
(2,271)	Land & Buildings	(3,426)	22,184	1,444	20,202
(41)	Venues Catering	(2,393)	0	2,355	(38)
234	Bereavement Services	(2,106)	165	2,203	262
2,365	St. David's Hall	(1,965)	468	3,949	2,452
3,534	Cardiff Castle	(1,955)	145	2,628	818
1,859	Other trading accounts *	(14,282)	178	15,342	1,238

* Other trading accounts totalled 19 in 2009/10 (21 in 2008/09).

During 2009/10, a review took place to determine which trading accounts were operating in a commercial environment. As a result of the review, the 2008/09 figures have been restated in order to provide meaningful comparators.

14. Leasing

(a) Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2009/10:

	2008/09 £000	2009/10 £000
Property leases	2,607	2,352
Other leases	2,611	2,502

NOTES TO THE CORE FINANCIAL STATEMENTS

The Council has two properties whose leases commenced in 2004/05 (Global Link) and 2005/06 (Lambourne Crescent) which were subject to an initial rent free period. The SORP requires that rental charges be made evenly throughout the period of the lease (up to the point of review). An amount equal to the equivalent of the rent free period is therefore held on the balance sheet as a deferred liability to be used to offset revenue rental payments until the period of review. An amount totalling £77,490 was paid out of the balance in 2009/10 in respect of rent free period apportionments (Global Link £72,354, Lambourne Crescent £5,136). This represents the final payment to be made from the deferred liability, the balance being cleared in 2009/10.

The Council was committed at 31 March 2010 to making payments of £4.016 million under operating leases in 2010/11 (£4.169 million at 31 March 2009 for 2009/10) comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2010/11	61	266
Leases expiring between 2011/12 and 2014/15	886	1,511
Leases expiring after 2014/15	1,292	0

(b) Finance Leases

The Council has no finance leases.

15. Prudent Revenue Provision

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

Depreciation and impairment charges included in the Income & Expenditure Account are replaced by the prudent revenue provision via an appropriation to/from the Capital Adjustment Account in the Statement of Movement on Council Fund Balance.

	2008/09 £000	2009/10 £000
Non Housing Revenue Provision	12,806	15,128
HRA Provision	1,552	1,533
Prudent Revenue Provision	14,358	16,661

16. Pensions

Participation in Pension Schemes

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

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

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

- Teachers' Pension Scheme

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

16.1 The Local Government Pension Scheme

The disclosures below relate to the funded liabilities within the Cardiff and Vale of Glamorgan Pension Fund ('the Fund') and where applicable certain unfunded benefits provided by the Employer.

Transactions relating to retirement benefits

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

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

	2008/09			2009/10		
	Funded scheme	Unfunded liabilities	Total	Funded scheme	Unfunded liabilities	Total
	£000	£000	£000	£000	£000	£000
Income and Expenditure Account						
<i>Net Cost of Services:</i>						
Current Service Cost	21,700	0	21,700	23,700	0	23,700
Past Service Costs *	300	1,400	1,700	4,150	300	4,450
<i>Net operating Expenditure:</i>						
Interest Cost	56,150	2,500	58,650	59,770	2,530	62,300
Expected return on scheme assets	(39,300)	0	(39,300)	(28,630)	0	(28,630)
<i>Net charge to the Income and Expenditure Account</i>	38,850	3,900	42,750	58,990	2,830	61,820
Statement of Movement on Council Fund Balance						
Reversal of net charges made for retirement benefits in accordance with FRS17	(38,850)	(3,900)	(42,750)	(58,990)	(2,830)	(61,820)
Actual amount charged against Council Tax in respect of pensions for the year:						

NOTES TO THE CORE FINANCIAL STATEMENTS

Employers contributions payable to the scheme	32,650	0	32,650	34,522	0	34,522
Payments in respect of unfunded pensions liabilities **	0	3,370	3,370	0	3,560	3,560
	32,650	3,370	36,020	34,522	3,560	38,082

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

** Included in this figure are enhanced benefits awarded to teachers for which the Council is responsible and some unfunded liabilities which are administered by Rhondda Cynon Taff (RCT) Council on behalf of Cardiff Council.

Contributions for year ending 31 March 2011

Local Government Scheme

Employer's regular contributions to the Fund for the accounting period ending 31 March 2011 are estimated to be £35.36 million. In addition Strain on Fund Contributions may be required.

Unfunded liabilities

In the accounting period ending 31 March 2011 the Council expects to pay £3.70 million directly to beneficiaries.

Basis for estimating assets and liabilities

The latest actuarial valuation of Cardiff Council's liabilities in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2007. The latest actuarial valuation of unfunded benefits took place as at 31 March 2008.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation for FRS17 purposes were:

(a) Principal financial assumptions (% per annum)

	31 March 2009 % pa	31 March 2010 % pa
Rate of inflation	3.5	3.9
Rate of general increase in salaries *	5.0	5.4
Rate of increase to pensions in payment	3.5	3.9
Rate of increase to deferred pensions	3.5	3.9
Discount rate for scheme liabilities	6.6	5.5

In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31 March 2007.

NOTES TO THE CORE FINANCIAL STATEMENTS

(b) Mortality assumptions

	31 March 2009	31 March 2010
Future lifetime from age 65 (currently aged 65)		
Men	21.1	21.2
Women	25.0	25.2
Future lifetime from age 65 (currently aged 45)		
Men	23.4	23.5
Women	27.3	27.4

Expected return on assets

Cardiff Council employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out below. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

	Long-term expected rate of return at 31 March 2009 % pa	Long-term expected rate of return at 31 March 2010 % pa
Equities	7.0	8.0
Property	6.0	8.5
Government Bonds	4.0	4.5
Corporate Bonds	5.8	5.5
Cash	1.6	0.7
Other *	1.6	8.0
Average long-term expected rate of return	6.2	7.5

*Other holdings may include hedge funds, currency holdings, asset allocation futures and other. It is assumed this year that these will get a return in line with equities where applicable.

The approximate split of assets for the Fund as a whole is shown in the table below.

	31 March 2009 %	31 March 2010 %
Equities	67.2	73.5
Property	4.9	4.1
Government Bonds	7.4	4.9
Corporate Bonds	13.4	12.5
Cash	1.6	0.9
Other	5.5	4.1
Total	100	100

NOTES TO THE CORE FINANCIAL STATEMENTS

Reconciliation of funded status to balance sheet

	31 March 2009			31 March 2010		
	Funded scheme	Unfunded liabilities	Total	Funded scheme	Unfunded liabilities	Total
	£000	£000	£000	£000	£000	£000
Notional value of assets	466,250	0	466,250	629,230	0	629,230
Present value of liabilities	(904,360)	(39,880)	(944,240)	(1,248,160)	(42,660)	(1,290,820)
Net pension asset/(liability)	(438,110)	(39,880)	(477,990)	(618,930)	(42,660)	(661,590)

Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2009			31 March 2010		
	Funded scheme	Unfunded liabilities	Total	Funded scheme	Unfunded liabilities	Total
	£000	£000	£000	£000	£000	£000
Opening present value of liabilities	(824,280)	(37,760)	(862,040)	(904,360)	(39,880)	(944,240)
Current service cost	(21,700)	0	(21,700)	(23,700)	0	(23,700)
Interest cost	(56,150)	(2,500)	(58,650)	(59,770)	(2,530)	(62,300)
Contributions by participants	(9,700)	0	(9,700)	(10,210)	0	(10,210)
Actuarial gains/(losses) on liabilities *	(21,100)	(1,590)	(22,690)	(281,500)	(3,510)	(285,010)
Net benefits paid out **	28,870	3,370	32,240	35,530	3,560	39,090
Past service cost	(300)	(1,400)	(1,700)	(4,150)	(300)	(4,450)
Closing present value of liabilities	(904,360)	(39,880)	(944,240)	(1,248,160)	(42,660)	(1,290,820)

* Includes changes to the actuarial assumptions.

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

	31 March 2009 £000	31 March 2010 £000
Opening fair value of assets	544,790	466,250
Expected return on assets	39,300	28,630
Actuarial gains/(losses) on assets	(131,320)	125,150
Contributions by employer	32,650	34,520
Contributions by participants	9,700	10,210
Net benefits paid out **	(28,870)	(35,530)
Closing fair value of assets	466,250	629,230

NOTES TO THE CORE FINANCIAL STATEMENTS

** The figures for net benefits paid out consists of net cash-flow out of the Fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

Actual return on assets

	31 March 2009 £000	31 March 2010 £000
Expected return on assets	39,300	28,630
Actuarial gain/(loss) on assets	(131,320)	125,150
Actual return on assets	(92,020)	153,780

Analysis of amount recognised in the STRGL

	31 March 2009 £000	31 March 2010 £000
Total actuarial gains/(losses) –funded scheme	(152,420)	(156,350)
Total actuarial gains/(losses) –unfunded liabilities	(1,590)	(3,510)
Total gain/(loss) in STRGL	(154,010)	(159,860)

History of total gains and losses recognised in the STRGL

	2005/06 £m	2006/07 £m	2007/08 £m	2008/09 £m	2009/10 £m
Total gain/(loss) –funded scheme	23.14	9.39	22.61	(152.42)	(156.35)
Total gain/(loss) –unfunded liabilities *	Included in above figures		3.11	(1.59)	(3.51)
Cumulative gain/(loss)	(153.55)	(144.16)	(118.44)	(272.45)	(432.31)

* In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods on or after 1 April 2007. The history of total gain/(loss) shown has not been restated for periods prior to this date and includes the experience relating to unfunded liabilities.

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

	31 March 2006 £000	31 March 2007 £000	31 March 2008 £000	31 March 2009 £000	31 March 2010 £000
Fair value of assets	514,660	571,090	544,790	466,250	629,230
Present value of funded liabilities	(813,370)	(864,520)	(824,280)	(904,360)	(1,248,160)
Present value of unfunded liabilities	(38,800)	(40,770)	(37,760)	(39,880)	(42,660)
Surplus/(deficit)	(337,510)	(334,200)	(317,250)	(477,990)	(661,590)

NOTES TO THE CORE FINANCIAL STATEMENTS

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

History of experience gains and losses

	Year ending 31 March 2006 £m	Year ending 31 March 2007 £m	Year ending 31 March 2008 £m	Year ending 31 March 2009 £m	Year ending 31 March 2010 £m
Experience gains/(losses) on assets	80.01	9.27	(79.97)	(131.32)	125.15
Experience gains/(losses) on funded liabilities *	1.01	(1.68)	(19.46)	(3.47)	10.25
Experience gains/(losses) on unfunded liabilities *	Included in above figures		1.93	(0.48)	1.32

In accordance with Paragraph 79 of FRS17 (as revised), unfunded liabilities are disclosed separately for periods beginning on or after 1 April 2007. This disclosure note presents the history of liabilities, and experience gain/ (loss) on liabilities, for periods ending 2008, 2009 and 2010. For periods ending 2007 and earlier unfunded liabilities are included in the disclosure note for funded benefits.

Experience gains and losses expressed as a percentage of assets/liabilities

	Year ending 31 March 2009 %	Year ending 31 March 2010 %
Experience gains on assets expressed as a percentage of assets	(28.2)	19.9
Experience gains on funded liabilities expressed as a percentage of liabilities *	(0.4)	0.8
Experience gains on unfunded liabilities expressed as a percentage of unfunded liabilities *	(1.2)	3.1

*This item consists of gains/ (losses) in respect of liability experience only – and excludes any change in liabilities in respect of changes to the actuarial assumptions used.

16.2 The Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Department for Children, Schools and Families. The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as a basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the authority to identify a share of the underlying liabilities of the scheme attributable to its own employees so for the

NOTES TO THE CORE FINANCIAL STATEMENTS

purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2009/10 the Council paid £15.636 million in respect of teachers' pension costs, which represents 14.1% of teachers' pensionable pay (£15.286 million representing 14.1% of teachers' pensionable pay in 2008/09).

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

17. Voluntary Severance

During 2009/10, partly as a result of the economic downturn, the Council invited applications for voluntary severance from its employees, in an effort to reduce future costs. Each application needed the support of the respective Chief Officer, and a properly costed business case showing savings achieved, and future operation of the service. Under this scheme, the Council made redundancy payments of £6.84 million in 2009/10 of which £6.06 million related to Council Fund services. The Council successfully applied to the WAG for a capitalisation directive in respect of the statutory element of the severance payment relating to the Council Fund, which totalled £1.91 million. The balance of £4.93 million was funded from a combination of the income and expenditure account and existing Council resources.

18. Fixed Assets

18.1 Fixed Asset Valuation

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

ASSETS	Intangible Assets £000	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000
Gross Book Value at 31 March 2009	286	740,085	826,530	21,918	462,464
Additions		15,758	21,968	594	16,919
Impairment		(31)	(5,777)		
Disposals		(878)	(533)	(975)	
Reclassifications	291		26,156	5,503	4,417
Revaluations			1,600		
Gross Book Value at 31 March 2010	577	754,934	869,944	27,040	483,800
DEPRECIATION & AMORTISATION					
Balance at 31 March 2009	168	14,794	25,438	14,216	118,575
Depreciation & Amortisation	113	15,105	10,651	4,172	22,204
Released on Impairment		(1)	(1,311)		
Released on Disposal		(17)	(6)	(975)	
Written back to I&E			(2,586)		
Reclassification				2	
Released on Revaluation					
Balance at 31 March 2010	281	29,881	32,186	17,415	140,779
NET BOOK VALUE at 31 March 2010	296	725,053	837,758	9,625	343,021
NET BOOK VALUE at 31 March 2009	118	725,291	801,092	7,702	343,889

NOTES TO THE CORE FINANCIAL STATEMENTS

ASSETS	Community Assets	Investment Properties	Surplus Assets held for disposal	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2009	35,685	84,177	74,823	28,151	2,274,119
Additions	944	506		36,474	93,163
Impairment		(26,639)	(9,660)	(674)	(42,781)
Disposals		(468)	(1,121)		(3,975)
Reclassifications	317	17,228	(11,087)	(42,825)	0
Revaluations		14,246	3,371		19,217
Gross Book Value at 31 March 2010	36,946	89,050	56,326	21,126	2,339,743
DEPRECIATION & AMORTISATION					
Balance at 31 March 2009	62	0	0	0	173,253
Depreciation & Amortisation					52,245
Released on Impairment					(1,312)
Released on Disposal					(998)
Written back to I&E	(60)				(2,646)
Reclassification	(2)				0
Released on Revaluation					0
Balance at 31 March 2010	0	0	0	0	220,542
NET BOOK VALUE at 31 March 2010	36,946	89,050	56,326	21,126	2,119,201
NET BOOK VALUE at 31 March 2009	35,623	84,177	74,823	28,151	2,100,866

The gross book value, and net book value, of the Vehicles, Plant and Equipment category has been restated at 31st March 2009 to include the Council's share of equipment at the Glamorgan Record Office which was not previously on the Council's balance sheet.

NOTES TO CORE FINANCIAL STATEMENTS

18.3 The fixed assets of the Council include the following:

Allotment Gardens (27)	Olympic Standard Canoe Slalom
Caravan Park	Parks & Public Open Spaces (Approx 1510 ha)
Cardiff Bay Barrage	Play Centres (7)
Cardiff Castle	Residential Establishments (10)
Cardiff International Sports Stadium	Road Safety Centre
Cemeteries (7)	Roads - Non-Principal (995 km)
Central Bus Station	Roads - Principal (86 km)
City Hall	Schools - Nursery (4)
Civic Residence	Schools - Infants, Junior & Primary (77)
Community Halls (7)	Schools - Secondary (15)
Council Dwellings	Schools - Special (7)
County Hall	Schools – Cardiff Further Education Trust (1)
Crematorium	Schools – Grant Maintained (29)
Day Centres and Clubs (10)	Sports and Leisure Centres (7)
Depots (6) and Workshops (9)	St David's Hall
Eastern Park & Ride	Storey Arms Outdoor Pursuits Centre
Family Centres (2)	Surface Car Parks (13)
Heliport	Swimming Pools (3)
Horse Riding School	Traveller Sites (2)
Maindy Cycle Track	Various Administrative Buildings
Libraries (20)	Various Property & Land Holdings
Indoor Market	Vehicles, Plant, Furniture & Equipment
Mental Health Day Centres (2)	Works of Art, Civic Regalia, Books & Periodicals
New Theatre	Youth, Community & Adult Centres (37)

18.4 Capital Expenditure and Financing

Expenditure as per Financial Statements	2008/09 £000	2009/10 £000
Opening Capital Financing Requirement	390,864	402,896
Movements during year:		
Expenditure on Operational Assets	58,339	73,376
Expenditure on Non-Operational Assets	22,955	19,787
Expenditure on loans	0	442
Expenditure on REFCUS	31,757	13,957
Sources of Finance:-		
Grants and Contributions	(49,398)	(60,219)
Revenue and Reserves	(10,487)	(4,520)
Capital Receipts	(26,776)	(4,107)
Prudent Revenue and Capital provision for loan repayment	(14,358)	(17,625)
Adjustment to St Donats Provision	0	(667)
Grant Received re: St Donats	0	(649)
Closing Capital Financing Requirement	402,896	422,671

NOTES TO CORE FINANCIAL STATEMENTS

18.5 Revenue Expenditure funded from Capital under Statute Movement

	2008/09 £000	2009/10 £000
Movements in Year:		
Statutory Redundancy Payments	0	1,908
St. Donats Remediation	144	(667)
Leckwith Development	18,448	1,065
Disabled Facility and Renovation Grants	9,634	8,417
Other expenditure	3,531	2,567
Charged to Income and Expenditure Account	31,757	13,290
Funded by:		
Grants and contributions	9,219	8,597
Borrowing, receipts and other capital resources	22,538	4,693
	31,757	13,290

18.6 The main asset disposals during the year were:

Sale of Council Dwellings 125 Cathedral Road Land at Abergele Road Land at Greenfarm Hostel Land at Caer Castell
--

18.7 Significant capital expenditure contractual commitments as at 31 March 2010 which are scheduled for completion during 2010/11 include the following:

	£000
Ty Gwyn Special School & Respite Centre	4,740
Internal Shared Services – Strategic Transformational Change	1,333
John Kane Redevelopment	1,160
River Ely Bridge	1,082
City Centre Public Realm	1,011
St. Donats Remediation	880
Rumney Primary School	840
Station Terrace	768
Llanedeyrn Interchange	582

19. Financial Instruments

19.1 Compliance

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

NOTES TO CORE FINANCIAL STATEMENTS

19.2 Financial Instrument Balances

The following table discloses the Council's Financial Instruments at their carrying value:-

	31 March 2009			31 March 2010		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
Investments/Financial Assets						
Loans & Receivables at amortised cost	19,460	62,111	81,571	6,733	59,150	65,883
Investments at Fair Value	26,092	0	26,092	24,592	0	24,592
Fair value through Profit and Loss	25,000	1,894	26,894	25,000	354	25,354
Total	70,552	64,005	134,557	56,325	59,504	115,829
Borrowings/Financial Liabilities						
Financial Liabilities at Amortised Cost	(393,874)	(13,564)	(407,438)	(413,815)	(6,429)	(420,244)

19.3 Financial Instrument (Gains)/Losses

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

	Financial Liabilities		Financial Assets						Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value		Fair Value through P&L			
	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000	2008/09 £000	2009/10 £000
Interest Expense	22,130	21,824	0	0	0	0	0	0	22,130	21,824
Losses on De-recognition	0	0	0	0	0	0	0	0	0	0
Impairment Losses	0	0	0	0	0	0	0	0	0	0
Interest Payable and Similar Charges	22,130	21,824	0	0	0	0	0	0	22,130	21,824
Interest / Dividend Income	0	0	(7,168)	(2,110)	0	(320)	(1,894)	(350)	(9,062)	(2,780)
Gains on De-recognition	0	0	(30)	0	0	0	0	0	(30)	0
Interest and Investment Income	0	0	(7,198)	(2,110)	0	(320)	(1,894)	(350)	(9,092)	(2,780)
Gains on Revaluation	0	0	0	0	0	0	0	0	0	0
Losses on Revaluation	0	0	0	0	0	1,500	0	0	0	1,500
Surplus arising on revaluation of financial assets	0	0	0	0	0	1,500	0	0	0	1,500
Net (gain) / loss for the year	22,130	21,824	(7,198)	(2,110)	0	1,180	(1,894)	(350)	13,038	20,544

19.4 Investments / Financial Assets

Loans and receivables are mainly temporary cash balances deposited for various maturities with financial institutions but also include a loan of £4 million to Glamorgan County Cricket Club which requires no cash repayments in the first five years with deferred costs recoverable over the last 15 years of the loan.

NOTES TO CORE FINANCIAL STATEMENTS

The Council operates a car loan scheme to provide assistance to eligible Council staff to purchase cars. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement. Over 600 such agreements existed during 2009/10 and the value of loans outstanding total £2.755 million as at 31 March 2010.

Investments at Fair value include £23.5 million which represents the Council's 100% shareholding in Cardiff City Transport Services Limited. Since the council's shareholding is not listed on any quoted market, the fair value of the investment is based on comparisons with transactions of a similar nature as well as a ratio of value per pound of turnover. The balance of £1.092 million represents the Council's 44.5% interest in the Medicentre, a Joint Venture between the Council, University of Wales College of Medicine, the Welsh Assembly Government and the Cardiff and Vale NHS Trust.

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

Investments at Fair Value through Profit and Loss comprise cash balances invested by an external fund manager. The fund is a managed portfolio of financial instruments such as Floating Rate Notes, Certificates of Deposit and Gilts which are used to enhance diversification of the Council's investments and are also traded to generate investment income. The investments held are valued at quoted bid market prices on recognised exchanges. Certificates of Deposit held at 31 March 2010 were issued by various financial institutions including Lloyds Banking Group, Nordea Group, Credit Suisse First Boston, Banco Bilbao Vizcaya, Royal Bank of Scotland, Nationwide and Barclays.

Soft Loans

The Authority has no soft loans - all loan investments are made at the cost of funds available to the authority and therefore result in no loss of interest over the life of the instruments. Accordingly no adjustment is required to either the Income and Expenditure Account or fair value of the instruments on the Balance Sheet.

19.5 Borrowings / Financial Liabilities

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

Financial Liabilities include debt instruments totalling £51 million which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date (Lender Option Borrower Option Loans). The maturity period for such investments is taken to be the contractual period to maturity.

The Council has not granted any financial guarantees that need to be recognised on the Balance Sheet, nor has any debt rescheduling occurred during the year.

19.6 Fair Value of Assets and Liabilities Carried at Amortised Cost

Most financial instruments (whether borrowing or investment) are valued on an amortised cost basis using the Effective Interest Rate (EIR) method. However, the fair value is also shown in the tables below. This is defined as the amount for which an

NOTES TO CORE FINANCIAL STATEMENTS

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.

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

Fair value of Financial Assets Carried at Amortised Cost

	31 March 2009		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash	11,684	11,684	2,848	2,848
Deposits with banks and building societies	63,237	66,065	55,331	55,455
Assisted Car Purchase Loans	2,349	2,349	2,755	2,755
Loans to External Organisations / Subsidiary	4,301	4,301	4,949	4,949
Financial assets	81,571	84,399	65,883	66,007

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

Fair Value of Financial Liabilities Carried at Amortised Cost

	31 March 2009		31 March 2010	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board Loans *	(353,727)	(423,574)	(366,594)	(421,370)
Lender Option Borrower Option Loans	(51,637)	(49,087)	(51,629)	(54,512)
Market loans, Bonds and Temporary Balances	(2,074)	(2,570)	(2,021)	(2,420)
Bank overdraft	0	0	0	0
Financial liabilities	(407,438)	(475,231)	(420,244)	(478,302)

* It should be noted that the PWLB provided a fair value of £447.258 million based on the premature repayment set of rates in force at 31 March 2010.

The fair value is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to

NOTES TO CORE FINANCIAL STATEMENTS

pay interest above current market rates increases the amount that the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Fair value calculations used the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing on 31 March 2010.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised.

19.7 Nature and Extent of Risks arising from Financial Instruments

Risk management is carried out in conjunction with specialist treasury advisors in accordance with the Council's Treasury Management Strategy, Treasury Management Practices and Prudential Indicators. The authority's activities in relation to financial instruments results in exposure to the risks set out in the table below. Further details in relation to each type of risk are disclosed in the three sections immediately following the table.

Risk	Definition	Main Areas of Exposure
Credit Risk	The possibility that other parties may fail to pay amounts due to the authority	Credit risk arises from lending of temporary cash balances to banks, building societies, other local authorities, as well as credit exposures to the authority's customers and organisations to whom it may have provided a loan.
Liquidity Risk	The possibility that the authority may not have funds available to meet its commitments to make payments	The Council has ready access to funds from the Market and Public Works Loan Board in order to raise finance to meet its commitments under financial instruments and for the purposes of the prudent management of its financial affairs. The main risk is that the authority may be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The loan portfolio is regularly reviewed with any new loans carefully planned as well as taking opportunities for early repayment where economic to do so.
Market Risk	The possibility that financial loss might arise for the authority as a result of changes in such measures as interest rates and quoted market movements	<p>Interest rate risk - movements in interest rates occur on a daily basis, subject to conditions in the financial markets. The Council is exposed to interest rate risk in two different ways; the first being the uncertainty of interest paid/received on variable rate instruments, and the second being the effect of fluctuations in interest rates on the fair value of an instrument.</p> <p>Price Risk - the Council's external fund manager may invest in Certificates of Deposit and Gilts which can result in gains or losses from movements in prices subject to the holding at any one point in time.</p> <p>Foreign exchange risk - The authority's exposure to loss arising from movements in exchange rates is minimal. Investments are only made in sterling.</p>

NOTES TO CORE FINANCIAL STATEMENTS

Credit Risk – further disclosures

The following table summarises the Council's main exposures to credit risk. The current likelihood of default for each of the risks is considered to be zero with the exception of customer risk which is detailed further in the table below:

Credit Risk	Likelihood of Default	31 March 2009 £000	31 March 2010 £000																											
Deposits – banks, buildings societies and fund manager	<p>It is Council policy to place deposits only with banks and building societies that have a Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a prudent maximum amount and duration for each financial institution and ratings are regularly reviewed. Further information on the Council's Treasury Management activities can be found in the published Treasury Management Strategy.</p> <p>The agreement between the Council and the External Fund Manager stipulate guidelines and duration limits in order to control risk.</p> <p>To date, the Authority has not experienced default of any institution. However, there is always a risk and given the current financial climate, credit criteria continue to be rigorously monitored.</p>	90,131	80,685																											
Car Loans	Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	2,349	2,755																											
Loans to External Bodies	Glamorgan Cricket Club loan £4.477m and loans to small/medium enterprises £0.442m. Repayments are dependant on financial and operating performance, however, there is currently no reason to indicate that the sums will not be repaid.	4,256	4,919																											
Customers	<p>The authority does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.</p> <p>The bad debt provision for 2009/10 was based on the adjusted age profile disclosed below.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">2008/09</th> <th style="text-align: right;">2009/10</th> </tr> <tr> <th></th> <th style="text-align: right;">£000</th> <th style="text-align: right;">£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td style="text-align: right;">6,913</td> <td style="text-align: right;">10,658</td> </tr> <tr> <td>1 – 2 years</td> <td style="text-align: right;">1,157</td> <td style="text-align: right;">795</td> </tr> <tr> <td>2 – 3 years</td> <td style="text-align: right;">899</td> <td style="text-align: right;">701</td> </tr> <tr> <td>3 – 4 years</td> <td style="text-align: right;">535</td> <td style="text-align: right;">693</td> </tr> <tr> <td>4 – 5 years</td> <td style="text-align: right;">648</td> <td style="text-align: right;">446</td> </tr> <tr> <td>Over 5 years</td> <td style="text-align: right;">1,238</td> <td style="text-align: right;">951</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">11,390</td> <td style="text-align: right;">14,244</td> </tr> </tbody> </table>		2008/09	2009/10		£000	£000	Less than 1 year	6,913	10,658	1 – 2 years	1,157	795	2 – 3 years	899	701	3 – 4 years	535	693	4 – 5 years	648	446	Over 5 years	1,238	951	Total	11,390	14,244	13,407	15,150
	2008/09	2009/10																												
	£000	£000																												
Less than 1 year	6,913	10,658																												
1 – 2 years	1,157	795																												
2 – 3 years	899	701																												
3 – 4 years	535	693																												
4 – 5 years	648	446																												
Over 5 years	1,238	951																												
Total	11,390	14,244																												

NOTES TO CORE FINANCIAL STATEMENTS

	Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non payment is not usually considered necessary.		
Total		110,143	103,509

Liquidity Risk – further disclosures

The maturity analysis of borrowing and the amount of fixed rate debt maturing in any period are disclosed in the table and chart below:-

31 March 2009	Loans outstanding	31 March 2010
£000s		£000s
348,934	Public Works Loans Board	361,874
52,014	Market debt / LOBOs / Bonds	52,014
400,948	Total	413,888
7,074	Less than 1 year	74
60	Between 1 and 2 years	119
119	Between 2 and 5 years	9,618
14,565	Between 5 and 10 years	20,947
379,130	More than 10 years	383,130
400,948	Total	413,888

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost (note 19.6) by the addition of accrued interest of £5.371 million and short term borrowing of £0.984 million.

In respect of trade and other payables, the Council aims to make payment within 30 days as required by the Welsh Assembly Government.

NOTES TO CORE FINANCIAL STATEMENTS

Market Risk – further disclosures

The main impacts of interest rate movements are set out below:-

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the I&E Account, while reductions may result in less income than budgeted.	<ul style="list-style-type: none"> • Production and Council approval of a Treasury Management Strategy for approval at the start of each financial year. Mitigation would depend upon cashflow and interest rate trends and forecasts. • Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year. • By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Where financially beneficial, opportunities are taken to restructure borrowing to reduce the average rate paid and achieve a balanced debt portfolio. • Diversification of investment including the placement of funds with an external fund manager
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower option loan potentially increasing the interest expense charged to the Income and Expenditure Account.	
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Income and expenditure account or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will increase if Interest rates rise. This will not impact on the Income and expenditure account or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

An indication of the authority's sensitivity to interest rate change is disclosed below. The table indicates the potential impact on the Income and Expenditure Account had the interest rate during 2009/10 been on average 1% higher with all other variables held constant.

Increase in interest payable on borrowings	£000 (205)
Increase in interest receivable on variable rate investments	449
Impact on Income and Expenditure Account	244
Increase in interest transferred to other balances and accounts including HRA	(53)
Net (Income) / Expenditure	191

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

NOTES TO CORE FINANCIAL STATEMENTS

Price Risk

Further details on the Council's exposure to price risk are detailed in the table below:

Exposure	Further Detail
External Fund Manager	<p>The Council's external fund manager may invest in Certificates of Deposit and Gilts which can result in gains or losses from movements in prices subject to the holding at any one point in time.</p> <p>If rises are foreseen the aim is to reduce the average duration of the fund. This would reduce any "book losses" from arising but it would not eliminate them. As a rule each 10 basis points alteration in rates will generate a (+) or (-) variation in returns equal to a multiple of 10 times the fund's duration. All book losses would evaporate if the assets were held to maturity or if interest rates subsequently fell back to the pre-hike levels.</p>
Cardiff Bus Shareholding	<p>The Council's 100% shareholding in Cardiff City Transport Services Ltd. is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. The shareholding is classified as 'Available for Sale', meaning that all movements in fair value will impact on gains and losses recognised in the STRGL. A general shift of 5% in the fair value (positive or negative) would result in a £1.25 million gain or loss being recognised in the STRGL.</p>

20. Debtors

The broad categories are:	31 March 2009 (<i>restated</i>) £000	31 March 2010 £000
Government & other grants	16,606	17,534
H.M. Revenue & Customs	3,352	3,919
Car Loans	818	1,016
Sundry Debtors	13,407	15,150
Court Costs	1,182	1,172
HRA Rent Arrears	2,271	2,519
Housing Benefit	6,577	7,000
NDR Agency	5,727	10,080
Council Tax	12,630	13,497
Prepayments	4,430	4,778
Other	10,711	10,368
Less Bad Debt Provisions	(14,873)	(19,171)
Total Debtors Net of Bad Debt Provisions	62,838	67,862

NOTES TO CORE FINANCIAL STATEMENTS

An analysis of the Bad Debt Provisions is shown below:

	31 March 2009 £000	31 March 2010 £000
Sundry debtors	3,314	3,695
Court Costs	1,182	1,172
HRA Rent Arrears	1,636	2,110
Housing Benefit	3,379	6,493
Council Tax	5,119	5,414
Other	243	287
Total Bad Debt Provisions	14,873	19,171

21. Prior Period Adjustment for Agency Accounting for NDR

At 31 March 2009 the Council has the following balances in its Balance Sheet relating to NDR collection:

	31 March 2009 £000
Arrears	6,213
Impairment allowance for doubtful debts	(2,393)
Overpayments	(487)
Prepayments	(1,431)
Amount due from the national pool for instalments paid in excess of final amount payable	3,825
Total NDR Debtor	5,727

The prior period adjustment is effected by deleting all of the above balances and replacing them with a debtor for Welsh Assembly Government of £5.727 million.

22. Cash and Bank

Cash and bank consists of two elements:

- bank balances of cheque book schools totalling £1.738 million (£2.013 million in 2008/09)
- the net balance on all of the Council's other accounts, including petty cash accounts, which form part of the formal set-off arrangement with the bank. The net cash/bank balance for 2009/10 is £1.110 million (£9.671 million in 2008/09)

In addition, at 31 March 2010 the Council held £0.648 million (£0.405 million at 31 March 2009) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

Leckwith Development Agency

The Council operates a separate bank account to administer payments in relation to the Leckwith Development. Contributions of the Council and its partners are held in this account.

NOTES TO CORE FINANCIAL STATEMENTS

23. Creditors

The broad categories are:	31 March 2009 <i>restated</i> £000	31 March 2010 £000
Deposits & Income in Advance	7,653	9,285
Extra District Education	742	466
Government & other grants	10,790	12,368
H.M. Revenue & Customs	8,043	8,027
Pay Accruals	3,443	4,452
Sundry Accruals	41,205	38,282
Teachers Pensions Agency	1,902	1,957
Agency	67	0
Total Creditors	73,845	74,837

24. Interests in companies and other organisations

The Council has interests in 3 subsidiary companies and one joint venture. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on Pages 114 to 135. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2009/10.

24.1 Cardiff City Transport Services Ltd. (Cardiff Bus)

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by Cardiff Council. Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2009/10 are summarised below:

	Year to 31 March 2009 £000	Year to 31 March 2010 £000
Turnover	(32,601)	(32,617)
Operating and other expenditure	31,322	32,299
Net (Profit) / Loss before Taxation	(1,279)	(318)
Less: Taxation	(546)	206
(Profit) / Loss after Taxation	(1,825)	(112)

NOTES TO CORE FINANCIAL STATEMENTS

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

	31 March 2009 £000	31 March 2010 £000
Bus and other operating assets	19,407	18,280
Current Assets	11,084	9,271
Less Current Liabilities	(5,368)	(5,514)
Net Assets	25,123	22,037
Provisions & Long term liabilities	(7,627)	(6,046)
Deferred Taxation	(654)	(559)
Pension Liability	(7,075)	(5,928)
Total Assets less liabilities	9,767	9,504
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	8,603	7,360
FRS17 Pension Reserve	(7,075)	(5,928)
Revaluation Reserve	3,621	3,454
Net Worth	9,767	9,504

In 2009/10 the Council made payments totalling £10.879 million to Cardiff Bus (£10.781 million in 2008/09) and received income of £0.178 million (£0.205 million in 2008/09 which included debenture interest of £0.054 million). During 2009/10 Cardiff Bus declared and paid to the Council a dividend of £320,000 (£250,000 in 2008/09).

At 31 March 2010, Cardiff Bus had inter-company balances with Cardiff Council as follows: debtors £0.221 million (£0.333 million in 2008/09); creditors £0.535 million (£0.037 million in 2008/09).

For the year ended 31 March 2010 Deloitte LLP have audited the accounts and an unqualified audit opinion has been issued. A full copy of the most recently filed accounts can be obtained from Companies House, Cardiff.

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

CBTC is a company limited by guarantee, which is wholly owned by the Council. The Council's guarantee to CBTC Ltd is to pay costs not exceeding £10 in the event of the company being wound up. The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. CBTC Ltd has an unsecured loan from Cardiff Council, of which £29,683 is outstanding at 31 March 2010. The most recent operating results are shown below:

	Year to 31 March 2009 <i>(restated)</i> £000	Year to 31 March 2010 £000
Net (Profit)/Loss before taxation	(42)	(141)
Less: Taxation	0	0
(Profit)/Loss for year after taxation	(42)	(141)

NOTES TO CORE FINANCIAL STATEMENTS

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

	31 March 2009 <i>(restated)</i> £000	31 March 2010 £000
Total assets less current liabilities	1,170	1,129
Creditors: falling due after more than one year	(81)	(31)
Provision for taxation	0	0
Pension Liability	(110)	(152)
Total Assets less liabilities	979	946
Represented by:		
Retained Profit	109	118
Revaluation Reserve	980	980
FRS17 Pension Reserve	(110)	(152)
Net Worth	979	946

During 2009/10 the Council received income of £24,767 (£24,046 in 2008/09) from CBTC Ltd. At 31 March 2010 CBTC Ltd. owed Cardiff Council £186,045 (£274,000 at 31 March 2010) and was owed £11,000 (£11,000 at 31 March 2010).

The accounts for the year ended 31 March 2010 have been audited by Gerald Thomas & Co., Chartered Accountants and Registered Auditors and an unqualified audit opinion has been issued. A full copy of the most recently approved accounts can be obtained from Centre Administrator, Cardiff Business Technology Centre Ltd, Senghenydd Road, Cardiff CF24 4AY.

24.3 Cardiff & Co.

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

	Period to 31 March 2009 £000	Period to 31 March 2010 £000
Net (Profit)/Loss before taxation	(178)	68
Taxation	0	0
(Profit)/Loss for year after taxation	(178)	68

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

	31 March 2009 £000	31 March 2010 £000
Total assets less current liabilities	208	139
Creditors falling due after more than one year	(1)	0
Total Assets less liabilities	207	139
Represented by:		
Retained Profit	207	139

NOTES TO CORE FINANCIAL STATEMENTS

During the year Cardiff Council made core funding payments of £0.5 million (£0.500 million in 2008/09) to Cardiff & Co. and received income from the Company of £66,025 (£20,235 in 2008/09). In addition, the Council provides a payroll service for Cardiff & Co. for which it receives direct reimbursement. At 31 March 2010 the Company owed the Council £41,917 (£97,205 in 2008/09) and was owed £1,959 by the Council.

The company's auditors are Grant Thornton UK LLP. An unqualified audit opinion has been issued in respect of the accounts for year ending 31 March 2010.

24.4 Cardiff Medicentre Joint Venture

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

During 2009/10 the Council received a total income of £37,512 from Medicentre (£36,550 in 2008/09). In addition, profit distribution was made in respect of the 2008/09 surplus and amounted to £7,620 (£40,906 in 2008/09). At 31 March 2010 Medicentre owed the Council £33,012 (£38,412 at 31 March 2009). A net deficit of £27,224 was made in 2009/10 (net profit of £17,124 in 2008/09). Medicentre's net assets at 31 March 2010 were £2.65 million (£2.45 million at 31 March 2009).

The accounts for the year ended 31 March 2010 have been audited by Gerald Thomas & Co., Chartered Accountants and Registered Auditors and an unqualified audit opinion has been issued. A full copy of the accounts can be obtained from the Centre Administrator, Cardiff Medicentre, Heath Park Cardiff CF14 4UJ.

25. Provisions and Deferred Liabilities

	Balance 31 March 2009 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2010 £000
Cardiff Insurance Provisions	10,361	(3,966)	3,716	10,111
South Glamorgan Insurance Fund	126	(3)	0	123
Commuted Maintenance Sums	10,113	(3,844)	1,161	7,430
Deferred Liabilities	202	(137)	252	317
Equal Pay Back Pay Provision	2,347	0	0	2,347
Capital Provision	2,640	(1,725)	0	915
Other Provisions	335	0	226	561
	26,124	(9,675)	5,355	21,804

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

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

NOTES TO CORE FINANCIAL STATEMENTS

The commuted maintenance sums are amounts received from developers and other organisations for the future maintenance of assets adopted by the Council and include £2.5 million received from the former CBDC. During 2009/10 £2.826 million of commuted sums were temporarily used to help fund the voluntary severance costs. This amount will be repaid over the next five years by charges to service revenue accounts.

Deferred liabilities include £0.252 million in respect of a long-term revenue loan received from the Welsh Assembly Government.

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

The capital provision represents monies set aside from capital resources for remediation works that environmental surveys have identified as being required on 46 properties in the St Donats Road area, Leckwith. This work, which includes environmental enhancements, is included in the Council's Capital Programme with work expected to be completed in 2010/11.

26. Government Grants and Contributions – Deferred Account

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

	2008/09 £000	2009/10 £000
Balance as at 31 March b/f	153,283	183,275
Movements during Year:		
Prior year adjustment	6	0
Grants and contributions applied in the year to fixed assets	40,070	52,247
Released on disposal of assets	(24)	(44)
Released on impairment of assets	0	(57)
Amortisation to Income and Expenditure Account	(10,060)	(11,883)
Balance as at 31 March c/f	183,275	223,538

27. Developers' Contributions and Other Capital Balances Unapplied

This represents the sums received from developers and from other external sources. Schemes to be funded are specific and very often time limited.

	2008/09 £000	2009/10 £000
Balance as at 31 March b/f	21,249	16,715
Movements during Year:		
Contributions received during the year	3,298	3,683
Contributions applied to expenditure during the year	(7,642)	(5,178)
Reclassification	(190)	(443)
Balance as at 31 March c/f	16,715	14,777

NOTES TO CORE FINANCIAL STATEMENTS

28. Summary of Movements on Reserves

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

	Balance 31 March 2009 £000	Gains/ (losses) in the year £000	Net amounts transferred to other reserves £000	Balance 31 March 2010 £000
Capital Adjustment Account	1,408,888	47	(55,391)	1,353,544
Financial Instruments Adjustment Account	(4,420)		342	(4,078)
Revaluation Reserve	110,764	17,071	(2,987)	124,848
Available for Sale Reserve	25,000	(1,500)		23,500
Usable Capital Receipts	3,767	2	(1,250)	2,519
Deferred Capital Receipts	285		830	1,115
Pensions Reserve	(477,990)	(159,860)	(23,738)	(661,588)
Council Fund Balance	11,315	(81,350)	81,135	11,100
HRA Balance	4,931		1,221	6,152
Council Fund Earmarked Reserves*	34,095		(162)	33,933
HRA Earmarked Reserves	1,869		0	1,869
Equal Pay Back Pay Reserve	(2,347)		0	(2,347)
	1,116,157	(225,590)	0	890,567

* The brought forward balance for the Council Fund Earmarked Reserves has been restated to include £0.201m which represents Cardiff's share of the accumulated reserves of the Glamorgan Archives Joint Committee.

28.1 Revaluation Reserve

The Revaluation Reserve represents the difference between the historic cost of assets and the current valuation as at 31 March 2010.

	2008/09 £000	2009/10 £000
Balance as at 31 March b/f	2,500	110,764
Movements during year:		
Impairments	0	(2,146)
Revaluations	114,893	19,217
Revalued assets disposed of	(5,315)	(1,669)
Historic Cost Adjustment	(1,314)	(1,318)
Balance as at 31 March c/f	110,764	124,848

NOTES TO CORE FINANCIAL STATEMENTS

28.2 Capital Adjustment Account

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

	2008/09	2009/10	
	£000	£000	£000
Balance as at 31 March b/f	1,894,594		1,408,881
Movements during Year:			
Prior Year Adjustment	(8)		7
Capital Financing			
- Capital Receipts	26,776	4,107	
- Direct Revenue Financing	7,397	2,966	
- Use of Reserves	3,090	1,554	
- Insurance Settlement & Other	111	24	
	37,374		8,651
Release of Deferred Government Grant and Contributions on disposals	24		44
Release of Deferred Government Grant and Contributions on impairment	0		57
Depreciation, amortisation & impairment charged to Income & Expenditure a/c	(524,570)	(88,922)	
Prudent Revenue Provision	14,358	16,661	
Capital Receipts Provision for Repayment of External Loans		964	
Neutralise amortisation of Government Grants and contributions	10,060	11,883	
Historic cost of assets disposed of	(1,727)	(1,307)	
Historic cost adjustment	1,314	1,318	
Neutralise REFCUS made to Income & Expenditure a/c	(22,538)	(4,693)	
	(523,079)		(64,096)
Balance as at 31 March c/f	1,408,881		1,353,544

NOTES TO CORE FINANCIAL STATEMENTS

28.3 Financial Instruments Adjustment Account

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

	2008/09 £000	2009/10 £000
Balance as at 31 March b/f	4,762	4,420
Movements during Year:		
Amortisation to Council Fund Balance	(342)	(342)
Balance as at 31 March c/f	4,420	4,078

28.4 Usable Capital Receipts Reserve

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

	2008/09 £000	2009/10	
		£000	£000
Balance as at 31 March b/f	22,372		3,767
Movements during Year:			
Sale of Land and Buildings	6,784	2,242	
Sale of Council Dwellings	1,072	1,319	
Private Mortgage Repayments	8	10	
Recoupments of grant	151	261	
	8,015		3,832
Interest on Earmarked Receipts	164	1	
			1
Finance Capital Expenditure	(26,776)	(4,107)	
Provide for Repayment of External Loans	0	(964)	
	(26,776)		(5,071)
Additional set aside from Private Mortgage Repayments	(8)		(10)
Balance as at 31 March c/f	3,767		2,519

Following consent given to Cardiff City Football Club for the development of the hotel site and former coach park, a £720,000 premium became payable to the Council which is deferred for five years. This is shown under deferred capital receipts. The payment of the premium is to be made over five years commencing in 2015/16 and will include accrued interest. Any sum due to the Council becomes payable immediately should the Club be promoted to the Premier League.

NOTES TO CORE FINANCIAL STATEMENTS

28.5 Earmarked Reserves

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

	Balance 31 March 2009 <i>(restated)</i> £000	Contributions From Revenue £000	To Revenue £000	Balance 31 March 2010 £000
SCHOOLS BALANCES				
Schools Balances inc. Nursery schools	6,797	2,232	(3,436)	5,593
Nursery Schools – General Reserve	55	0	(55)	0
Cathays HS – Maint. of Playing Field	3	0	0	3
Primary/Special Repairs Reserve	150	513	(421)	242
	7,005	2,745	(3,912)	5,838
SCHOOLS RESERVES				
Cardiff Achievement Project	97	0	(47)	50
ICT Schools Practice Account	127	0	0	127
Music Service Reserve	49	0	0	49
Schools Catering Reserve	280	286	(168)	398
Schools Cleaning Reserve	167	0	(67)	100
Schools Formula Funding Reserve	307	0	(106)	201
Schools Organisation Plan	4,522	4,351	(1,188)	7,685
S.E.N. Unit	102	0	0	102
Special Schools Support	52	0	(52)	0
	5,703	4,637	(1,628)	8,712
OTHER EARMARKED RESERVES				
Approved Grants – Rev. Assistance to Industry	7	13	0	20
Asylum Seeker Leased Properties	547	238	(9)	776
Baycar Reserve	308	0	(269)	39
Bute Park Match Funding Reserve	133	15	0	148
C2C Refurbishment Reserve	79	21	0	100
Cardiff Dogs' Home Legacy	34	0	(9)	25
Cardiff Insurance Reserve	5,018	1,097	(1,200)	4,915
Care First Reserve	508	0	(6)	502
Central Market Minor Works Reserve	1	0	0	1
City Hall Functions Reserve	20	0	0	20
Cleaner Cardiff Reserve	103	0	0	103
Commonwealth Local Government Forum	0	21	0	21
Corporate Initiatives Reserve	1,398	51	(93)	1,356
Corporate Director Pension/VSS Reserve	64	0	(60)	4
Crematorium & Cemetery Improvement Reserve	552	187	0	739
Design & Construction ICT Reserve	62	0	(17)	45
Design & Construction Vehicle Reserve	64	0	(10)	54
Direct Services Operational Reserve	20	178	0	198

NOTES TO CORE FINANCIAL STATEMENTS

	Balance 31 March 2009 <i>(restated)</i> £000	Contributions		Balance 31 March 2010 £000
		From Revenue £000	To Revenue £000	
Energy Conservation Reserve	175	43	(20)	198
Euroclad Reserve	0	64	0	64
Extracare Reserve	120	0	0	120
Flatholm Reserve	31	0	(4)	27
Fraud Detection Reserve	193	0	(4)	189
Freedom of Information Act	10	0	0	10
Friary Projects Reserves	3	0	(3)	0
Grants Database Reserve	17	0	0	17
Grant Management IT Costs	56	0	0	56
Highways Remedial Reserve	39	0	(19)	20
Highways Vehicle Renewal	138	20	0	158
House Mortgage Reserve	63	0	(10)	53
Housing Benefit Reserve	1,769	427	0	2,196
Hub Manager Salary Reserve	49	0	(20)	29
ICT Holding A/C Reserve	135	0	(135)	0
Integrated Partnership Strategy	0	31	0	31
Legal Case Management System	5	0	0	5
Licensed Premises Supervisors	72	0	(72)	0
Lifelong Learning Funding Reserve	663	89	(14)	738
Local Plan Reserve	127	85	(127)	85
Local Service Board Initiative Reserve	40	0	0	40
Major Projects Reserve	47	0	(22)	25
Mansion House Repairs	63	0	(63)	0
Members Computer Hardware	18	0	0	18
MRP Reserve	500	0	(500)	0
Multi Media Reserve	12	0	0	12
Municipal Election Reserve	0	52	0	52
Members Development	46	0	0	46
Parking Reserve	1,774	871	(514)	2,131
Parks Vehicle & Plant Renewal	78	176	(196)	58
PDD Bessemer Improvements	233	0	(233)	0
PDD – Impact on Design Reserve	66	0	0	66
People Initiatives Reserve	281	0	(137)	144
Procurement Initiatives Reserve	202	76	(37)	241
Regulatory Building Control Fee Reserve	51	0	(51)	0
Replacement of Homelessness Reserve	250	231	0	481
Scrutiny Development & Training	40	0	0	40
Scrutiny Reserve	31	0	0	31
Section 117 Mental Health Act	99	0	(99)	0
South Wales Fire Service Reserve	1,939	0	(1,939)	0

NOTES TO CORE FINANCIAL STATEMENTS

	Balance 31 March 2009 <i>(restated)</i> £000	Contributions		Balance 31 March 2010 £000
		From Revenue £000	To Revenue £000	
Specialist Advice incl Prosiect Gwyrdd	394	0	(156)	238
Supporting Business Development Reserve	50	0	0	50
Supporting Business Reserve	1,128	580	(650)	1,058
Telephone Switchboard Reserve	35	113	0	148
Strategic Transformation Change Reserve	1,023	869	(937)	955
Valuers Reserve	169	0	(56)	113
Workshops Asset Maintenance	25	0	0	25
CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES	21,177	5,548	(7,691)	19,034
Glamorgan Archives *	201	9	(28)	182
Prosiect Gywrdd	0	152	0	152
Welsh Purchasing Consortium	9	6	0	15
HRA RESERVES	210	167	(28)	349
Leased Houses	665	0	0	665
HRA / Housing IT Reserve	1,129	0	0	1,129
HRA Tree Maintenance Reserve	25	0	0	50
HRA Vacants Clearance Team Depot	50	0	0	25
	1,869	0	0	1,869
TOTAL EARMARKED RESERVES	35,964	13,097	(13,259)	35,802

* The balances brought forward at 31 March 2009 have been restated to include Cardiff's share of the accumulated reserves of the Glamorgan Archives Joint Committee, which were not previously included on the Council's balance sheet.

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

The Schools Balances comprise two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2010 schools' own balances, including the balances of nursery schools, amounted to £5,593,144 (£6,796,920 in 2008/09). In addition, the Council has established reserves to allow for contingencies affecting schools. Further details of each individual school's balance at 31 March 2010 is shown in note 28.6.

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

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

NOTES TO CORE FINANCIAL STATEMENTS

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

The Housing Benefit Reserve will be used to fund home working and landlord liaison schemes and the training of new Benefits and Customer Services Assistants through to 2012/13. It will also be used to fund software development and office accommodation refurbishment costs and to provide further resources that may be required for Housing Benefit debt recovery.

The Parking Reserve represents surpluses on street parking charges which are re-invested in parking, public transport and road traffic schemes.

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

The Strategic Transformation Change Reserve has been set up to support the process of strategic transformation change arising from the outcomes of the Fundamental Operational Review and the Council's Stakeholder Consultation Process.

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

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

28.6 Schools Balances

The individual balances of each school are as follows:

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
Primary Schools		
Adamsdown Primary School	108	113
Albany Primary School	121	142
Allensbank Primary School	53	68
All Saints C.W. Primary School	33	48
Baden Powell Primary School	78	131
Birchgrove Primary School	7	20
Bishop Childs C.W. Primary School	71	92
Bryn Celyn Primary School	35	(52)
Bryn Deri Primary School	42	42
Bryn Hafod Primary School	105	65
Caerau Infant School	72	57
Caerau Nursery School	12	14
Cefn Onn Primary School	4	(25)
Christ The King R.C. Primary School	3	27
Coed Glas Primary School	42	49
Coryton Primary School	(21)	(33)
Creigiau Primary School	38	40
Cwrt Yr Ala Junior School	9	23
Danescourt Primary School	59	36
Eglwys Newydd Primary School	(57)	7

NOTES TO CORE FINANCIAL STATEMENTS

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
Eglwys Wen Primary School	34	39
Fairwater Primary School	28	47
Gabalfa Primary School	63	82
Gladstone Primary School	30	48
Glan Yr Afon Primary School	47	(18)
Glyncoed Infant School	6	6
Glyncoed Junior School	(7)	3
Grangetown Primary School	18	53
Grangetown Nursery School	17	16
Greenway Primary School	109	81
Gwaelod-y-Garth Primary School	(11)	36
Hawthorn Primary School	60	49
Herbert Thompson Primary School	45	47
Holy Family R.C. Primary School	59	95
Hywel Dda Primary School	106	144
Kitchener Primary School	131	117
Lakeside Primary School	28	29
Lansdowne Primary School	51	80
Llandaff C.W. Primary School	33	32
Llanedeyrn Primary School	57	65
Llanishen Fach Primary School	47	46
Llysfaen Primary School	109	127
Marlborough Infant School	85	128
Marlborough Junior School	28	39
Meadowlane Primary School	82	59
Millbank Primary School	55	63
Moorland Primary School	73	41
Mount Stuart Primary School	54	112
Ninian Park Primary School	29	26
Oakfield Primary School	(61)	(56)
Pentrebane Primary School	46	62
Pentyrch Primary School	29	53
Pen-y-Bryn Primary School	71	68
Peter Lea Primary School	48	60
Radnor Primary School	24	25
Radyr Primary School	50	42
Rhiwbeina Primary School	101	138
Rhydypenau Primary School	47	71
Roath Park Primary School	73	61
Rumney Primary School	65	98
Severn Primary School	59	64
Springwood Primary School	56	51
Stacey Primary School	91	87
St Alban's R.C. Primary School	21	8
St Anne's C.W. Infant School	72	112
St Bernadette's R.C. Primary School	112	193
St Cadoc's R.C. Primary School	52	47
St Cuthbert's R.C. Primary School	41	71
St David's C.W. Primary School	80	43
St Fagan's C.W. Primary School	22	17
St Francis R.C. Primary School	112	62

NOTES TO CORE FINANCIAL STATEMENTS

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
St John Lloyd R.C. Primary School	70	65
St Joseph's R.C. Primary School	(1)	30
St Mary's R.C. Primary School	69	47
St Mary The Virgin C.W. Primary School	106	88
St Mellons C.W. Primary School	22	2
St Monica's C.W. Primary School	18	33
St Patrick's R.C. Primary School	16	10
St Paul's C.W. Primary School	20	24
St Peter's R.C. Primary School	164	190
St Philip Evans R.C. Primary School	27	38
Thornhill Primary School	47	36
Tongwynlais Primary School	27	13
Ton-yr-Ywen Primary School	107	117
Tredegarville C.W. Primary School	85	102
Trelai Primary School	161	140
Tremorfa Nursery School	18	33
Trowbridge Infant School	(4)	(3)
Trowbridge Junior School	64	41
Willowbrook Primary School	19	49
Windsor Clive Primary School	146	107
Ysgol Bro Eirwg	104	120
Ysgol Gymraeg Coed-y-Gof	(32)	31
Ysgol Melin Gruffydd	39	45
Ysgol Pencae	6	28
Ysgol Pwll Coch	37	58
Ysgol-y-Berllan Deg	46	67
Ysgol Mynydd Bychan	22	33
Ysgol Gymraeg Treganna	43	41
Ysgol-y-Wern	68	36
Ysgol Glan Morfa	47	31
WMSC - Coed Y Gof (Holy Family)	60	83
WMSC - Treganna (Ninian Park)	35	24
WMSC - Y Wern (St Phillip Evans)	0	10
WMSC - Bro Eirwg (Oakfield)	41	74
WMSC - Gabalfa	0	14
ICC Ely/Vachell Rd Nursery	23	33
Total Primary Schools (net)	5,211	5,823
Secondary Schools		
Corpus Christi R.C. High School	269	180
Mary Immaculate High School	101	81
St Illtyd's R.C. High School	116	79
Bishop Of Llandaff C.W. High School	(145)	(176)
Michaelston Community College	198	57
Cantonian High School	(272)	(506)
Cardiff High School	238	214
Cathays High School	80	69
Fitzalan High School	261	(119)
Glyn Derw High School	117	134
Llanedeyrn High School	(604)	(902)

NOTES TO CORE FINANCIAL STATEMENTS

	Balance at 31 March 2009 £000	Balance at 31 March 2010 £000
Llanishen High School	70	165
Llanrumney High School	31	(170)
Radyr Comprehensive	173	96
Rumney High School	(94)	(282)
St Teilo's C.W. High School	61	(16)
Whitchurch High School	58	(295)
Willows High School	113	170
Ysgol Gyfun Gymraeg Glantaf	309	304
Ysgol Gyfun Gymraeg Plasmawr	4	48
Total Secondary Schools (net)	1,084	(869)
Special Schools		
The Court School	34	83
Riverbank School	88	77
Ty Gwyn School	139	180
Woodlands High School	134	51
Greenhill School	81	117
Meadowbank School	130	170
The Hollies School	(104)	(39)
Total Special Schools (net)	502	639
Total Schools Balances (net)	6,797	5,593

29. Contingent Assets & Liabilities

Assets

In accordance with the Section 165 Agreement and the Deed of Variation signed in March 2007 in respect of the functions transferred from the former Cardiff Bay Development Corporation, any savings on the fixed costs revenue budgets accrue to the Council. These savings along with any income generated are to be added to the Enhancement Fund (previously known as the 'Savings Budget') which is held by the Welsh Assembly Government (WAG) to the credit of the Council. At the end of 2009/10, the Enhancement Fund amounted to an estimated £1.404 million. This is considered to be a contingent asset because future use of the funds is dependant upon WAG approval of projects submitted by the Council.

Liabilities

As at 31 March 2010 there existed nine claims against the Council for which there is no insurance cover. The claims are in respect of, inter alia, unfair dismissal, racial and disability discrimination and breach of contract. One claim has already been heard and dismissed and is currently being appealed by the claimant. The maximum liability in respect of the nine claims is estimated to be £311,500. The Council is resisting liability in all cases.

Other outstanding issues, which could affect the Council are:

The former authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992.

NOTES TO CORE FINANCIAL STATEMENTS

The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. It is currently anticipated that MMI's financial position will allow for all claims to be settled however if this is not the case the Council will become liable to repay to MMI all payments of claims under the Scheme, less £50,000 per authority, plus any further outstanding claims. As at 31 March 2010 this liability amounted to £2.62 million for the former South Glamorgan County Council and £0.113 million for the former Cardiff City Council. No provision has been made in the Balance Sheet for these amounts.

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

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

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

NOTES TO CORE FINANCIAL STATEMENTS

30. Notes to Cash Flow Statement

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

	2008/09 £000	2009/10 £000
(Surplus)/Deficit for the year on I&E account	517,071	81,350
Non-cash transactions		
Depreciation and impairment	(524,570)	(88,922)
Amortisation of deferred grants & contributions	10,060	11,940
Charges made for retirement benefits (FRS17)	(42,750)	(61,820)
Add back cash item		
Employer's contributions to pension fund	36,020	38,082
Items on an accruals basis		
Increase/(decrease) in stock	116	11
Increase/(decrease) in debtors	(2,917)	6,814
(Increase)/decrease in creditors	8,082	(2,582)
Contributions (to)/from provisions	(1,264)	2,595
Items included in another classification		
REFCUS financed by borrowing	(22,538)	(4,693)
Net gain/(loss) on sale of fixed assets	760	1,483
Net gain/(loss) on sale of investments	30	0
Interest paid	(22,129)	(21,824)
Interest and dividends received	9,603	3,392
Net Cash Flow from Revenue Activities	(34,426)	(34,174)

30.2 (Increase)/ Decrease in Cash

	Balance 31 March 2009 £000	Balance 31 March 2010 £000	Movement in year £000
Cash at bank and in hand	11,684	2,848	8,836

30.3 Net Increase/ (Decrease) in Liquid Resources

	31 March 2009 £000	March 2010 £000	Movement in year £000
Short term deposits	60,528	54,369	(6,159)
NDR agency (debtor)	5,727	10,080	4,353

NOTES TO CORE FINANCIAL STATEMENTS

30.4 Other Government Grants:

	2008/09 £000	2009/10 £000
Revenue Grants		
Education & Lifelong Learning Grants	39,761	38,397
Social Services Grants	19,136	18,426
Council Tax Benefit Subsidy	20,795	25,825
Grant for Harbour Authority	10,083	10,160
Improvement Agreement Grant	3,142	3,170
Deprivation Grant	1,511	1,511
Concessionary Fares	9,617	7,767
Supporting People	10,096	10,374
Other Specific Grants	15,685	18,703
	129,826	134,333
Capital Grants		
Welsh Assembly Grants	35,525	59,569
UK Government Department	147	55
European Community Structural Funds	1,022	0
Sponsored / Non Departmental Public Bodies	466	1,370
Lottery	1,115	670
Other	18	131
	38,293	61,795

31. Post Balance Sheet Events

In its Budget on 22 June 2010 the Government announced that from April 2011, increases to public sector pensions will be linked to the Consumer Prices Index (CPI) rather than to the Retail Prices Index (RPI).

Over the last twenty years CPI has been lower than RPI, by an average of 0.7% p.a. The Council's actuary takes the view that this differential is likely to continue in the future and this will therefore have the effect of reducing the value of the Council's pension liabilities as, in future, benefits payable to members will increase at a lower rate.

As the announcement was made after the Council's accounting date of 31 March 2010 this is considered to be a non-adjusting post balance sheet event for 2009/10 and the effect will be reflected in the accounts for 2010/11.

32. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 23 September 2010 by Christine Salter, City and County Treasurer.

**HOUSING REVENUE ACCOUNT: INCOME & EXPENDITURE
ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010**

2008/09 £000		Note	2009/10 £000
	Income		
(46,896)	Dwelling rents	2	(49,337)
(71)	Non-dwelling rents		(82)
(5,740)	Charges for services and facilities		(6,059)
(760)	Credits in respect of deferred grants & contributions		(954)
(1,190)	Credits in respect of REFCUS		(726)
(54,657)	Total Income		(57,158)
	Expenditure		
28,212	Management and maintenance		28,910
2,157	Rents, rates, taxes and other charges		1,923
13,585	Housing Revenue Account subsidy payable		14,704
484	Provision for bad and doubtful debts		618
16,950	Depreciation and impairment of fixed assets	10	15,306
1,210	Revenue expenditure funded from capital under statute (REFCUS)	11	179
40	Debt management costs		32
366,237	Exceptional item		0
428,875	Total Expenditure		61,672
374,218	Net Cost of HRA Services as included in the whole authority Income & Expenditure Account		4,514
57	HRA Services share of Corporate & Democratic Core		62
374,275	Net Cost of HRA Services		4,576
	HRA share of the operating Income & Expenditure included in the whole authority Income & Expenditure Account		
507	(Gain)/loss on sale of HRA assets		(665)
4,225	Interest payable		4,031
2	Premiums and discounts		0
(505)	HRA investment income	4	(169)
378,504	(Surplus)/Deficit for year on HRA services		7,773

STATEMENT OF MOVEMENT ON HRA BALANCE

STATEMENT OF MOVEMENT ON HRA BALANCE

2008/09 £000		Note	2009/10 £000
378,504	(Surplus)/Deficit for the year on the HRA Income & Expenditure Account		7,773
(378,100)	Net additional amount required by statute to be debited or credited to the HRA balance for the year, as detailed below	1	(8,994)
404	(Increase)/Decrease in HRA balance for the year		(1,221)
(5,335)	HRA Balance brought forward		(4,931)
(4,931)	HRA Balance carried forward		(6,152)

1. NOTE TO THE STATEMENT OF MOVEMENT ON HRA BALANCE

2008/09 £000		2009/10 £000
	Amounts in the HRA Income & Expenditure Account but excluded from movement on HRA Balance for the year:	
(383,187)	Depreciation and impairment of fixed assets	(15,306)
760	Government Grants deferred amortisation matching depreciation and impairments	954
(20)	Revenue expenditure funded from capital under statute and financed from capital resources	547
(507)	Net gain/(loss) on sale of fixed assets	665
(852)	Net charges for retirement benefits in accordance with FRS17	(902)
(383,806)		(14,042)
	Amounts not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year:	
1,552	HRA prudent provision for repayment of external loans (MRP)	1,533
3,149	Capital expenditure funded by the HRA	2,000
0	Amortisation of premiums and discounts	2
1,371	Employers contributions to the Pension Fund and benefits paid direct to pensioners	1,538
(263)	Net transfer to /(from) HRA earmarked reserves	0
(103)	Transfer from Usable Capital Receipts Reserve	(25)
5,706		5,048
(378,100)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	(8,994)

NOTES TO THE HOUSING REVENUE ACCOUNT

2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.94% of rental income (2.23% in 2008/09). Average rents were £70.12 per week (£66.24 in 2008/09) based on a 52 week year.

3. Rent Arrears and Bad Debt Provision

	As at 31 March 2009		As at 31 March 2010	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
HRA properties	2,008	1,374	2,242	1,833
Leasehold properties	155	154	164	164
Hostels	108	108	113	113
Total	2,271	1,636	2,519	2,110

In addition the following sums were also due from tenants:

	As at 31 March 2009		As at 31 March 2010	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Service Charges	102	46	97	59
Tenants recoverables	190	190	220	220
Total	292	236	317	279

During 2009/10 a number of old debts (former tenants' rents) totalling £79,444 were written off as irrecoverable (£690,513 in 2008/09).

4. Investment Income

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

5. Pension Costs

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

	2008/09 £000	2009/10 £000
Cost of employer's contributions plus discretionary benefits	1,371	1,538
Current service cost	(852)	(902)
Net transfer to Pensions Reserve	519	636

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

NOTES TO THE HOUSING REVENUE ACCOUNT

6. Mortgages on Sold Council Houses

Mortgage arrears amounted to £38,952 (£49,036 in 2008/09) and prepayments were £76,413 (£90,104 in 2008/09).

7. Housing Stock

The Council's housing stock is shown below:

	31 March 2009	31 March 2010
Houses	7,322	7,309
Bungalows	623	623
Flats/Bedsits	5,171	5,168
Maisonettes	288	288
Retirement complexes	358	358
Total	13,762	13,746

The Council also had:

	31 March 2009	31 March 2010
Bed spaces in hostels	24	24
Flats in hostels	23	0
Leased properties	170	60
Total	217	84

8. Capital Expenditure and Financing

Expenditure as per Financial Statements	2008/09 £000	2009/10 £000
Opening Capital Financing Requirement	77,600	76,643
Movements during Year:		
Expenditure on Fixed Assets	16,873	15,798
Expenditure on REFCUS	1,210	392
Sources of Finance:		
Grants and Contributions *	(11,547)	(9,933)
Revenue and Reserves	(3,149)	(2,000)
Capital Receipts	(2,792)	(1,762)
Adjustment to St Donats Provision	0	(213)
Grant Received re St Donats	0	(336)
Prudent revenue and capital provision for loan repayment	(1,552)	(2,496)
Closing Capital Financing Requirement	76,643	76,093

* £9.5 million (£9.5 million in 2008/09) of Major Repairs Allowance was received and applied in the year.

9. Capital Receipts

Proceeds from the disposal of HRA Assets during 2009/10 were as follows:

- Council Dwellings, Repayment of Discount & Home Purchase Contributions £1.319 million (£1.072 million in 2008/09)
- Land £0.997 million (£0.694 million in 2008/09)

NOTES TO THE HOUSING REVENUE ACCOUNT

10. Depreciation and Impairment charged

Depreciation and impairment was charged on HRA assets as follows:

	2008/09 £000	2009/10 £000
Council dwellings	16,462	15,135
Land and buildings	464	58
Vehicles, plant & equipment	24	13
Investment properties	0	100
Sub-total	16,950	15,306
Exceptional item -additional impairment to Council dwellings	366,237	0
Total depreciation and impairment	383,187	15,306

11. Revenue Expenditure Funded from Capital under Statute

Revenue expenditure funded from capital under statute totalling £0.392 million was charged to the Housing Revenue Account in 2009/10 (£1.210 million in 2008/09). This has been partly offset by a sum of £0.213 million which was released from the St Donats Road remediation provision.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Foreword

Cardiff Council is the administering authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS). The Fund's value increased significantly during 2009/10 to a record high of over £1 billion as equity markets began to recover from the losses of 2008/09. However, the UK's fiscal stimulus package has kept gilt yields (i.e. interest rates) at historic lows, which has also increased the value of the actuarial liability of the Fund. As gilt yields rise over the coming years the Fund's overall funding position is likely to improve significantly. An actuarial valuation of the long term liabilities as at 31 March 2010 is currently taking place and the aim will be to minimise any increases in employer contributions while maintaining a prudent long-term funding strategy.

Equity investments remain at the core of the Fund's investment strategy as they are expected to benefit from long-term economic growth. The credit crisis has however highlighted the public and private debt levels of developed countries relative to the surpluses of more developing economies such as China and India. In the expectation that future economic growth levels will be higher in developing countries the Fund therefore continued to diversify its equity holdings this year by the creation of an Emerging Market equity mandate.

Although the costs of unfunded public sector schemes are likely to receive continued attention in the near future it is important to recognise that the LGPS is different as contributions are invested in real assets which generate returns to help pay for future pensions. The new LGPS which was introduced in 2008 is designed to be affordable, although there may be a need to consider further changes nationally to the benefit structure of the LGPS in response to new pressures. The Cardiff & Vale of Glamorgan Pension Fund itself performs an important role in limiting pension costs for employers while paying the annual pensions of over 8,500 pensioners (average pension £4,600 per year) - much of which contributes directly to the South Wales economy.

Christine Salter
City & County Treasurer

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Actuarial Statement

Cardiff and Vale of Glamorgan Pension Fund

Introduction

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

Actuarial Position

1. Rates of contributions paid by the participating Employers during 2009/10 were based on the actuarial valuation carried out as at 31 March 2007.
2. The valuation as at 31 March 2007 showed that the funding ratio of the Fund had improved since the previous valuation with the market value of the Fund's assets at that date (of £903.4M) covering 71% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable remuneration. The main reasons for the improvement in the funding ratio since 31 March 2004 were higher than expected investment returns on the Fund's assets and additional employer contributions paid to reduce the deficit revealed at the 2004 valuation. These were partially offset by the impact of changes in the actuarial assumptions used, including changes to reflect higher price inflation expectations and longevity improvements, and the removal of a smoothing adjustment to the asset value used at the previous valuation.
3. The valuation also showed that the required level of contributions to be paid to the Fund by participating Employers (in aggregate) with effect from 1 April 2008 was as set out below:
 - 15.5% of pensionable pay to meet the liabilities arising in respect of service after the valuation date.

Plus

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

Less

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

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

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

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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

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

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

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

6. The main actuarial assumptions were as follows:

Discount rate for periods

In service

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

Left service

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

Short term investment returns until 1 April 2011

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

Rate of general pay increases 4.7% a year

Rate of increases to pensions in payment 3.2% a year

Valuation of assets market value

7. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2010 which is currently being carried out. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2011 to 31 March 2014 are required by the Regulations to be signed off by 31 March 2011.

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

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

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

Hewitt Associates Limited

10 June 2010

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

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2010

2008/09 £000		2009/10	
		£000	£000
	CONTRIBUTIONS AND BENEFITS		
	Contributions receivable		
49,224	from employers (Note 5)	51,852	
15,403	from employees (Note 5)	16,085	
4,348	Transfers in	7,919	
753	Deficit Funding	1,405	
2,370	Other Income (Capitalised Payments)	2,651	
72,098			79,912
	Benefits Payable		
(37,075)	Pensions (Note 6)	(39,601)	
(8,952)	Lump Sums (Note 6)	(15,469)	
	Payments to and on account of leavers		
(40)	Refunds of contributions	(17)	
(4,398)	Transfers out	(8,532)	
0	Group Transfer Out	(9,723)	
(799)	Admin. & other expenses (Note 8)	(828)	
(51,264)			(74,170)
20,834	Net Additions/(Withdrawals) from dealings with Members of the Fund		5,742
	RETURNS ON INVESTMENT		
15,806	Investment Income (Note 9)	13,351	
(181,200)	Change in market value of investments (Note 10)	251,582	
(2,651)	Investment management expenses (Note 8)	(3,333)	
(168,045)	Net Returns on Investments		261,600
(147,211)	Net Increase/(Decrease) in the Fund during Year		267,342
906,832	Opening Net Assets of the Scheme		759,621
759,621	Closing Net Assets of the Scheme		1,026,963

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

31 March 2009 £000	NET ASSETS STATEMENT	31 March 2010	
		£000	£000
739,027	Investments at market value (Note 10)	1,007,316	1,022,437
17,981	Cash & investment proceeds due (Note 10)	15,121	
757,008	Current assets		
313	UK & Overseas Tax	277	
2,357	Contributions due from Employers	7,403	
1,081	Investment Income accrued due	1,102	
422	Sundry Debtors (Note 12)	193	
4,173	Less		8,975
	Current liabilities		
(591)	Unpaid Benefits	(1,438)	
(969)	Sundry Creditors (Note 12)	(3,011)	
(1,560)			(4,449)
759,621	Net Assets of the Scheme		1,026,963

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Administering Authority, They do not take account of obligations to pay pensions and benefits which fall due after the year end.

NOTES TO THE ACCOUNTS

1. The accounts summarise the transactions and net assets of the Pension Fund, and comply in all material respects with the Statement of Recommended Practice (2007), "Financial Reports of Pension Schemes", and the 2009 Local Authority SORP which also refers to pension funds. The accounts do not take account of future liabilities to pay pensions and other benefits. The actuarial position, which does take account of such liabilities, is summarised in the Actuarial Statement which is included in the annual report. This shows that the overall funding level as at 31 March 2007 is 71%.
2. **Accounting Policies**
 - (a) **Basis of Preparation**
Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. As required by the SORP, the Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future.
 - (b) **Valuation of Investments**
Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2010 (bid market value is the price at which an investment can be sold at a given date.) Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list).

(c) **Acquisition costs of Investments**

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

3. Taxation

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

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

(b) **Value Added Tax.**

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

(c) **Overseas Withholding Tax.**

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

4. Titles of Ownership

Evidences of ownership for the property unit trusts, private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2010 by the Northern Trust Co in the account of the Council. Statements of holdings have been provided by Northern Trust.

5. Employing Bodies – Contributions

EMPLOYER	No of Contrib- utors at 31.3.10	Contribution Rates (% of pensionable pay)	Employees £000	Employers £000	Total £000
SCHEME					
Barry College	166	17.9	153	440	593
Barry Town Council	20	23.0	25	94	119
Cardiff City Transport	80	12.0*	119	247	366
Cardiff Council	8986	21.0	10,207	33,505	43,712
Coleg Glan Hafren	160	17.9	175	496	671
Cowbridge Town Council	4	23.0	4	15	19
Dinas Powys Comm. Council	2	18.6	2	5	7
Llantwit Major Town Council	2	23.0	3	10	13

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

EMPLOYER	No of Contributors at 31.3.10	Contribution Rates (% of pensionable pay)	Employees	Employers	Total
			£000	£000	£000
Penarth Town Council	12	23.0	13	47	60
Public Services Ombudsman for Wales	4	21.0	12	35	47
Radyr & Morganstown Community Council	1	18.6	1	3	4
St Cyres Comp GM	33	18.7	32	96	128
St David's Sixth Form Coll	20	18.7	28	82	110
Stanwell Comp GM	59	18.7	38	122	160
Univ of Wales Inst, Cardiff	624	17.9	1,021	2,744	3,765
Vale of Glamorgan Council	2864	21.5	3,184	10,667	13,851
Sub-total	13,037		15,017	48,608	63,625
NON-SCHEME EMPLOYERS					
Cardiff & Co	7	15.0	14	37	51
Cardiff Business Technology	5	22.2	5	19	24
Cardiff Gypsy & Traveller Project	1	20.2	2	6	8
Cardiff Institute for Blind	6	27.0	6	24	30
Cardiff University	89	32.4	132	662	794
Career Wales (Cardiff & Vale)	131	14.3	201	447	648
Children in Wales	24	20.2	36	111	147
Citizens Advice Bureau	7	16.2	8	20	28
Civic Trust For Wales	1	20.2	2	7	9
Crime Reduction Initiative	1	19.6	7	22	29
Design Commission for Wales	5	15.8	14	27	41
Dimensions (UK)	1	20.1	2	5	7
Fforwm	7	16.0	21	48	69
Glamorgan Holiday Hotel	1	27.0	2	9	11
Housing for Wales	1	22.1*	4	12	16
One Voice Wales	1	13.2	1	3	4
Opportunity Housing Trust	7	20.2	15	43	58
Play Wales	9	16.0	21	49	70
Race Equality First	1	27.0	2	7	9
Royal National Eisteddfod	11	25.0	28	102	130
Sports Council for Wales	155	21.0	332	1,038	1,370
Wales & West Housing Assoc	1	27.0	8	29	37
Welsh Council for Voluntary Action	101	16.8	168	425	593
Workers Education Assoc	23	16.4	37	92	129
Sub-total	596		1,068	3,244	4,312
Total	13,633		16,085	51,852	67,937

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

Deficit Funding

Scheme Employer:	£000
Cardiff City Transport	681
Housing for Wales	272
Careers Wales (Voluntary)	440
CBAT	12
Total	1,405

6. Employing Bodies - Benefits Paid

EMPLOYERS	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEME:				
Barry College	196	118	48	0
Barry Town Council	61	0	0	0
Cardiff City Transport	1,681	532	0	0
Cardiff Council	25,226	10,619	557	5
Coleg Glan Hafren	167	117	0	0
Cowbridge Town Council	5	0	0	0
Dinas Powys Town Council	6	0	0	0
Llantwit Major Town Council	14	0	0	0
Mary Immaculate High School	13	0	0	0
Penarth Town Council	34	0	0	0
Probation Service	224	9	0	0
Public Services Ombudsman for Wales	137	0	0	0
Royal Welsh College of Music & Drama	49	0	0	0
S Wales Magistrates Courts	145	262	44	0
St Cyres Comprehensive GM	20	0	35	0
St David's Sixth Form Coll	40	0	0	0
Stanwell Comprehensive GM	15	41	0	0
Univ of Wales Inst, Cardiff	640	415	85	0
Vale of Glamorgan Council	8,105	1,763	251	0
Sub-total	36,778	13,876	1,020	5
NON-SCHEME EMPLOYERS:				
Cardiff Bay Devt Corp	407	0	0	0
Cardiff Business Technology	2	44	0	0
Citizens Advice Bureau (Cardiff)	1	0	0	0
Cardiff Gypsy Sites	1	0	0	0
Cardiff Institute for Blind	87	119	0	0

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

EMPLOYERS	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Cardiff University	850	151	0	0
Catholic Children's Soc	103	15	0	0
Careers Service	2	0	0	0
Children in Wales	12	0	0	0
Citizens Advice Bureau (Vale)	2	1	0	0
Civic Trust for Wales	3	0	0	0
Fforwm	1	0	0	0
Glam & Gwent Hsg Assoc	52	0	0	0
Housing for Wales	105	78	0	0
Intervol	19	0	0	0
Land Authority for Wales	260	0	0	0
National Eisteddfod	24	0	0	0
Opportunity Housing Trust	18	0	0	0
Play Wales	11	0	0	0
Glamorgan Holiday Hotel	51	0	0	0
S E Wales Com Trust	6	0	0	0
Sports Council for Wales	576	137	23	0
STAR	7	0	0	0
Wales & West Housing Assoc.	128	0	0	0
Wales Youth Agency	49	0	0	0
Welsh Council for Voluntary Action	39	0	0	0
Workers Education Authority	7	0	0	0
Sub-total	2,823	545	23	0
TOTAL	39,601	14,421	1,043	5

7. Membership of the Fund

Fund membership at 31 March 2010 is as follows:

	2009	2010
Contributing Employers	39	40
Contributors	13,699	13,633
Pensioners	8,387	8,534
Deferred Pensioners	8,231	8,851
Total Membership	30,317	31,018

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

8. Investment and Administration Expenses

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

	2008/09 £000	2009/10 £000
Management Fees	2,515	3,219
Custody Fees	136	114
	2,651	3,333
Support Service Charges	186	230
Other Administration Expenses	613	598
	799	828
Total	3,450	4,161

Investment fees have increased in line with the rise in investment values.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

9. Investment Income

	2008/09 (restated)* £000	2009/10 £000
UK Fixed Interest Securities	6,464	6,462
Overseas Fixed Interest Securities	2,560	1,199
UK Equities & Private Equity Funds	3,022	2,748
Overseas Equities (net of irrecoverable tax)	2,116	1,390
Property Unit Trust Income	1,460	1,368
Interest on UK cash	184	177
Securities Lending	0	7
	15,806	13,351

*Investment Income for 2008/09 has been re-stated as all accrued income had been included as Interest on UK Cash. The overall income figure is unaffected.

10. Investments at Market Value

	31 March 2009		31 March 2010	
	£000	£000	£000	£000
UK Fixed Interest:				
Public Sector	58,439		48,710	
Other (pooled)	48,142		67,724	
		106,581		116,434
Overseas Fixed Interest				
Public Sector (Pooled)	0		0	
Other	47,504		53,861	
		47,504		53,861
UK Quoted Equities & Convertibles		36,353		54,844
Foreign Quoted Equities		55,092		85,882
UK Property Unit Trusts		34,748		40,950
Private Equity		59,926		64,744
Pooled Funds				
UK	278,253		375,075	
Overseas	120,570		215,526	
		398,823		590,601
		739,027		1,007,316
Cash:				
UK	12,006		13,149	
Overseas	9,177		2,214	
	21,183		15,363	
Net investment proceeds due	(3,202)		(242)	
		17,981		15,121
		757,008		1,022,437

Gross purchases in the year (excluding cash) were £107.650m, whilst sales were £91.747m. From these a net realised profit was accrued to the Fund of £9.4m. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

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

	Value at 31/3/09 £000	Purchase at Cost £000	Sale Proceeds £000	Change in Mkt Value £000	Value at 31/3/10 £000
Fixed Interest Securities	154,085	49,423	(47,173)	13,960	170,295
Equities	91,445	45,776	(42,732)	46,237	140,726
Pooled Funds	398,823	475	0	191,303	590,601
Property unit trusts	34,748	3,000	0	3,202	40,950
Private equity	59,926	8,976	(1,842)	(2,316)	64,744
Sub-total	739,027	107,650	(91,747)	252,386	1,007,316
Cash and investment proceeds due:					
Debtors	5,959				0
Creditors	(9,161)				(242)
Managers Cash	4,874			(804)	9,927
Internal Cash	16,309				4,597
Currency Overlay	0				839
Total	757,008			251,582	1,022,437

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £246k. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

11. Summary of Managers' Portfolio Values at 31 March 2010

	£000	% of Fund
Aberdeen Asset Management	177,008	17.3
Aberdeen Emerging Markets	29,923	2.9
Blackrock Investment Management	148,568	14.5
Invesco Perpetual	48,780	4.8
J P Morgan	46,040	4.5
Majedie	56,382	5.5
Nikko	36,253	3.6
Schroder Investment Managers	51,016	5.0
State Street Global Advisers	275,218	26.9
Mesirow	19,908	1.9
Goldman Sachs	22,211	2.2
Property Unit Trusts	40,950	4.0
Private Equity Managers	64,744	6.3
Passive Currency Overlay	839	0.1
Internally Managed (Cash)	4,597	0.5
	1,022,437	100.0

CARDIFF AND VALE OF GLAMORGAN PENSION FUND ACCOUNTS

12. Sundry Debtors & Creditors

	2008/09 £000	2009/10 £000
Debtors		
Pensions Administration	77	72
Miscellaneous	345	121
	422	193
Creditors		
Management & Custody Fees	(410)	(753)
Miscellaneous	(559)	(2,258)
	(969)	(3,011)

13. Additional Voluntary Contributions

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

The amount of AVC contributions paid during the year amounted to £0.524million (£0.491million in 2008/09) and the market value of separately invested AVCs as at 31/03/2010 was £3.229 million (£2.615 million at 31 March 2009).

14. Commitments

At 31 March 2010 the Fund had outstanding private equity commitments of a maximum of £87.46 million (£75.98 million at 31 March 2009).

As at 31 March 2010 the Fund had forward currency contracts amounting to £66.878m of purchases and £68.047m of sales, showing an unrealised loss of £1.169m.

15. Contingent Liabilities

The Fund has no contingent liabilities.

16. Related Party Transactions

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

Other related party transactions with Cardiff Council are:

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

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

17. Post Balance Sheet Events

There are no post balance sheet events to report.

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

Christine Salter
City and County Treasurer

THE GROUP ACCOUNTS

INTRODUCTION

The group accounts that follow comply with the requirement of the 2009 SORP that a Local Authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of Cardiff Council and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus).

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff & Co., and in Cardiff Medicentre Joint Venture. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2009/10. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation

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

Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 28 to 35 with the following additions and exceptions:

1. Retirement Benefits

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

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

2. Value Added Tax

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

3. Goodwill

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

4. Charges to Income and Expenditure for Fixed Assets

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of fixed assets held by the subsidiary and what would have been the historical cost depreciation for the year.

THE GROUP ACCOUNTS

5. **Derivatives Financial Instruments**

Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk. The company does not hold derivatives for speculative purposes.

THE GROUP ACCOUNTS

THE GROUP INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2010

2008/09 Net Expenditure (restated) £000		Note	Expenditure £000	Income £000	2009/10 Net Expenditure £000
5,114	Central Services		42,100	(37,236)	4,864
143,900	Cultural, Environmental, Regulatory & Planning Services (CER&P)		168,731	(59,165)	109,566
299,922	Children's & Education Services		341,094	(80,184)	260,910
39,958	Highways & Transport Services (H&T)		96,132	(54,005)	42,127
374,218	Local Authority Housing		61,672	(57,158)	4,514
8,597	Other Housing Services		145,542	(138,689)	6,853
80,888	Adult Social Services		119,566	(39,683)	79,883
10,372	Corporate & Democratic Core		10,761	(706)	10,055
1,700	Non Distributed Costs		4,450	0	4,450
(5,641)	Exceptional item		0	0	0
959,028	Net Cost of Services		990,048	(466,826)	523,222
(771)	(Gain)/loss on disposal of fixed assets				(1,487)
(30)	(Gain)/Loss on sale of investments				0
18,544	South Wales Police Authority Precept				19,630
200	Community Council Precepts				202
15,892	Levies & Contributions				18,206
22,498	Interest Payable & similar charges				22,118
(9,661)	Interest & Investment Income				(3,133)
19,567	FRS17 Interest Cost/Return on Assets	5			34,161
(546)	Taxation of group entities				206
1,024,721	Net Expenditure				613,125
(293,990)	General Government Grants				(306,176)
(84,030)	Non-Domestic Rates				(87,100)
(131,205)	Precepts				(138,291)
515,496	(Surplus) / Deficit for the Year				81,558

THE GROUP ACCOUNTS

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

2008/09		2009/10
£000		£000
517,071	(Surplus)/deficit on the authority's single entity Income & Expenditure Account for the year	81,350
250	Less: Dividend from subsidiary included in the single entity Income & Expenditure Account	320
	Add: (Surplus)/deficit arising from other entities included in the group accounts:	
(1,825)	Subsidiaries	(112)
515,496	Group Accounts (surplus)/deficit for the year	81,558

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09		2009/10
£000		£000
515,496	Net (surplus)/deficit for year	81,558
(114,452)	(Surplus)/deficit on revaluation of fixed assets	(17,071)
154,839	Actuarial (gains)/losses on pensions assets and liabilities	159,915
184	Other (gains)/losses recognised in the STRGL	(49)
556,067	Total recognised (gains)/losses for the year	224,353

THE GROUP ACCOUNTS

GROUP BALANCE SHEET AS AT 31 MARCH 2010

31 March 2009 <i>(restated)</i> £000		Note	31 March 2010	
			£000	£000
	Fixed Assets	6		
118	Intangible Assets: Purchased Software Licences		296	
	Tangible Assets			
	Operational Assets:			
725,291	Council Dwellings		725,053	
806,242	Other Land and Buildings		842,677	
21,959	Vehicles, Plant, Furniture & Equipment		22,986	
343,889	Infrastructure		343,021	
35,623	Community Assets		36,946	
	Non-Operational Assets:			
84,177	Investment Properties		89,050	
74,823	Surplus Assets		56,326	
28,151	Assets Under Construction		21,126	
2,120,273	Total Fixed Assets			2,137,481
30,551	Long-term Investments	7	31,079	
2,794	Deferred Debtors		4,355	
33,345				35,434
	Current Assets:			
3,088	Stocks		3,156	
63,526	Debtors	8	68,250	
72,765	Investments	9	61,799	
13,668	Cash and Bank		4,530	
153,047	Total Current Assets			137,735
	Current Liabilities:			
(78,843)	Creditors	10	(79,595)	
(13,564)	Loans due within one year		(6,429)	
0	Bank Overdraft		0	
(92,407)	Total Current Liabilities			(86,024)
2,214,258	Total Assets less Current Liabilities			2,224,626
(393,874)	Long Term Borrowing			(413,815)
(183,275)	Government Grants – Deferred Account			(223,538)
(29,486)	Provisions and Deferred Liabilities	11		(24,705)
(4,919)	Obligations under Finance Leases			(3,704)
(16,715)	Contributions/Capital Balances Unapplied			(14,777)
(485,065)	Net Pensions Liability			(667,516)
1,100,924	Total Assets less Liabilities			876,571

THE GROUP ACCOUNTS

31 March 2009			31 March 2010	
£000		Note	£000	£000
	Financed by:	12		
1,408,888	Capital Adjustment Account		1,353,544	
(4,420)	Financial Instruments Adjustment Account		(4,078)	
110,764	Revaluation Reserve		124,848	
3,621	Revaluation Reserve of subsidiaries		3,454	
4,618	Available-for-Sale Reserve		4,618	
3,767	Usable Capital Receipts Reserve		2,519	
285	Deferred Capital Receipts		1,115	
(485,065)	Pensions Reserves		(667,516)	
11,315	Council Fund Balance		11,100	
4,931	Housing Revenue Account Balance		6,152	
8,603	Group Income & Expenditure Reserve in respect of subsidiaries		7,360	
35,964	Earmarked Reserves		35,802	
(2,347)	Equal Pay Back Pay Reserve		(2,347)	
1,100,924	Total Net Worth			876,571

THE GROUP ACCOUNTS

GROUP CASH FLOW STATEMENT

2008/09 £000		2009/10 £000	
		£000	£000
(40,349)	Net Cash (Inflow)/Outflow from Revenue Activities		(36,043)
	Returns on Investments and Servicing of Finance		
	<i>Cash outflows</i>		
22,144	Interest paid	21,969	
355	Interest element of finance lease rental payments	293	
	<i>Cash inflows</i>		
(10,187)	Interest received	(6,280)	
0	Dividends received from investments	0	
12,312			15,982
1,000	Taxation		257
	Capital Expenditure and Financial Investment		
	<i>Cash outflows</i>		
82,898	Purchase of fixed assets and investments	98,110	
31,530	REFCUS	14,987	
0	Purchase of long term investments		
114,428	<i>Cash inflows</i>		113,097
(7,829)	Sale of fixed assets & Investments	(3,725)	
(38,293)	Capital grants received	(61,795)	
(3,468)	Other capital cash receipts	(3,637)	
(49,590)			(69,157)
37,801	Net cash (inflow)/outflow before financing		24,136
	Management of Liquid resources		
(53,863)	Net increase/(decrease) in short term deposits and other liquid resources	(3,460)	
	Financing		(3,460)
	<i>Cash outflows</i>		
10,000	Repayments of amounts borrowed	7,128	
	<i>Cash inflows</i>		
(6,868)	New loans raised	(20,000)	
	<i>Finance leases</i>		
1,330	Net capital cost of finance leases	1,334	
4,462			(11,538)
(11,600)	Net (increase)/decrease in cash		9,138

THE GROUP ACCOUNTS

NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 44 to 94 apply also to the Group Accounts with the following additions and exceptions:

1. Remuneration

(a) The number of employees of the Council and its subsidiary whose remuneration is over £60,000 per annum is disclosed below. The figures include all taxable remuneration received in the year, including in some cases, severance payments but exclude employers pension contributions.

Remuneration band £	Number of Employees	
	2008/09	2009/10
60,000-64,999	52	79
65,000-69,999	18	35
70,000-74,999	7	26
75,000-79,999	1	9
80,000-84,999	14	18
85,000-89,999	4	7
90,000-94,999	3	5
95,000-99,999	3	6
100,000-104,999	1	1
105,000-109,999	1	2
110,000-124,999	0	0
125,000-129,999	3	0
130,000-134,999	0	1
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-204,999	0	0
205,000-209,999	1	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2009/10 Financial Statements.

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

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 11 to the single entity financial statements with the following addition:

PTI Cymru

During the year Cardiff City Transport Services received £12,813 (£8,228 in 2008/09) from PTI CYMRU Ltd. for the rent of a call centre in Cardiff and in turn was charged £16,260 (£18,851 in 2008/09) in respect of calls handled. At 31 March 2010 there was a net balance of £260 (£1,392 in 2008/09) owed by Cardiff City Transport Services Ltd. to PTI Cymru Ltd, and a net balance of £1,200 owed by PTI Cymru Ltd (£nil in 2008/09).

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3. External Audit Costs

In 2009/10 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2008/09 £000	2009/10 £000
Fees payable to the external auditor in respect of audit services carried out by the appointed auditor	463	419
Fees payable to the external auditor in respect of statutory inspection	67	17
Fees payable to the external auditor for the certification of grant claims and returns	122	113
Fees payable in respect of other services provided by the appointed auditor	9	13

4. Leasing

4.1 Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2009/10 were as follows:

	2008/09 £000	2009/10 £000
Property Leases	2,679	2,425
Other Leases	2,611	2,502

The group was committed at 31 March 2010 to making payments of £4.082 million under operating leases in 2010/11 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2010/11	61	266
Leases expiring between 2011/12 and 2014/15	952	1,511
Leases expiring after 2014/15	1,292	0

4.2 Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2009/10 were as follows:

	2008/09 £000	2009/10 £000
Vehicles, Plant & Equipment	355	293

Details of assets held under finance leases are as follows:

	Vehicles, Plant & Equipment £000
Value at 1 April 2009	8,672
Additions	0
Revaluations	(265)
Disposals	0

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Gross Book Value	8,407
Accumulated Depreciation (less release on disposals)	(752)
Value at 31 March 2010	7,655

Obligations under finance leases:

	Total £000
Leases expiring in 2010/11	1,215
Leases expiring between 2011/12 and 2014/15	1,279
Leases expiring after 2014/15	2,425

5. Pensions

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

	2008/09 £000	2009/10 £000
<i>Net Cost of Services</i>		
Current Service Cost	22,925	24,554
Past Service Costs	1,730	4,450
<i>Net Operating Expenditure</i>		
Interest Cost	61,463	64,871
Expected Return on Scheme Assets	(41,896)	(30,710)
Net charge to group Income & Expenditure Account	44,222	63,165
Appropriation to/(from) Pension Reserve to Council Fund Balance	(6,730)	(23,740)
Appropriation to/(from) Pension Reserves to Profit & Loss Accounts of subsidiaries	601	1,671
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaries in respect of Pensions	38,093	41,096

Represented by:		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	32,650	34,520
Payments in Respect of Unfunded Pensions Liabilities	3,370	3,560
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	2,073	3,016

5.1 Pensions Assets and Liabilities of Cardiff Bus

The disclosures in note 5.1 relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2009/10 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City

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Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme has been closed to new members and a money purchase scheme has been introduced.

Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2) (a) of the Pensions Act 2004, was carried out as at 1 April 2009. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 2.5% per annum higher than the rate of future annual wage and salary growth and 3.5% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 2.5% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £16.4m and that this value represented 66% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of benefits accruing at the valuation date, without allowance for any recovery of deficit, was found to be 15.8% of members' pensionable pay (14.5% from 1 January 2010). Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4 %.)

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

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 1 April 2009 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2008	31 March 2009	31 March 2010
Rate of increase in salaries	4.7% per annum	3.9% per annum	4.2% per annum
Discount rate	6.3% per annum	6.6% per annum	5.7% per annum
Inflation assumption	3.5% per annum	2.7% per annum	3.2% per annum
Pension increases	3.3% per annum	2.7% per annum	3.0% per annum

Mortality assumption

The mortality assumptions are based on the PA92 mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22.0 years if they are male and for a further 25.1 years if they are female. For a member who is currently 45 and retires at age 65 the assumptions are that they will live on average for a further 23.1 years after retirement if they are male and for a further 26 years after retirement if they are female.

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

THE GROUP ACCOUNTS

	2007/08		2008/09		2009/10	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.7% pa	14,715	8.0% pa	11,702	8.0% pa	16,337
Bonds	5.7% pa	2,424	6.0% pa	2,744	5.0% pa	4,025
Cash	5.0% pa	100	4.0% pa	73	2.0% pa	1,049
		17,239		14,519		21,411

The net pension liability measured under FRS17 comprised the following:

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Total market value of assets	17,239	14,519	21,411
Present value of scheme liabilities	(19,965)	(17,646)	(23,724)
Net FRS17 Scheme Deficit	(2,726)	(3,127)	(2,313)

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Analysis of amount charged to operating profit			
Current service cost and total operating charge	(894)	(775)	(494)

Analysis of amount credited to other financial income			
Expected return on pension scheme assets	1,292	1,306	1,160
Interest on pension scheme liabilities	(1,122)	(1,273)	(1,161)
Net Return	170	33	(1)

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

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Actual return less expected return on pension assets	(2,155)	(4,838)	4,245
Experience gains and losses arising on the scheme liabilities	40	0	0
Changes in financial assumptions underlying the scheme liabilities	2,622	4,076	(5,022)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	507	(762)	(777)

Movements in scheme deficit during the year

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
At 1 April b/f	(3,594)	(2,726)	(3,127)
Movement in year:			
Total operating charge	(894)	(775)	(494)
Contributions	1,085	1,103	2,086
Net return	170	33	(1)
Actuarial gain/(loss) in statement of total recognised gains and losses	507	(762)	(777)
At 31 March c/f	(2,726)	(3,127)	(2,313)

Cardiff and Vale of Glamorgan Pension Fund

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

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

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 12% of pensionable pay from 1 April 2009 continuing into 2010/11. In addition to this rate, Cardiff City Transport Services Limited is required to pay £681,200 per annum.

An actuarial valuation of the fund at 31 March 2010 is currently underway. The most recent completed valuation was carried out as at 31 March 2007, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2010. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The Company's contribution rate over the accounting period was 12% of pensionable pay plus a monetary amount of £681,200. The contribution rates certified for the company at the 31 March 2007 valuation are as follows:

April 2008 to March 2009	12% of pensionable pay plus £681,200
April 2009 to March 2010	12% of pensionable pay plus £681,200

THE GROUP ACCOUNTS

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

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

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

	At 31 March 2008	At 31 March 2009	At 31 March 2010
Rate of increase in salaries	5.2% pa	3.9% pa	4.1%
Discount rate	6.8% pa	6.6% pa	5.7%
Rate of increase in pensions in payment	3.7% pa	2.7% pa	2.9%
Rate of increase in deferred pensions	3.7% pa	2.7% pa	3.1%
Rate of inflation	3.7% pa	2.7% pa	3.1%

Mortality assumption

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements. The assumptions are that a member currently aged 65 will live on average for a further 22.1 years if they are male and for a further 25.2 years if they are female. For a member who is currently 45 and retires at age 65 the assumptions are that they will live on average for a further 23.1 years after retirement if they are male and for a further 26.1 years after retirement if they are female.

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

	2007/08		2008/09		2009/10	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.6% pa	12,762	7.0% pa	10,167	8.0% pa	14,421
Bonds	4.6% pa	878	4.0% pa	1,120	5.0% pa	961
Property	6.6% pa	1,012	6.0% pa	741	8.0% pa	804
Other assets	6.0% pa	3,308	1.6% pa	3,102	8.0% pa	3,434
		17,960		15,130		19,620

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

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Total market value share of assets	17,960	15,130	19,620
Present value of scheme liabilities	(22,770)	(21,830)	(25,540)
Net FRS 17 Scheme Deficit	(4,810)	(6,700)	(5,920)

THE GROUP ACCOUNTS

Analysis of amount charged to operating profit:

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Current service cost	(500)	(450)	(360)
Past service cost	(180)	(30)	0
Total Operating Charge	(680)	(480)	(360)

Analysis of amount credited to other financial income:

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Expected return on pension scheme assets	1,390	1,290	920
Interest on pension scheme liabilities	(1,290)	(1,540)	(1,410)
Net Return	100	(250)	(490)

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

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
Actual return less expected return on pension assets	(2,840)	(4,300)	3,980
Experience gains and losses arising on the scheme assets/(liabilities)	0	0	0
Changes in financial assumptions underlying the scheme (liabilities)/assets	2,900	2,170	(3,280)
Actuarial (loss)/gain recognised in statement of total recognised gains and losses	60	(2,130)	700

Movements in scheme deficit during the year:

	At 31 March 2008 £000	At 31 March 2009 £000	At 31 March 2010 £000
At 1 April	(5,020)	(4,810)	(6,700)
Movement in year:			
Total operating charge	(680)	(480)	(360)
Contributions	790	970	930
Net return	100	(250)	(490)
Actuarial (loss)/gain in statement of total recognised gains and losses	60	(2,130)	700
Adjustment in respect of revaluing assets at bid value	(60)	0	0
At 31 March	(4,810)	(6,700)	(5,920)

THE GROUP ACCOUNTS

The total net pension liability measured under FRS17 for both schemes is as follows:

The Group and the Company	31 March 2009 £000	31 March 2010 £000
Cardiff City Transport Scheme	3,127	2,313
Cardiff & Vale of Glamorgan Pension Scheme	6,700	5,920
Deferred Tax Asset	(2,752)	(2,305)
Total	7,075	5,928

THE GROUP ACCOUNTS

6. Fixed Assets

ASSETS	Intangible Assets £000	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure £000
Gross Book Value at 31 March 2009	286	740,085	831,680	52,034	462,464
Additions		15,758	21,968	2,279	16,919
Impairment		(31)	(5,777)		
Disposals		(878)	(533)	(1,261)	
Reclassifications	291		26,156	5,503	4,417
Revaluations			1,600		
Gross Book Value at 31 March 2010	577	754,934	875,094	58,555	483,800
DEPRECIATION & AMORTISATION					
Balance at 31 March 2009	168	14,794	25,438	30,075	118,575
Depreciation & Amortisation	113	15,105	10,882	6,753	22,204
Released on Impairment		(1)	(1,311)		
Released on Disposal		(17)	(6)	(1,261)	
Written back to I&E			(2,586)		
Reclassification				2	
Balance at 31 March 2010	281	29,881	32,417	35,569	140,779
NET BOOK VALUE at 31 March 2010	296	725,053	842,677	22,986	343,021
NET BOOK VALUE at 31 March 2009	118	725,291	806,242	21,959	343,889

THE GROUP ACCOUNTS

ASSETS	Community Assets	Investment Properties	Surplus Assets held for disposal	Assets Under Construction	TOTAL
	£000	£000	£000	£000	£000
Gross Book Value at 31 March 2009	35,685	84,177	74,823	28,151	2,309,385
Additions	944	506		36,474	94,848
Impairment		(26,639)	(9,660)	(674)	(42,781)
Disposals		(468)	(1,121)		(4,261)
Reclassifications	317	17,228	(11,087)	(42,825)	0
Revaluations		14,246	3,371		19,217
Gross Book Value at 31 March 2010	36,946	89,050	56,326	21,126	2,376,408
DEPRECIATION & AMORTISATION					
Balance at 31 March 2009	62	0	0	0	189,112
Depreciation & Amortisation					55,057
Released on Impairment					(1,312)
Released on Disposal					(1,284)
Written back to I&E	(60)				(2,646)
Reclassification	(2)				0
Balance at 31 March 2010	0	0	0	0	238,927
NET BOOK VALUE at 31 March 2010	36,946	89,050	56,326	21,126	2,137,481
NET BOOK VALUE at 31 March 2009	35,623	84,177	74,823	28,151	2,120,273

THE GROUP ACCOUNTS

7. Financial Instruments

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

7.1 Consolidation Adjustment

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

7.2 Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2010 the company was contracted to buy the following:

- 4,600 metric tonnes of fuel at £604.50 per tonne from March 2009 to February 2011
- 2,400 metric tonnes of fuel at £561.50 per tonne from March 2010 to February 2011
- 2,400 metric tonnes of fuel at £527.50 per tonne from March 2011 to August 2011

As at 31 March 2010, the fair value is considered to be a liability of £593,630.

At 31 March 2009 the company was contracted to buy the following:

- 4,600 metric tonnes of fuel at £604.50 per tonne from March 2009 to February 2011
- 2,200 metric tonnes of fuel at £551.25 per tonne from March 2009 to February 2010
- 2,400 metric tonnes of fuel at £561.50 per tonne from March 2010 to February 2011
- 2400 metric tonnes of fuel at £527.50 per tonne from March 2011 to August 2011

As at 31 March 2009, the fair value was considered to be a liability of £2,058,584.

The company does not hold derivatives for speculative purposes.

8. Debtors

The Broad Categories are:	31 March 2009 £000	31 March 2010 £000
Government & Other Grants	16,606	17,534
H.M. Revenue & Customs	3,472	4,285
Car Loans/Leasing	818	1,016
Sundry Debtors	13,757	15,676
Court Costs	1,182	1,172
HRA Rent Arrears	2,271	2,519
Housing Benefit	6,577	7,000
NDR	5,727	10,080
Council Tax	12,630	13,497
Prepayments	4,565	4,778
Other	10,803	9,970
Less Bad Debt Provisions	(14,882)	(19,277)
	63,526	68,250

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An analysis of the Bad Debt Provisions is shown below:

	31 March 2009 £000	31 March 2010 £000
Sundry debtors	3,323	3,695
Court Costs	1,182	1,172
HRA Rent Arrears	1,636	2,110
Housing Benefit	3,379	6,493
Council Tax	5,119	5,414
Other	243	393
	14,882	19,277

9. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £2.386 million (£2.792 million in 2008/09) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities.

10. Creditors

The Broad Categories are:	31 March 2009 £000	31 March 2010 £000
Deposits & Income in Advance	8,071	9,285
Extra District Education	742	466
Government & Other Grants	10,790	12,368
H.M. Revenue & Customs	9,106	8,413
Pay Accruals	3,713	4,884
Sundry Accruals	44,452	42,222
Teachers Pensions Agency	1,902	1,957
Agency	67	0
	78,843	79,595

11. Provisions and Deferred Liabilities

	Balance 31 March 2009 £000	Transfers from Provisions in 2009/10 £000	Transfers to Provisions in 2009/10 £000	Balance 31 March 2010 £000
Cardiff Insurance Provision	10,361	(3,966)	3,716	10,111
South Glamorgan Insurance Fund	126	(3)	0	123
Cardiff Bus Insurance Provision	2,708	(2,004)	1,638	2,342
Commuted Maintenance Sums	10,113	(3,844)	1,161	7,430
Deferred Liability	202	(137)	252	317
Deferred Taxation	654	(95)	0	559
Equal Pay Back Pay Provision	2,347	0	0	2,347
Capital Provision	2,640	(1,725)	0	915
Other Provisions	335	0	226	561
	29,486	(11,774)	6,993	24,705

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12. Group Statement of Total Movements on Reserves

	Balance at 31 March 2009	Gains / (Losses) for Year	Dividend Paid	Transfers Between Reserves	Balance at 31 March 2010
	£000	£000	£000	£000	£000
Capital Adjustment Account	1,408,888	47	0	(55,391)	1,353,544
Financial Instruments Adjustment Account	(4,420)	0	0	342	(4,078)
Revaluation Reserve	110,764	17,071	0	(2,987)	124,848
Revaluation Reserves of subsidiary	3,621	0	0	(167)	3,454
Available-for sale reserve	4,618	0	0	0	4,618
Usable Capital Receipts	3,767	2	0	(1,250)	2,519
Deferred Capital Receipts	285	0	0	830	1,115
Pension Reserve	(485,065)	(159,915)	0	(22,536)	(667,516)
Council Fund Reserves:					
- Council Fund Balance	11,315	(81,350)	0	81,135	11,100
- Earmarked Reserves	34,095	0	0	(162)	33,933
Housing Revenue Account Balance	4,931	0	0	1,221	6,152
Housing Revenue Account Earmarked Reserves	1,869	0	0	0	1,869
Profit & Loss Reserves in Respect of Subsidiary	8,603	112	(320)	(1,035)	7,360
Equal Pay Back Reserve	(2,347)	0	0	0	(2,347)
Total	1,100,924	(224,033)	(320)	0	876,571

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NOTES TO GROUP CASH FLOW STATEMENT

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

	2008/09 £000	2009/10 £000
(Surplus)/Deficit for the year on I&E account	515,496	81,558
Non-cash transactions		
Depreciation and impairment	(527,517)	(91,734)
Amortisation of deferred grants & contributions	10,060	11,940
Charges made for retirement benefits (FRS17)	(44,222)	(63,165)
Add back cash item		
Employer's contributions to pension schemes	38,093	41,096
Items on an accruals basis		
Increase/(decrease) in stock	141	68
Increase/(decrease) in debtors	(2,972)	6,346
(Increase)/decrease in creditors	5,661	(2,716)
(Increase)/decrease in provisions	(1,060)	2,961
Items included in another classification		
REFCUS financed by borrowing	(22,538)	(4,693)
Net gain/(loss) on sale of fixed assets & investments	801	1,487
Interest paid incl. finance lease interest	(22,497)	(22,118)
Interest and dividends received	9,660	3,133
Taxation	545	(206)
Net Cash Flow from Revenue Activities	(40,349)	(36,043)

13.2. (Increase)/Decrease in Cash

	Balance 31 March 2009 £000	Balance 31 March 2010 £000	Movement in Year £000
Cash in hand and at bank	13,668	4,530	9,138

13.3 Net Increase/(Decrease) in Liquid Resources

	Balance 31 March 2009 £000	Balance 31 March 2010 £000	Movement in Year £000
Short term deposits & other liquid resources	68,320	60,507	(7,813)
NDR Agency (Debtor)	5,727	10,080	4,353

TRUST FUNDS

During 2009/10, the City and County Treasurer had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

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

The Council is the sole trustee of the following charities the purposes of which are outlined below. Numbers in brackets are the charity registration numbers. The Council also financially administered the R Fice Memorial Trust and the Howardian Trust but was not the sole trustee of these. During 2009/10 the financial administration of the R Presswood Memorial Trust was transferred to new trustees who completed the accounts for 2009/10.

Llandaff War Memorial Fund (219060) – For defraying the cost of upkeep of the war memorial at Llandaff.

Maindy Park Foundation (524137) – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

Cardiff Citizens Charity (206549) – For the relief of financial hardship of deserving individuals or a group of deserving individuals ordinarily resident in Cardiff by making grants of money for the provision of goods, services or facilities.

Education Trust for Cardiff Citizens (506656) – To advance the education of deserving people ordinarily resident in Cardiff where assistance is not otherwise available by awarding grants in the form of prizes, scholarships, exhibitions or bursaries.

Cardiff Further Education Trust Fund/Craddock Wells Trust (525512) – Apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to University of Wales, Cardiff.

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

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

Christine Salter
City and County Treasurer
County Hall
Cardiff
CF10 4UW.

TRUST FUNDS

Trusts of which the Council is the sole trustee	Balance as at 31 March 2009 £	Income £	Asset Re-valuation £	Expenditure £	Balance as at 31 March 2010 £
General Funds					
Llandaff War Memorial Fund	1,799	6	0	(313)	1,492
Maindy Park Foundation	106,234	343	0	(323)	106,254
Cardiff Citizens Charity (1)	96,617	1,935	3,446	(640)	101,358
Norwegian Church Preservation Trust	16,600	62,462	0	(73,883)	5,179
Educational Funds					
Education Trust for Cardiff Citizens (2)	257,938	7,728	14,656	(765)	279,557
Further Education					
Cardiff Further Education Trust/ Craddock Wells	22,111,400	134,972	(3,973,571)	(356,037)	17,916,764
Total funds for which the council is sole trustee	22,590,588	207,446	(3,955,469)	(431,961)	18,410,604
Other funds administered by the Council					
R Fice Memorial Trust	41,319	2,067	8,732	(2,822)	49,296
The Howardian Trust	21,124	981	1,801	(381)	23,525
Total other funds which are administered by the Council	62,443	3,048	10,533	(3,203)	72,821
Total	22,653,031	210,494	(3,944,936)	(435,164)	18,483,425

Notes:

(1) This charity was formed on 1 April 2009 by the amalgamation of the following former charities. The opening balance is made up from these charities' closing balances as at 31 March 2009.

Lord Mayor's Distress Fund (219058)
Cardiff Charity for Special Relief (206549)
Marjorie Williams Bequest Fund (508614)
Lord Pontypridd Bequest Fund (219009)
Doctor R J Smith Trust Fund (219010)
The Third Marquis of Bute's Silver Wedding Dowry Fund (219057).

(2) This charity was formed on 1 April 2009 by the amalgamation of the following former charities. The opening balance is made up from these charities' closing balances as at 31 March 2009.

Hardcastle Howells Trust (unregistered)
Millicent Street Trust (525503)
J J Neale Trust (unregistered)
Alderman C F Sanders Trust (unregistered)
W Sanders (Sanders & Rae) (506656)
Taff Vale Railway (West Yard) Trust (unregistered)
J A Thompson Trust (unregistered)
Cardiff Central Youth Club Trust (524132)
W R Burnip Memorial Fund (506000).

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

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

Agency Services

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

Asset under Construction (AUC)

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

Business Continuity Management (BCM)

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

Capital Expenditure

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

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

Capital Financing Requirement

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

Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or repay debt but cannot be used to fund revenue expenditure.

Credit Rating

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

Depreciation

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

Direct Revenue Financing

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

Direct Service Units (DSUs)

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

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

Fair Value

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

Financial Guarantee

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

Financial Instrument

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

Housing Revenue Account (HRA)

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

Lender Option Borrower Option (LOBO) Loan

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

Pension Fund

A fund built up from deductions from employees' pay and contributions from employers and investment income from which pension benefits are paid.

Precept

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

Provisions & Reserves

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

Prudent Revenue Provision

An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure in accordance with Statute and professional guidance. This has the effect of reducing the Capital Financing Requirement (CFR).

Public Works Loan Board (PWLB)

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

Recharge

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

GLOSSARY OF LOCAL GOVERNMENT ACCOUNTANCY TERMS

Revenue Expenditure funded from Capital Under Statute (REFCUS)

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

Revenue Support Grant

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

Soft Loans

A loan given at rates below prevailing market rates. Such loans might be made for strategic policy reasons if the authority considers that the benefits will be seen by all Cardiff residents

Trust Funds

Funds held in trust administered by the Council.

STATEMENT OF ACCOUNTS

2009/10

of

CARDIFF PORT HEALTH AUTHORITY

CARDIFF PORT HEALTH AUTHORITY

FOREWORD

1. The Cardiff Port Health Authority's accounts for the year 2009/10 are set out on page 143. They comprise an Income and Expenditure Account and Balance Sheet.
2. Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.
3. The Cardiff Port Health Authority was constituted by a Provisional Order of 1882 and its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.
4. The Authority, through the officers of the Strategic Planning and Environment Service of Cardiff Council, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on Cardiff Council and The Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates (SSCEC/SSCC).

ACCOUNTING POLICIES

1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2005 (as amended).

2. Debtors and Creditors

The transactions of the Cardiff Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

3. Support Services Costs

Cardiff Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Code of Accounting Practice 2009. This applies to support service recharges from Cardiff Council service areas to the Cardiff Port Health Authority.

CARDIFF PORT HEALTH AUTHORITY

INCOME & EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2010		
2008/09 £		2009/10 £
	Expenditure	
107,673	Employees	104,357
0	Premises	0
7,400	Transport	7,642
9,047	Supplies	3,222
28,551	Support Costs	27,723
152,671		142,944
	Income	
(2,739)	Fees and Charges	(1,500)
(133,693)	Levies : Cardiff Council	(165,605)
(16,239)	The Vale of Glamorgan Council	(17,310)
(152,671)		(184,415)
0	(Surplus)/Deficit for the year	(41,471)

BALANCE SHEET AS AT 31 MARCH 2010		
31 March 2009 £		31 March 2010 £
	Current Assets:	
0	Cash in Hand	41,263
0	Debtors	208
0	Total Assets	41,471
	Financed by:	
0	Income & Expenditure Reserve	41,471

CARDIFF PORT HEALTH AUTHORITY

Certificate of the Chief Finance Officer

I certify that the Statement of Accounts summarised on page 143 presents fairly the financial position of the Cardiff Port Health Authority at 31 March 2010 and its Income & Expenditure for the year ended 31 March 2010.

Christine Salter
City and County Treasurer

Date: 23 September 2010

Independent auditor's report to the Cardiff Port Health Authority

I have audited the accounting statements of the Cardiff Port Health Authority for the year ended 31 March 2010 under the Public Audit (Wales) Act 2004. The accounting statements comprise the Income and Expenditure Account and Balance Sheet. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounts.

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

Respective responsibilities of the City and County Treasurer and the independent auditor

The City and County Treasurer is responsible for preparing the statement of accounts, in accordance with relevant legal and regulatory requirements and proper practices.

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

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and proper practices, the financial position of the Cardiff Port Health Authority and its income and expenditure for the year.

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

Basis of audit opinion

I conducted my audit in accordance with the Public Audit (Wales) Act 2004, the Code of Audit 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

CARDIFF PORT HEALTH AUTHORITY

accounting statements. It also includes an assessment of the significant estimates and judgments made by the Cardiff Port Health Authority in the preparation of the accounting statements and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion on the accounting statements of the Cardiff Port health Authority

In my opinion the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and proper practices, the financial position of the Cardiff Port Health Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Certificate of completion

I certify that I have completed the audit of the accounts of the Cardiff Port Health Authority in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit Practice issued by the Auditor General for Wales.

Anthony Barrett

Appointed Auditor
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Date: 29 September 2010

Electronic Publication of financial statements

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