

Statement of Accounts 2006/2007



City and County of Swansea ● Dinas a Sir Abertawe

CONTENTS

Statement of Accounts	Page No:
Introduction	4
Explanatory Foreword	5
Statement of Accounting Policies	10
Income and Expenditure Account	18
Statement of Movement on the General Fund Balance	19
Statement of Total Recognised Gains and Losses	21
Balance Sheet	22
Cash Flow Statement	23
Notes to Income and Expenditure Account	24
Notes to the Balance Sheet	33
Notes to the Cash Flow Statement	47
Housing Revenue Account Income and Expenditure Account	49
Statement of Movement on the HRA Balance	50
Notes to the Housing Revenue Account	51
Provisions and Reserves	54
Asset Structure of the Authority	57
City & County of Swansea Pension Fund	59
Group Accounts	76
Group Income and Expenditure Account	80
Reconciliation of the Single Entity Surplus/Deficit to the Group Surplus/Deficit	82
Group Statement of Total Recognised Gains and Losses	83
Group Balance Sheet	84
Group Cash Flow Statement	86
Notes to the Group Financial Statements	87

CONTENTS

Notes to the Group Cash Flow Statement	90
Executive Director's Certificate and Statement of Responsibilities for the Statement of Accounts	91
Statement on Internal Control	92
Auditors' Report to City & County of Swansea	104
Glossary of Items	106

INTRODUCTION

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

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



The population of the area is approximately 226,400, with 40,834 being under 16 years old and 47,764 of pensionable age, with 20,025 being 75 years of age and over.



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

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

Copies of these accounts can be obtained from:

The Head of Financial Services
City & County of Swansea
County Hall
Swansea
SA1 3SN



EXPLANATORY FOREWORD

This booklet summarises the Council's accounts for the year 2006/2007 and contains:

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

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

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

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

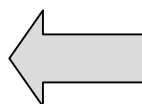
Sources of borrowing utilised include the Public Works Loan Board (PWLB), stock issue and capital markets.

EXPLANATORY FOREWORD

Revenue spending on the services we provide

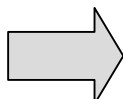
Where our money comes from:-

	£m	%
Revenue support grant	214.1	36
Non domestic rates	51.0	9
Council tax	70.7	12
Other income (rents, fees and charges, specific grants)	261.6	43
	<u>597.4</u>	<u>100</u>

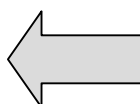


Where our money comes from

What we spend it on



	£m	%
Employees	285.1	48
Capital charges	28.1	5
Running costs	272.3	45
Precepts/Levies	11.9	2
	<u>597.4</u>	<u>100</u>



And the services it provides

	£m	%
Education	168.7	28
Social Services	108.3	18
Highways/transport	32.7	6
Culture, environment & planning	87.0	15
Housing	109.8	18
Precepts/levies	11.9	2
Other	79.0	13
	<u>597.4</u>	<u>100</u>

Revenue outturn compared to the Council's budget

The deficit of £0.685m transferred from general reserves as shown in the Statement of Movement on the General Fund on page 20 of this statement compares to a budgeted deficit of £1.584m shown in the Council's revised estimate for the year.

This net movement can be analysed as follows:-

	£'m
Budgeted deficit	1.584
Increase in Service expenditure	5.534
Reduction in capital financing charges	-3.326
Change in transfer from earmarked reserves	-3.107
Actual deficit	<u>0.685</u>

EXPLANATORY FOREWORD

Capital spending in 2006/2007

In addition to spending money providing services on a day to day basis, the Council also spends money providing new or refurbished facilities such as schools, roads and housing. The total capital spending during 2006/2007 was £79,050m.

Where the money comes from

The services it is spent by

	£'000		£'000
External borrowing	33,495	Education	12,806
Government grants	28,650	Social Services	938
European grants	2,533	Highways and Transport	12,975
Other grants/contributions	3,004	Culture, Environment & Planning	17,296
Capital receipts/reserves	7,418	Housing	18,677
Revenue derived funds	3,820	Administration	16,358
Unfinanced	130		
Total	<u>79,050</u>	Total	<u>79,050</u>

And some of the assets provided

Education

St Thomas Primary School	3,754
Morryston Comprehensive School	861
Pontardulais Comprehensive School	690

Highways and Transportation

	£'000
Metro Phase I - Kingsway	3,719
Fabian Way Bus Route	1,215
Park and Ride Carmarthen Road	1,067
Highways Capital Maintenance	1,190

Housing

Council House Adaptations	1,826
Hafod renewal area	1,870
Housing DFG/HRG's	5,050
Boiler replacements	1,233

Other Services

Swansea Vale primary electricity infrastructure	1,308
Swansea Leisure Centre	8,496
E-government – Resource @ Swansea	9,389
Civic Centre and Library	2,857
Guildhall Refurbishment	2,648

EXPLANATORY FOREWORD

Reserves, Balances and Provisions

The Council maintains a number of provisions and reserves, details of which are given on pages 54 to 56.

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

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

At the end of the year, the Authority's reserve balances and provisions amounted to £79.709m.

The Euro

It has not yet been decided if, and when, the United Kingdom will join the single European currency. We have not made any assessment or financial provision in the 2006/2007 accounts of the effect on the Council if this currency is introduced.

Financial Reporting Standard 17 (FRS17)

The Accounts as presented comply with the requirements of the above standard in that they reflect in the revenue accounts the current year cost of pension provision to employees as advised by the Council's actuary. The Statements also contain, within the Balance Sheet, the actuary's assessment of the Authority's share of the Pension Fund liability as at 31st March 2007 and the reserve needed to fund that liability.

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

The fund is subject to a triennial valuation which assesses the then state of the pension fund and makes recommendations to the various admitted bodies as to the appropriate rate of employers contributions that need to be made in order to restore the fund to a balanced position over a period of time. The contribution rate used in 2006/07 relate to the valuation undertaken on 1st April 2004. A further revaluation on 1st April 2007 will relate to Accounts from 2008 onwards.

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

Group Accounts

The 2006/07 Accounts contain Group Accounts which are intended to show the consolidated position of the City & County of Swansea and its subsidiary/related companies. Comparative figures for previous years have been shown for consistency. These are shown on pages 76 to 90 of this statement.

EXPLANATORY FOREWORD

Changes in the form and content of the Statement

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

In accordance with the SORP, the form and content of the accounts for 2006/07 differs significantly from that prepared in previous years. The most significant changes in the format of the accounts are:-

- The replacement of the former Consolidated Revenue Account with the Income and Expenditure Account and Statement of Movement on the General Fund Balance to meet statutory public sector accounting requirements.
- The replacement of the former Statement of total movements in reserves with a new Statement of Total recognised Gains and losses.
- The grouping of the main accounting statements within the published statement to be followed by a consolidated set of notes to the main statements.

Where there has been significant change in the format of the accounts then comparative figures in relation to 2005/06 have been restated in the new format.

In terms of the content of the accounts, the major change for the 2006/07 Statements has been the removal of the requirement to charge services with a capital financing charge for the use of fixed assets, together with a requirement to credit service accounts with their element of Government Grant deferred credits rather than crediting this as a corporate item.

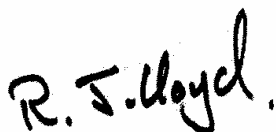
As with the changes to the format of the accounts, these changes have been reflected in the restated figures for 2005/06 and, in the case of the Income and Expenditure Account, a note to the accounts has been shown reconciling the results of the 2005/06 published Consolidated Revenue Account to the restated comparative figures in the 2006/07 Income and Expenditure Account.

Further information

You can get more information about the accounts from the Head of Financial Services, City & County of Swansea, County Hall, Swansea, SA1 3SN.

The Statement of Accounts was approved by Council at its meeting on 28th June 2007.

Signed



Councillor R Lloyd
Presiding Officer

28th June 2007

STATEMENT OF ACCOUNTING POLICIES

1. General

These accounts follow the Code of Practice on Local Authority Accounting in the UK (2006) – a Statement of Recommended Practice (“the SORP”) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The accounts have been prepared in accordance with the historical cost basis, with the exception of certain categories of fixed assets that are measured at current value.

2. Debtors and Creditors

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

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

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

3. Fixed Assets

- i. Spending on buying, constructing or improving fixed assets is treated as capital expenditure provided the fixed assets are useful to us for a period of more than one year. The expenditure on routine repairs and maintenance of fixed assets is charged directly to the service revenue accounts.
- ii. Fixed property assets are valued on the basis recommended by the SORP and the RICS ‘Appraisal and Valuation Standards’. All fixed property assets have been valued by the Head of Corporate Property Mr Steve Dinnick BSc Hons MRICS.

Fixed property assets are categorised into classes as follows:-

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

Non-operational assets – investment properties and surplus land.

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

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

- iii. Revaluations of fixed assets are undertaken at five yearly intervals. It is planned to continue with the 5 year rolling programme of revaluations and additionally valuations will be undertaken as a result of material changes to assets for which values will be adjusted as and when they occur. Increasing asset values simply involve debiting the fixed asset account and crediting fixed asset restatement account (FARA) with the difference between net book value of the asset and the revised valuation.

Decrease in asset values, other than certain classes of impairment loss, (see below) involve the reverse of the above entry i.e. credit fixed asset account and debiting FARA with the difference between the net book value of the asset and the revised valuation.

- iv. Provision for depreciation has been made where relevant.

- v. Fixed assets, other than non depreciable land, are reviewed for impairment at the end of each reporting period. Examples of events and changes in circumstances that indicate a reduction in value may have occurred include:-

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

Where an impairment loss on a fixed asset is identified due to a clear consumption of service benefits e.g. physical damage or deterioration etc. it will be recognised in the service revenue account and thus charged against the net cost of services. Where impairment is caused through a general fall in prices it is treated essentially as a revaluation and therefore recognised in the FARA.

STATEMENT OF ACCOUNTING POLICIES

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

4. Deferred Charges

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

5. Capital Financing

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

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

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

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

The position for 2006/2007 was as follows:-

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

STATEMENT OF ACCOUNTING POLICIES

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

- The SORP requires that we charge revenue accounts with a 'capital charge' for all fixed assets used in providing services. The capital charge is made up of a provision for depreciation. Depreciation is calculated by the straight line method based on the useful life of the asset:-
- Council dwellings – 40 years
- Other buildings – 40 years
- Infrastructure – 20 to 40 years
- Vehicles and plant etc – 5 to 10 years

The charge to revenue for the use of fixed assets differs substantially from the charge made in previous years which included a notional interest charge to compensate for the opportunity cost of capital.

Following the guidance contained in the 2006 SORP this charge has been removed for 2006/07. In order to provide meaningful comparators, the 2005/06 Income and expenditure account has been restated to exclude notional interest charges. The effect of this is to remove capital charges of approximately £30.1m from service expenditure for that year. There is, however, no effect on the restated movement on general reserves due to the equal but opposite effect on the Asset Management Revenue Account for that year.

A reconciliation between the original Consolidated Revenue Account for 2005/06 and the restated comparator Income and Expenditure Account is given in a note to the main accounting statements on page 24.

7. Stocks and work in progress

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

8. Central administrative expenses

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

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

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

STATEMENT OF ACCOUNTING POLICIES

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

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

NDC's are comprised of:

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

9. Interest on investments

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

10. Pensions

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

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

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

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

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

STATEMENT OF ACCOUNTING POLICIES

11. Provisions and Reserves

The Council maintains a number of provisions and reserves. Details of these are given on pages 54 to 56.

Provisions are amounts included in the accounts for liabilities where there is uncertainty over timing of the liability or amounts that have been incurred.

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

12. Taxation

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

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

13. Financial relationship with companies

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

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

Details of the Council's interests in the National Waterfront Museum (Swansea) Ltd, the Wales National Pool (Swansea) Ltd. and Swansea Stadium Management Company Limited are given in note 13 to the Balance Sheet on pages 40-43.

14. Leases

The council holds no assets obtained under finance leases. Details of operating leases together with future commitments are given in note 6 to the Income and Expenditure Account. Net rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

STATEMENT OF ACCOUNTING POLICIES

15. Investments

Investments held by the Pension Fund (see page 62), long term investments and investment properties (see note 3, page 10) are carried at market value.

16. Group Accounts

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

The Accounts comprise the Group Income and Expenditure Account, Group Balance Sheet, Group Statement of Total Realised Gains and Losses and Group Cash Flow Statement along with associated notes and are shown on pages 76 to 90 of this statement.

17. Capital Funding for Council Housing

The Council receives a government grant (the Major Repairs Allowance or MRA) which is treated in the accounts as a capital grant. The grant is credited to a separate reserve (the Major Repairs Reserve) and funding is made from this reserve to finance capital expenditure for council housing stock as it is incurred. The sum received for 2006/07 was £9.1m. In addition, the Welsh Assembly Government have assumed that the Housing Revenue Account would normally have borne part of this expenditure and therefore require a transfer back from the HRA of a calculated repair contribution. The sum repaid is £5.142m and is shown as a cost in the Housing revenue account under the heading 'Negative Housing Subsidy'.

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

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

In accordance with the Statement, the form and content of the accounts for 2006/07 differs significantly from that prepared in previous years. The most significant changes in the format of the accounts are:-

- The replacement of the former Consolidated Revenue Account with the Income and Expenditure Account and Statement of Movement on the General Fund to meet statutory public sector accounting requirements.
- The replacement of the former Statement of total movements in reserves with a new Statement of Total Recognised Gains and losses.
- The grouping of the main accounting statements within the published statement to be followed by a consolidated set of notes to the main statements.

Where there has been significant change in the format of the accounts then comparative figures in relation to 2005/6 have been restated in the new format.

In terms of the content of the accounts, the major change for the 2006/07 Statements has been the removal of the requirement to charge services with a capital financing charge for the use of fixed assets, together with a requirement to credit service accounts with their element of

STATEMENT OF ACCOUNTING POLICIES

Government Grant deferred credits rather than include this as a single entry in the revenue account.

As with the changes to the format of the accounts, these changes have been reflected in the restated figures for 2005/06 and, in the case of the Income and Expenditure Account, a note to the Accounts has been shown reconciling the results of the 2005/06 published Consolidated Revenue Account to the restated comparative figures in the 2006/07 Income and Expenditure Account on page 24.

INCOME AND EXPENDITURE ACCOUNT

2005/06 Restated Net Expenditure (Note 1) £'000	Note	2006/07 Gross Expenditure £'000	2006/07 Gross Income £'000	2006/07 Net Expenditure £'000
Direct Services				
-1,831		19,890	-16,799	3,091
46,828		87,006	-46,106	40,900
145,125		168,687	-17,681	151,006
14,102		32,740	-16,627	16,113
-2,727		109,891	-111,639	-1,748
70,731		108,317	-24,759	83,558
-2,112		1,715	-796	919
12,759		37,284	-22,819	14,465
-5,900		9,073	0	9,073
276,975		574,603	-257,226	317,377
Levies and Contributions				
0		0		0
656	11	755		755
10,747	5	11,140		11,140
331	15	1,344		1,344
19,753		16,829		16,829
0		0		0
-5,468			-4,511	-4,511
11,550	9			8,870
314,544				351,804
-66,842	11			-70,753
-198,029	3			-214,184
-46,995	12			-50,991
2,678				15,876

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2005/06 £'000		2006/07 £'000
-23,908	Depreciation and Impairment of Fixed Assets	-20,473
3,450	Government Grants Deferred Amortisation	4,167
-2,582	Deferred Charges	-1,995
0	Net gain or loss on the sale of fixed assets	0
-20,270	Net charges made for retirement benefits in accordance with FRS 17	-34,570
-43,310		-52,871

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

2005/06 £'000		2006/07 £'000
10,693	Statutory provision for the repayment of debt	11,277
1,982	Capital expenditure charged to the General Fund	3,820
21,620	Employers contribution to the Local Government Pension Fund	25,110
34,295		40,207

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2005/06		2006/07
£'000		£'000
1,779	Transfer to (from) Housing Revenue Account	-245
-359	Net transfer to (from) schools delegated reserve	-327
4,318	Net transfer to (from) other earmarked reserves	-1,955
5,738		-2,527

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

2005/06		2006/07
£'000		£'000
2,678	Deficit for year in the Income and Expenditure Account	15,876
-3,381	Net additional amount required by statutory and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-15,191
-703	Net (Surplus) / Deficit for the year	685
-10,577	General Fund Balance brought forward	-11,280
-11,280	General Fund Balance carried forward	-10,595

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2005/6</u> <u>£'000</u>		<u>2006/07</u> <u>£'000</u>
-2,678	Deficit for the year on the Income and Expenditure Account	-15,876
7,153	Surplus arising on the revaluation of fixed assets	40,793
-7,470	Actuarial loss on pension fund assets and liabilities	-2,420
<u>-2,995</u>		<u>22,497</u>

BALANCE SHEET

31/03/2006			31/03/2007	
£'000	£'000		£'000	£'000
		Fixed Assets - note 1 & 2		
		Operational Assets:		
72,357		- council dwellings	88,700	
454,054		- other land and buildings	477,909	
3,485		- plant/vehicles and equipment.	15,516	
193,362		- infrastructure assets	201,620	
13,018		- community assets	14,199	
	736,276			797,944
		Non Operational Assets		
	25,901	Assets under construction		35,028
	81,454	Investment properties		86,143
	843,631	Total Fixed Assets		919,115
5,896		Long term investments	10,794	
377		Long term debtors	314	
2,158	8,431	Deferred premiums	1,485	12,593
	852,062	Total Long-Term Assets		931,708
		Current Assets		
1,826		- stocks and work in progress	2,106	
41,123		- debtors: note 4	53,240	
103,337		- temporary investments	61,782	
342	146,628	- cash in hand of officials	368	117,496
	998,690			1,049,204
		Current Liabilities		
-54,485		- creditors: note 5	-76,123	
-14,068		- short term borrowing: note 6	-5,200	
-18,820	-87,373	- bank overdrawn	-7,470	-88,793
	911,317	Total Assets Less Current Liabilities		960,411
		Long Term Liabilities		
-316,713		Long-term borrowing: note 6	-295,708	
-12,494		Provisions: note 7	-24,704	
-120,112		Government grants deferred: note 8	-142,990	
-2,539		Deferred discounts	-3,183	
-336,170	-788,028	Liability relating to defined pension scheme	-348,040	-814,625
	123,289	Total Assets Less Liabilities		145,786
		Financed by		
	291,328	Fixed asset restatement account: note 9		317,462
	101,829	Capital financing account: note 10		110,518
	-336,170	Pensions reserve: note 16		-348,040
	8,085	Usable Capital receipts reserve: note 11		10,841
	39,100	Earmarked reserves: note 7		36,818
	7,837	Balances – Housing Revenue Account		7,592
	11,280	Balances – general fund: note 7		10,595
	123,289	Total Net Worth		145,786

CASH FLOW STATEMENT

2005/06 <u>£'000</u>	<u>2006/07</u> <u>£'000</u>	<u>£'000</u>
<u>Revenue Activities</u>		
Cash Outflows		
-272,242	Cash paid to and on behalf of employees	-285,136
-244,253	Other operating cash payments	-259,496
-26,642	Housing benefit paid out	-28,234
-58,031	NNDR payments to National Pool	-63,009
-11,403	Precepts paid	-11,895
		-647,770
Cash Inflows		
10,813	Rents (after rebates)	11,534
64,651	Council tax receipts	67,169
46,995	NNDR receipts from National Pool	50,991
62,468	NNDR rate receipts	61,006
198,029	Revenue support grant	214,184
26,114	DWP grant for benefits	27,873
112,100	Other government grants (Note 4)	141,200
109,665	Cash received for goods and services	119,855
		693,812
18,264		46,042
<u>Returns on Investments/Servicing of Finance</u>		
Cash Outflows		
-19,753	Interest paid	-16,862
Cash Inflows		
4,611	Interest received	4,113
		-12,749
3,122	Net Cash Flow from Revenue Activities (Note: 1)	33,293
<u>Capital Activities</u>		
Cash Outflows		
-60,424	Purchase of fixed assets	-69,950
-8,915	Other capital cash payments	-8,969
-4,490	Purchase of long term investments	-4,898
		-83,817
Cash Inflows		
17,224	Sale of fixed assets	16,862
52,633	Capital grants received	33,356
0	Sale of long term investments	0
		50,218
-850	Net Cash Outflow before Financing (Note: 2)	-306
<u>Financing</u>		
Cash Outflows		
-28,608	Repayments of amounts borrowed	-82,665
Cash Inflows		
40,424	New loans raised	50,196
1,374	New short term loans	2,596
		52,792
12,340	Net Increase/Decrease in Cash (Note: 3)	-30,179

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

1. Changes in 2005/06 comparators – change in accounting policy.

In compiling the 2006/7 Statement of Accounts, the Council has adopted three significant new accounting policies that impact upon the comparative figures for 2005/6 in the Income and Expenditure Account.

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

	2005/6 Consolidated Revenue Account	Removal of Capital Financing charges	Relocation of Government grant deferred Credits	Gains and losses on disposal of fixed assets	2005/6 comparatives in Income and Expenditure Account
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Central Services to the public	2,783	-4,614	-	-	-1,831
Cultural, environmental and planning services	50,936	-3,533	-575	-	46,828
Education services	154,988	-9,167	-696	-	145,125
Highways, roads and transport services	23,015	-7,538	-1,375	-	14,102
Housing services	648	-2,639	-736	-	-2,727
Social services	71,570	-771	-68	-	70,731
Miscellaneous	-2,112			-	-2,112
Corporate and democratic core	13,336	-577	-	-	12,759
Non distributable costs	-4,634	-1,266	-	-	-5,900
Impact on net cost of services	310,530	-30,105	-3,450	-	276,975
Asset management revenue account (interest payable and similar charges) 2006/7	-13,802	30,105	3,450	-	19,753
Net operating expenditure	314,544	0	0	-	314,544

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

2. Provisions and Balances

The Council maintains a number of provisions and reserves - details are given on pages 54 to 56.

3. Government Grants

We received revenue support grant of £214.2m from the Welsh Assembly during 2006/2007. (2005/2006 - £198.0m). As well as this we received specific/special government grants amounting to £141.2m for 2006/2007 (2005/2006 £112.1m). The main items are:

2005/06		2006/07
£'000		£'000
2,137	Better schools fund	1,679
3,819	Mental handicapped strategy	1,673
26,471	Rent allowance subsidy	27,873
25,132	Rent rebate subsidy	26,099
13,267	Council tax benefit	14,008
3,748	Cymorth	4,215
11,171	Supporting people	11,149
6,066	ELWA	6,351
2,292	Performance incentive grant	2,297
3,973	Local Authority Business Growth Incentive Scheme	3,307
1,807	Sustainable Waste Management	2,243
2,608	Housing Benefit Processing	2,402
3,843	Concessionary fares	3,836
2,822	TEC Contract	2,909

4. Central Administrative Expenses

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

2005/06		2006/07
£'000		£'000
3,108	Head of Finance – Financial Services	3,186
4,437	Head of Information and Communication Technology	4,548
4,170	Head of Legal & Administration	4,275
2,463	Head of Human Resources /Organisational Development	2,525
2,265	Director of Environment	2,322
16,443		16,856

5. Levies and Contributions Paid

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

2005/06		2006/07
£'000		£'000
86	Swansea Bay Port Health Authority	92
10,545	Combined Fire Authority	10,919
116	Sea Fisheries	129
10,747		11,140

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

In addition, the Council is obliged to pay precepts to local precepting bodies (community councils). In 2006/2007 these amounted to £0.755m (05/06 £0.656m). These sums are set by the individual councils, and are collected from council tax payers living within each community council area.

6. Leasing Commitments

The Council uses leased vehicles, plant, I.C.T. hardware, etc., financed under the terms of operating leases. The amount paid during the year in respect of such leases was £1.930m (2005/06 £1.836m). Lease payments due in 2007/08 are £1.383m, (2006/07 1.970m) comprising the following elements:

2005/06 £'000			2006/07 £'000
24	Leasing expiring	< 1 year	328
1909		1 to 5 years	1,023
37		5 years +	32

7. Minimum Revenue Provision

The Council is required by statute to set aside a minimum revenue provision (MRP) for the repayment of external debt. In accordance with this requirement the provision for 2006/2007 has been calculated as £11.277m (2005/06 £10.656m). The net amount charged to the general fund in respect of capital financing charges equates to the calculated MRP plus interest charges payable for the year.

8. Statutory Accounts

S.137 of the Local Government Act 1972.

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

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

2005/06 £'000		2006/07 £'000
56	Swansea Council for Voluntary Service	57
30	Swansea Bay Racial Equality Council	31
542	Funding to local groups	495
143	Welsh Local Government Assoc./Syniad/LGA	142
146	Other grants	198
<u>917</u>		<u>923</u>

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Section 5 of the Local Government Act 1986.

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

2005/06		2006/07
£'000		£'000
126	Expenditure on publicity	98
267	Recruitment advertising and legal notices	360
40	Public consultation	61
<u>433</u>		<u>519</u>

Local Government (Goods and Services) Act 1970.

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

2005/06		2006/07
£'000		£'000
	Local Government (Goods and Services) Act 1970	
28	Payroll Services - F E Colleges/charities	29
192	County Supplies – stationery etc.	180
46	Building maintenance	0

9. Accounting for Pension Costs

a) Teachers:

This is an unfunded scheme administered by the teachers pensions. In 2006/2007, the Council paid £9.59m (05/06 £9.41m) to the Department for Education and Skills in respect of teachers' pension costs, which represents 13.65% (05/06 13.5%) of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years awarded by it and previous authorities, together with the related increases.

In 2006/2007, these amounted to £2.83m (05/06 £2.13m), representing 4.0% (05/06 3.1%) of pensionable pay.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

a) Other Employees:

(See also note 16 to the balance sheet).

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

<u>2005/06</u> <u>£'000</u>	<u>2005/06</u> <u>£'000</u>		<u>2006/07</u> <u>£'000</u>	<u>2006/07</u> <u>£'000</u>
	-22,180	Current service cost of pension provision		-25,450
	13,460	Past service costs		-250
	<hr style="width: 100%; border: 0.5px solid black;"/>			
	-8,720	Total charged to cost of services		-25,700
-37,030		Interest on pension scheme liabilities	-39,250	
25,480	-11,550	Expected return on pension fund assets	30,380	-8,870
	<hr style="width: 100%; border: 0.5px solid black;"/>			<hr style="width: 100%; border: 0.5px solid black;"/>
	-20,270			-34,570
	21,620	Amounts paid to/on behalf of pension fund		25,110
	<hr style="width: 100%; border: 0.5px solid black;"/>			
	1,350	Net contribution to/(from) pension reserve		<hr style="width: 100%; border: 0.5px solid black;"/>
	<hr style="width: 100%; border: 0.5px solid black;"/>			<hr style="width: 100%; border: 0.5px solid black;"/>

For 2005/06 only Non-distributable costs included in the income and expenditure account include a credit of £14.1m. This arose from a change in the assumptions in respect of the commutation and was based upon information provided by the pension fund actuary.

10. Officers' Emoluments/Members' Allowances

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

2005/2006		Band	2006/2007	
Number			Number	
11		£60,000 - £69,999	19	
6		£70,000 - £79,999	7	
4		£80,000 - £89,999	3	
3		Over £90,000	2	
<hr style="width: 100%; border: 0.5px solid black;"/>		<u>Total</u>	<hr style="width: 100%; border: 0.5px solid black;"/>	
24			31	
			<hr style="width: 100%; border: 0.5px solid black;"/>	

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

The numbers shown include teaching staff.

The Councillors' remuneration ranged between £10,706 and £44,287 is determined in accordance with a scheme approved by the Council in accordance with the provisions of the Local Government Act 1972 and the Local Government and Housing Act 1989.

The total value of allowances paid to members in 2006/2007 was £1.247m (2005/2006 £1.235m).

11. Council Tax

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

The council tax base is the number of properties in each band adjusted by a multiplier to convert the number to band 'D' equivalent and adjusted for discounts 83,600 in 2006/2007 (82,354 in 2005/2006).

The basic amount for a band 'D' property is £947.21 (£902.10 in 2005/2006).

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

The band 'D' numbers shown have been adjusted for an assumed collection rate of 97% (96.1% in 2005/2006) to arrive at the Council Tax base for the year.

Band	A*	A	B	C	D	E	F	G	H	I
Multiplier	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	21/9
Band 'D' Number										

Analysis of the net proceeds from council tax:

2005/06		2006/07
£'000		£'000
77,129	Council tax collectable	81,793
-9,915	Less:- Payable to South Wales Police Authority	-10,569
-372	Provision for non payment of Council tax	-471
66,842	Net proceeds from council tax	70,753

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

Application of council tax proceeds:

2005/06 £'000		2006/07 £'000
65,091	City & County of Swansea precept	69,676
<u>656</u>	Community Council precept	<u>755</u>
65,747	Council Tax requirement	70,431
1,095	Transfer to reserves	322
<u>66,842</u>	Net application of proceeds	<u>70,753</u>

12 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Welsh Assembly Government specifies an amount for the rate (0.432p in 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its area but pays the proceeds into the NNDR Pool administered by the Welsh Assembly Government. The Welsh Assembly Government redistributes the sums payable back to local authorities on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £60.98m for 2006/07 (£58.84m for 2005/06) was based on a rateable value at year end of £163.57m (£162.254m 2005/06).

Analysis of the proceeds from non domestic rates:

2005/06 £'000		2006/07 £'000
59,981	Non – domestic rates due	62,222
-181	Council fund contribution to rate relief	-214
<u>59,800</u>		<u>62,008</u>
-401	Less: cost of collection	-409
-471	Provision for bad debts	-576
-92	Interest due on overpayments	-39
<u>58,836</u>	NNDR due to pool	<u>60,984</u>
<u>46,995</u>	Net receipt from pool	<u>50,991</u>

13. Interests in Companies

The Council has interests in a number of companies, details of which are given in note 13 to the balance sheet, which also, where appropriate, gives details of the financial transactions between the Council and the companies involved.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

14. Building Control Trading Account

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

Total Building Control 2005/06 £		Chargeable	Non	Total
		2006/07 £	Chargeable 2006/07 £	Building Control 2006/07 £
	Expenditure			
507,292	Employee expenses	401,612	140,121	541,733
20,583	Transport	19,364	2,152	21,516
57,356	Supplies and services	37,292	3,158	40,450
121,556	Central and support service charges	128,400	57,600	186,000
	Less Non distributable costs	-11,454	-5,146	-16,600
	Less Corporate and Democratic core	-39,123	-17,577	-56,700
<u>706,787</u>	Total expenditure	<u>536,091</u>	<u>180,308</u>	<u>716,399</u>
	Income			
631,089	Building regulation charges	597,816	0	597,816
4,046	Miscellaneous income	0	3,474	3,474
<u>635,135</u>	Total income	<u>597,816</u>	<u>3,474</u>	<u>601,290</u>
<u>-71,652</u>	Deficit (-) for year	<u>61,725</u>	<u>-176,834</u>	<u>-115,109</u>

15. Trading Accounts

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

Wherever possible the financial information relating to these accounts is shown within the income and expenditure account (page 18) under the relevant service definition. Some trading activities, however, do not fall within the specific service definitions as contained in the Income and Expenditure account and the results from these accounts are shown as a net surplus/deficit on trading activities as a separate line within the account. As and when possible the Council is including more services within the service definitions within the Income and Expenditure account.

NOTES TO THE INCOME AND EXPENDITURE ACCOUNT

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

Trading activities not included in service definitions:-

2005/2006 Surplus/ Deficit (-) £'000	Activity	2006/2007 Turnover £'000	2006/2007 Expenditure £'000	2006/2007 Surplus/ Deficit(-) £'000
-127	Design & print – In house design & print studio	1,470	1,687	-217
540	Building & property services	26,068	25,941	127
15	Central Transport Unit	8,013	8,382	-369
-14	Landscaping	102	104	-2
-325	Catering - In house catering & school meals	4,872	5,324	-452
2	Cleaning – In house cleaning of buildings	2,094	2,098	-4
-422	County Supplies-office equipment/consumables	2,473	2,900	-427
-331	Total not included in service definitions	45,092	46,436	-1,344

16. Audit Fees

In 2006/07 the City & County of Swansea Council incurred the following fees relating to external audit and inspection:

	2005/06 £'000	2006/07 £'000
• Fees payable to the WAO/PwC with regard to external audit services carried out by the appointed auditor	365	371
• Fees payable to the WAO in respect of statutory inspection	95	78
• Fees payable to PwC for the certification of grant claims and returns	200	204
• Fees payable in respect of other services provided by the appointed auditor	9	4

The fees for other services payable in 2005/06 and 2006/07 are in respect of fees relating to professional services.

17. Agency Income and Expenditure

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

NOTES TO THE BALANCE SHEET

1. Fixed Assets

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

	Council Dwellings	Other Land & Buildings	Plant, vehicles etc.	Infra-structure Assets	Community Assets	Investment Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Certified Values 31/03/06	71,968	462,750	3,870	241,719	14,780	80,064	25,901	901,052
LESS accumulated depreciation	389	-8,696	-385	-48,357	-1,762	1,390	0	-57,421
NET Book Value 31/03/06	72,357	454,054	3,485	193,362	13,018	81,454	25,901	843,631
Additions	11,733	14,098	11,567	12,768	1,498	3,409	18,827	73,900
Reclassification	2,912	3,209	1,658	1,862	0	59	-9,700	0
Write off to FARA	-13,118	-17,329	0	0	0	-884		-31,331
Disposal of assets	-737	-192	-3	0	0	-733		-1,665
Depreciation written off on disposal	10	1	2	0	0	1		14
Revaluations	19,137	30,426	0	0	0	4,506		54,069
Depreciation written off on revaluation	-368	3,566	0	34	43	-1,669		1,606
Impairment		-568						-568
Depreciation written off on impairment		50						50
Depreciation – annual charge	-3,226	-9,406	-1,193	-6,406	-360			-20,591
Certified values as at 31/03/07	91,895	492,394	17,092	256,349	16,278	86,421	35,028	995,457
LESS accumulated depreciation	-3,195	-14,485	-1,576	-54,729	-2,079	-278	0	-76,342
NET Book Value 31/03/07	88,700	477,909	15,516	201,620	14,199	86,143	35,028	919,115

NOTES TO THE BALANCE SHEET

The additions shown under infrastructure assets includes a sum of £0.116m in respect of land acquired under statutory compulsory purchase orders for which payment will be made in future years. Provision for such a payment has been made in these accounts. A summary schedule itemising the main fixed assets of the authority is given on pages 57 to 58. Please see Accounting Policies note 3 (ii) re method of council housing revaluation.

2. Capital Expenditure and Financing

The following capital expenditure incurred in 2006/2007 was financed as follows:-

2005/06 Total		2006/2007 Fixed Assets	2006/2007 Deferred charges/ Long term debtors	2006/2007 Total
£'000		£'000	£'000	£'000
955	Unfinanced at 1 st April	1,672	0	1,672
69,730	Expenditure during year	70,004	9,046	79,050
70,685		71,676	9,046	80,722
	Financed by:			
11,112	Loan	31,550	1,945	33,495
43,433	Grants/contributions	27,427	6,759	34,186
12,486	Capital receipts	7,161	257	7,418
1,982	Revenues and reserves	3,785	35	3,820
69,013		69,923	8,996	78,919
1,672	Unfinanced at 31 st March	1,753	50	1,803

The unfinanced balance consists of provisions for creditors, to be financed in 2006/2007.

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

Expenditure During 2005/2006 £'000		Expenditure During 2006/2007 £'000
2,066	Community/Leadership etc.	703
3,809	Top.Performance & E-Gov	12,782
10,579	Culture, recreation etc.	10,420
2,278	Economic & Strategic Development	1,457
13,575	Education	10,495
15,402	Environment	16,441
18,740	Housing	25,491
78	Finance	0
1,821	Social services	403
0	Magistrates courts	0
1,382	Community regeneration	858
69,730		79,050

NOTES TO THE BALANCE SHEET

Significant commitments for future capital expenditure include the following schemes:

Estimated contractual commitment as at 31/3/07		£'000
Regeneration	Leisure Centre	16,555
Top Performance:-	E-Government Resource @ Swansea	2,294
	Civic Centre Library	5,688
Community Regeneration	Pentre Menter Resource Centre	3,604

3. Deferred Charges

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

2005/06 £'000		2006/07 £'000
8,915	Expenditure	9,019
-2,582	Less amounts charged to capital financing account via the Income and Expenditure Account	-1,995
<u>-6,333</u>	Less amounts funded by grant etc	<u>-7,024</u>
<u>0</u>		<u>0</u>

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

4. Debtors

31 st March 2006 £'000		31 st March 2007 £'000
2,456	Housing rents	1,937
3,231	NNDR	3,693
7,279	Council tax	7,377
9,915	Government departments	15,346
3,378	Other public bodies	4,060
<u>26,046</u>	Sundry debtors	<u>31,749</u>
52,305		64,162
<u>-11,182</u>	Less provision for doubtful debts	<u>-10,922</u>
<u>41,123</u>		<u>53,240</u>

NOTES TO THE BALANCE SHEET

5. Creditors

31st March 2006		31st March 2007
£'000		£'000
3,723	Government departments	2,198
5,621	Other public bodies	16,643
45,141	Sundry creditors	57,282
54,485		76,123

6. Analysis of Borrowing

31st March 2006	Sources of borrowing	31st March	2007	
£'000		£'000	£'000	%
268,713	Public Works Loan Board	237,708		79
48,000	Money market	58,000		19
316,713	Total borrowing greater than one year		295,708	
2,651	Stock issues	1		
10,141	Public Works Loans Board	3,894		1
4	Local bonds & internal mortgages	75		
1,272	Temporary loans	1,230	5,200	1
14,068				
330,781			300,908	100

Maturity dates for the repayment of loans

31st March 2006		31st March 2007	
£'000		£'000	%
1,272	Temporary loans up to 1 year	1,230	1
12,796	Long term debt maturing within -1 year	3,970	1
3,894	1 - 2 years	5,154	2
7,014	2 – 5 years	2,944	1
14,055	5 -10 years	13,257	4
291,750	Over 10 years	274,353	91
330,781		300,908	100

NOTES TO THE BALANCE SHEET

7. Reserves and Balances

Details of other reserves, balances and provisions are given on pages 54 to 56.

8. Government Grants Deferred

This account is credited with capital grants and contributions used to partly or wholly finance assets. The balance at 31st March 2007 of £142.990m (31st March 2006 £120.112m) represents cumulative grant and contributions utilised for funding since inception of the current capital accounting arrangements.

9. Fixed asset restatement account

2005/06 £'000		2006/07 £'000
334,839	Brought forward	291,328
28,743	Surplus/deficit on revaluations -	57,847
-10,544	Disposals -	-1,651
10,985	Additions	1,269
-72,695	Write off capital expenditure – Expenditure in year	-31,331
<u>291,328</u>		<u>317,462</u>

The transactions in the Fixed asset restatement account reflect:-

- on (re)valuation of an asset – the difference between the net book value of the asset and the revised valuation
- on disposal of an asset – the writing out of the net book value of the asset
- on incurring capital expenditure – the writing out of expenditure which does not result in an increase in value of an asset

NOTES TO THE BALANCE SHEET

10. Capital financing account

31 st March 2006 £'000		31 st March 2007 £'000
92,352	Balance b/forward	101,829
4,350	Capital receipts set aside	4,384
12,486	Capital financing - capital receipts	7,188
0	- loan repayments	-26
1,982	- revenue	3,785
6,401	- grants written off	4,549
10,748	Minimum revenue provision	11,277
-18,655	Less depreciation	-19,955
-5,253	Less impaired	-518
104,411		112,513
-2,582	Less deferred charges written off	-1,995
101,829	Balance as at 31st March	110,518

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal only element of external loans.

NB It should be noted that the above three accounts (government grants deferred, fixed assets restatement account and capital financing account) are NOT resources available to the Authority.

11. Usable Capital Receipts Reserve

2005/06 Total £'000		2006/07 Gen fund £'000	2006/07 H.R.A £'000	2006/07 Total £'000
8,308	Opening balance	4,417	3,668	8,085
17,224	Receipts during the year	10,840	6,023	16,863
-4,350	Less set asides	0	-4,384	-4,384
-611	Less other costs	-2,161	-144	-2,305
0	Less transfer to revenue - deferred charges	0	-230	-230
20,571	Available to use	13,096	4,933	18,029
-12,486	Less applied	-7,188	0	-7,188
8,085		5,908	4,933	10,841

NOTES TO THE BALANCE SHEET

12. Trust funds

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

The principal funds are:

	Income For year £	Expenditure For year £	Assets 31/3/07 £	Liabilities 31/3/07 £
<u>2006/2007</u>				
Welsh Church Acts – various Charitable schemes	43,838	44,746	980,970	112,593
Swansea Children’s Relief in Need	46,900	46,630	805,192	21,604
Swansea Further Education Trust Fund	8,328	6,914	140,295	0
Swansea Foundation – education	15,206	21,430	304,099	180
Lord Mayors Fund – various charitable schemes	64,815	56,993	81,804	0
Other capital trust funds	3,255	1,516	44,998	0
Other trust funds - various charitable schemes	33,660	20,906	299,710	0
Swansea Workshops for the Blind	9,107	9,107	690,214	0
West Glamorgan Blind Welfare Association	17,519	39,892	41,945	1,132
Total	242,628	248,134	3,389,227	135,509
<u>2005/2006</u>				
Welsh Church Acts – various Charitable schemes	48,103	39,326	920,629	20,673
Swansea Children’s Relief in Need	46,740	54,622	805,346	24,904
Swansea Further Education Trust Fund	9,439	0	138,881	0
Swansea Foundation – education	13,679	500	311,044	900
Lord Mayors Fund – various charitable schemes	60,565	49,677	73,982	0
Art Gallery Lectureship Fund	594	0	6,519	0
Other capital trust funds	2,090	180	44,448	0
Other trust funds - various charitable schemes	33,271	36,496	281,494	61
Trustees Endowment Workshops for the Blind	6,306	6,306	685,046	0
West Glamorgan Blind Welfare Association	13,314	29,966	59,108	3,498
Total	234,101	217,073	3,326,497	50,036

NOTES TO THE BALANCE SHEET

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

13. Related Party Transactions and Ultimate Controlling Party

a) Central Government

The Council receives significant funding from the Welsh Assembly Government. Details of the sums received in respect of revenue support grant and redistributed non domestic rates are shown in the income and expenditure account, with details of other grant income being shown in note 3 to the Income and Expenditure Account.

b) Charitable and Voluntary Bodies

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

c) Other Public Bodies

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

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

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

In respect of the Environment Agency, Mid and West Wales Fire Brigade, South Wales Sea Fisheries Committee and the Swansea Bay Port Health Authority, significant sums are paid by the Council in respect of levies and precepts to these bodies. Details are given in note 5 to the income and expenditure account.

NOTES TO THE BALANCE SHEET

The Council is responsible for the collection of council taxes on behalf of the South Wales Police Authority. The total collected and paid over to the South Wales Police Authority for 2006/07 was £10.569m (2005/06 £9.915m).

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

d) Subsidiary and Associated Companies

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

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

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

The value of the Council's investment in the company as at 31st March 2007 has been reduced to £0m.

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2007 the net worth of the Company was £-584k (31st March 2006 £-328k).

The effect of this is to reduce the Council's investment value in the company as at 31st March 2007 to zero.

Purchases from, and charges made to the Company in 2006/07 amounted to £9.55m (2005/06 £7.914m). Rent, rates and royalties receivable total £85k (2005/06 £170k). Sales of £579k (2005/06 £417k) were made to the Company. Landfill tax paid to the Company amounted to £11.2k (2005/06 £0.330m).

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

The National Waterfront Museum Swansea Ltd

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

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

NOTES TO THE BALANCE SHEET

During 2002/03 year the Council granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental, whilst at open market value the land was estimated to be worth £3.150m. This lease constitutes the Council's commitment to the scheme.

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

Income for the company for 2006/07 amounted to £0.041m (2005/06 £4.278m) with expenditure for the year totalling £0.580m (2005/06 £0.721m) which reflects the fact that the museum was substantially completed prior to 1st April 2006.

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

The Wales National Pool (Swansea) Ltd

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

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

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

2005/06		2006/07
£'000		£'000
382	Funding provided by the Council towards operating costs of the pool	306
118	Sum paid for the free use of the pool by Schools and other bodies	154
(1,938)	Recharges of wages , salaries and other costs to the Company	(1,914)

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

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

NOTES TO THE BALANCE SHEET

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

Swansea Stadium Management Company Ltd. (SSMC)

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

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

e) Other Organisations

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

During 2006/7 invoices totalling £116,800 (2005/06 £46,488) were paid by the Council on behalf of recipients of Housing Improvement Grants to a company in which a Cabinet Member has an interest. These payments were made in full compliance of the Council's standing orders.

In addition, Business Support Grants totalling £4,243 (2005/06 £0) were made to a company in which a member has an interest. The member did not take part in any discussion or decision in relation to the grant which was made with proper consideration of Declarations of Interest.

In both instances the members' interests in these Companies was properly recorded in the Register of members Interests which is available from the Councils Head of Legal Services

14. Insurance provisions/self insurance

We hold a range of insurance policies with external insurance companies so that protection is afforded against all major risks. These policies are subject to substantial excesses and we maintain an internal (own fund) insurance provision to meet these excesses. The value of the provision as at 31st March 2007 was £12.998m (31/03/2006 £10.930m). The provision has been created by charging revenue accounts a premium reflecting annual insurance costs. The provision covers the following excess levels under the policies in place:-

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

NOTES TO THE BALANCE SHEET

15. Contingent Liabilities

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

Nature of Liability	Potential Financial Effect £'000	Comment	Timing
Equal pay Claims	Unknown	In line with many local authorities the City & County of Swansea is undertaking a review of pay and conditions of staff to ensure equality of pay and conditions of staff. Pending completion of this review and agreement of any back payment liabilities to staff there is a potential for individual or class actions being taken against the authority under equal opportunity legislation. The Council has included a provision in the 2006/07 accounts. However, work is ongoing and this matter has not reached a conclusion.	2007/8
Land slippage	500	This relates to a potential cost to the Council for remedial work to retaining walls at Brynmill, Swansea. This liability will be dependent on the outcome of a court case due to be held during 2007 which will establish liability.	2007/8
Personal Social Services	Unknown	Relates to potential abuse claims relating to children cared for in previous authorities.	Unknown
Planning compensation claims	Unknown	The Council has received notice of potential claims arising out of the refusal to grant planning permissions for tourism related activities within the Gower area of outstanding Natural Beauty.	2007/8

16. Pension Assets and Liabilities

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

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

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

NOTES TO THE BALANCE SHEET

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

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

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

Assumptions:

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

	31 st March 2004	31 st March 2005	31 st March 2006	31 st March 2007
Discount rate	6.4%	5.3%	4.9%	5.3%
Rate of increase in salaries	4.4%	4.4%	4.5%	4.7%
Rate of increase in pensions payments	2.9%	2.9%	3.0%	3.2%
Rate of increase in deferred pensions	2.9%	2.9%	3.0%	3.2%
Rate of inflation	2.9%	2.9%	3.0%	3.2%
Long term expected rates of return on:-				
Equities	7.7%	7.7%	7.3%	7.7%
Government Bonds	4.7%	4.7%	4.3%	4.7%
Corporate Bonds	5.5%	5.3%	4.9%	5.3%
Property	6.7%	6.7%	6.3%	6.7%
Other assets	4.2%	4.8%	4.6%	5.6%
Average long term expected rate of return	7.0%	6.9%	6.6%	7.0%

History of experienced gains and losses:

	2004/05	2005/06	2006/07
Difference between expected and actual return on scheme assets	£13.21m	£62.01m	-£1.96m
Expressed as a percentage of scheme assets	3.6%	13.5%	-0.4%
Experience gains (losses) on scheme liabilities	-£28.90m	£0.48m	-£1.99m
Expressed as a percentage of the present value of scheme liabilities	-4.2%	0.1%	-0.2%
Change in assumptions	-£149.2m	-£55.86m	£1.53m
Expressed as a percentage of the present value of scheme liabilities	-21.5%	-7%	0.2%
Total amount recognised in movement in reserves	-£164.9m	£6.63m	-£2.42m
Expressed as a percentage of the present value of scheme liabilities	-23.8%	0.8%	-03%

NOTES TO THE BALANCE SHEET

Position in the Fund

Assets are valued at fair value, principally the market value for investments. The proportions of total assets held in each asset type by the Fund as a whole from 31st March 2004 to 31st March 2007 are as follows:

	31 st March 2004	31 st March 2005	31 st March 2006	31 st March 2007
Equities	77%	74%	76%	75%
Bonds	17%	19%	17%	18%
Other	6%	7%	7%	7%

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

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

The movement in net deficit for the year to 31st March 2007 is as follows:-

2005/6 £'000		2006/7 £'000
-330,050	Net deficit at beginning of year	-336,170
21,620	Contributions paid	25,120
-22,180	Current service cost	-25,450
13,460	Past service cost	-250
0	Gain/loss on any settlements or curtailments	0
25,480	Expected return on pension fund assets	30,380
-37,030	Interest on pension scheme liabilities	-39,250
-7,470	Actuarial gain/loss	-2,420
-336,170	Net deficit at end of year	-348,040

NOTES TO THE CASHFLOW STATEMENT

Cashflow Statement Notes:-

Note 1 - Reconciliation of surplus to net cash flow

Surplus for the year		-685
Non cash transactions (capital, etc.)		24,177
Items on an accrual basis		
Less: Increase in stock	280	
Less: Increase in revenue debtors	-12,117	
Add: Increase in revenue creditors	21,638	9,801
Net cash flow revenue activities		33,293

Note 2 - Management financing /liquid resources

	Balance 01/04/2006 <u>£'000</u>	Cash Flow <u>£'000</u>	Balance 31/03/2007 <u>£'000</u>
Temporary Investments	103,337	-41,555	61,782
Financing: - Maturing within one year	-14,068	8,868	-5,200
Long Term	-316,713	21,005	-295,708
Cash	342	26	368
Bank overdrawn	-18,820	11,350	-7,470
	-245,922	-306	-246,228

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

Note 3 - Movement in cash & cash equivalents

	Balance 01/04/2006 <u>£'000</u>	Cash Flow <u>£'000</u>	Balance 31/03/2007 <u>£'000</u>
Cash	342	26	368
Bank overdrawn	-18,820	11,350	-7,470
Temporary Investments	103,337	-41,555	61,782
	84,859	-30,179	54,680

NOTES TO THE CASHFLOW STATEMENT

Note 4 – Analysis of government grants received

2005/06		2006/07
£'000		£'000
2,137	Better schools fund	1,679
3,819	Mental handicapped strategy	1,673
26,471	Rent allowance subsidy	27,873
25,132	Rent rebate subsidy	26,099
13,267	Council tax benefit	14,008
3,748	Cymorth	4,215
11,171	Supporting people	11,149
6,066	ELWA	6,351
2,292	Performance incentive grant	2,297
3,973	Local Authority Business Growth Incentive Scheme	3,307
1,807	Sustainable Waste Management	2,243
2,608	Housing Benefit Processing	2,402
3,843	Concessionary fares	3,836
2,822	TEC Contract	2,909

Housing Revenue Account Income and expenditure Account

<u>2005/6</u>			<u>2006/7</u>	
<u>£'000</u>		<u>Note</u>	<u>£'000</u>	<u>£'000</u>
	<u>Income</u>			
-34,799	Dwelling rents		-35,913	
-26	Non dwelling rents		-66	
-582	Charges for services and facilities		-609	
-1,750	Contributions towards expenditure		-1,289	
-37,157				-37,877
	<u>Expenditure</u>			
9,614	Repairs and Maintenance		12,568	
12,016	Supervision and management	5	12,365	
3,902	Negative Housing revenue account subsidy payable	6	5,142	
3,818	Depreciation and impairment of fixed assets	4	2,615	
45	Debt management costs		59	
397	Increase in bad debt provision	2	265	
	Transfer to council fund		481	
29,792				33,495
-7,365	Net cost of HRA services per authority income and expenditure account			-4,382
632	HRA services share of corporate and democratic core	7		664
-6,733	Net cost of HRA services			-3,718
5,802	Interest payable and similar charges		5,191	
109	Amortisation of premiums and discounts		75	
-362	Interest and investment income		-506	
598	Pensions interest cost and expected return on pension assets		459	
				5,219
-586	Surplus(-)/deficit on HRA services			1,501

Statement of Movement on the HRA balance

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
-586	Surplus (-) / Deficit for the year on the HRA income/expenditure account		1,501
-1,192	Net amount required by statute to be debited to the HRA balance for the year		-1,256
-1,778	Increase (-) / Decrease in the Housing Revenue Account balance		245
6,059	Housing Revenue Account balance brought forward		7,837
7,837	Housing revenue Account balance carried forward		7,592

Note to Statement of Movement on the HRA balance

<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
	Items included in the HRA income and expenditure account but excluded from the HRA balance for the year		
-3,818	Depreciation and impairment of fixed assets (note 4)	-2,615	
-1,564	Net charges for retirement benefits made in accordance with FRS17 (note 5)	-1,776	-4,391
	Items not included in the HRA income and expenditure account but included in the HRA balance for the year		
941	Employers contributions payable to the City and County of Swansea pension fund (note 5)	1,299	
0	Difference between amounts charged in respect of amortisation of premiums and discounts in the Income and Expenditure account and that chargeable by statute	3	
1,990	HRA minimum revenue provision	1,833	
1,259	Capital expenditure funded by the HRA	0	3,135
-1,192	Net adjustment required by statute to be credited to the Housing revenue Account balance		-1,256

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

As at 31st March 2007 the Council owned a total of 13,793 properties, made up of a number of types of dwelling including detached Houses, semi-detached houses, bungalows, low level flats high rise accommodation and sheltered accommodation..

The change in stock numbers can be summarised as follows:

31/3/2006			31/03/2007	
Units			Units	
14,121	Stock at 1 st April		13,922	
-149	Sales		-123	
-50	Demolitions/out of income		-6	
0	New buildings, acquisitions		0	
<u>13,922</u>	Stock at 31 st March		<u>13,793</u>	

2. Rent arrears and provisions for bad debts.

31/3/06			31/3/07	
£'000			£'000	
1,435	Current tenants		1,263	
1,021	Former tenants		674	
<u>2,456</u>			<u>1,937</u>	

Former tenants arrears written off during 2006/07 totalled £0.726m (2005/06 £0.442m). The value of the provision at 31st March 2007 is £1.390m (31st March 2006 £1.851m). A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears which is represented by:-

2005/06			2006/07	
£'000			£'000	
-1,905	Provisions as at 1st April 2006		-1,851	
442	Arrears written off during year		726	
-388	Increase in provision required		-265	
<u>-1,851</u>	Provisions as at 31 st March 2007		<u>-1,390</u>	

3. Capital receipts during the Year

Capital receipts received during the year in respect of the sale of HRA properties amounted to £6.023m. Of this £4.384m was set aside for the repayment of debt, £0.144m was used to defray costs and £0.230m was transferred to revenue to meet the cost of expenditure on deferred charges. The following is a summary of the Capital financing reserve as it applies to the Housing Revenue Account:-

NOTES TO THE HOUSING REVENUE ACCOUNT

	2006/07 £'000
Opening balance 1 st April 2006	3,668
Receipts during the year	6,023
Less set asides	-4,384
Less other costs	-144
Less transfer to revenue -deferred charges	-230
Available to use	<u>4,933</u>
Less applied	<u>0</u>
Balance available as at 31st march 2007	<u><u>4,933</u></u>

4. Depreciation charges

The total charge for depreciation made to the HRA for 2006/7 amounted to £2.615m and is analysed as follows:-

	2006/7 £'000
Depreciation on operational assets	
- dwellings	2,595
- other land and buildings	20
Depreciation on non operational assets	0
Total	<u><u>2,615</u></u>

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

5. FRS 17 – Accounting for pension costs.

Supervision and management costs shown within the income and expenditure account includes a sum of £1.317m which is the cost as calculated by the Councils actuary as being the employers contribution required to meet the current year pension costs of HRA employees. This does not represent a statutory charge to HRA balances and is reversed out and replaced by the actual employers superannuation payments made before the final transfer to/from Housing Revenue Account balances is calculated.

6. Negative Housing Subsidy

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

NOTES TO THE HOUSING REVENUE ACCOUNT

7. HRA share of Corporate and Democratic Core Costs

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

PROVISIONS AND RESERVES

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

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

		<u>Provisions</u>				
<u>Class of Provision</u>	<u>Nature of liability</u>	<u>Estimated date of settlement</u>	<u>Balance 01/04/06</u>	<u>Utilised during the year</u>	<u>Created during the year</u>	<u>Balance 31/03/07</u>
			<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Insurances	Sums relating to the estimated cost of current claims and the Council's excess value on policies	As claims settled	10,930	-6,607	8,675	12,998
Land acquisition	Estimated sums due to settle purchase costs of lands acquired under compulsory purchase orders (including interest)	As values are agreed	386	-307	512	591
Other	Miscellaneous provisions covering committed contracts which are onerous and other estimated liabilities	2007/08	1,178	-489	10,426	11,115
Total			12,494	-7,403	19,613	24,704

PROVISIONS AND RESERVES

Reserves

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

Details of the Council's reserves as at 31st March 2007 are as follows:-

	<u>Balance</u> 01/04/06 <u>£'000</u>	Movement For the year <u>£'000</u>	<u>Balance</u> 31/03/07 <u>£'000</u>
Earmarked revenue reserves			
Schools delegated reserves	5,581	-327	5,254
These are created by the carry forward of underspends on the delegated budgets for each individual school and are available to fund expenditure within individual schools in future years.			
Capital financing charges reserve	6,164	-1,956	4,208
Reserves to meet unforeseen adverse movements in interest rates and to meet future costs associated with active management of the debt portfolio			
Other equalisation reserves	1,040	586	1,626
To even out year on year variations on major income and expenditure items			
Information technology reserves	962	-645	317
Specific reserves set aside for replacement software and hardware and the implementation of corporate IT strategies			
E- Government	120	519	639
Amount set aside to fund ongoing work on resource system implementation			
Contingency reserve	0	3,826	3,826
A reserve set aside to provide funding for the corporate financial risks identified in the Council's forward financial plan			
Development reserves	1,875	-763	1,112
Sums set aside for industrial/commercial development projects, to fund profit share agreements on land reclamation and commuted sums			
Insurance reserves	9,616	3,330	12,946
To provide for unforeseen expenditure			
Other earmarked revenue reserves	7,555	-5,295	2,260
Revenue reserve earmarked to fund future capital expenditure	3,645	-1,557	2,088
Total earmarked revenue reserves	36,558	-2,282	34,276

PROVISIONS AND RESERVES

<u>Housing revenue account balances</u>	7,837	-245	7,592
<u>Earmarked capital balances</u>			
Regulated companies	2,542	0	2,542
To provide for capital costs arising from related activities			
Total earmarked reserves	46,937	-2,527	44,410
General balances	11,280	-685	10,595
<u>Total reserves</u>	<u>58,217</u>	<u>-3,212</u>	<u>55,005</u>

ASSET STRUCTURE

Major fixed assets held by the Council at 31 March 2007.

Number

31/3/2006

31/03/2007

Education

85	• Primary/junior/infants/nursery schools (excluding church schools)	83
14	• Secondary schools (excluding church schools)	14
6	• Special schools / referral units	6
16	• Community Education/Youth Centres (including part time)	16
19	Libraries	19
	Social Services	
15	• Residential establishments	15
16	• Day care and Other establishments	15

Housing

13,919	• Council dwellings	13,793
10	• Area housing offices	10

Culture & Tourism

5	• Leisure centres	5
43	• Pavilions/changing rooms	43
2	• Sports centres	2
1	• Blackpill Lido	1
1	• St Helens Ground	1
1	• Tennis Centre	1
1	• Plantasia	1
1	• Botanic Gardens	1
1	• Grand Theatre	1
1	• Brangwyn Hall	1
1	• Dylan Thomas Centre	1
1	• Patti Pavilion	1
53	• Parks and open spaces (497 hectares)	53
970 hectares	• Foreshore	970 hectares
133	• Children's playgrounds	133
1	• Caravan park	1
1	• Tourist Information Centre	1
1	• Stadium	1

Community Regeneration

3	• Outdoor Pursuit Centres	3
5	• Youth clubs	5
35	• Community Centres	35

Museums and Art Galleries

4	• Museums	4
1	• Art Galleries	1

ASSET STRUCTURE

Planning and Development

1	• Marina	1
1	• Barrage	1
1	• Business Connect	1
5	• Fishmarket Quay Units	5
1	• Business parks	1
10	• Industrial/Warehousing sites	10

Highways and Transportation

102Kms	• Principal Roads	102Kms
227Kms	• Other Classified Roads	227Kms
725Kms	• Other Roads	725Kms
48	• Car Parks	48

Waste Collection and Disposal

5	• Refuse Collection - Amenity sites	5
1	• Refuse Collection - Landfill sites	1

7	• Cemeteries	7
1	• Crematorium	1
5	• Cemetery Lodges/Chapel of Rest	5

Other

1	• County Hall	1
1	• Guildhall (and Annex)	1
1	• Mansion House	1
1	• Market	1

CITY & COUNTY OF SWANSEA PENSION FUND


1. Introduction

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

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

- The **Fund Account** which shows income and expenditure of the fund during the year, split between payments to/contributions from members and transactions relating to fund investments.
- The **Net Assets Statement** which gives a snapshot of the financial position of the fund as at 31 March 2007.

2. Summary of transactions for the year


<i>Where the money comes from:-</i>			<i>And where it goes.....</i>	
	<i>£'000</i>			<i>£'000</i>
Contributions and transfers in	60,291		<i>Pensions payable</i>	31,245
Investment income	12,839		<i>Lump sum benefits</i>	9,630
<i>Other</i>	1,466		<i>Refunds and transfers out</i>	6,251
			<i>Investment management expenses</i>	1,194
			<i>Administrative expenses</i>	582
	74,596			48,902

	<i>£'000</i>
Net new money into the Fund	25,694
Increase in value of investments	38,514
<i>Increase in Fund value</i>	64,208

CITY & COUNTY OF SWANSEA PENSION FUND

Section 151 Officer's Certificate

I hereby certify that the statement of accounts on pages 59 to 75 present fairly the position of the Pension Fund at the accounting date and its income and expenditure for the year ended 31st March 2007.

A handwritten signature in black ink, appearing to be 'J. A. S.', written over a horizontal line.

28th September 2007

CITY & COUNTY OF SWANSEA PENSION FUND

Fund Account

005/06 £'000	Contributions and benefits :	Note	2006/07	
			£'000	£'000
	Contributions receivable :			
33,649	Employers contribution	14	39,711	
12,904	Employees contribution	14	13,580	
5,744	Transfers in	15	7,000	60,291
963	Other income (inc Tax reclaim)	6		1,466
53,260				61,757
	Benefits payable :			
-29,755	Pensions payable		-31,245	
-5,567	Lump sum benefits	16	-9,630	-40,875
	Payments to and on account of leavers :			
-74	Refunds of contributions		-7	
-8,314	Transfers out	15	-6,244	-6,251
-589	Administrative expenses (inc SLA)			-582
8,961	Net additions /withdrawals(-) from dealing with members			14,049
Returns on investments				
8,103	Investment income	4		12,839
	Change in market value of investments			
20,084	Unrealised		23,181	
23,010	Realised	11	15,333	38,514
-683	Investment management expenses			-1,194
50,514	Net returns on investments			50,159
59,475	Net increase/decrease(-) in the fund during the year			64,208
33,337	Opening Net Assets of the Scheme			792,812
92,812	Closing Net Assets of the Scheme			857,020

Net Assets Statement

31 st March 2006 £'000			31 st March 2007 £'000
	Investments at market value:		
104,209	Fixed interest	13	116,604
32,419	Index linked securities	13	33,262
330,497	U.K. equities		343,210
265,490	Overseas		294,234
54,698	Cash/Temporary Investments		53,543
5,499	Debtors less creditors	9	16,167
792,812	Net assets		857,020

CITY & COUNTY OF SWANSEA PENSION FUND

Notes to the Accounts

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

2. Accounting Policies

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

- (a) The accounts are prepared on an accruals basis.
- (b) The net assets statement includes all assets and liabilities of the fund at the 31st March.
- (c) All investments included in the net assets statement are shown at their market value.
- (d) Other assets and liabilities are valued in accordance with normal accounting conventions. Items denominated in foreign currency are translated into sterling at year-end rates.
- (e) The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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

4. Investment Income

2005/06 £'000		2006/07 £'000
746	Fixed Interest Securities	126
267	Index Linked Securities	118
4,497	U.K. Equities	7,902
1,830	Overseas Equities	3,832
763	Interest	861
8,103		12,839

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

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

CITY & COUNTY OF SWANSEA PENSION FUND

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

It is possible to identify the amount of income reinvested back into the Legal and General fund. In the year 2006/07 it was £11,932,531. (£11,632,539 in 2005/06)

5. Revenue & Customs

a. United Kingdom

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

b. Overseas

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

6. Other Income

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

7. Valuation of Investments

All investments are valued at their market value at 31st March 2007 determined as follows:

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

8. Gross Purchases and Sales of Investments

2005/06		2006/07
£'000		£'000
240,577	Gross purchase of investments	86,560
219,742	Gross sales of investments	89,950

CITY & COUNTY OF SWANSEA PENSION FUND

9. Debtors and Creditors

The amounts shown in the statement of Net Assets comprise:

2005/06 £'000		2006/07 £'000
	Debtors	
4,895	Contributions	6,132
1,328	Dividends Due	1,531
7	Other	12,194
6,230		19,857
	Creditors	
-110	Management Expenses*	-463
-621	Other	-3,227
-731		-3,690
5,499	Net	16,167

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

10. Investment Expenses

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

11. Realised Profit/Loss on Sale of Investments

2005/06 £'000			2006/07 £'000	
Profit	Loss		Profit	Loss
1,157	76	Fixed Interest Securities	0	0
862	-	Index Linked Securities	0	0
12,435	991	U.K. Equities	14,849	3,051
12,196	2,573	Overseas	3,535	0
26,650	3,640		18,384	3,051
23,010		Net Profit / Loss (-)	15,333	

CITY & COUNTY OF SWANSEA PENSION FUND

12. Analysis of Investments

	L & G MV £'000	Schroders MV £'000	Fund cash £'000	Total £'000	%
UK	177,285	165,925		343,210	41
Europe	53,512	64,905		118,417	14
N America	42,448	40,881		83,329	10
Japan	19,496	17,226		36,722	4
Pacific	18,236	10,555		28,791	3
Emerging Markets	12,887	14,088		26,975	3
Fixed Interest	55,841	60,763		116,604	14
Index linked	20,187	13,075		33,262	4
Cash	15,656	23,818	14,069	53,543	7
Total	415,548	411,236	14,069	840,853	100
	49	49	2	100	

%

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

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

The assets managed by Schroders are managed via a combination of a segregated fund (for UK equities only £165.925m) and various pooled funds for the remainder.

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

	Schroders MV £'000
UK	-17,080
Europe	19,330
N America	4,743
Japan	2,149
Pacific	-4,846
Fixed Interest	6,306
Index linked	-
Total	10,602

Schroders' cash balances of £23,817,963 include an amount of cash backing for open futures of £10,504,789.

CITY & COUNTY OF SWANSEA PENSION FUND

13. Fixed Interest Investments

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

2005/06		2006/07
£'000		£'000
64,804	UK Public Sector	65,766
71,824	Other	84,100
136,628	Total	149,866

14. Analysis of Contributions

**Total Contributions
2005/06**

£'000

**Total
Contributions
2006/07
£'000**

Admitted Bodies

54	BAPTIE	57
314	Celtic Community Leisure	312
11	Colin Laver Central Heating	16
3	Swansea Bay Racial Equality Council	12
55	Wales National Pool	72
31	Capgemini	123

Scheduled Bodies

5	Briton Ferry Town Council	6
24,783	City & County of Swansea	28,511
4	Cilybebyll Community Council	4
15	Coedffranc Community Council	20
304	Gorseinon College	388
722	Neath Port Talbot College	893
29	Neath Town Council	28
15,699	Neath Port Talbot County Borough Council	18,802
-	Neath Port Talbot Waste Disposal	0
5	Pelenna Community Council	6
8	Pontardawe Town Council	9
21	Swansea Bay Port Health Authority	31
963	Swansea College	1,171
72	Swansea City Waste Disposal	70
583	Swansea Institute of Higher Education	776

43,681	Total Contributions Receivable	51,307
---------------	---------------------------------------	---------------

CITY & COUNTY OF SWANSEA PENSION FUND

Total Employer/Employee contributions during 2006/07 comprised of:

2005/06		2006/07
£'000	Employers	£'000
30,743	Normal	39,055
34	Additional	2
2,872	Early Access	654
33,649	Total	39,711
	Employees	
12,832	Normal	13,508
72	Additional	72
12,904	Total	13,580

15. Transfers In/Out

Transfers during 2006/07 comprised of :

2005/06		2006/07
£'000		£'000
	Transfers In	
-	Bulk transfer	-
5,744	Individual transfers	7,000
5,744	Total	7,000
	Transfers Out	
4,082	Bulk transfer	1,868
4,232	Individual transfer	4,376
8,314	Total	6,244

The above bulk transfer of £1.868M was in respect of Cap Gemini.

16. Lump Sum Benefits

The lump sum benefits paid during 2006/07 comprised of :

2005/06		2006/07
£'000		£'000
4,863	Commutation lump sums	8,778
704	Death grant lump sums	852
5,567	Total	9,630

CITY & COUNTY OF SWANSEA PENSION FUND

17. Administration and Investment management expenses

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

2005/06		2006/07
£'000		£'000
451	Recharges by City & County of Swansea	463
821	Third party services	1,313
1,272	Total	1,776

18. Actuarial Report Extract from Pension Fund Annual Report and Accounts.

Actuarial Position

In compliance with LGPS regulations, an actuarial valuation of the Fund was carried out, as at 31 March 2004. The actuaries to the Fund, Hewitt, Bacon and Woodrow undertook the valuation. The main purposes of the actuarial valuation are to review the financial position of the Fund and to recommend the rates of contributions payable to the Fund in the future.

Valuation Methodology

The main results of the actuarial valuation are :

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

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

The scheme actuary also needs to carry out calculations for the Inland revenue surplus test, which sets out a maximum level for a scheme's assets.

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

CITY & COUNTY OF SWANSEA PENSION FUND

Previous Valuation

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

Valuation Assumptions

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

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

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

Valuation Result

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

CITY & COUNTY OF SWANSEA PENSION FUND

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

Certificate of the Actuary Regarding the Contributions Payable by the Employing Authorities in 2006/07

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

	Year commencing 1 April		
	2005	2006	2007
	% Members' Contributions	% Members' Contributions	% Members' Contributions
City and County of Swansea	250	290	330
Neath Port Talbot County Borough Council	235	275	315
Britton Ferry Town Council	285	355	425
Coedffranc Community Council	285	355	425
Margam Joint Crematorium Committee	285	355	425
Neath Town Council	285	355	425
Swansea Bay Port Health Authority	315	415	415
Swansea Institute of Higher Education	230	290	350
Swansea College of Further Education	185	230	275
Gorseinon College of Further Education	225	270	315
Neath Port Talbot College of Further Education	220	280	340
Swansea City Waste Disposal Company	360	405	450
Pontardawe Town Council	220	260	300
Colin Laver Heating Ltd	205	230	255
Swansea Bay Racial Equality Council	200	225	250
Cilybebyll Community Council	275	275	275
Babtie Group	200	200	200
Celtic Community Leisure	205	215	225
Wales National Pool	210	210	210
Capgemini	310	310	310

CITY & COUNTY OF SWANSEA PENSION FUND

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

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

- £463,376 paid to the City & County of Swansea for the recharge of Administration, I.T., Finance and Legal Services during the year.
- Contributions received from admitted and scheduled bodies as detailed on page 74.

20. **Legislative Changes**

A) Retirement

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

LGPS members reaching age 60 and satisfying the '85 year' rule by 31 March 2013 were fully protected.

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

- (i) Protections for LGPS membership accrued to 30 September 2006 extended to 31 March 2008.
- (ii) Full protection for all LGPS membership extended from 31 March 2013 to 31 March 2016 for members age 60 with 25 years' LGPS membership by that date.
- (iii) A tapered reduction applied in respect of LGPS membership accrued from 1 April 2008 for LGPS members age 60 with 25 years' membership between 1 April 2016 and 31 March 2020.

A further paper was issued for consultation by the Department of Communities and Local Government (DCLG) on 16 May 2007 requesting views on removing the tapering and thereby allowing the extension of full protection to 31 March 2020. Comments were required by 14 June 2007.

B) Additional Voluntary Contributions (AVCs)

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

CITY & COUNTY OF SWANSEA PENSION FUND

C) New Look LGPS 2008

Following a consultation exercise on options for the new look LGPS held during the summer of 2006 the DCLG confirmed the following on 23 November 2006 –

Responses affirmed a clear preference from all scheme interests for the retention of a final salary package which is viable, affordable and fair to all scheme members and tax payers.

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

(i) LGPS (Benefits, Membership & Contribution) Regulations 2007 were made on 4 April 2007. The main changes included –

- a) Final salary pension based on 1/60th of salary with an option for commutation.
- b) Tiered contribution rates for LGPS members ranging from 5.5% for employees earning less than £12,000 per annum to 7.5% for employees earning over £75,000 per annum.
- c) Death in service benefit increased from 2 to 3 times pay
- d) Better targeted ill health provisions
- e) Pension for Dependant (opposite sex) Partners

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

(ii) Draft LGPS (Administration) Regulations were issued on 14 February 2007 and are expected to be made by 31 May 2007. The main provisions include –

- a) Local Pension Administration Strategy Document – intended to improve flow of data between the administering authority and employers.
- b) It is envisaged that performance targets will be set and monitored. It would also provide for the administering authority to recover costs incurred in respect of unsatisfactory performance of any employing authority.
- c) Governance Compliance Statement
 - further matters to be included in line with DCLG and CIPFA guidance.

- d) Pension Fund Annual Report
 - formalises issues covering annual reports
- e) Draft Transitional Regulations are still to be issued but are expected to confirm the transition arrangements from an 'eightieth' to a 'sixtieth' benefit structure from 1 April 2008.

D) Discretionary Compensation Payments

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

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

21. **Investment Fund Management**

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

The performance benchmark against which returns are measured is the WM Local Authority Pension Fund Universe, the average for all such funds, as measured by the WM Company. The target set for active managers in 2006/07 is to outperform the benchmark by one per cent over a rolling three year period.

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

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

23. **Additional Voluntary Contributions**

Some members of the pension scheme paid voluntary contributions to Equitable Life and Scottish Equitable to buy extra pension benefits when they retire. These contributions are invested in a wide range of assets to provide a return on the money invested. The pension fund accounts do not include the assets held by Equitable Life or Scottish Equitable, which were valued at £1,010,624 in Equitable Life and at £1,564,809 in Scottish Equitable as at 31st March 2007

CITY & COUNTY OF SWANSEA PENSION FUND

24. Organisation

SCHEDULE OF EMPLOYING BODIES AND CONTRIBUTION RATES AS AT 31 MARCH 2007

Scheduled Bodies	Contributors	Pensioners	Deferred Benefits	% of Employees Contribution
City & County of Swansea	7920	3001	2136	290
Neath Port Talbot County Borough Council.	5871	1986	1800	275
Briton Ferry Town Council	1	0	2	355
Cilybebyll Community Council	3	0	0	275
Clydach Community Council	0	1	1	-
Coedffranc Community Council	4	0	2	355
Gorseinon College	127	27	31	270
Lliw Valley BC	0	307	44	-
Margam Joint Cremation Committee	6	9	3	355
Neath Port Talbot College	261	65	64	280
Neath Port Talbot Waste Management Co. Ltd.	0	2	0	-
Neath Town Council	9	8	3	355
Pelenna Community Council	4	0	0	170
Pontardawe Town Council	5	0	0	260
Swansea Bay Port Health Authority	3	7	4	415
Swansea City Waste Disposal Company	17	12	1	405
Swansea College	394	42	147	230
Swansea Institute of Higher Education	216	66	78	290
West Glamorgan County Council	0	2963	539	-
West Glamorgan Magistrates Courts	0	51	20	-
West Glamorgan Probation Service	0	68	12	-
West Glamorgan Valuation Panel	0	5	0	-
Admitted Bodies				
BABTIE	15	1	2	200
Celtic Community Leisure	144	7	29	215
Colin Laver Heating Limited	3	0	1	335
Swansea Bay Racial Equality Council	2	0	0	225
The Careers Business	0	3	12	-
Wales National Pool	24	2	5	210
West Wales Arts Association	0	1	1	-
Capgemini	20	0	0	312
Total	15,049	8,634	4,937	

CITY & COUNTY OF SWANSEA PENSION FUND

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

Detailed national regulations govern the rates of contribution by employees and employers, as well as benefits payable. At 31st March 2007 there were 15,049 contributors, 8,634 pensioners and 4,937 deferred pensioners.

Membership statistics	31/03/04	31/03/05	31/03/06	31/03/07
Contributors	13,768	14,336	14,711	15,049
Pensioners	8,100	8,271	8,447	8,634
Deferred Benefits	3,392	3,796	4,363	4,937
Total	25,260	26,403	27,521	28,620

25. Further details and the audited statement of accounts are contained in the City & County of Swansea Pension Fund Annual Report and Accounts for the year ended 31st March 2007, available from the Head of Financial Services, County Hall, Swansea SA1 3SN.
26. The accounts outlined within the statement represent the financial position of the City and County of Swansea's Pension Fund at 31 March 2007.

GROUP ACCOUNTS

Introduction

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

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

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

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

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

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

The nature of the Company's activities is such that net worth (and hence the value of the Council's shareholding) will diminish substantially over time, due to the commercial value of the landfill site diminishing as its capacity to accept waste comes to an end. As at 31st March 2007 the net worth of the Company was -£533 k (31st March 2006 -£339k).

The effect of this is to reduce the Council's investment value in the company as at 31st March 2007 to zero.

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

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

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

GROUP ACCOUNTS

The City & County of Swansea was responsible for the construction of the pool complex, with the bulk of funding being supplied by the National Lottery Sports

Foundation. The pool has been constructed on land owned by the University of Wales, Swansea. The pool complex is leased by the Council to the Company at a peppercorn lease. Due to the nature of the facility, which is unlikely to show profitability, the development is not thought to have a high commercial value.

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

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

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

During 2002/03 year the Council granted a lease to the Company of a substantial portion of the site on which the new museum has been developed. The lease was granted at a peppercorn rental, whilst at open market value the land was estimated to be worth £3.150m. This lease constitutes the Council’s commitment to the scheme.

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

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

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

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

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

GROUP ACCOUNTS

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

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

4. The core Group Accounts for 2006/2007 consists of:-

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

5. Notes to the Accounting Statements

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

6. Intra-group transactions and balances

Where necessary, transactions between the various Group members have been eliminated from Group Income and Expenditure figures so as not to overstate these figures in the Group Income and Expenditure Account. Similarly, balances owed between the Group members have been eliminated to the extent that they exist as at 31st March 2007.

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

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

The requirement of FRS17 in relation to Local Authority Accounts allows the creation of a debit reserve (The pension reserve) which effectively offsets the liabilities that have been created by the calculated deficit in relation to the pension fund as at 31st March 2007.

GROUP ACCOUNTS

The net share of the Group deficit on the pension fund as at 31st March 2007 amounted to £808,982 (2006 £791,627) which included the share of the liability of the Swansea City Waste Disposal Company Limited and the Wales National Pool (Swansea) Limited who employ staff who are members of the Local Government Pension Scheme.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

2005/06 Net Expenditure £'000		Gross Expenditure £'000	2006/07 Gross Income £'000	Net Expenditure £'000
	DIRECT SERVICES			
-1,831	Central Services to the public	19,890	-16,799	3,091
47,624	Cultural and Related Services	88,506	-47,448	41,058
145,125	Education Services	168,687	-17,681	151,006
14,102	Highways, Roads & Transport	32,740	-16,627	16,113
-2,727	Housing Services	109,891	-111,639	-1,748
70,731	Social Services	108,317	-24,759	83,558
-2,112	Miscellaneous	1,715	-796	919
12,759	Corporate and Democratic Core	37,284	-22,819	14,465
-5,900	Non distributable costs	9,073	0	9,073
	Share of the Operating Results of Joint Ventures:			
-398	WNPS – Turnover		-398	-398
398	WNPS – Cost of Sales & Operating Expenses	398		398
-2,123	NWMS – Turnover			
402	NWMS Cost of Sales & Operating Expenses	249		249
62	Share of Operating results of SSMC	47		47
276,112	NET COST OF SERVICES	576,797	-258,966	317,831
	LEVIES AND CONTRIBUTIONS			
656	Precepts:- Local precepting authorities	755		755
10,747	Levies and Contributions paid:	11,140		11,140
331	Surplus/Deficits on trading activities	1,344		1344
19,868	Interest Payable	16,954		16,954
-5,538	Interest and Investment income		-4,582	-4,582
-19	Share of Interest Receivable (NWMS)		-18	-18
11,584	Pensions Interest cost and expected return on pension assets	8,895		8,895
-35	Taxation Credit			0
313,706	NET OPERATING EXPENDITURE	615,885	-263,566	352,319

GROUP INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

INCOME FROM THE COUNCIL TAX COLLECTION FUND		
-198,029	Revenue Support Grant	-214,184
	Contribution From National Non-	
-46,995	Domestic Rate Pool	-50,991
-66,842	Council Tax Requirement	-70,753
1,840	DEFICIT FOR YEAR	16,391

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

2005/06		2006/07
£000s		£000s
-2,678	Deficit for the year on the Authority Income and Expenditure Account	-15,876
0	Adjustments for transactions with other group entities (dividend income, etc)	0
-2,678	Deficit in the Group Income and Expenditure Account attributable to the Authority	-15,876
838	Deficit in the Group Income and Expenditure Account attributable to group entities – Swansea City Waste Disposal Company Limited	-515
0	Wales National Pool Swansea	0
1,840	Surplus / Deficit (-) for the year on the Group Income and Expenditure Account	-16,391

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2005/6</u> <u>£'000</u>		<u>2006/07</u> <u>£'000</u>
-2,678	Deficit for the year on the Income and Expenditure Account	-16,391
7,153	Surplus arising on the revaluation of fixed assets	40,793
-7,470	Actuarial loss on pension fund assets and liabilities	-2,378
<u>-2,995</u>		<u>22,024</u>

GROUP BALANCE SHEET

31/03/2006		31/03/2007	
£'000	£'000	£'000	£'000
Fixed Assets			
<i>Operational assets:</i>			
72,357		88,700	
454,326		478,191	
3,845		15,682	
193,362		201,620	
13,018		14,199	
	736,908		798,392
<i>Non operational assets</i>			
	25,901		35,028
	81,454		86,143
	844,263		919,563
	5,896		10,794
	377		314
	2,158		1,485
	852,694		
	5,984		5,984
	-5,984		-5,984
	14,037		13,513
	-422		-129
	0		0
	866,309		945,540
Current Assets			
1,830		2,110	
41,469		53,799	
103,337		61,782	
1,972	148,608	2,107	119,798
	1,014,917		1,065,338
Current Liabilities			
-54,793		-76,653	
-14,068		-5,200	
-18,820	-87,681	-7,470	-89,323
	927,236		976,015
Long -Term Liabilities			
-316,713		-295,708	
-120,112		-142,990	
-2,539		-3,183	
-15,122		-27,457	
0		0	
-337,141	-791,627	-349,044	-818,382
	135,609		157,633

GROUP BALANCE SHEET

Financed by:		
291,328	Fixed asset restatement account	317,462
101,829	Capital financing account	110,518
-337,141	Pensions reserve	-349,044
8,085	Usable Capital receipts reserve	10,841
60,552	Earmarked reserves	50,202
10,956	Balances – General fund	10,062
	Balances – Housing revenue account	7,592
<u>135,609</u>	Total Net Worth	<u>157,633</u>

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

<u>2005/6</u> <u>£'000</u>		<u>2006/07</u> <u>£'000</u>	<u>£'000</u>
2,611	Net cash flow from revenue activities		33,402
	<u>Capital Activities</u>		
	Cash outflows		
-60,424	Purchase of fixed assets	-69,950	
-8,915	Other capital cash payments	-8,969	
-4,490	Purchase of long term investments	-4,898	-83,817
	Cash inflows		-50,415
17,224	Sale of fixed assets	16,862	
52,633	Capital grants received	33,356	
0	Sale of long term investments	0	50,218
	Net cash inflow/outflow (-) before financing (Note 1)		-197
	<u>Financing</u>		
	Cash outflows		
-28,747	Repayments of amounts borrowed		-82,665
	Cash inflows		
40,424	New loans raised	50,196	
1,513	New short term loans	2,596	52,792
11,829	Net increase/decrease in cash (Note 2)		-30,070

NOTES TO THE GROUP FINANCIAL STATEMENTS

1. Intra-Group Transactions

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

<u>2005/2006</u> <u>£'000</u>		<u>2006/2007</u> <u>£'000</u>
7,914	Sales to City & County of Swansea	9,766
330	Landfill Tax charged on sales	10
(417)	Purchases from City & County of Swansea	(578)
(170)	Rent, Rates & Royalties	(19)
835	Debtors	957
(96)	Creditors	(157)

2. Continuing Group Activities

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

3. Pension Costs

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

The Swansea City Waste Disposal Company Ltd. contributions to the scheme for the year ended 31st March 2007 amounted to £56,005 (2006: £56,589).

Further analysis can be found in the Notes to the City & County of Swansea Pension Fund (pages 62-75).

4. Tax on Profit on Ordinary Activities

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

NOTES TO THE GROUP FINANCIAL STATEMENTS

<u>2005/2006</u> <u>£'000</u>		<u>2006/2007</u> <u>£'000</u>
	Current Tax	
-	UK Corporation Tax charge	-
(11)	(Over)-provision in respect of previous periods	0
(11)		0
	Deferred Tax	
(24)	(Credit) for the year	0
(35)	Tax (credit) for the year	0

No taxation figures are available for 2006/07 due to non audited financial statements for the relevant bodies being available.

5. Analysis of Net Assets Employed

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

<u>31st March</u> <u>2006</u> <u>£'000</u>		<u>31st March</u> <u>2007</u> <u>£'000</u>
459,427	City & County of Swansea (Parent)	513,535
(339)	Swansea City Waste Disposal Company Ltd. (Subsidiary)	(533)
13,615	National Waterfront Museum Swansea (Joint Venture)	13,384
0	Wales National Pool Swansea (Joint Venture)	0
472,703	Net Assets Employed (exc. Pensions Fund)	526,386
(337,141)	Net Group Pension Fund Liabilities	(348,044)
135,562	Net Assets Employed	178,342

6. Construction of the Group Accounts

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

Swansea City Waste Disposal Co Ltd	Draft annual report year ending 31st March 2007
National Waterfront Museum (Swansea) Ltd	Annual report 14 months ending 31/3/07 (audited)
Swansea Stadium Management Company Limited	Management Accounts for the year ended 31 st May 2007.
Wales National Pool (Swansea) Ltd	Annual report 31 st July 2006 (audited)

NOTES TO THE GROUP FINANCIAL STATEMENTS

In the opinion of the Council the use of the above information is likely to adequately reflect the extent and nature of group income and expenditure and assets and liabilities that exist as at 31st March 2007 and the use of current information would not be significant in relation to the group position as stated.

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

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

NOTES TO THE GROUP CASH FLOW STATEMENT

Note 1 - Management financing /liquid resources

	Balance	Cash	Balance
	01/04/2006	Flow	31/03/2007
	£'000	£'000	£'000
Temporary Investments	103,337	-41,555	61,782
Financing:-			
Maturing within one year	-14,068	8,868	-5,200
Long term	-316,713	21,005	-295,708
Cash	1,972	135	2,107
Bank overdrawn	-18,820	11,350	-7,470
	-244,292	-197	-244,489

Note 2 - Movement in cash & cash equivalents

	Balance	Cash	Balance
	01/04/2006	Flow	31/03/2007
	£'000	£'000	£'000
Cash	1,972	135	2,107
Bank overdrawn	-18,820	11,350	-7,470
Temporary Investments	103,337	-41,555	61,782
	86,489	-30,070	56,419

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

I hereby certify that the statement of accounts on pages 5 to 58 and 76 to 109 presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2007.

Signed:



Date: 28th September 2007

The Authority's Responsibilities

The Authority is required to:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

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

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

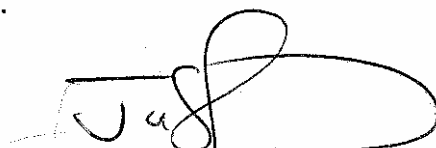
The Chief Finance Officer has also:

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

Date of Authorisation for Issue

The 2006/07 Statement of Accounts was authorised for issue on 28th September 2007 by Jack Straw, Executive Director, who is the Section 151 Officer of the Council. This is the date up to which events after the balance sheet date have been considered.

Signed



Date :- 28th September 2007

STATEMENT ON INTERNAL CONTROL

Statement on Internal Control (S.I.C.) for 2006/07

1. Scope of Responsibility

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

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

In accordance with the requirements of the Accounts and Audit (Wales) Regulations 2005, this statement sets out how the Council has sought to meet these requirements in 2006/07 and how it intends to make further improvements in 2007/08.

2. The Purpose of the System of Internal Control

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

This statement covers the internal control environment as at 31 March 2007, describing the main elements in place or in development during 2006/07. Any significant changes or developments after 31st March 2007 and up to the date of approval of the annual report and accounts are also covered in this statement.

3. The Internal Control Environment

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

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

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

STATEMENT ON INTERNAL CONTROL

4.2 The review of the effectiveness of the system of internal control for 2006/07 was carried out by the chief internal auditor in consultation with the following group of officers: interim director of finance, monitoring officer (both of these officers have statutory responsibilities in relation to the internal control framework), interim head of financial services, head of performance and strategic planning.

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

4.2.1. The Annual Letter from the Relationship Manager (part of the Wales Audit Office) which incorporates the Annual Audit Letter from the Appointed Auditors (PricewaterhouseCoopers). The Annual Letter was issued on 9/1/07 and it is in respect of the work carried out for the 2005/06 financial year and draws on published reports of other inspectorates (Estyn, SSIW and BFI).

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

the outcome of the 2005/06 accounts audit which resulted in an unqualified opinion being issued on 31/10/06; the closure of the 2005/06 accounts by 20/7/06 some two months earlier than usual; the effectiveness of the system of internal financial control; the reliance placed on the relevant work of the internal audit section; the arrangements in place to ensure the legality of transactions, proper standards of financial conduct and the prevention and detection of fraud and corruption and the fact that the SIC for 2005/06 met the requirements of the guidance from CIPFA and was consistent with the external auditor's knowledge of the Council.

The key messages are quoted as follows:

corporate management—there have been changes of personnel at the most senior levels but the aspiration of being a top performing Council is undiminished and there are significant challenges ahead such as responding to the “Making the Connections” agenda, resolving the issue of equal pay and bringing the physical assets of the Council up to the required standard;

services—the number of service areas classified as high risk continues to decline in response to positive action by the Council which needs to continue in areas such as housing stock transfer and waste management; one area of particular concern is the increasing level of surplus school places;

performance management—good PM arrangements are in place and the main areas where there was scope to improve were in terms of service level accountability for performance information, the accuracy of some of the PI's and the timeliness of the production of the Welsh version of the Improvement Plan by 31st. October (the Council is said to have taken steps to address this issue).

financial statements—these are said to present fairly the financial position as at 31/3/06 and the Council's significant financial systems can be relied upon to produce materially correct outputs but there were several adjustments (the most significant of which was in relation to the accounting for interest and investment income) which had the net effect of increasing the under-spend for 2005/06 by £648,000

economy, efficiency and effectiveness—arrangements were in place to secure this in the use of resources during 2005/06 but there are risks to the medium term financial plan (MTFP) as a result of : the level of savings assumed from the e-government programme; the costs of the new pay model and the implementation of the single status agreement; the investment that may be required if the housing stock remains in the Council's control; the maintenance requirements of the Council's building and infrastructure assets. The report also states that the MTFP needs to be produced on a service level basis and cascaded to service managers to ensure ownership of the figures in the plan.

STATEMENT ON INTERNAL CONTROL

The 33 page Annual Letter considers these and other issues in detail and it was the subject of a presentation by its authors to Council on 25/1/07. The Cabinet Member's response to the Annual Letter was presented to Council on 8/3/07 and the response states that a revised MTFP (which takes account of a reduced level of estimated savings from the E-government Programme) was agreed by Council in February 2007. The Council is currently working on measures to achieve a balanced budget for 2008/09 and future years.

4.2.2. The opinion of the Chief Internal Auditor which was contained in the annual report on the work of the internal audit section for 2005/06 presented to the Audit Scrutiny Board on 10/7/06. The overall opinion on the system of internal financial control was that no significant weaknesses had been identified which would have a material effect on the Council's financial affairs or its ability to report thereon. Where risks (and the need for better procedures etc.) had been identified, recommendations had been made by internal audit and these had generally been accepted by management.

The annual report of the Corporate Complaints Officer for 2005/06 was presented to Cabinet on 9/11/06. The report noted that there was an 8% decrease in the volume of complaints (from 979 in 2004/05 to 899 in 2005/06). Some 306 (34%) of the complaints were found to be justified, compared with 236 (24%) in 2004/05 and only 2 of the 43 complaints referred to the Ombudsman for investigation were classified as maladministration. The report states that the lessons learned from the complaints received has enabled service units to introduce changes in some areas of work, procedures and policies. The CCO also has responsibility for maintaining the registers of interests and hospitality for Councillors mentioned in para. 1.9.4.g of the Annex

4.3 The Council implemented a new integrated IT system for Finance, Projects and Procurement in November 2006 and this major project involved several financial and non-financial systems. Much work was done to ensure that the data transferred from the old to the new systems was complete and accurate and this work was reviewed by both internal and external auditors.

There were initial problems with some of the new systems, particularly those dealing with payments to suppliers and billing customers for goods or services supplied, which resulted in processing delays. It is felt that this did have some impact on the effectiveness of the internal control environment, the consequences of which are being addressed by management in the Finance Dept.

4.4 The Council received a 39 page report from PWC on 19/4/07 which reviewed elements of the E-government Programme including the failure to achieve the assumed savings which are partly responsible for the budget problems mentioned above. The Chief Executive issued an initial response to the report on 18/4/07 and a fuller response is due to be provided to the Council. A further report entitled "Governance and Programme Management Review" was issued by PWC in February 2007 and this is due to be considered by the Performance Scrutiny Board.

5. Progress on the 2005/06 Action Plan

The SIC for 2006/06 contained the following action plan and the comments indicate the progress that has been made to date:

1. The development of a fully rolled-out risk management implementation strategy (to embed risk management processes and regular reporting procedures in all aspects of service planning and delivery) plus an annual report on risk management.

STATEMENT ON INTERNAL CONTROL

Good progress has been made as follows: the corporate risk register, which was created in 2005, was updated in September 2006 and it is reviewed quarterly by the corporate management team; there is a risk register, plus at least one resilience co-ordinator, for each of the Council's directorates and service risks are reviewed quarterly by the chief executive and each service director.

2. The development of a fully rolled –out business continuity plan

Management guidance on business continuity planning was published in September 2006 and half-day workshops are being organised during 2006/07/08 to engage and train senior staff in each directorate for the preparation of business continuity plans.

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

There is a corporate staff appraisal scheme in place and the 2005/06 Improvement Plan states that 70% of employees are covered; the current Performance Statement for each head of service contains a target to cover at least 90% of their staff.

4. The development of the role of the Audit Scrutiny Board which was agreed in principle by Council on 13 April 2006.

The Audit Scrutiny Board (along with seven others) was established with detailed terms of reference at the Annual Meeting of the Council on 15 May 2006. The first meeting of the Audit Scrutiny Board was also held on 15 May 2006 and it continues to meet every 4 weeks.

6. External Bodies

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

2. As there is no guidance as to what constitutes "significant activities" the review has been confined to the Wales National Pool (which is a joint venture between the Council and Swansea University), the Swansea City Waste Disposal Company (which is wholly owned by the Council) and the Swansea Stadium Management Company (which operates the Council-owned stadium) aspects of which are included in the Council's Group Accounts.

3. The reviews were by reference to the latest reports on the annual financial statements by the independent external auditors of each organisations and the latest internal audit report on the WNP.

4. The external audit reports, dated August 2006 (WNP) and November 2006 (SCWDC) and the draft report on SSMC, state in each case that the financial statements had been properly prepared in accordance with the Companies Act 1985 and gave a true and fair view of the results for the year.

5. The external auditors for SSMC stated in March 2007 that they are not aware of any material weaknesses in the accounting and internal control systems. They do, however, describe a few areas where improved procedures should be implemented.

6. The internal audit report on the WNP dated July 2006 made several recommendations to improve the management of financial risks (and noted that other key risks included in the risk register had been adequately assessed) which had been accepted by management.

STATEMENT ON INTERNAL CONTROL

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

The priority for the forthcoming year is to ensure that the assurance framework is further developed so that an enhanced opinion can be given in respect of 2007/08. This will involve:

1. The development of an annual reporting process on risk management (see 5.1).
2. The further development of business continuity plans for each of the Council's directorates (see 5.2).
3. The further development of a fully rolled-out staff appraisal scheme (see 5.3).

8. Opinion on the System of Internal control

On the basis of the assurance sources available for 2006/07 it can be concluded that where significant control weaknesses have been identified action plans have been or will be agreed with relevant managers to ensure that these weaknesses do not compromise the Council's ability to achieve its objectives. We can therefore give a reasonable assurance to our stakeholders that the overall system of internal control is operating effectively.

9. Signatures

Signed by the Chief Executive  on 28/06/2007

Signed by the Leader of the Council...  on 28/06/2007

STATEMENT ON INTERNAL CONTROL

ANNEX

The Internal Control Environment in CCS

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

1.1 Establishing strategic and operational objectives

1. The Council's annual Improvement Plan sets out the priorities for improvement, the progress made since the previous plan and the intended programme of improvement actions. The Plan can be found on the Council's web-site under "Council and Democracy" and it is audited annually by the external auditor. The 2006/07 Plan also contains, at chapter 3, a description of the Corporate Plan for 2004/08 (which sets out the Mission for the Council together with the 4 Overriding Aims as well as the 23 Corporate Priorities). The 2006/07 Improvement Plan also describes the progress made in the previous year and it was approved by Council on 21/9/06.
2. At the service level, each Head of Service is required, annually, to prepare a Service Plan. The purpose of the Service Plan is to list the 5 or 6 service objectives at the Head of Service / departmental level which are intended to be achieved over the next 4 years and it links back to the Corporate Priorities mentioned at 1.1.1 above. The Service Plan also details the necessary actions, to be delivered at a Service Manager/Section level, to achieve the service objectives.

1.2 Determining policy and making decisions

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

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

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

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

STATEMENT ON INTERNAL CONTROL

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

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

1. The Council's Community Plan, which is mentioned in chapter 2 of the 2006/07 Improvement Plan, lists 5 Strategic Themes (health and well-being, learning, prosperity, environment, community safety) and each one is linked to a specific partnership. A further body called the Better Swansea Partnership, along with the 5 partnerships mentioned above, is responsible for reviewing and updating the Community Plan on an annual basis.
2. The Council has a Complaints Policy and arrangements are in place to facilitate the investigation of complaints from members of the public. These can include complaints about the provision of services to users.
3. The Council has established a web-site (Swansea Lives –www.swansea-lives.com) which aims to bring people with a learning disability and their supporters together and to improve access for service users and carers to a range of good quality and easily understandable information on the services available to them and how to access them.
4. The Council publishes "The Swansea Leader", which is a bi-monthly newspaper, to every household in the area aimed at informing local people about the Council's work and progress which it is making.
5. The Council has established a citizens panel ("Swansea Voices") for consulting on service provision and other matters. There is also the ward representative role played by the 72 members of the Council.
6. The Council is subject to external inspection by various bodies (Estyn, SSIW etc.) and is responsible for addressing issues raised and recommendations made by such bodies.

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

1. The Council's Monitoring Officer has a responsibility to investigate and report on allegations of contraventions of established policies, procedures, laws, regulations and the Council's Constitution.
2. The terms of reference of the Council's Standards Committee (which consists of Councillors and Independent Members) are incorporated in the Constitution and they include assisting Councillors to observe their Code of Conduct, monitoring the operation of the Members' Code of Conduct etc. The Council had not, however, established an Audit Committee during 2005/06 but had included some of the possible functions in the remit for the Corporate Services Performance Review Board (PRB). On 13 April 2006 Council agreed to the formation of eight Scrutiny Boards (including one for Audit) to replace the PRBs and Cabinet Advisory Committees. These Boards were established at the Annual Meeting of the Council on 15 May 2006. The first meeting of the Audit Scrutiny Board was held on 15 May 2006 and it continues to meet every 4 weeks.

STATEMENT ON INTERNAL CONTROL

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

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

1. The Council adopted a Risk Management Policy in March 2004 (which requires an annual report by the Council's Risk Manager); the RM implementation strategy is a process by which financial, operational and other risks can be considered by officers at a departmental level. There is a risk register, plus at least one resilience co-ordinator, for each of the Council's directorates. Service risks are reviewed quarterly by the chief executive and each director. A wide range of internal and external financial risks are covered by various insurance policies or the Council's own insurance fund.
2. Management guidance on business continuity planning was published in September 2006 and half-day workshops are being organised during 2006/07 to engage and train senior staff in each directorate for the preparation of business continuity plans.
3. At a corporate level there is an annual assessment of the main corporate and service risks and the "joint risk assessment" for 2006/07 has involved the Wales Audit Office, PWC, Estyn, and the SSIW. The process is described in Chapter 5 of the 2006/07 Improvement Plan. There is also a corporate risk register which is reviewed quarterly by the corporate management team.
4. The 2006/07 Improvement Plan contains an analysis of 89 "risk aspects" (consisting of 25 corporate and 64 service risk areas shown at chapter 5 and appendix B of the Plan) which are classified as high, medium or low. It also shows that the number of high risks has reduced when comparing 2005/06 with 2006/07.

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

1. As mentioned at 1.1.1 above, the annual Improvement Plan sets out the Council's priorities for improvement. Chapter 5 of the 2006/07 version mentions 12 audits or inspections carried out by the Council's regulators (Wales Audit Office; Appointed Auditors – PWC; SSIW and Estyn) during 2005/06.
2. The Council's Constitution contains a set of Contract Procedure Rules (CPR's) which are designed to regulate the way in which goods and services are procured and contracts are let e.g. by means of a process to invite quotations or tenders.
3. The Council has a Strategic Procurement Unit and it has published a Procurement Guide which aims to assist employees and Councillors to manage the procurement process. The Guide contains a procurement strategy which applies to all of the Council's services and

STATEMENT ON INTERNAL CONTROL

which sets out the policies and actions designed to obtain best value from procurement decisions.

4. The Council's arrangements for securing value for money from its use of resources include financial management (see 1.7 below) and performance management (see 1.8 below). In addition, best value reviews are carried out annually by the external auditors and inspectors.

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

1. The Council's officer designated under S.151 of the Local Government Act 1972 from March 2006 is the Interim Director of Finance. The S.151 role includes responsibility for the system of internal financial control, reporting to Council on the proposed Revenue and Capital Budgets, Plans and Programmes; certifying the annual Statement of Accounts; also, under the Local Government Finance Act 1988, reporting to the Council any unlawful payments etc.
2. The financial position of the Council is summarised in the annual leaflet which is issued to all council tax payers with the annual demands.
3. The Council is responsible for approving Revenue and Capital Budgets every year (both cover a period of 4 years) based on a recommendation from the Cabinet. The annual budget report for the following financial year, which is based on achieving a balanced budget so that resources equal spending plans and sufficient funds are kept in reserves, also considers variations to the approved budgets for the current financial year. The Council is also required to comply with the "CIPFA Prudential Code for Capital Finance in Local Authorities" when setting its budget.
4. Progress against Budgets is monitored by means of monthly Performance and Financial Monitoring reports to the Chief Executive at meetings and quarterly and annual reports to Cabinet. In addition, there is a system of delegated responsibility and accountability for budget management, reference to which appears within the job descriptions of relevant managers. These arrangements should be assessed within the staff appraisal scheme (see 1.8.6 below).
5. The Constitution includes the CPR's as described at 1.6.2 above as well as a set of Financial Procedure Rules (with a separate set of Financial Regulations for schools which enjoy a measure of delegated power) which are designed to provide a control framework for managing the financial affairs of the Council, including schools. For example, both contain a provision for virement which allows sums to be transferred between budget headings.
6. The FPR/FR's are supplemented by Accounting Instructions which describe the controls and procedures to be followed by departments and schools for a range of some 16 functions (e.g. payments to suppliers, safeguarding of physical assets and records, income collection and banking etc.). Common themes in them are (a) that duties are divided between employees as much as possible to minimise the risk of error or fraud and (b) transactions are properly authorised and recorded.
7. There are various policies and guidance notes in existence for use by Accountancy staff within the Finance Dept. covering areas such as capital expenditure, fixed assets, insurance, treasury management, VAT and bank reconciliation procedures. As part of the Council's new ISIS resource system, comprehensive training materials were produced

STATEMENT ON INTERNAL CONTROL

and published in October 2006) for the new systems and procedures relating to Human Resources, General Ledger, Receivables, Payables, Procurement, Projects, Bank Reconciliation, Fixed Assets and Stores.

8. There is an Asset Management Plan in respect of the Council's land and buildings and for infrastructure assets for 2006/07 (the third since 2004/05). There is an A.M. Team in the Corporate Property Service Unit which aims to ensure that the Council makes best use of its property portfolio. Similarly, control over staffing levels is exercised by means of an approved establishment for each department.
9. There is a Strategic Projects Service Unit which aims to promote and develop the programming and management of major projects.

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

1. The 2006/07 Improvement Plan includes (at Chapter 7 and Appendix A) an analysis of the trends for the Council's set of performance indicators (P.I.'s) which are set by the National Assembly for Wales. The analysis covers the following and the numbers in brackets are the number of P.I.'s involved:

chief executive (1), resources (15), performance (11), governance (5), education (35), social services/ housing (45), environment (49) and regeneration (15). The Plan also includes a comparison between the Council's results for 2005/06 and those for upper quartile unitary authorities in England and Wales for 2004/05. The Improvement Plan is audited annually by the external auditors and the implementation of recommendations made in the 2005/06 audit report was the subject of a progress report by the head of performance and strategic planning to the Audit Scrutiny Board on 7/8/06.

2. The PI's are a product of the performance management system and they are monitored and reviewed either monthly (for services where performance is a cause for concern), quarterly or annually (for services where only annual reporting is possible) by means of reports to CMT, Cabinet or Council.
3. The arrangements to ensure data quality include a certification sheet signed by each Head of Service to verify that the information provided is correct and that the collection systems are robust.
4. The Council's eight Scrutiny Boards (Audit, Community Leadership, Education and Lifelong Learning, Environment, Finance and Property, Health and Social Care, Performance, Regeneration and Culture) meet every four weeks. They are responsible, in part, for reviewing and/or scrutinising decisions made or actions taken and inquiring into matters of local concern by means of reports and recommendations that inform and advise the Cabinet and Council on the revision of policies, budget and service delivery issues.
5. There is a monthly monitoring process, known as Performance and Financial Monitoring (PFM) meetings, chaired by each Director with the Chief Executive attending biannually.
6. There is a corporate staff appraisal scheme in place and the 2005/06 Improvement Plan states that 70% of employees are covered; the current Performance Statement for each head of service contains a target to cover at least 90% of their staff. Members of the Council's corporate management team and all heads of service are also appraised annually.

STATEMENT ON INTERNAL CONTROL

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

1. The Council adopted a Code of Corporate Governance on 22/9/05 based on guidance published by CIPFA and SOLACE. The Code describes the systems, policies and processes by which the Council regulates its functions and by which it directs, controls, leads and influences the provision of services to its communities. The Code covers the following 5 areas and the numbers in brackets indicate where there is a link to this Statement on Internal Control: community focus (1.3); service delivery arrangements (1.8) ; structures and processes (1.4) ; risk management and internal control (1.5) ; standards of conduct (1.9). The Code can be found on the Council's website under Council and Democracy (Policy and Performance).
2. Various anti-fraud telephone lines are in existence to enable members of the public to report allegations of fraud (general and benefit fraud) which are then investigated by officers of the Council
3. The Council has an Anti Fraud and Corruption Policy and Strategy which confirms the commitment to preventing, discouraging, detecting and investigating fraud and corruption, whether attempted on the Council, or from within the Council.
4. The Anti Fraud and Corruption Policy & Strategy mentions :
 - a. the Council's "whistle-blowing" policy which is designed to allow employees to report any concerns they have including instances of fraud or corruption
 - b. the corporate complaints policy and procedures (see 1.3.2 above)
 - c. the requirement to check evidence of qualifications and to obtain written references regarding the honesty and integrity of potential employees
 - d. the requirement for employees to follow the general staff Code of Conduct and any code etc. related to their own personal professional qualifications
 - e. the requirement for staff to obtain consent before undertaking any secondary employment
 - f. the requirement for Councillors to follow their Code of Conduct ; also the role of the Standards Committee (see 1.4.2 above)
 - g. the requirement for Councillors and employees to declare in registers their pecuniary and non-pecuniary interests and any offers of gifts or hospitality which are in any way related to the performance of their duties
 - h. the role of the Internal Audit Section (see 1.4.3 above) which includes investigating any allegations of fraud or corruption except in housing/council tax benefit cases which are investigated by the Benefits Investigations Team
 - i. the Councils FPR's , CPR's and AI's (see 1.6.2 and 1.7.5 / 6 above)
 - j. the Council's participation in the regular national data matching exercises co-ordinated by the Audit Commission which are designed to identify fraudulent claims for housing benefit etc.

STATEMENT ON INTERNAL CONTROL

- k. the role of the Monitoring Officer (see 1.4.1 above) in investigating and reporting on any contravention of any law, code of practice etc.
- l. the Council's Disciplinary Policies which describe the way in which any cases of alleged misconduct by employees are to be investigated etc.

AUDITORS' REPORT TO CITY & COUNTY OF SWANSEA

We have audited the financial statements of the City and County of Swansea and its Group for the year ended 31 March 2007 under the Public Audit (Wales) Act 2004. The financial statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Pension Fund Account and Net Assets Statement, the Group Accounts and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities for the Financial Statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (United Kingdom and Ireland).

This report, including the opinion, has been prepared for and only for the City and County of Swansea's members as a body in accordance with the Part 2 of the Public Audit (Wales) Act 2004 and for no other purpose, as set out in paragraph 42 of the Statement of Responsibilities of Appointed Auditors, and Inspectors, and of Audited and Inspected Bodies (2005) prepared by the Auditor General for Wales. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts. Our responsibilities do not extend to any other information.

AUDITORS' REPORT TO CITY AND COUNTY OF SWANSEA

Basis of audit opinion

We conducted our audit in accordance with the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales, which requires compliance with International Standards on Auditing (United Kingdom 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 statement of accounts. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the City and County of Swansea as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

Certificate

We have carried out the audit of the statement of accounts in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Code of Audit and Inspection Practice issued by the Auditor General for Wales. The audit cannot be formally concluded and an audit certificate issued until investigations arising from an objection by an elector has been formally completed. We are satisfied that the amount which is the subject of objection will not have a material effect on the statement of accounts.

Signature PricewaterhouseCoopers Ltd

Date 28 September 2007

GLOSSARY OF TERMS

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

Actuary

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

Agency Services

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

Audit

An audit is an independent examination of our activities.

Balance Sheet

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

Budget

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

Capital Expenditure

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

Capital Receipts

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

Cashflow Statement

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

Consolidated Balance Sheet

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

Creditor

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

Current Assets

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

Current Liabilities

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

Debtor

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

GLOSSARY OF TERMS

Depreciation

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

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

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

Earmarked Reserves

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

European Social Fund

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

Financial Year

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

Finance Leases

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

Fixed Asset

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

Fixed Asset Restatement Account

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

Gilt Edged Stocks

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

Government Grants

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

Housing Revenue Account

This account contains all our housing income and spending.

Investments

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

Leasing

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

Liability

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

GLOSSARY OF TERMS

Minimum revenue provision (MRP)

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

National Non-Domestic Rates (NNDR)

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

Net realisable value

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

Operating leases

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

Precepts

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

Provision

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

Public Works Loan Board (PWLB)

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

Related party transactions

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

Reserves

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

Revenue account

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

Scheduled organisation

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

Securities

These are investments such as stocks, share and bonds.

Stocks

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

GLOSSARY OF TERMS

Temporary Borrowing or Investment

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

Transfer value

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

Trust Funds

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

Unit Trusts

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

Venture Capital Units

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

Work in Progress

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