County Hall
Cardiff
CF10 4UW
Tel: (029) 2087 2000

Neuadd y Sir
Caerdydd
CF10 4UW
Ffôn: (029) 2087 2000

AGENDA

Committee	AUDIT COMMITTEE
Date and Time of Meeting	WEDNESDAY, 16 SEPTEMBER 2015, 2.00 PM
Venue	COMMITTEE ROOM 4, COUNTY HALL, ATLANTIC WHARF, CARDIFF
Membership	Ian Arundale (Independent Member and Chairperson) Councillors Howells, McGarry, Mitchell, Murphy, Weaver and Dianne Rees Independent Members: Sir Jon Shortridge, Professor Maurice Pendlebury and Hugh Thomas

Time approx.

1 Apologies for Absence 2.00 pm

To receive apologies for absence.

2 Declarations of Interest

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

3 Minutes *(Pages 1 - 12)*

To approve as a correct record the minutes of the meeting that was held on 22 June 2015 – attached

4 Finance *(Pages 13 - 264)* 2.05 pm

4.1 Financial Update 2015/16

4.2 Draft Statement of Accounts 2014/15 including Wales Audit Offi Financial Statement Report (ISA260) (WAO)

5 Governance & Risk Management *(Pages 265 - 272)* 2.35 pm

5.1 Organisational Development Programme Update

6 Wales Audit Office *(Pages 273 - 396)* 2.50 pm

6.1 Corporate Assessment Update (WAO Project Brief)

6.2 WAO Annual Improvement Report

6.3 WAO Report Progress Update and Value for Money Studies
Executive Summaries attached for:
- Financial Resilience of Councils in Wales
- Certificate of Compliance

7 **Treasury Management** *(Pages 397 - 424)* 3.30 pm

7.1 Treasury Management Performance Report

Appendix 1 to Agenda Item 7.1 – Treasury Management – Performance Report – is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

7.2 Treasury Management Annual Report

Annexes B and C to Appendix 1 to Agenda Item 7.2 – Annual Report - is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

8 **Internal Audit**

no items to present

9 **Outstanding Actions - Action log** *(Pages 425 - 426)* 4.30 pm

10 **Work Programme 2015 - 16** *(Pages 427 - 428)* 4.35 pm

11 **Urgent Business**

12 **Date of Future Meetings**

Monday 30 November 2015 at 2.00pm in Committee Room 4
Monday 1 February 2016 at 2.00pm in Committee Room 4
Tuesday 22 March 2016 at 2.00pm in Committee Room 4

Christine Salter
Corporate Director (Resources)

Date: Thursday, 10 September 2015
Contact: Paul Burke,
029 2087 2412, PaBurke@cardiff.gov.uk

This page is intentionally left blank

AUDIT COMMITTEE

22 JUNE 2015

Present: Independent Members: Sir Jon Shortridge (Chair), Professor Maurice Pendlebury and Hugh Thomas

Councillors Howells, McGarry, Mitchell, Murphy, Weaver and Dianne Rees

1 : APOLOGIES FOR ABSENCE

Apologies were received from Ian Arundale

2 : APPOINTMENT OF CHAIRPERSON

Sir Jon Shortridge advised that he was stepping down from his role as Chairperson of the Committee with immediate effect. It was therefore necessary to elect a new Chair. Hugh Thomas proposed Ian Arundale, and this was seconded by Sir Jon Shortridge. Ian Arundale was duly elected as Chairperson for the Audit Committee for the municipal year 2015/16.

Hugh Thomas also proposed that Professor Maurice Pendlebury be appointed as Deputy Chairperson. This was seconded by Sir Jon Shortridge, and Professor Pendlebury was duly elected.

As Ian Arundale was not present, Professor Pendlebury chaired the meeting. Professor Pendlebury thanked Sir Jon Shortridge for chairing and contributing to the Committee very effectively for a number of years. Councillors Robson and Walker are no longer Members of this Committee and the Deputy Chair also thanked them for their contributions to the Committee.

RESOLVED – That

(1) Ian Arundale was elected Chairperson for the Audit Committee for the Municipal Year 2015/16

(2) Professor Maurice Pendlebury be appointed Chairperson for the meeting

(Professor Pendlebury in the Chair)

3 : DECLARATIONS OF INTEREST

The Deputy Chairperson reminded Members of their responsibility under Part III of the Members' Code of Conduct to declare any interest in general terms and to complete personal interest forms at the start of the meeting and then, prior to the commencement of the discussion of the item in question, specify whether it is a personal or prejudicial interest. If the interest is prejudicial Members would be asked to leave the meeting and if the interest is personal, Members would be invited to stay, speak and vote. No declarations were made.

4 : MINUTES

RESOLVED –

1) That the minutes of the meeting of the Audit Committee of 23 March 2015 be agreed as a correct record of the meeting and signed by Sir Jon Shortridge who was Chairperson at that meeting.

5 : FINANCE

Budget Update

The Committee was given an update by the Section 151 Officer and was advised that there has been a positive out-turn against the 2014/15 budget of £1.741 million. The general fund balance would be increased by £1.741 million although £595,000 of this had been anticipated in balancing the 2015/16 budget approved by Council in February 2015. A great deal of work has gone into preparing the 2016/17 budget strategy and a report on this will be going to Cabinet in July. Committee requested a copy of the report. The 2015/16 Budget Report indicated that Council would be facing a budget gap of £51 million in 2016/17 and a gap of £120 million over the next three years. As part of the report on the 2016/17 Budget Strategy the Council will be looking at the possibility of increasing Council Tax, and at the level of growth it can afford for schools. The re-structure of the Senior Management Team has now been completed. All appointments were made internally and those who have been displaced are now on a three month notice period.

RESOLVED –

1) Audit Committee to be sent the July Cabinet report on the Budget Strategy 2016/17.

Draft Statement of Accounts 2014-15, including Annual Governance (AGS)

Members had been given a briefing on the Statement of Accounts prior to the commencement of the meeting.

At its meeting on 23 March 2015 the Committee expressed serious concerns over the reduction of resources within Internal Audit and the risk that a lack of resources within the team could pose to the Council. Members felt that paragraph 149 of the AGS does not truly reflect the Committee's concerns and should be amended.

The Committee was advised that all local authorities in Wales have agreed to the buy-out of the Housing Revenue Account (HRA) subsidy system and that the 2015/16 Accounts will include the Council's transactions in respect of the buy-out.

The Committee enquired why the Council had in 2014/15 made payments totalling £10.004 million to Cardiff Bus and was advised that these payments were in relation to concessionary fares.

In summary, the Deputy Chairperson expressed the Committee's appreciation to officers involved in the production of the Statement of Accounts, adding that the quality of financial reporting and the document both give a very good impression.

RESOLVED –

1) That the report be noted.

2) Paragraph 149 of the AGS to be amended to reflect the Committee's concerns about the ability of Internal Audit to provide effective assurance, if resources fall below an acceptable level.

6 : GOVERNANCE & RISK MANAGEMENT

Items of Interest for Members

This item provided an opportunity for Independent Members to be advised of any issues or concerns that Elected Members may have.

An Elected Member reminded the Committee that contracts for housing maintenance and repair work to Council properties are currently under review and felt that the Committee should be advised of the outcome of that. The Member also advised the Committee that he would like to know why one of the contracts had an uncapped management fee attached to it.

An Elected Member reported that ward members have implied that the ways in which schools employ supply teachers are not efficient and the Member suggested that this should be looked at as savings could be made if inefficiencies do exist. The Member suggested that Internal Audit should carry out a Value for Money audit (VFM).

It has been reported that the Council is to write off 70% of the loan made to Glamorgan County Cricket Club. The Committee was advised that the Cabinet decision on this was called in for consideration by Scrutiny. The Policy Review and Performance Scrutiny Committee (PRAP) has heard from witnesses, including representatives from the Club's bank. The decision of the call in was not to take the matter further. Last year's accounts had included a provision for this write-off. There is a repayment schedule to recover the remaining 30% which remains impaired within the Accounts.

An Elected Member requested the Scrutiny Committee (PRAP) report on Alternative Delivery Models (ADM) to be circulated to Members. It was clarified by the Section 151 Officer that the Cabinet will consider an ADM report in July, with the report circulated to PRAP.

RESOLVED –

1) That a Value for Money audit be considered in respect of the way in which schools employ supply teachers.

2) That Committee members should receive a copy of the July Cabinet report, titled, Alternative Delivery Models (ADM).

Annual Governance Statement (AGS) 2014 -15

The Audit & Risk Manager advised the Committee that additional work had been undertaken this year to incorporate levels of assurance from a number of sources on how effective the Council's governance arrangements are. The AGS process began with the Audit Committee in January and March and is based on the best practice model governance framework from the Chartered Institute of Public Finance and Accountancy (CIPFA). On assurance mapping, he advised the Committee that reducing resources mean that there is a greater need to gain assurance from other bodies. This approach is being developed.

RESOLVED –

1) That the report be noted.

Senior Management Assurance Statements – Summary

At the Audit Committee meeting on the 23 March 2015, Members requested a summary of the returned Senior Management Assurance Statements (SMAS) for the financial period 2014/15.

The Audit & Risk Manager advised the Committee that as part of this process, Directors were asked to identify significant issues for the Council and twelve significant issues were raised. These issues relate in the main to issues already being managed as part of the Corporate Risk Register. Several were considered to be operational matters. The process did identify two new potential corporate risks relating to Facilities Management and maintenance of Council buildings, and Partnership and Collaboration management. The next meeting of the Risk Management Steering group will consider whether these should be added to the Corporate Risk Register.

It was noted that Appendix A (Summary of SMAS 2014/15) indicates that further assurance is needed in relation to Service Delivery Structures and Personal Performance and Development Reviews (PPDRs). The Committee enquired about the issues that are preventing Directors from giving full assurance on these areas. On Service Delivery the Audit & Risk Manager advised the Committee that recent restructures within the local authority has made it difficult for Directors to give a definite Yes in answer to the question ‘Do you consider your Directorate has the structure in place to maintain and deliver an appropriate standard of service for customers and stakeholders?’. The Audit and Risk Manager suggested that given the ongoing changes, a mid-year SMAS could prove useful. Members agreed with this. On PPDRs, the Committee was advised that these issues were being tackled via the quarterly performance management reports with follow up action in place. The Employee Survey contains a question on PPDRs and it may be helpful for the Committee to see responses to it and see the outcome of the Survey in due course .

RESOLVED –

1) That the report be noted.

2) That the Committee should be provided with a report on the responses to the question on PPDRs contained in the Employee Survey and on the outcome of the survey.

3) That the Committee receive half year update on SMAS, and outcome reported back to Committee.

Audit Committee Annual Report 2014-15

The Audit & Risk Manager informed the Committee that the Annual Report had been circulated and Members comments included. It was now a final draft for approval.

Sir Jon Shortridge was the Chairperson of the Committee for the period covered by the report but is not available to attend the Full Council meeting to present it. Ian Arundale, who at the start of this meeting of the Committee was elected as its new Chairperson, is to be asked if he would be available to attend the Full Council meeting to present the report.

RESOLVED –

1) That the Annual Report be commended to the Council.

2) The Audit & Risk Manager is to contact Ian Arundale to request his attendance at the Full Council meeting to present the Committee's Annual Report.

Procurement & Contracting Sub-Group -update

The Committee was advised that an external review had been commissioned and carried out on the building maintenance contract. There is a project working group which has been established in order to implement the actions arising from this external review by Construction Excellence Wales (CEW). The Audit and Risk Manager suggested that in order to provide assurances in areas Members had raised concerns, that the relevant officers be invited to attend Audit Committee in September. Members could then decide if any further work was required to address any concerns they had and the Sub group could be re-established. This would require a review of membership and a clear Terms of Reference.

A Member pointed out that due to their work in dealing with representations made to them by ward members, councillors would be a good source of information on where processes have gone wrong. The Committee was advised that the CEW review took evidence from a broad range of stakeholders, including councillors who were all offered an invitation to attend workshops.

RESOLVED –

1) That the report be noted.

2) That relevant officers should attend the Audit Committee meeting in September to discuss Member concerns on the Building Maintenance Framework, and the progress of the action group in implementing the recommendations from the Constructing Excellence review.

Corporate Risk Register Year End 2014-15

The purpose of this report was to bring the Corporate Risk Register (CRR) to the attention of the Audit Committee, in order to consider the strategic risks facing the Council.

The Audit & Risk Manager briefed the Committee on the report. There are now twenty-five current risks. A new risk has been added regards 'Financial Resilience' The Register has been shared with the Senior Management Team. The Audit & Risk Manager will run a workshop, with Directors, in the Autumn to establish the local authority's risk appetite, which will inform a position statement for Members to consider.

RESOLVED –

1) That the report be noted.

Organisational Development Programme (ODP) – Comments on PRAP Report

The PRAP report on this subject has been circulated. The Chief Executive Officer has given an undertaking to keep the Audit Committee informed of timescales and dates. The Committee was advised that the ODP is part of the ongoing work programme of PRAP. A report that will go to Cabinet in July will include a three year timeline for delivering the programme.

RESOLVED –

1) That the report be noted.

2) That the Committee receive a full update in September 2015 and this is to include an officer view on progress made.

7 : WALES AUDIT OFFICE

Report progress updates and Value for Money studies

The Deputy Chairperson welcomed Non Jenkins, WAO Local Government Manager (South East) Wales region and Chris Pugh, WAO Auditor and Grants Specialist.

The Committee was advised that WAO has provided a report on data quality to PRAP. Local government studies are ongoing. The annual improvement report is being finalised and will include all of WAO's work during the last year. WAO reported that Value for Money and Local Government Studies are national studies, so are not reported to individual Councils with their specific issues. The Safeguarding report is being finalised.

The Committee was advised that WAO consider it important that the Council has internal arrangements in place to challenge itself. The local authority achieved the Improvement Plan Audit Certificate as it has undertaken its duties under the Local Government Measure and has an improvement plan.

An Independent Member asked that WAO provide an executive summary of their reports to assist the Committee members in distilling a significant amount of information. If these summaries were circulated as part of the Agenda papers then members would be able to ask more focussed questions.

RESOLVED –

1) That the report be noted.

2) WAO to provide an executive summary of their reports, and be circulated as part of the Agenda papers.

Corporate Assessment Update

The Committee was advised that WAO is reviewing the local authority's Organisation Development Plan to consider the extent that it addresses issues that were raised in the previous WAO Corporate Assessment. The key question is whether the local authority is capable of delivering its key priorities. WAO will not just be looking at the Organisational Development Plan. WAO will be on site and may co-ordinate its work with that of Estyn and the Care and Social Services Inspectorate Wales (CSSIW). The intention is to undertake some officer and member interviews in August and September and some tracer work to see how things are working in practice on, for example, in waste and recycling, leisure services and delayed transfers of care (DTOCs). It is hoped that the report will be published in January 2016 and updates will be provided at meetings beforehand.

WAO should be able to present the final Annual Improvement Report to the Committee in September 2015. WAO has forwarded all of its issued and published reports to Internal Audit and these have been circulated to the Committee. WAO officers are willing to discuss these further with the Audit Committee or any of the Council's other committees.

RESOLVED –

1) That the report be noted.

2) WAO provide updates on progress made on their work relating to their original Corporate Assessment at each Audit Committee meeting and present their final report once prepared.

8 : TREASURY MANAGEMENT

<u>Performance Report</u>

Appendix 2 and Appendix 3 to the report for agenda item 8.1 (Treasury Management – Performance Report) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. No members of the public and press were present.

The purpose of this report was to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 March 2015 and 31 May 2015. It also provided final details of the settlement payment made to exit the Housing Revenue Account Subsidy (HRAS) system and the impact on the Council's Treasury Management position in relation to borrowing.

The Operational Manager, Capital & Treasury, presented this report and advised the Committee that there have been no breaches in the borrowing limit. The level of borrowing at 31 March 2015 was approximately £470 million and interest paid was £24.7 million compared to £25.7 million budgeted. Total borrowing at 31 May was approximately £657 million, which includes £187 million borrowed due to the impact of HRAS exit.

The Operational Manager briefed the Committee of the latest position on HRAS. The Council borrowed £187 million from the Public Works Loan Board for the buy-out in accordance with WG requirements. This was received and then immediately paid back to the Treasury as required. The Council will have to pay interest and the debt repayments totalling £11.5 million p.a, with interest reducing as loans mature. Over the long term the HRAS deal is of financial benefit to the Council, which will be better off by £3.3 million after capital financing costs. The Committee asked what risk has been transferred from the Treasury to the Council and was advised that the Treasury wanted the exercise to be financially neutral. The wider picture is around Welsh Housing Quality Standards, which the Council has met, and giving financial headroom to local authorities.

RESOLVED – That the report be noted.

Benchmarking Statistics

Appendix 1 and Appendix 2 to the report for agenda item 8.2 (Treasury Management – Benchmarking Statistics) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972. No members of the public and press were present

The purpose of this report was to update the Audit Committee on benchmarking opportunities undertaken and use of information available as part of Treasury Management activities to assess the Council's Treasury position and performance.

The Committee was advised was that there are difficulties in making comparisons with other local authorities. A number of sources are used, some of which are historic. The Chartered Institute of Public Finance & Accountancy (CIPFA) Treasury Management statistics are used. Looking at average rates on interest and borrowing, when compared to other local authorities the Council's rates are not high or low. The Council is undertaking less internal borrowing than other Welsh local authorities and the share of LOBOs as a proportion of debt are deemed reasonable.

The Council has joined the Capita Benchmarking Club and this will hopefully provide more practical links with other local authorities to enable comparisons. Using information held at 31 May 2015, benchmarking has been carried out to compare the Council's level of debt with the Public Works Loan. Board (PWLB) with that of other local authorities and this has shown that the Council average rate of debt is below the Welsh average at the measurement date. There is scope to increase internal borrowing but the risk is that interest rates could suddenly rise, perhaps as a result of world events. This will be considered further during the current year.

The Committee found this a very reassuring report, which it was felt answers a lot of previous questions and shows that the Council has a very professional team running its Treasury management function.

RESOLVED – That the report be noted.

9 : INTERNAL AUDIT

Internal Audit Annual Report 2014-15

Appendix C to Annex 1 of the report for agenda item 9.1 (Internal Audit Annual Report 2014-15) contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. No public were present.

The Audit and Risk Manager briefed the Committee on the report and made the following points:

- In 2014/15 Internal Audit resources were reduced. Budget pressures have impacted on resources and this has resulted in experienced people leaving the authority. Although resources for Internal Audit have reduced, there had been little change in demand as a result of the introduction of ADMs still being developed, which has created pressure on audit coverage. This has emphasised the need for continual reassessment and prioritisation of risks and priorities.

- In order to make the best use of resources the approach using Control Risk Self Assessment (CRSA) has been extended. Good news in schools that over 50% of schools and been signed up to date and attended workshops and started to complete the questionnaire.

- Encouraging to note an improvement in the number of open audit actions reported, which showed a reduction in recent times.

- Continual commitment to professional development and training is noted with a full and varied programme of training provided. PPD reviews always prioritised and on track.

- Despite a very challenging year and need to continually re-prioritise work the Audit & Risk Manager reported that he was providing an overall satisfactory assurance opinion based on the work of his teams. In doing so he recognised some areas where improvements are still important and areas where it is key they are closely monitored going forward. The details of this are highlighted in his report.

- The report showed that not all audits have had a satisfactory outcome but improving trends were noted. Of note is an improvement where Internal Audit has revisited an audit and found that more of its recommendations have been actioned appropriately, allowing a satisfactory opinion to be provided. This is considered partly due to there being more awareness on the part of Directors and also due to the work of the Audit Committee.

- The report featured more information on Quality Assurance given the importance of measuring the effectiveness of audit and in doing so set out the range of measures used to seek views of a number of key stakeholders. This showed a proactive approach to benchmarking and makes use of comparative data.

The Committee expressed concern that the audit recommendations around some Red risks have not been taken up by management. The Committee was advised that there are usually very few recommendations that are not taken up. Where there is disagreement it is usually to do with a resource issue, when limited resources prevent the actioning of the recommendation.

The Committee was advised that Internal Audit's audit universe will become smaller over time as changes are made to the ways in which the Council delivers its services. There is a need for Internal Audit to continue to apply lean thinking in terms of maximising audit coverage with less resource. Mention was made of some recent members of the team leaving, adding pressure in 2015-16 and further budget pressure and potential reductions for 2016-17. It was noted problems recruiting for a computer audit specialist and some exploration of the possibility of sharing resources for this work with the Vale of Glamorgan authority.

RESOLVED –

1) That the report be noted.

Quarter 1 Progress Report 2015-16

The purpose of this report was to provide the Audit Committee Members with an update on the work of Internal Audit up to 31 May 2015.

The Committee was advised of staff movements and vacancies and consequent pressure on plans. Further pressures to make savings will reduce audit coverage, although it is expected that due to different arrangements for the delivery of services there will be some shrinkage within the Council and this will bring different demands on Internal Audit.

Internal Audit has raised six Limited Assurance audits with the Chief Executive since March 2015. If after six months they remain as Limited Assurance opinions the Audit Committee will receive an Executive Summary. These are shown in the full list of audits provided with the report.

The Audit & Risk Manager had joined the UK Core Cities Heads of Audit Group and Committee felt that it would be useful to have more information on the make up and work of the group. There is to be a meeting in July and networks are developing to share good practice and a report could be provided to the Committee later in the year.

RESOLVED –

1) That the report be noted.
2) That the Audit & Risk Manager provide Committee with a report on the Core Cities Group.

10 : OUTSTANDING ACTIONS

The purpose of this report was to update Members on outstanding actions from the Audit Committee's Action Plan.

Audit Related

- Internal Audit – Audit Plan

  This report provided more information of proposed audit coverage over the life of the Plan. This was subject to regular discussion with the new Directors and a continuing reassessment of risks and priorities.

RESOLVED – That the report be noted

- Assurance Mapping

  This report was for information only.

RESOLVED –

1) That further information to be provided later in the year.

Other

- Director Strategic Planning & Highways – Response to Internal Audit Report

At the Audit Committee meeting on the 19 January 2015, the Committee requested a report from the Director of Strategic Planning, Highways and Traffic & Transport, addressing the audit concerns in the report that was presented to the Committee at that meeting.

The Committee was advised that the report contained a summation of Internal Audit's opinion on how effectively the audit recommendations are now being addressed. There has been significant improvement and there is a commitment to change to address the issues, but there is still some way to go. The Audit & Risk Manager proposed that the Committee be updated when a further audit review is undertaken in six months time.

RESOLVED –

1) That the report be noted.

2) That the Committee receives a further progress report in six months time.

- Director of Education Annual Report on School Governance and Deficits

The Committee received a position statement on schools in deficit.

The Committee noted that there do not appear to be timescales for the schools to bring their budgets out of deficit. The Committee was advised that there are a small number of schools that continue to cause concern to the local authority. There has been an increase in performance management in schools and there have been some good changes in leadership, which includes financial management.

The Committee noted that in some cases there are no signs that balances have reduced over the last four years. The Committee was advised that most of these will be reduced as schools work to balance their budgets for 2015/16.

RESOLVED –

1) That the report be noted.

2) Members to continue to receive information on school balances as part of the Director of Education & Life Long learning's report on governance in schools.

11 : WORK PROGRAMME

The Audit & Risk Manager briefed the Committee on the programme.

RESOLVED –

1) That the report be noted.

12 : DATE OF NEXT MEETING

The next meeting will be held on 16 September 2015 at 2.00pm

The meeting closed at 4.55pm

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 16 September 2015

FINANCIAL UPDATE 2015/16

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.1

Reason for this Report

1. To provide the Audit Committee with an update on the Council's financial position.

Background

2. To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2015/16 and gives an update on the preparatory work for 2016/17 and the medium term.

Issues

Financial Monitoring

3. Overall, the month four revenue monitoring for the Council shows a balanced position with financial pressures and shortfalls against budget savings targets in directorate budgets offset by projected savings on capital financing and an anticipated surplus on Council Tax collection. Directorate budgets are currently projected to be overspent by £6.1 million however it is anticipated that management actions will enable this to be reduced by the year end. The current position includes projected overspends in the Social Services, City Operations and Economic Development Directorates and in Corporate Management. This reflects a number of factors including shortfalls against budget savings targets set as part of the 2015/16 budget and on-going shortfalls carried forward from the previous financial year. The directorate overspends are partially offset by the £4.0 million general contingency budget which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2015/16.

4. The projected overspends in directorate budgets include £4.960 million in Social Services, £867,000 in City Operations, £300,000 in Economic Development and £138,000 in Corporate Management. This position reflect a range of factors including increased demographic pressures, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2015/16 budget together with on-going shortfalls carried forward from the previous financial year.

5. The 2015/16 savings for each directorate currently anticipated to be achieved show an overall shortfall of £5.422 million against the £32.473 million directorate savings target with £16.785 million having been achieved to date and a further £10.266 million anticipated to be achieved by the year end. The budget approved by Council on the 26 February 2015 identified red or red / amber achievability risks totalling £10.230 million with £5.854 million of the savings proposals still at a general planning stage. These risks are evident in the projected shortfall currently reported as part of the month four monitoring. A projected shortfall of £2.769 million has also been identified in relation to savings targets carried forward from 2014/15. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The £4.0 million General contingency budget which was allocated to reflect the risk and planning status of the proposed savings for 2015/16 is also available to offset the shortfall in the current financial year. However, despite this the shortfalls represent a continuing cause for concern particularly as the Council is about to embark on another very difficult budget round.

6. Actions are being taken by those directorates currently reporting a projected overspend in order to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. This will be progressed as part of the challenge process to review the performance of directorates including the budget monitoring position. The Chief Executive has also held a series of meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. These reviews will continue throughout the year.

7. The Capital Programme for 2015/16 amounts to £324.4 million of which £155.3 million is in respect of General Fund schemes and £209.2 million is in relation to the Council's Public Housing schemes. Against this the projected out-turn is £297.3 million resulting in a net variance of £27.1 million. The majority of the projected variance is due to slippage in two main areas, namely, construction of the new Eastern High School and various energy projects including LED for street lighting. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.

8. Cabinet will consider the Month 4 monitoring report at their meeting on 18 September 2015.

Budget Preparation

9. Following the approval of the Budget Strategy report by Cabinet and Council in July 2015, directorates have spent the summer constructing their savings proposals as part of establishing a balanced budget position for approval by Council in February 2016. The Budget Strategy report indicated a budget gap of £47.4 million in 2016/17 and £116.9 million over the period to 2018/19. Within those figures, directorate savings are expected to amount to some £70 million with the balance accounted for through other strategy assumptions including increases in Council Tax.

10. The Cabinet wish to continue to improve on the extensive public consultation carried out last year and so the expectation is that early due diligence work on the savings proposed by directorates will be concluded and that public consultation will begin during November 2015.

Reason for Recommendations

11. To inform Audit Committee of the current financial context for the Council.

Legal Implications

12. No direct legal implications arise from this report.

Financial Implications

13. There are no direct implications arising from this information report.

RECOMMENDATIONS

14. To note the financial information provided and the process being adopted in respect of budget preparation for 2016/17 and the medium term.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
9 September 2015

This page is intentionally left blank

CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 16 SEPTEMBER 2015

DRAFT STATEMENT OF ACCOUNTS 2014/15

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 4.2

Reason for this Report

1. To provide Audit Committee Members with an update on the audit of the draft accounts by Wales Audit Office (WAO), prior to submission to Council.

Background

2. The Statement of Accounts in Appendix 1 presents the accounts for Cardiff Council for the financial year 2014/15. They are currently draft pending completion of the Audit Regulations that require the Responsible Finance Officer to sign the accounts by the 30 June, and that the audited accounts be approved by Council by the 30 September. Following production of the accounts, which were presented to the Audit Committee in June, the audit has been undertaken by the Wales Audit Office. In addition the accounts have been available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended). The final accounts are due to go to Council at the meeting on the 24 September 2015.

3. The draft financial statements for the year ended 31 March 2015 were presented to Wales Audit Office on 15 June, ahead of the statutory deadline of the 30 June 2015. They were considered by Audit Committee at its meeting on 22 June 2015.

4. Some of the main points evident in the 2014/15 Statement of Accounts are:

   - The Council Fund Balance has increased by £1.741 million to £13.154 million as at 31 March 2015. This is 2.25% of the net expenditure budget of the Council.

   - Total earmarked reserves stand at £34.1 million, although within this figure are Schools balances, Housing Revenue Account (HRA) reserves and the Council's share of Joint Committee reserves which are not accessible for spending by the Council generally. The level of earmarked reserves increased by 9% in 2014/15, from £31.2 million in 2013/14.

   - The HRA balance of £8.438 million is available for spending on HRA issues only.

- The Cardiff & Vale of Glamorgan Pension fund is valued at £1.680 billion as at 31 March 2015. This is an increase of £188 million in the year and follows an increase of £144 million the year before.

5. Attached is the auditor's draft report "Audit of Financial Statements Report", which will be presented to Council in order to fulfil the requirement of the International Standard on Auditing (ISA) 260 and in discharge of the External Auditor's duty (Appendix 2).

6. WAO currently intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included at Appendix 2.

7. There are currently no non-trivial misstatements identified in the financial statements, which remain uncorrected. Corrected misstatements are summarised in appendix 3 to the Audit of Financial Statements Report. Whilst these amendments have been made, further amendments could still be carried out up to the signing of the accounts at Council on the 24th September 2015.

8. The WAO report also highlights a number qualitative findings, which they have stated as follows:
    - Overall the information provided was, in the most part, relevant, reliable, comparable and easy to understand. The conclusion was reached that estimates were appropriate and financial statement disclosures unbiased, fair and clear. It was requested that some additional information be added to the accounting policies to reflect the current practices being applied by the Council. It was also identified that the Council needs to review its processes for identifying and capitalising relevant Council dwelling expenditure.
    - No significant difficulties were identified during the audit. However, as anticipated, due to a number of experienced staff leaving the Council and officers taking on new roles, the audit process has taken longer than in previous years.
    - No significant matters were discussed and corresponded upon with management which need to be reported.
    - No other matters significant to the oversight of the financial reporting process need to be reported.
    - No material weaknesses in internal control were identified that have not been reported already.
    - No 'other matters' specifically required by auditing standards are to be communicated to those charged with governance.

RECOMMENDATIONS

9. That the Statement of Accounts for 2014/15 be noted.

CHRISTINE SALTER
Corporate Director Resources
9 September 2015

The following appendices are attached:

Appendix 1 – Draft Statement of Accounts 2014/15

Appendix 2 – Draft Wales Audit Office - Audit of the Financial Statements Report 2014/15 and Letter of Representation

This page is intentionally left blank

Contents

STATEMENT OF ACCOUNTS

2014/15

OF

THE CITY OF CARDIFF COUNCIL

1.1 Foreword

Introduction

This document presents the Statement of Accounts for The City of Cardiff Council. These are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The Financial Statements

The Council's financial statements covered by the Statement of Responsibilities and the Auditor's Report are set out on pages 21 to 162 and comprise:

- Accounting policies, critical judgements and assumptions
- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement
- Notes to the Core Financial Statements
- Housing Revenue Account (HRA)
- Cardiff & Vale of Glamorgan Pension Fund Accounts
- Group Accounts

The Council is Lead Authority for three Joint Committees: the Glamorgan Archives, Prosiect Gwyrdd, and the Welsh Purchasing Consortium. The City of Cardiff Council is also a member of the Central South Consortium Joint Education Service which was created on 1 September 2012, for which Rhondda Cynon Taf County Borough Council is the host Authority. The City of Cardiff Council's share of the transactions and balances of these Joint Committees are incorporated in these financial statements. Separate financial statements for each of the Joint Committees are also available.

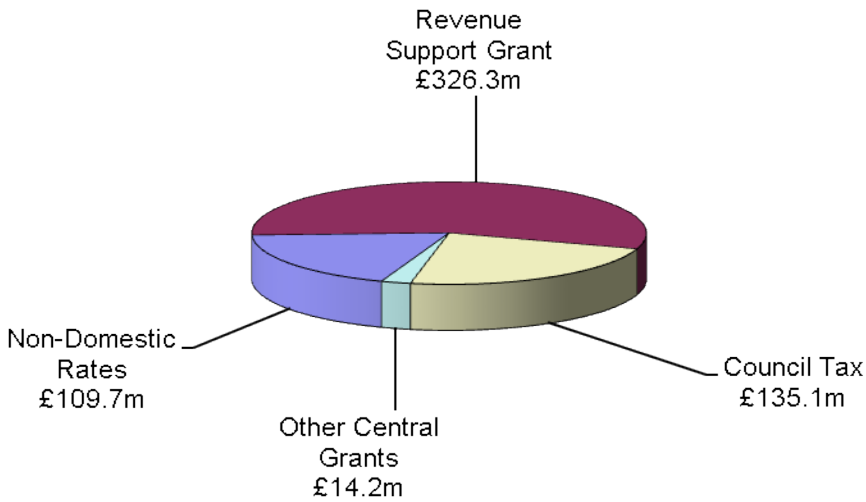
An explanation of the statements, their purpose and relationship between them as well as the main accounting policies adopted and critical judgements made in compiling the financial statements are provided in sections that follow this foreword.

Review of the financial year 2014/15

During 2014/15 the Authority faced reduced Welsh Government funding and increasing financial pressures, which presented a challenge for Directorates. The following paragraphs give a summary of the main aspects of the revenue Outturn and funding; capital expenditure and financing; treasury management; significant movements affecting the balance sheet including earmarked reserves and provisions; and the pension fund accounts.

Revenue Funding and Revenue Expenditure Outturn

The City of Cardiff Council at its meeting on 28 February 2014 set a cash limit budget of £585.038 million for 2014/15. In addition a budget of £250,000 was set for discretionary rate relief which is outside the Budget Requirement. The chart that follows displays the revenue expenditure budget funding sources, including the proportion of collected Council Tax that contributes towards The City of Cardiff Council's expenditure.



Directorate Outturn 2014/15

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
Childrens Services	46,081	48,393	2,312
Communities, Housing & Customer Services	43,104	42,247	(857)
Corporate Management	26,596	26,454	(142)
County Clerk & Monitoring Officer	3,872	3,854	(18)
Economic Development	614	609	(5)
Education & Lifelong Learning	229,784	230,792	1,008
Environment	26,587	26,480	(107)
Health & Social Care	95,132	100,500	5,368
Resources	18,540	17,948	(592)
Sports, Leisure & Culture	15,321	16,008	687
Strategic Planning, Highways and Traffic & Transport	26,892	26,888	(4)
Capital Financing etc.	35,960	35,722	(238)
General Contingency	4,000	-	(4,000)
Summary Revenue Account	12,555	7,419	(5,136)
Discretionary Rate Relief	250	233	(17)
Total as per Outturn report	**585,288**	**583,547**	**(1,741)**

The final revenue Outturn position indicates that the **Council has maintained its spending within its overall net budget of £585.3 million in 2014/15 with an overall underspend of £1.74 million** after contributions to and from reserves.

As per the 2015/16 budget report that was approved by Council in February, of the £1.74 million underspend that has been taken to the Council Fund, £595,000 has been approved to be drawn down in 2015/16 to fund the budget.

The final revenue Outturn position shows a surplus of £1.741 million after contributions to and from reserves as compared to the balanced position reported at month nine. The change includes a significant improvement to the directorate positions with over-spends against these budgets reducing by £1.147 million compared to previous projections. This reflects a number of factors including the impact of the measures implemented by the Chief Executive as set out in the Month 9 monitoring report. Further savings were also identified as a result of a higher surplus on Council Tax and an increase in non-domestic rate (NDR) refunds on Council properties.

During the year the Council's monitoring process identified financial pressures in a number of Directorates, notably Health & Social Care, Children's Services, Education & Lifelong Learning and Sport, Leisure & Culture. This reflected a range of factors including increased demographic pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2014/15 budget. This is reflected in the Outturn position forming part of an overall overspend of £7.650 million on directorate budgets. Apart from Children's Services all these areas reported a reduced over-spend compared to the projections at Month 9. Additional pressures were identified in Children's Services during the final quarter including additional placements and costs for looked after children, which resulted in a significant increase in over-spend in this area. The overspend on directorate budgets was offset by the £4 million contingency sum, together with savings in other areas including Council Tax collection, NDR refunds on Council properties, capital financing and additional income arising from successful performance against the 2013/14 Outcome Agreement Grant.

The Council Fund Balance brought forward at 1 April 2015 was **£11.413 million**. The balance at 31 March 2015 has increased by £1.741 million to **£13.154 million**.

The Housing Revenue Account (HRA) shows a surplus for the year of **£314,000**. The surplus achieved included underspends on employee costs, supplies and services, capital financing costs and housing subsidy payable, income was also above target mainly due to lower than anticipated void levels. These were offset by additional spends on premises costs, which includes the Housing Repairs Account. This total sum has been transferred to the HRA Revenue Balance and is available for spending on HRA issues only.

The Housing Revenue Account balance increased to **£8.438 million** after taking into account the £314,000 surplus in 2014/15.

In England during 2011/12, those councils who owned and operated their own housing stock, moved to a system of self financing, whereby any net income paid to or received from Central Government was converted to a one off adjustment of borrowing. A similar process has been undertaken in Wales and the Council signed a voluntary agreement with Welsh Government in 2014/15. The loan debt contract will be recognised in 2015/16 with an increase in debt of the Council's Housing Revenue Account of **£187 million** as well as the implementation of an overall limit to borrowing for housing purposes.

Revenue Outturn:

	Budget £000	Outturn £000	Variance £000
Financing:			
Revenue Support Grant (RSG)	(326,291)	(326,291)	0
Non-domestic Rates (NDR)	(109,695)	(109,695)	0
Council Tax	(135,120)	(138,052)	(2,932)
Other central grants	(14,182)	(15,005)	(823)
Total Funding	**(585,288)**	**(589,043)**	**(3,755)**

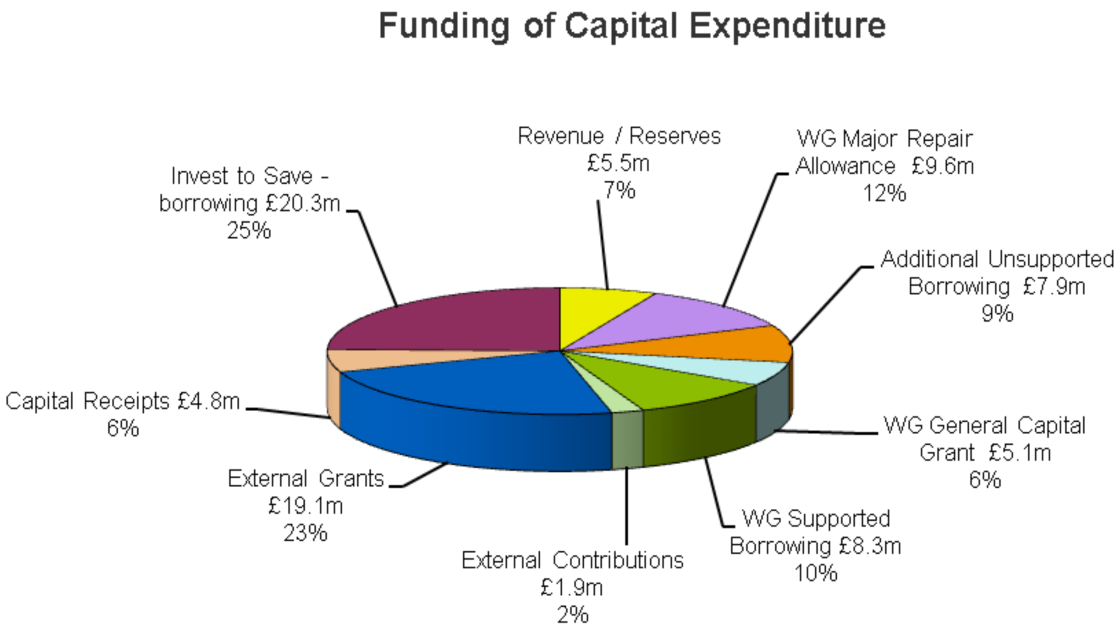
	Budget £000	Outturn £000	Variance £000
Net Expenditure			
Net budgeted expenditure	585,288		(585,288)
Net deficit on services on Comprehensive Income & Expenditure Statement		3,470	3,470
Adjust deficit figure for:			
Items shown separately as financing (above)		589,043	589,043
Adjustments between accounting and funding bases under regulations for the Council Fund Balance and HRA (as per Movement in Reserves Statement)		(7,029)	(7,029)
Transfers (to)/from Earmarked Reserves (as per note 2)		1,504	1,504
Remove surplus on HRA		314	314
Total Expenditure	**585,288**	**587,302**	**2,014**
Net (surplus)/deficit for year transferred to Council Fund Balance			**(1,741)**

Capital Programme

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. Capital expenditure during the year totalled £82.5 million, with the main items of expenditure described in the following table.

Schemes	Detail	£m
Housing & Neighbourhood Regeneration/Citizen Hubs	Public housing investment in kitchen and bathrooms, central heating, boiler replacement, estate regeneration, as well as energy efficiency schemes including Photovoltaic panels and over-cladding. Preparatory work across sites in the city as part of the Housing Partnership Programme. Disabled adaptations grants, allowing people to live independently in their homes, renewal area and other environmental improvements including a comprehensive regeneration scheme for Clare Road/Penarth Road District Shopping Centre. The development of citizen hubs at various locations around the city including Grangetown, The City Centre and on the site of the former Splott Pool.	27.2
Education & Lifelong Learning	Includes completion of a new school at St Teilo's as well as associated renovations and refurbishment of Llanishen High School and the establishment of Ysgol Bro Edern within the former premises of St Teilo's High School. Continued investment as part of the School Organisation Plan and 21st Century Schools Programme over a number of sites, including a new Pontprennau Primary School attached to the existing community centre and further investment in Ysgol Melin Gruffydd to accommodate the need for Welsh medium provision	24.8
Highways & Transportation	Road resurfacing, footpath and public realm improvements, road safety improvements, drainage, street lighting, public transport and telematics improvements. Implementation of the cycling strategy, Moving Traffic Offences, investment in safe routes in communities, as well as other pedestrian and junction improvements.	15.9
Economic Development	A voucher scheme to implement superfast broadband, WIFI on buses, Internet Exchange scheme and installation of WIFI in public buildings. Cardiff Enterprise Zone development including deposit paid for the purchase of Wood Street NCP car park, bus capacity enabling works and public realm design to create a new capital city gateway.	6.0
Culture, Leisure, Parks & Tourism	Completion of the High Ropes activity located at Cardiff International White Water. Play equipment replacement, improvements at Bute Park and other open space improvements.	2.9
Organisational Development & Property Rationalisation	Investment in replacing computer hardware and other ICT infrastructure to develop existing and new systems which will increase the number of digital services offered to citizens. Expenditure to maximise the use of existing office space in order to reduce costs of property estate or realise capital receipts from buildings.	1.6
Other	Including improvements to Thornhill Crematorium site, the Intermediate Care Fund grant to promote independent living. Financial support for small businesses from the Capital Cardiff Fund and waste management infrastructure.	4.1

The Council pays for its capital expenditure from a number of sources including borrowing money. Borrowing must ultimately be repaid from the existing and future income of the Council. The following chart shows how the capital monies spent during the year were paid for:-



The Council is undertaking a number of projects which are both complex in their accounting requirements and also in the financial risks they represent. Such projects invariably involve a great deal of uncertainty, consultation and often involve significant time and work before they can be implemented. Such ongoing schemes include investment in the 21st Century Schools programme, economic regeneration, creation of citizen hubs, Housing Partnership projects and investment in organisational development activities. Such commitments will require the Council to continue to significantly increase its need to borrow, impacting on future affordability. Some of this is on a basis that schemes will pay for themselves through income generation, savings or capital receipts and accordingly represent a significant financial risk to the Council. The risks within these invest to save schemes will be monitored and action taken if required reducing this risk which at present is deemed acceptable. However, overall, further action is required to accelerate a reduction in the Council's asset base within a limited timeframe. Unless assurance of progress in this regard can be demonstrated the affordability of the existing Capital Programme will need to be reviewed. Within this financial climate of reducing revenue resources all action necessary must be taken to reduce both initial capital expenditure and the subsequent need to borrow.

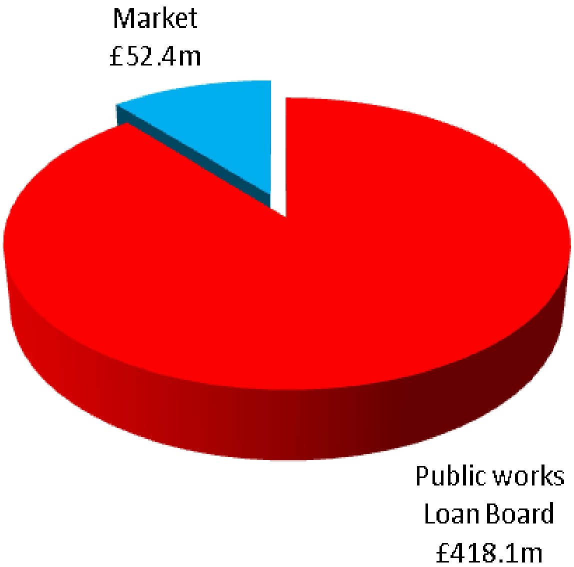
Capital Receipts
The sale of surplus assets and other income treated as capital receipts generated usable capital receipts of £6.1 million. Whilst proceeds from assets sales such as land are required to minimise the level of borrowing and reduce property operating costs in future years the property market remains challenging and unpredictable. During the year land with a value of £1.1 million was internally transferred from the Council Fund to the Housing Revenue Account to support the Housing Partnership project proposals to increase the supply of affordable housing in the City.

Movements in Property, Plant Equipment and Other Non-Current Assets
Assets deemed surplus to requirements and investment properties were re-valued during 2014/15 as part of a rolling programme of revaluation. Valuations of such assets involve a number of assumptions, however, movements in such asset valuations have no impact on the council tax or rent as they are required to be neutralised from capital reserves. In line with current guidance the value of infrastructure assets are required to be shown at historic cost. CIPFA considers that current value is a more appropriate measurement base with planned implementation in 2016/17. During 2014/15, CIPFA clarified their approach regarding Voluntary Aided (VA), Voluntary Controlled (VC) and Foundation Schools. This resulted in each school being required to be treated as a separate entity. This required a review of the ownership and operating arrangements of schools' land and buildings to determine whether or not such assets should be recognised on the Council's balance sheet. Further details of the assets recognised and derecognised from the Council's balance sheet can be found in note 20 of the accounts

Treasury Management and Financial Instruments

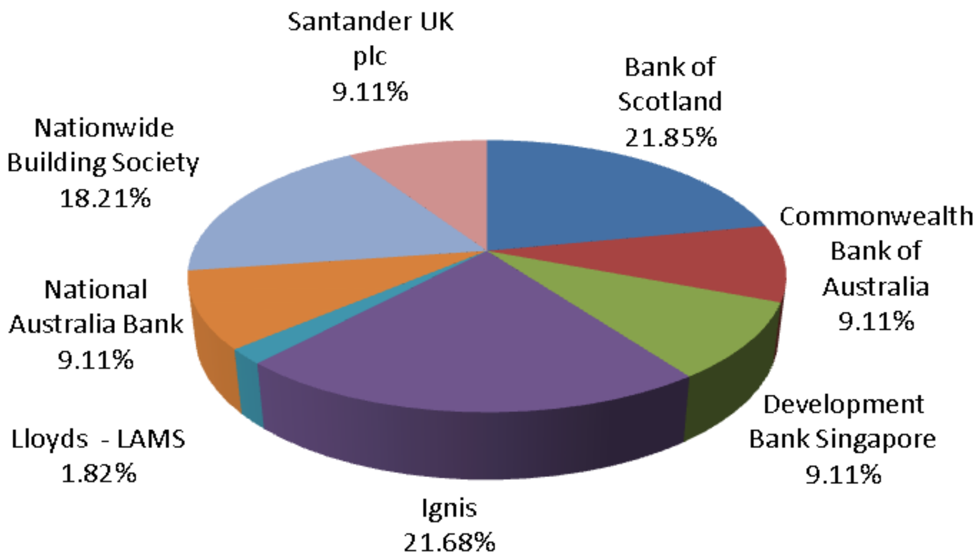
The Council can borrow money to manage its daily cash flows and to pay for capital expenditure. The Council has loans of £470.5 million of fixed interest loans at the end of the year. Of this, £418.1 million is owed to the Public Works Loan Board (PWLB) and £52.4 million is owed to other bodies, primarily financial institutions. During the year external loans totalling £7.8 million were repaid and £5 million of new loans were raised. The Council continues to use some of its temporary cash balances to pay for capital expenditure. Total interest payable on borrowing was £24.7 million during 2014/15, of which £4.8 million was paid for by the Housing Revenue Account. The average rate on the Council's borrowing stood at 5.19% at the 31 March 2015 and the maturity profile of significant loans is shown in the chart in note 21 of the core financial statements.

Amounts of fixed rate debt



Investments of £54.9 million at 31 March 2015 are represented primarily by temporary cash balances, which are deposited for various maturities with Financial Institutions.

Investments Held by Institution



The balance of investments is at a point in time and will fluctuate daily depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants. The notes to the accounts provide further information on the Council's financial assets and liabilities and the nature and extent of risks involved.

In accordance with accounting requirements, the Council is required to consider whether amounts included in its balance sheet are shown at their recoverable amount. Loan principal of £5.056 million and Interest of £1.356 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium at 31 March 2015 are 100% impaired. The total of principal and interest is £6.412 million. In March 2015, the Council considered a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. As the loan has been provided from capital resources, the loss on impairment was neutralised against capital reserves for the Loan Principal. In addition 100% provision for any interest due to the Council since the loan was granted had been made. The Council continues to adopt a prudent approach in its revenue budget to the repayment of both the principal and interest amounts due. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.924 million) remains 100% impaired, but is shown as a contingent asset in the statement of accounts.

The Council has worked actively with Welsh Government, Welsh Local Government Association and other Housing Stock retaining Authorities to secure exit from the Housing Revenue Account Subsidy System which has been in place for some time. This was achieved in England in 2012. The new arrangements will mean that from April 2015, the Council will no longer have to pay circa £15 million from tenant rents to the Welsh Government which is then passed on to UK Treasury each year. Instead, we would be required to make a one-off payment of £187 million as a "buy out" to the Welsh Government/UK Treasury on 2 April 2015. In accordance with Treasury and Welsh Government requirements, this is to be paid by undertaking borrowing from the Public Works Loan Board at interest rates determined by HM Treasury. The overriding principle of the subsidy reform is that no Welsh Authority will be worse off under the new Self Financing Scheme. The Council will have to operate within a debt cap allocated by the Welsh Government.

The move to self financing offers an opportunity for the Council to use its role as a landlord to help achieve their wider priorities and ambitions within the context of the ring-fenced HRA. These could include economic regeneration, improving health and well being, improving community safety and helping vulnerable people to live independently in the community.

Reserves
Movements on earmarked reserves and schools balances are detailed in note 2 to the core statements. Details of movements of other usable and unusable reserves are shown in notes 29 and 30 to the Core Statements respectively. Total usable reserves at the commencement of the year amounted to £52.179 million, increasing by **£4.304 million** to **£56.483** million at 31 March 2015.

Summary Reserves Movements:

	£000	£000
Usable Reserves at 1 April 2014		**52,179**
Council Fund Earmarked Reserves		
Movements to/(from) earmarked reserves:		
Cardiff Enterprise Zone Reserve	1,404	
Waste Management/Prosiect Gwyrdd Reserve	2,020	
Cardiff Insurance Reserve	1,034	
Schools Formula Funding Reserve	955	
Schools Organisational Plan Reserve	(1,276)	
Bereavement Services Reserve	(571)	
Dilapidation Reserve	(385)	
Other movements to/(from) earmarked reserves	(423)	
		2,758
Other movements to/(from) other useable reserves:		
Council Fund Balance	1,741	
HRA Balance	314	
HRA Earmarked Reserves	(446)	
Usable Capital Receipts	(63)	
		1,546
Total Usable Reserves at 31 March 2015		**56,483**

Provisions
During 2014/15, total provisions decreased by **£2.061 million** to **£40.840 million**, which includes a number of movements. These include a net decrease in the insurance provision of £645,000 and a decrease in the termination benefits provision of £797,000. Details of the movement of individual provisions are shown in note 27 to the Core Statements.

Contingencies
A number of contingent liabilities are disclosed in relation to issues where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly in the control of the Authority, where it is not probable an outflow of resources will be required or where the amount of obligation cannot be measured reliably. For 2014/15, disclosures covered:

- Legal claims against the Authority, where the Authority is resisting liability;
- The Municipal Mutual Insurance (MMI) run off claims;

The Authority also disclosed contingent assets in relation to a proportion of the market value of future disposals of properties where a proportion of the equity has been provided by the Authority; and potential claims that may be due from the HMRC to the Authority relating to outstanding VAT claims.

Cardiff and Vale of Glamorgan Pension Fund

In 2014/15 the benefits payable by the Pension Fund totalled **£79.4 million** and the contributions receivable totalled **£82.6 million**. Net returns on investments totalled **£183.5 million** and the Fund's assets grew by **£186.6 million (12.5%)**, from **£1.49 billion to £1.68 billion**. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date covering 82% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

Pensions Assets and Liabilities

Under International Accounting Standard 19 "Employee Benefits", local Authorities are required to account for the costs of pension entitlements earned in the year rather than the costs of contributions paid to the fund.

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

The Council's Actuary has estimated the Council's pension liability to be **£539.786 million** at 31 March 2015. The effect upon the net worth of the Council is as follows:

	£000
Net Worth Excluding Pensions Liability	1,420,611
Net Worth as per Balance Sheet	880,825

From 1st April 2014, a 23 year recovery plan has been place to restore the value of assets to 100% of the liability in respect of service prior to the most recent valuation date.

Medium Term Financial Plan and Financial Resilience

The Corporate Plan for 2015/16 is a strategic outcome focused document with the following priorities:

- Education and Skills for all ages
- Supporting vulnerable people
- Sustaining economic development
- Working with people and partners to design, deliver and improve services

The financial challenges facing the Council over the life of the Corporate Plan are extremely challenging. Savings of £205 million have been found over the last 10 years to fund a combination of funding reductions and increases in financial pressures. The Medium Term Financial Plan identifies a further £120.1 million which may have to be found over the next three year period. Of this, £51.1 million needs to be delivered in 2016/17.

The Corporate Resources Director, as the Section 151 Officer, reiterated in the 2015/16 Budget Report in February 2015 the materiality of the service choices ahead of the Council. In particular, the advice given was that anything other than a radical reduction and reset of the Council's services would over the life of the Medium Term Financial Plan lead to financial resilience issues for the Council.

Since that date Members have received a number of briefings in respect of the financial resilience of the Council. A financial snapshot has been developed to aid discussions and identifies the key financial information from the statement of accounts alongside the in-year monitoring position and the medium term financial plan. The Budget Strategy Report in July 2015 is a key document considering the budget strategy for 2016/17 and the medium term.

Corporate Governance

In order to minimise the impact of the risks identified the Council has adopted a Governance Framework which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. The Council also maintains a Corporate Risk Register (CRR) which highlights the strategic risks facing the Council. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 165 to 198.

Acknowledgements

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

Christine Salter
Corporate Director Resources
Date

1.2 Guide to the Financial Statements

Movement in Reserves Statement (page 39)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use) and other reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income and Expenditure Statement (page 40)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting costs. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet (page 42)

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that reflect 'adjustments between accounting basis and funding basis under regulations'.

Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council.

Cash Flow Statement (page Error! Bookmark not defined.)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (borrowing) to the Authority.

Housing Revenue Account Income & Expenditure Account (page 115)

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

Pension Fund Accounts (page 120)

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

Group Accounts (page 141)
Group Accounts are prepared in addition to the single entity accounts where local Authorities have material interests in subsidiary and associated companies and joint ventures. The Group Accounts have been prepared to include Cardiff City Transport Services and comprise the Movement in Reserves Statement; the Comprehensive Income Expenditure Statement; the Balance Sheet; the Cash Flow statement and associated notes.

Trust Funds (page 163)
Various bequests and donations are held in Trust Funds. Income generated from the investments is available for grants and awards in accordance with the objects of the relevant Trusts.

2.1 Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council for 2014/15 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts as set out in pages 21 to 162

Councillor David Walker **Date:**
Lord Mayor

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 (the Code).

In preparing these financial statements, the Corporate Director Resources has:

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

The Corporate Director Resources has also:

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

The Corporate Director Resources Certificate

The financial statements for The City of Cardiff Council give a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Christine Salter **Date:**
Corporate Director Resources

Audit Report of the Auditor General to the Members of the City of Cardiff Council

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

The City of Cardiff Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City of Cardiff Council Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the City of Cardiff Council's; the City of Cardiff Council's Group and the Cardiff and the Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the City of Cardiff Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council as at 31 March 2015 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council Group as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year ; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the City of Cardiff Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
CARDIFF
CF11 9LJ

September 2015

3.1 Accounting policies, critical judgements and assumptions

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

Accounting policies used when formulating the accounts

1. Accounting policies issued but not yet adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016. If these had been adopted for the financial year 2015/16 there would be no material changes as detailed below.

IFRS 13 Fair Value Measurement. This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions).The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts.

IFRIC 21 Levies. This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.

Annual Improvements to IFRSs (2011 – 2013 Cycle). These improvements are minor, principally proving clarification and will not have a material impact on the Statement of Accounts.

The Code requires implementation of these policies from 1 April 2015 and there is therefore no impact on the 2014/15 Statement of Accounts.

2. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when the payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

3. Carbon Reduction Commitment
The Authority is required to participate in the Carbon Reduction Energy Efficiency Scheme. This scheme is currently in the initial year of its second phase, which ends on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowance. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

4. Cash and Cash Equivalents
These are sums of money available for immediate use. Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts, including petty cash accounts. Cash equivalents are highly liquid investments including Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

5. Contingent assets and liabilities
These are potential benefits or obligations that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets and liabilities are not recognised in the accounting statements but are disclosed in a note to the accounts.

6. Deferred Liabilities
Where the Authority receives income from developers and other organisations in respect of the future maintenance of assets, the amounts are held in the Balance Sheet as deferred liabilities until such time that the maintenance of the asset takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 21.

7. Disposals and Capital Receipts
When non current assets are disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account. Where sums are due but not yet received they are treated as deferred capital receipts. A proportion of receipts relating to Housing disposals (75% for dwellings – net of statutory deductions and allowances) are used to reduce the capital financing requirement of the Housing Revenue Account.

Receipts from disposals are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). The written-off value of disposals is not a charge against council tax, as the cost of non current assets are fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

8. Employee Benefits
Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that there is no impact on council tax.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy, and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement. Where termination benefits involve the enhancement of pensions, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year. An accrual is made for the pension strain to the pension fund and is included in the Balance Sheet as a long-term creditor to the extent that it is repayable to the pension fund over 5 years. In the Movement in Reserves Statement, appropriations are made to or from the Pensions Reserve to neutralise the impact of this accrual on council tax.

Post Employment Benefits

Employees of The City of Cardiff Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- The Local Government Pension Scheme, administered by The City of Cardiff Council.

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). IAS19 requires recognition in the employer's accounts of the fact that although retirement benefits are not actually payable until an employee retires, the Authority's commitment to make those payments arises at the time that employees earn their future entitlements. The treatment of pension costs in the accounts depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

Defined Benefit Schemes

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

Under IAS19 the cost which is charged to net cost of services is the cost of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. This cost is known as the *current service cost* and is determined by the actuary. The *Net Pension Liability* which represents the Authority's attributable share of the Pension Fund's assets and liabilities is shown in the Balance Sheet.

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

- the attributable assets of the scheme have been valued at bid price
- the attributable liabilities have been measured on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.

- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2014/15 are the full costs relating to early retirements granted in the year which have been calculated as the special contributions payable into the fund adjusted for the financial assumptions used under IAS19 to represent the approximate cost of the increase in benefits granted to members under IAS19.

Defined Contribution Schemes
These are schemes where the employer pays fixed amounts into the scheme and has no obligation to contribute further amounts if the scheme does not have sufficient assets to pay employee benefits. Under IAS19, defined contribution schemes are accounted for by charging employer contributions to revenue as they become payable. The Teachers Pension Scheme is a defined benefit scheme but as the Authority cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis; this scheme is to be accounted for as if it were a defined contribution scheme under IAS19.

In relation to retirement benefits, statutory provisions require the Council Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the Council Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

9. Events After the Balance Sheet Date
Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – The Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

10. Exceptional Items
Exceptional items are material in terms of the Authority’s overall expenditure and not expected to recur frequently or regularly. When they occur they are included in the Comprehensive Income Expenditure Statement as a separate line if that degree of prominence is necessary to give a fair presentation of the accounts.

11. Financial Assets
Financial assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market.
- investments at fair value – assets that have a quoted market price and/or do not have fixed or determinable payments.
- fair value through profit and loss – assets that are held for trading

Loans and Receivables: Initially measured at fair value and carried at their amortised cost. Credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. Interest that is due but unpaid at the end of the year is recognised in the Balance Sheet as a current asset.

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

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

Where loans or receivables are undertaken on behalf a third party or are legally required to be kept separate, interest on these balances has been paid to the relevant third parties accordingly.

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

Assets are maintained in the Balance Sheet at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Comprehensive Income and Expenditure Statement. The exception is where impairment losses have been incurred - these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

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

Any gains and losses that arise on de-recognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses previously recognised in the Statement of Total Recognised Gains and Losses.

Investments at Fair Value through Profit and loss: These are initially measured at and carried at fair value. Any movements in fair value, gains and losses that arise on de-recognition of the asset and investment income is credited/debited to the Comprehensive Income and Expenditure Statement.

12. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. Interest that is due but is unpaid at the end of the year is recognised in the Balance Sheet as a current liability.

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

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

Where restructuring of the loan portfolio involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and amortised to the Movement in Reserves Statement in accordance with statutory regulation.

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

13. Foreign Currency Translation

When transactions are required to be undertaken in a foreign currency, they are converted at the prevailing rate on the day of the transaction. The Council does not invest or borrow in any currency other than sterling and undertakes very few transactions involving foreign currency.

14. Grants - Revenue

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Council will comply with the conditions for their receipt.
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants for which conditions have not been yet been satisfied are carried in the Balance Sheet as Revenue Grants receipts in advance. When conditions have been satisfied, the grant or contribution is credited to the relevant service line (specific revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-specific revenue grants) in the Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

Where the conditions of a revenue grant or contribution have been complied with but it is yet to be used to fund expenditure for the purpose stipulated in the grant agreement, it is set aside as an Earmarked Reserve.

15. Grants and Contributions – Capital

Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS) are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the “taxation and non-specific grant income” line in the Comprehensive income and expenditure statement.

Where a specific Capital Grant or a Contribution has been received but remains unapplied, this is deemed to represent a condition in that the unused element could be returned to the funder. Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as capital grants receipts in advance.

The unapplied element of such grants or contributions would not be taken to the Comprehensive Income and Expenditure Statement when received and is treated as a Creditor. Where a specific Capital grant or Contribution is applied, but is not yet received, this is taken to Comprehensive Income and Expenditure Statement when applied and is treated as a Debtor.

Non specific grants such as the General Capital Grant or Major Repair Allowance are recognised immediately in the Comprehensive Income and Expenditure statement. If such a non specific grant remains unapplied at the end of the year, this element is held as Capital Grants unapplied.

16. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised. In the case of computer software and licences, this will be capitalised where it relates to the enhancement or development of systems, expenditure on which is deemed to generate long-term economic benefits to the Authority in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation, are reviewed for impairment and are re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits

Any amortisation, impairment, disposal gains or losses are not permitted to have an effect upon Council Fund Balance and are reversed in the Movement in Reserves Statement.

17. Interests in Companies and Other Entities

The Council has interests in companies and other entities. Subject to the level of materiality and exposure to risk, these are consolidated to produce group accounts. In the Council's own single entity accounts, the interests in such companies are recorded as Financial Assets in the Balance Sheet.

18. Inventories

Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the Comprehensive Income and Expenditure Statement.

19. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

20. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income Expenditure Statement and Balance Sheet. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee. To date, no audit opinion has been issued in respect of the accounts of any of the Joint Committees.

21. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Leases are reviewed at inception and classed as finance or operating by reviewing arrangements such as:

- Transfer of ownership at the end of lease contract
- Option to purchase asset at price lower than fair value
- Lease term is for major part of economic life of asset
- Present value of minimum lease payments amounts to at least substantially all of the fair value of leased asset
- Leased assets are specialist and only lessee can use them without major modifications

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases are recognised on the Balance Sheet at fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Authority at the end of the lease period).

For plant and equipment the Authority has set a de-minimus level of £75,000 for leases to be recognised as finance leases.

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the Council Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases
Payments for operating leases are charged to the relevant service revenue account on an accruals basis. The charges are made evenly throughout the period of the lease.

The Authority as Lessor
Finance Leases
Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:
- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the Council Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the Council Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the Council Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases
Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure

Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

22. Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

23. Overheads and Support Services Costs

The costs of overheads and support services are allocated to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2014/15* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in SERCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

24. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error.

- Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period
- Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or performance. Any change is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

25. Private Finance Initiative (PFI) and similar contracts

These are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor during the contract term. The Council does not have any such contracts at the balance sheet date.

26. Property, Plant, Equipment, Community and Heritage Assets

Assets that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Recognition:

Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. This together with a 3-year rolling programme of revaluations ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/ benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

Expenditure that maintains but does not add to an asset's potential to deliver benefits or service potential (i.e. repairs and maintenance) is charged to revenue as it is incurred.

The Council recognises heritage assets where it may have incurred separately identifiable expenditure on their acquisition or preservation at historic cost or where it has information on the value of the asset.

The Council previously recognised Voluntary Aided, Voluntary Controlled and Foundation Schools on the Authority's Balance Sheet if it was deemed to have control of admissions policy. CIPFA has for a number of years been considering the approach to recognition of schools given inconsistency of approach across the UK and has issued revised guidance. This effectively requires schools to be considered as an entity and indicates that if the Council owns the land, it can direct the use of the assets and should thus recognise those assets in the balance sheet. Following a review, a number of schools assets have been brought into the balance sheet and this is explained further in the Property, Plant and Equipment notes to the accounts.

Measurement:
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use. The Council does not capitalise borrowing costs.

These assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets – depreciated historical cost. Not all roads and infrastructure are included in the Balance Sheet as the balance sheet values reflect historic expenditure incurred on such assets from a point in time. Any roads adopted by the Council are not individually identified on the balance sheet and are effectively recorded at nil value. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to change in future years, but until then the asset values presented in the accounts understate the real value of infrastructure assets held and used by the Council.
- Community assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage assets and their nature make determining a value for them complex. Valuations may lack reliability, there may be no market, providing an estimate of replacement cost may be difficult and the cost of determining a valuation for accounting purposes only may not be justified on cost benefit grounds. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council dwellings – Existing use value for social housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 41% to adjust beacon values to existing use value.
- The Code requires Surplus Assets to be valued at Existing Use Value (EUV) i.*e.* applying the same assumptions relating to the level of usage as those in the most recent revaluation as an operational asset. This is problematic in that by definition a surplus asset will not have an existing use. The main types of assets held in this class include historic development land and buildings awaiting suitable open market disposal or use for identified schemes, sites held for the purpose of the Cardiff Partnering Scheme as well as former operational buildings awaiting disposal or alternative use.

Accordingly and for a number of other reasons, the Council values the assets within this category at Open Market Value rather than EUV. These reasons include: - former use of historic sites is not known; sites previously have been revalued on an open market basis and values may have changed in some cases significantly; to ensure consistency within the category e.g. where appropriations have been undertaken these would have been at Open Market Value; an approach that balances cost versus benefits compared to the approach in the Code, particularly for smaller sites.

The Councils alternative approach is deemed to give a fairer indication of the value of assets not used in service delivery. Whilst it is not reflected in the Code, there is a planned move away from current Code requirements by CIPFA, potentially in 2015/16 towards the approach adopted by the Council which will aim to address the issues currently being faced in relation to Surplus Assets.

- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, existing use value such as depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets such as plant and equipment have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. From 2013/14, a detailed approach to DRC, known as Modern Equivalent Asset (MEA) is used for the valuation of school land and buildings, due to the much specialised nature of these assets.

Assets included in the Balance Sheet at fair value are required to be revalued at least every five years. The Council must balance the requirement to ensure carrying amounts are not materially different from their fair value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:-

- Undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- Using the experience and local knowledge of the in-house valuation team to provide valuation services to ensure financial services are made aware of all property issues affecting the Council
- Having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

Revaluation:
Where required by the Code, asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by in-house professional valuers, all of whom are RICS registered. This is in accordance with the Council's rolling programme of three year revaluations.

Charges to Revenue for Non-Current Assets:
Services are debited with the following amounts to record the cost of holding assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Council is not required to raise council tax to fund depreciation, impairment losses or amortisations. However, it is required to make a prudent provision from revenue towards the reduction in its overall requirement to borrow. Depreciation, impairment losses and amortisations are therefore replaced by this prudent provision in the Council Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired in value, either due to a significant reduction in service potential e.g service delivery from that asset ceasing or significant permanent market value reductions (downward revaluation). Where either type of loss is identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:
Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction). The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 also requires depreciation of buildings categorised as surplus assets. However, the Council does not depreciate these as by their very nature they are no longer used in service delivery, depreciation is not consistent with the valuation approach adopted and in the majority of cases, buildings on a site are planned to be demolished or are in a poor condition. For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.
Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following bases:

Asset category	**Initial Useful Life in years**
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings *	3-125
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure **	7-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

* Included within Buildings is City Hall with an initial useful life of 125 years
** Included within Infrastructure is the Cardiff Bay Barrage which is being depreciated over the design life of 120 years

Component Accounting:
Where a single asset may have a number of different components each having a different useful life, three factors are taken into account to determine whether a separate valuation of components is to be recognised in the accounts in order to provide an accurate figure for depreciation.

- **Materiality with regards to the Council's financial statements** Componentisation will only be considered for individual non land assets that have a net book value of more than £1.5 million at the end of the financial year.
- **Significance of component**. For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc..) or items of fixed

equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%) then those services / equipment will be valued separately on a component basis.
- **Difference in rate or method of depreciation compared to the overall asset**. Only those elements that normally depreciate at a significantly different rate from the non land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that fall below the de-minimis levels and tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material mis-statement in the accounts.

Where assets are material and to be reviewed for significant components, it is recommended that the **minimum** level of apportionment for the non-land element of assets is:
- Plant and equipment and engineering services.
- Structure.

Professional judgement will be used in establishing materiality levels; the significance of components, useful lives, depreciation methods and apportioning asset values over recognised components.

Revaluations of the Council's property assets will continue to be undertaken on a 3 yearly rolling programme basis, at which point the revaluation takes into account the value and condition of the assets, relevant components and also de-recognition where relevant. Where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision to the useful life.

The Council does not currently undertake componentisation on Infrastructure assets.

The Code for 2010/11 requires a revaluation decrease or impairment loss charged to the Surplus or Deficit in the Provision of Services (SDPS) to be reversed where there is a subsequent revaluation gain on the same asset that removes the underlying reasons for the original loss. The Statement of Accounts complies with this requirement for revaluations undertaken from 2011/12 onwards.

27. Provisions, including back pay arising from unequal pay claims

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

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

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

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the Council Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

29. Reserves

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the Council Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year. The reserve is then appropriated back into the Council Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority.

30. Value Added Tax

Apart from certain cases where the Council funds supplies of goods or services to other persons or organisations, the Council is reimbursed for VAT. The revenue accounts have, therefore been prepared exclusive of this tax.

Critical judgements in applying accounting policies

Accounting policies are only applied to material transactions of the Authority. In applying policies, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Examples of critical judgements made in the Statement of Accounts are:

- Reducing levels of funding for local government require budget prioritisation and organisational development change to ensure resources are firmly aligned to priorities as outlined in the Corporate Plan. The Council continues to effectively manage its resources within this challenging environment. The continuing financial challenge will over the medium term have a significant impact on future operating structure and the assets used to deliver services and the Council will put in place the necessary resources to ensure that a balanced budget can be delivered.

- It is assumed that where provision for doubtful debtors or impairment has not been made, all other deferred debtors and investment balances are recoverable and not impaired.

- The level of both general and earmarked reserves held by the Council has been assessed by the Council's Section 151 Officer and is judged at present to be sufficient. Each request to establish an earmarked reserve is considered separately based on the evidence provided. It is the responsibility of the Section 151 Officer to advise Cabinet on the prudent level of reserves to hold and this is done following consideration and documentation of the risks the Council faces.

- All significant related parties are fully disclosed and figures included in the accounts produced by external organisations are robust and accurate.

- Due to declining capital resources and to meet the significant need for capital investment, the Council is significantly increasing the level of external borrowing that it will ultimately need to undertake. Such borrowing is required to be repaid from existing budgets, future savings, additional or existing income or from the sale of assets. The Council sets aside from its revenue budget each year a prudent amount for the eventual repayment of that borrowing. The Council's Capital Programme 2014/15 to 2019/20 was approved in February 2015. Whilst this is deemed affordable, unless there is demonstrable progress in 2015/16 to accelerate a reduction in the Council's asset base, the existing Capital Programme will need to be reviewed.

- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications. In respect of the Council's future obligations in respect of landfill sites, a provision was required to be made. The Council has implemented this in the knowledge that the approach to this issue is the subject of a consultation and further work by CIPFA. The Council also recognises that the suggested WAO treatment indicates that the Capital Financing Requirement (CFR) will increase for capital expenditure not yet incurred. The CFR is defined in the prudential code for Capital Finance as capital expenditure incurred but net yet paid for and such a scenario is not included in the relevant guidance notes.

- The Council still considers that there are a number of indicators of impairment at the balance sheet date for loans provided to Glamorgan County Cricket Club. This has resulted in the recoverable value reduced to nil at 31 March 2015.

- It is assumed that the accounts for the year reflect all financial obligations under a contract required to be met by the Council during the year and that the Council is compliant with all such obligations placed upon it.

- Where an accrual has been made for future pension strain liabilities as a result of voluntary severance, it is assumed that these costs are *not* included in calculation of the pensions liability carried out by the actuary.

- If information is misstated, that is omitted, incorrectly shown or not disclosed, that information has the potential to influence or change the decisions and or judgement of the majority of reasonable persons relying on the financial report or the discharge of the accountability by management or those charged with governance. The Council recognises that any materiality threshold should be based upon what will affect the users' decisions and not on the assessment of the preparers of the accounts. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial report and their information needs. The Council gives consideration to a number of quantitative and qualitative factors in assessing whether a misstatement is material.

Where relevant, the notes to the accounts provide additional information on any risks and judgements.

Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Significant disclosures are already made in the accounts in relation to the assumptions about financial instruments. However the other items in the Authority's Balance Sheet at 31 March 2015 for which, by their nature, there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 41% to adjust beacon values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers has no impact on the level of Council Tax. Any changes are reflected by a corresponding amendment in the available for sale reserve. Changes in future accounting practice could mean changes in valuation basis of non current assets and in which assets are required to be included on the Councils balance sheet and which are not. Any such changes will have no impact on the level of Council Tax or rent.
Provisions	The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	estimation of future liabilities; this is detailed further in the provisions note.	
Provisions in relation to arrears	At 31 March 2015, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	The level of creditor accrual may be under or over estimated. This will have no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2013 carried forward (Restated)	**11,548**	**40,319**	**7,295**	**1,312**	**1,605**	**62,079**	**876,043**	**938,122**
Movement in Reserves during 2013/14 (Restated)								
Surplus or (deficit) on the provision of Services	(159,973)	0	4,435	0	0	**(155,538)**	0	**(155,538)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	158,174	**158,174**
Total Comprehensive Income and Expenditure	**(159,973)**	**0**	**4,435**	**0**	**0**	**(155,538)**	**158,174**	**2,636**
Adjustments between accounting basis & funding basis under regulations (note 1)	150,078	0	(4,234)	0	(206)	**145,638**	(145,638)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(9,895)**	**0**	**201**	**0**	**(206)**	**(9,900)**	**12,536**	**2,636**
Transfers to/(from) Earmarked Reserves (note 2)	9,760	(9,760)	628	(628)	0	**0**	0	**0**
Other Movements in Reserves	0	0	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	**(135)**	**(9,760)**	**829**	**(628)**	**(206)**	**(9,900)**	**12,536**	**2,636**
Balance at 31 March 2014 carried forward	**11,413**	**30,559**	**8,124**	**684**	**1,399**	**52,179**	**888,579**	**940,758**
Movement in Reserves during 2014/15								
Surplus or (deficit) on the provision of Services	(6,851)	0	4,696	0	0	**(2,155)**		**(2,155)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(56,465)	**(56,465)**
Total Comprehensive Income and Expenditure	**(6,851)**	**0**	**4,696**	**0**	**0**	**(2,155)**	**(56,465)**	**(58,620)**
Adjustments between accounting basis & funding basis under regulations (note 1)	11,857	0	(4,828)	0	(63)	**6,966**	(6,966)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**5,006**	**0**	**(132)**	**0**	**(63)**	**4,811**	**(63,431)**	**(58,620)**
Transfers to/(from) Earmarked Reserves (note 2)	(3,265)	3,265	446	(446)	0	**0**	0	**0**
Other Movements in Reserves	0	0	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2014/15	**1,741**	**3,265**	**314**	**(446)**	**(63)**	**4,811**	**(63,431)**	**(58,620)**
Balance at 31 March 2015 carried forward	**13,154**	**33,824**	**8,438**	**238**	**1,336**	**56,990**	**825,149**	**882,139**

Comprehensive Income and Expenditure Account for the Year Ended 31 March 2015

2013/14 (Restated)					2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
54,712	(20,679)	34,033	Central Services to the Public		51,249	(17,958)	33,291
58,897	(25,426)	33,471	Cultural & Related Services		58,205	(27,886)	30,319
56,121	(19,586)	36,535	Environmental & Regulatory Services		58,066	(23,779)	34,287
32,169	(17,017)	15,152	Planning Services		22,261	(19,905)	2,356
504,795	(76,850)	427,945	Children's and Education Services		400,525	(98,971)	301,554
76,127	(18,719)	57,408	Highways & Transport Services		64,252	(19,387)	44,865
63,765	(62,124)	1,641	Housing Revenue Account		69,971	(65,231)	4,740
182,254	(175,897)	6,357	Housing Services (General Fund)		181,640	(175,755)	5,885
125,423	(23,029)	102,394	Adult Social Care		127,857	(25,777)	102,080
11,980	246	12,226	Corporate & Democratic Core		9,982	(2,004)	7,978
2,838	0	2,838	Non-Distributed Costs	3	3,405	323	3,728
5,056	0	5,056	Exceptional Item	3	0	0	0
1,174,137	**(439,081)**	**735,056**	**Net Cost of Services**	4	**1,047,413**	**(476,330)**	**571,083**
25,012	0	25,012	Police and Crime Commissioner for South Wales	6	26,411	0	26,411
252	0	252	Community Council Precepts	6	256	0	256
17,392	0	17,392	Levies & Contributions	6	16,984	0	16,984
2,150	(2,821)	(671)	(Gain)/loss on sale of non-current assets		1,586	(5,774)	(4,188)
44,806	**(2,821)**	**41,985**	**Other Operating Expenditure**		**45,237**	**(5,774)**	**39,463**
23,871	0	23,871	Interest Payable on debt	21	24,616	0	24,616
2	0	2	Interest element of finance leases	16	0	0	0
30,055	0	30,055	Interest on net defined benefit liability/(asset)	19	19,416	0	19,416
0	(1,199)	(1,199)	Interest & Investment Income		0	(1,091)	(1,091)
162	0	162	Change in fair value of Investment Properties		3,538	(12,391)	(8,853)
54,090	**(1,199)**	**52,891**	**Financing and Investment Income & Expenditure**		**47,570**	**(13,482)**	**34,088**

Comprehensive Income and Expenditure Account

2013/14 (Restated)					2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
0	(53,164)	(53,164)	Recognised Capital Grants & Contributions		0	(28,165)	(28,165)
0	(339,678)	(339,678)	Revenue Support Grant		0	(326,291)	(326,291)
0	(107,229)	(107,229)	Non-Domestic Rates	9	0	(109,695)	(109,695)
948	(158,206)	(157,258)	Council Tax Income	8	779	(165,499)	(164,720)
0	(17,065)	(17,065)	Other Central Grants		0	(13,608)	(13,608)
948	**(675,342)**	**(674,394)**	**Taxation & Non-Specific Grant Income**		**779**	**(643,258)**	**(642,479)**
		155,538	**(Surplus)/Deficit on Provision of Services**				**2,155**
		(19,902)	Revaluation Gains	29			(937)
		127,299	Revaluation Losses	29			3,287
		352	Impairment losses on non-current assets charged to the Revaluation Reserve				412
		0	Reversal of revaluation losses recognised in the Comprehensive Income & Exenditure Statement				0
		488	(Surplus)/Deficit on revaluation of available for sale financial assets	29			2,211
		(266,411)	Actuarial (gains)/losses on pension assets/liabilities	19			51,492
		(158,174)	**Other Comprehensive Income & Expenditure**				**56,465**
		(2,636)	**Total Comprehensive Income & Expenditure**				**58,620**

* The net cost of services includes IAS 19 Current Service Cost (CSC) which includes an allowance for the administration expenses of £470,000 in 2014/15 (£470,000 in 2013/14).

Balance Sheet

31 March 2014 Restated £000		Note	31 March 2015 £000
	Property Plant & Equipment:	20	
566,393	Council Dwellings		569,012
747,292	Other Land and Buildings		769,990
15,393	Vehicles, Plant, Furniture & Equipment		14,989
314,866	Infrastructure		308,666
18,734	Community Assets		19,206
24,036	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		37,024
	Heritage Assets		
50,789	Heritage Assets		50,884
	Investment Property:	17	
75,625	Investment Properties		100,787
	Intangible Assets		
4,748	Intangible assets including AUC	20	4,346
19,553	Long-term Investments		17,316
2,935	Long-term Debtors		2,790
1,895,767	**Total Long Term Assets**		**1,906,767**
28,895	Short-term Investments		42,185
380	Assets held for Sale	20	3,040
2,697	Inventories		2,109
72,101	Short-term Debtors	22	90,982
41,761	Cash and Cash Equivalents	23	23,137
145,834	**Total Current Assets**		**161,453**
(14,457)	Short Term Borrowing	21	(12,964)
(75,827)	Short Term Creditors	24	(94,801)
(2,486)	Pension Strain	26.1	(2,830)
(9,806)	Provisions	26	(9,011)
(1,210)	Deferred Liabilities	27	(1,024)
(103,786)	**Total Current Liabilities**		**(120,630)**
(465,486)	Long Term Borrowing	21	(464,808)
(33,095)	Provisions	26	(31,399)
(7,290)	Deferred Liabilities	27	(7,217)
(9,724)	Capital Contributions Receipts in Advance	30	(10,095)
(2,363)	Revenue Grants Receipts in Advance	30	(3,734)
(306)	Capital Grants Receipts in Advance	30	(2,160)

31 March 2014 Restated		Note	31 March 2015
(5,766)	Pensions Strain	26.1	(6,252)
(473,027)	Net Pensions Liability		(539,786)
(997,057)	**Total Long Term Liabilities**		**(1,065,451)**
940,758	**NET ASSETS**		**882,139**
	Financed by:		
11,413	Council Fund Balance		13,154
30,559	Council Fund Earmarked Reserves		33,824
8,124	Housing Revenue Account Balance		8,438
684	HRA Earmarked Reserves		238
1,399	Capital Receipts Reserve		1,336
52,179	**Usable Reserves**	28	**56,990**
206,879	Revaluation Reserve		200,928
1,156,598	Capital Adjustment Account		1,169,476
104	Deferred Capital Receipts		87
15,774	Available for Sale Financial Instruments Reserve		13,563
(2,709)	Financial Instruments Adjustment Account		(2,367)
(481,278)	Pensions Reserve		(548,868)
(6,789)	Accumulated Absences Adjustment Account		(7,670)
888,579	**Unusable Reserves**	29	**825,149**
940,758	**TOTAL RESERVES**		**882,139**

2013/14 £000		Note	2014/15 £000
155,538	Net (Surplus) /Deficit on the provision of services		**2,155**
(243,668)	Adjust net surplus or deficit on the provision of services for non-cash movements	32	(84,472)
50,587	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	19,305
(37,543)	**Net cash flows from operating activities**		**(63,012)**
(1,061)	Interest Received		(1,112)
24,852	Interest Paid		24,728
1	Finance lease interest paid		0
(61,336)	Net cash flow from other operating activities		(86,628)
56,743	**Investing activities**		**67,618**
81,893	Purchase of property, plant and equipment, investment property and intangible assets		70,700
3,232	Purchase of short-term and long-term Investments		29,047
20,579	Other payments for investing activities		9,922
(3,568)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(5,774)
(43,319)	Capital Grants		(33,754)
(2,006)	Capital Contributions		(2,523)
(68)	Proceeds from short-term and long-term investments		0
(26,014)	**Financing activities**		**14,018**
(18,383)	Cash receipts from short-term and long-term borrowing		(5,700)
(7,752)	Other receipts from financing activities		0
15	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
106	Repayments of short-term and long-term borrowing		7,820
0	Other payments for financing activities		11,898
(6,815)	**Net (increase)/ decrease in cash and cash equivalents**		**(18,624)**
34,946	**Cash and cash equivalents at the beginning of the reporting period**		41,761
41,761	**Cash and cash equivalents at the end of the reporting period represented by:**		**23,137**
323	Cash held e.g. Imprest Accounts		182
9,219	Cash and Bank		11,051
32,219	Short-term deposits with financial institutions		11,904

3.6 INDEX OF NOTES TO THE CORE STATEMENTS

1. Adjustments between Accounting Basis and Funding Basis under Regulations
This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non current assets	44,526	14,103	0	(58,629)
Revaluation losses of non-current assets	1,939	1,752	0	(3,691)
Reverse previous impairment on revaluation	(950)	(1)	0	951
Amortisation of intangible assets	801	45	0	(846)
Movements in the market value of Investment properties	(8,933)	80	0	8,853
Movement in the value of Held for Sale Assets	504	0	0	(504)
Capital grants and contributions applied	(16,685)	(11,480)	0	28,165
Revenue expenditure funded from capital under statute	396	353	0	(749)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	268	1,145	0	(1,413)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(23,374)	(2,899)	0	26,273
Statutory repayment of Debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the General Fund and HRA balances	(1,819)	(3,761)	0	5,580
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(4,753)	4,753
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	35	(35)	0
Capital Receipts set aside for the repayment of debt	113	0	(1,231)	1,118
Adjustments involving the Revaluation Reserve				
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	(1,802)	(3,964)	5,939	(173)
Adjustments involving the Financial Instruments Adjustment Account				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	55,881	1,290	0	(57,171)
Employer's contributions to the Pension Scheme	(40,396)	(1,507)	0	41,903
Pension Strain Future Years	844	(14)	0	(830)
Adjustments involving the Accumulating Compensated Absences Adjustment Account				

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	884	(3)	0	(881)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	17	(17)
Total Adjustments	**11,857**	**(4,828)**	**(63)**	**(6,966)**

Comparative Movements in 2013/14

2013/14 (Restated)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation of non current assets	186,073	13,113	0	(199,186)
Impairment/revaluation losses of non-current assets	5,056	0	0	(5,056)
Reverse previous impairment on revaluation	(14,931)	0	0	14,931
Amortisation of intangible assets	904	0	0	(904)
Movements in the market value of Investment properties	162	0	0	(162)
Movement in the value of Held for Sale Assets	1,033	0	0	(1,033)
Capital grants and contributions applied	(42,916)	(10,248)		53,164
Revenue expenditure funded from capital under statute	3,341	55	0	(3,396)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(109)	(561)	2,821	(2,151)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(21,577)	(4,074)	0	25,651
Statutory repayment of Debt (Finance Lease liabilities)	(13)	0	0	13
Capital expenditure charged against the General Fund and HRA balances	(1,891)	(2,198)	0	4,089
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(3,354)	3,354
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	18	(18)	0
Capital Receipts set aside for the repayment of debt	(103)	0	(402)	505
Adjustments involving the Financial Instruments Adjustment Account				

2013/14 (Restated)	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
Amortisation of Premiums and Discounts	(340)	(2)	0	342
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	74,055	1,428	0	(75,483)
Employer's contributions to the Pension Scheme	(41,605)	(1,755)	0	43,360
Pension Strain Future Years	2,111	(15)	0	(2,096)
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	828	5	0	(833)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	747	(747)
Total Adjustments	**150,078**	**(4,234)**	**(206)**	**(145,638)**

2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2014/15.

	Balance 31 March 2014 £000	Contributions From Revenue £000	Contributions To Revenue £000	Balance 31 March 2015 £000
SCHOOLS BALANCES				
Schools Reserves inc. Nursery schools	**334**	3,179	(4,126)	**(613)**
Cathays HS – Maint. of Playing Field	**3**	0	0	**3**
Primary/Special DSU Contingency	**373**	422	(657)	**138**
	710	**3,601**	**(4,783)**	**(472)**
SCHOOLS RESERVES				
ICT Schools Practice Account	**49**	0	(49)	**0**
Schools Formula Funding Reserve (formerly LMS Contingency)	**712**	1,263	(308)	**1,667**
Out of School Childcare	**102**	22	(13)	**111**
Schools Catering Reserve	**544**	0	0	**544**
Cleaning Direct Service Unit	**95**	0	(95)	**0**
Schools Organisational Plan*	**5,282**	6,538	(7,814)	**4,006**
Special Educational Needs Unit	**102**	0	0	**102**
	6,886	**7,823**	**(8,279)**	**6,430**
OTHER EARMARKED RESERVES				
Apprenticeship Reserve	**500**	0	(18)	**482**
Bereavement Services Reserve	**592**	222	(793)	**21**
Building Control Fee Earning	**145**	236	0	**381**
Bute Park Match Funding Reserve	**254**	0	(26)	**228**
Cardiff Academy Reserve	**85**	10	0	**95**
Cardiff Dogs' Home Legacy	**33**	0	0	**33**
Cardiff Enterprise Zone	**1,525**	1,404	0	**2,929**
Cardiff Insurance Reserve	**3,211**	1,034	0	**4,245**
Central Market Minor Works Reserve	**1**	0	0	**1**
Central Transport Service Vehicle Reserve	**66**	100	0	**166**
Children's Play Sufficiency Assessment Reserve	**20**	0	(20)	**0**
City Deal Reserve	**0**	150	0	**150**
Community Safety	**30**	0	0	**30**
Connect to Cardiff Refurbishment Reserve	**0**	120	0	**120**
Discretionary Rate Relief Reserve	**100**	0	0	**100**
Employee Changes Reserve	**250**	8,011	(7,745)	**516**
Energy Conservation Reserve	**208**	0	0	**208**
Energy/Carbon Reduction Reserve	**276**	513	0	**789**
Equal Pay Reserve	**409**	0	(127)	**282**
Flatholm Reserve	**24**	0	0	**24**
Fraud Detection Reserve	**182**	11	0	**193**
Harbour Project & Contingency Fund	**491**	280	(74)	**697**

	Balance 31 March 2014 £000	Contributions From Revenue £000	Contributions To Revenue £000	Balance 31 March 2015 £000
Highways Local Government Borrowing Initiative Reserve	**698**	1,047	(698)	**1,047**
HMO Licensing	**0**	63	0	**63**
Homelessness Reserve*	**1,214**	0	(26)	**1,188**
House Mortgage Reserve	**32**	0	(3)	**29**
Housing Benefit Reserve	**1,856**	52	(300)	**1,608**
Housing Options Centre Reserve *	**834**	0	(140)	**694**
Housing Support Reserve*	**1,453**	0	(71)	**1,382**
ICT Holding A/C Reserve	**220**	0	(14)	**206**
Inspectorate Support Reserve	**332**	28	(24)	**336**
Integrated Partnership Strategy	**31**	0	0	**31**
Invest to Save Reserve	**350**	0	0	**350**
Joint Equipment Store - Pooled Budget Reserve	**0**	126	0	**126**
Kitchen Improvement Reserve	**214**	95	0	**309**
Leisure Income Management System Reserve	**150**	0	(150)	**0**
Libraries Book Fund Reserve	**10**	0	(10)	**0**
Local Lend a Hand Mortgage Scheme	**87**	45	0	**132**
Local Plan Reserve	**166**	4	0	**170**
Local Service Board Initiative	**46**	0	0	**46**
Major Projects Reserve	**2,462**	0	(283)	**2,179**
Members Development	**45**	0	0	**45**
Municipal Election Reserve	**96**	197	0	**293**
Non-Domestic Rates Due Diligence Reserve	**0**	60	0	**60**
Org Development Programme	**967**	136	(306)	**797**
Parking Reserve	**121**	3,874	(3,926)	**69**
PDD – Impact on Design Reserve	**75**	0	0	**75**
Registration Service Improvement	**46**	0	0	**46**
Resources Reserve	**863**	423	(34)	**1,252**
Scrutiny Development & Training Reserve	**72**	0	0	**72**
Social Care - Safeguarding & Preventative Measures Reserve	**0**	125	0	**125**
Social Care Technology Reserve	**854**	0	(93)	**761**
Sport, Leisure & Culture Reserve	**234**	0	(189)	**45**
Valuers Reserve	**39**	0	(17)	**22**
Waste Management/Prosiect Gwyrdd Reserve	**0**	2,020	0	**2,020**
Workshops Asset Maintenance	**12**	0	0	**12**
Youth and Community Education Reserve	**491**	0	(232)	**259**
	22,472	**20,386**	**(15,319)**	**27,539**
CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES				
Central South Consortium	**240**	0	(70)	**170**
Glamorgan Archives	**173**	0	(75)	**98**

	Balance 31 March 2014 £000	Contributions From Revenue £000	To Revenue £000	Balance 31 March 2015 £000
Prosiect Gwyrdd	**53**	0	(16)	**37**
Welsh Purchasing Consortium	**25**	0	(3)	**22**
	491	**0**	**(164)**	**327**
Total General Fund Reserves	**30,559**	**31,810**	**(28,545)**	**33,824**
HRA RESERVES				
Dilapidation Reserve	**385**	**0**	(385)	**0**
HRA / Housing IT Reserve	**299**	0	(61)	**238**
Total HRA Reserves	**684**	**0**	**(446)**	**238**
TOTAL EARMARKED RESERVES	**31,243**	**31,810**	**(28,991)**	**34,062**

* These reserves have been utilised to fund voluntary severance, these will be repaid over the next three years, see employee changes reserve summary below.

Details are given below for reserves where the balances are in excess of £500,000.

The **Schools Balances** figure of £613,000 debit comprises of two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2015 Schools' own balances, including the balances of nursery schools amounted to a surplus of **£1.287 million** for **individual schools** (£334,000 in 2013/14 deficit). However, a deficit balance of £1.9 million has been set up which is the amount of severance and exit costs paid out in 2014/15 which will be paid back by schools over the next five financial years at £480,000 per annum. In addition, the Council has established reserves to allow for contingencies affecting schools. Further details of each individual school's balance at 31 March 2015 are shown on pages 53 to 56.

The **Schools Formula Funding Reserve** is an amount is set aside in order to deal with costs arising from schools that are unable to be met from the funding formula budget.

The **Schools Organisational Plan Reserve** has been set up to fund the capital charges and other costs associated with schools reorganisation resulting from investment in the Schools Organisation Plan and 21st Century Schools.

The **Cardiff Enterprise Zone Reserve** was set-up to support economic regeneration in the vicinity of Cardiff Central Station and to create a new capital city gateway based around a modern public transport interchange.

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

The **Catering Reserve** is held in order to facilitate kitchen improvements as Health & Safety Inspections arise and to complete the roll out of cashless pay systems in secondary Schools. It is envisaged that all secondary schools will have cashless pay systems implemented no later than 31 March 2016. The amount held for kitchen improvements is anticipated to reduce considerably during the year.

The **Employee Changes Reserve** has been set up to meet the costs associated with Voluntary Severance and other employee costs.

The **Energy/Carbon Reduction Reserve** is used to fund any fluctuations to the Council's revenue budget for the payment of Carbon Reduction Allowances or energy costs.

The **Highways Local Government Borrowing Initiative Reserve** contains amounts provided by Welsh Government in the 2014/15 revenue settlement to be used to fund future years' revenue borrowing costs.

The **Homelessness Reserve** was established in order to deal with pressures on homelessness in the city. Further pressures are predicted due to the effects of welfare reforms and the introduction of universal credits.

The **Housing Benefit Reserve** will be used to fund home working and landlord liaison schemes and the training of new Benefits and Customer Services Assistants through to 2014/15. It will also be used to fund software development and office accommodation refurbishment costs and to provide further resources that may be required for Housing Benefit debt recovery.

The **Housing Options Centre Reserve** has been set up to fund the capital financing loan charges incurred in building the new Housing Options Centre.

The **Housing Support Reserve** was established to support initiatives and projects aimed at maintaining people's independence in their own homes.

The **Major Projects Reserve** was established to support the costs of major projects.

The **Organisational Development Programme Reserve** has been set up to review the shape and scope of the organisation, the way in which services are delivered, and to implement a new organisational model in order to respond to the current financial challenges. The Organisational Development Programme Reserve provides support to the projects within this programme through the funding of any additional resources, expertise or professional advice that may be required.

The **Resources Reserve** brings together existing earmarked reserves across the Directorate and includes various initiatives such as Office Rationalisation, Legal, Human Resources and Enterprise Architecture. It will also be used to enable future flexibility and support in respect of financial resilience.

The **Social Care Technology Reserve** is required to meet future and potential IT and management information developments and requirements in relation to Adults and Children's Services (social care). The anticipated developments include electronic document and records management, information sharing, electronic time management and the possible replacement of the main social care case recoding system, Care First.

The **Waste Mangement/Prosiect Gwyrdd Reserve** has been set-up to mitigate the financial impact associated with the volatility of waste tonnages.

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

Schools Balances

The individual balances of each school are as follows:

	Balance 31 March 2014 £000	Contributions From Revenue £000	Contributions To Revenue £000	Balance 31 March 2015 £000
Primary Schools				
Adamsdown Primary School	72	0	(38)	**34**
Albany Primary School	94	0	(19)	**75**
All Saints C.W. Primary School	24	16	0	**40**
Allensbank Primary School	22	0	(2)	**20**
Baden Powell Primary School	32	116	0	**148**
Birchgrove Primary School	58	30	0	**88**
Bishop Childs C.W. Primary School	52	5	0	**57**
Bryn Celyn Primary School	(21)	29	0	**8**
Bryn Deri Primary School	27	0	(8)	**19**
Bryn Hafod Primary School	38	0	(41)	**(3)**
Christ The King R.C. Primary School	4	19	0	**23**
Coed Glas Primary School	38	0	(2)	**36**
Coryton Primary School	(16)	0	(11)	**(27)**
Creigiau Primary School	57	3	0	**60**
Danescourt Primary School	(48)	8	0	**(40)**
Fairwater Primary School	3	12	0	**15**
Gabalfa Primary School	51	0	(30)	**21**
Gladstone Primary School	35	29	0	**64**
Glan Yr Afon Primary School	(11)	25	0	**14**
Glyncoed Primary School	48	26	0	**74**
Grangetown Nursery School	19	29	0	**48**
Grangetown Primary School	29	97	0	**126**
Greenway Primary School	18	14	0	**32**
Gwaelod-y-Garth Primary School	23	0	(11)	**12**
Hawthorn Primary School	1	22	(15)	**8**
Herbert Thompson Primary School	20	30	0	**50**
Holy Family R.C. Primary School	15	0	(5)	**10**
Hywel Dda Primary School	62	14	0	**76**
ICC Ely/Vachell Rd Nursery	34	0	(77)	**(43)**
Kitchener Primary School	42	0	(39)	**3**
Lakeside Primary School	15	11	0	**26**
Lansdowne Primary School	(8)	10	0	**2**
Llandaff C.W. Primary School	22	0	(17)	**5**
Llanedeyrn Primary School	31	75	0	**106**
Llanishen Fach Primary School	7	49	0	**56**
Llysfaen Primary School	114	0	(52)	**62**
Marlborough Primary School	90	37	0	**127**
Meadowlane Primary School	(26)	88	0	**62**
Millbank Primary School	33	31	0	**64**

	Balance 31 March 2014 £000	Contributions From Revenue £000	To Revenue £000	Balance 31 March 2015 £000
Moorland Primary School	16	3	0	**19**
Mount Stuart Primary School	38	13	0	**51**
Ninian Park Primary School	2	44	0	**46**
Oakfield Primary School	(24)	0	(23)	**(47)**
Pencaerau Primary School	17	5	0	**22**
Pentrebane Primary School	57	41	(30)	**68**
Pentyrch Primary School	26	0	(4)	**22**
Pen-y-Bryn Primary School	30	0	(22)	**8**
Peter Lea Primary School	23	0	(52)	**(29)**
Radnor Primary School	34	0	(15)	**19**
Radyr Primary School	43	0	(14)	**29**
Rhiwbina Primary School	76	0	(26)	**50**
Rhydypenau Primary School	51	7	0	**58**
Roath Park Primary School	57	0	0	**57**
Rumney Primary School	17	0	(7)	**10**
Severn Primary School	56	0	(16)	**40**
Springwood Primary School	69	0	(3)	**66**
St Alban's R.C. Primary School	(176)	3	(20)	**(193)**
St Bernadette's R.C. Primary School	10	3	0	**13**
St Cadoc's R.C. Primary School	48	0	(17)	**31**
St Cuthbert's R.C. Primary School	46	28	0	**74**
St David's C.W. Primary School	2	4	(10)	**(4)**
St Fagan's C.W. Primary School	(26)	36	0	**10**
St Francis R.C. Primary School	56	0	(36)	**20**
St John Lloyd R.C. Primary School	45	23	0	**68**
St Joseph's R.C. Primary School	(75)	0	(38)	**(113)**
St Mary The Virgin C.W. Primary School	40	0	(25)	**15**
St Mary's R.C. Primary School	(46)	2	0	**(44)**
St Mellons C.W. Primary School	39	0	(8)	**31**
St Monica's C.W. Primary School	(48)	0	(45)	**(93)**
St Patrick's R.C. Primary School	29	0	(15)	**14**
St Paul's C.W. Primary School	53	5	0	**58**
St Peter's R.C. Primary School	47	44	0	**91**
St Philip Evans R.C. Primary School	(15)	109	0	**94**
Stacey Primary School	29	0	(19)	**10**
Thornhill Primary School	(7)	27	0	**20**
Tongwynlais Primary School	37	0	(19)	**18**
Ton-yr-Ywen Primary School	37	34	0	**71**
Tredegarville C.W. Primary School	49	0	(52)	**(3)**
Trelai Primary School	65	0	(27)	**38**
Tremorfa Nursery School	42	0	(6)	**36**
Trowbridge Infant School	0	0	0	**0**
Trowbridge Junior School	0	0	0	**0**
Trowbridge Primary School	33	0	(13)	**20**

	Balance 31 March 2014 £000	Contributions From Revenue £000	Contributions To Revenue £000	Balance 31 March 2015 £000
Whitchurch Primary School	58	79	0	**137**
Willowbrook Primary School	14	29	0	**43**
Windsor Clive Primary School	69	54	0	**123**
Ysgol Bro Eirwg	29	35	0	**64**
Ysgol Glan Ceubal	(5)	0	(12)	**(17)**
Ysgol Glan Morfa	(44)	53	0	**9**
Ysgol Gymraeg Coed-y-Gof	30	57	0	**87**
Ysgol Gymraeg Treganna	17	3	0	**20**
Ysgol Melin Gruffydd	45	4	0	**49**
Ysgol Mynydd Bychan	44	0	(33)	**11**
Ysgol Nant Caerau	(15)	1	0	**(14)**
Ysgol Pen y Groes	63	0	(31)	**32**
Ysgol Pen y Pil	50	0	(12)	**38**
Ysgol Pencae	9	10	0	**19**
Ysgol Pwll Coch	24	0	(8)	**16**
Ysgol Tan yr Eos	0	0	0	**0**
Ysgol-y-Berllan Deg	24	12	(29)	**7**
Ysgol-y-Wern	39	14	0	**53**
Total Primary Schools (net)	**2,453**	**1,607**	**(1,054)**	**3,006**
Secondary Schools				
Bishop Of Llandaff C.W. High School	(66)	0	(197)	**(263)**
Cantonian High School	(1,288)	61	0	**(1,227)**
Cardiff High School	(79)	122	0	**43**
Cathays High School	32	0	(3)	**29**
Corpus Christi R.C. High School	(42)	104	0	**62**
Eastern High School	0	140	0	**140**
Fitzalan High School	0	22	0	**22**
Glyn Derw High School	(161)	0	(150)	**(311)**
Llanedeyrn High School	0	0	0	**0**
Llanishen High School	73	0	(68)	**5**
Llanrumney High School	0	0	0	**0**
Mary Immaculate High School	(75)	141	0	**66**
Michaelston Community College	(550)	0	(317)	**(867)**
Radyr Comprehensive	99	15	(15)	**99**
Rumney High School	(381)	381	0	**0**
St Illtyd's R.C. High School	14	7	(8)	**13**
St Teilo's C.W. High School	(250)	337	0	**87**
Whitchurch High School	(80)	0	(125)	**(205)**
Willows High School	3	0	(47)	**(44)**
Ysgol Gyfun Bro Edern	47	13	0	**60**
Ysgol Gyfun Gymraeg Glantaf	98	105	0	**203**
Ysgol Gyfun Gymraeg Plasmawr	(65)	0	(110)	**(175)**
Total Secondary Schools (net)	**(2,671)**	**1,448**	**(1,040)**	**(2,263)**
Special Schools				

	Balance 31 March 2014 £000	Contributions From Revenue £000	Contributions To Revenue £000	Balance 31 March 2015 £000
Greenhill School	125	0	(29)	**96**
Meadowbank School	86	0	(13)	**73**
Riverbank School	59	15	0	**74**
The Court School	73	6	0	**79**
The Hollies School	79	5	(32)	**52**
Ty Gwyn School	62	98	0	**160**
Woodlands High School	68	0	(58)	**10**
Total Special Schools (net)	**552**	**124**	**(132)**	**544**
Amount in respect of schools voluntary severance	**0**	**0**	**(1,900)**	**(1,900)**
Total Schools Balances (net)	**334**	**3,179**	**(4,126)**	**(613)**

Parking Reserve
The Parking Reserve is generated from surpluses achieved from Civil Parking Enforcement (CPE). The use of any surplus is governed by Section 55 of the Road Traffic Regulations Act 1984 which specifies that the surplus may be used to fund operational costs including subsidising the enforcement service, supporting public passenger transport services, transport planning and road safety, maintaining off-street car parks and highway improvement work.

2013/14 £000		2014/15 £000
	Income	
(4,029)	On-street pay car parking fees	(3,917)
(2,150)	Penalty charge notices	(2,077)
(142)	Residents parking permits	(254)
(230)	Off-Street car parking fees	(667)
0	Moving Traffic Offences	(848)
(48)	Other income	(54)
(6,599)	**Total Income**	**(7,817)**
	Expenditure	
947	Operational costs and Traffic Regulation Orders	1,341
2,775	Enforcement service	2,602
3,722	**Total Expenditure**	**3,943**
(2,877)	**Civil Parking Enforcement Net (Surplus)/Deficit**	**(3,874)**
	Movements to/(from) Parking Reserve:	
681	**Balance 1 April 2014**	**121**
2,877	Contributions from CPE	3,874
(3,437)	Contributions to revenue*	(3,926)
121	**Balance 31 March 2015**	**69**

* Eligible expenditure totalling **£3.926 million** was drawn down from the reserve leaving a balance of £69,000 at the 31 March 2015.

3. Non-Distributed Costs and Exceptional Items

Non-Distributed Costs (NDC) amount is made up of £2.878 million in relation to IAS 19 past service costs, £663,027 in relation to accommodation, £150,930 in relation to Carbon Reduction and £35,181 in relation to Equal Pay compensation.

There are no **Exceptional Items** in 2014/15. Exceptional Items in 2013/14 include £5.056 million in relation to impairment of loans owed by Glamorgan County Cricket Club for the redevelopment of the stadium.

4. Amounts reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

The service analysis, HRA and Harbour figures in the first three columns of the reconciliation to subjective analysis tables on pages 61 to 62 are based on the reported Outturn for Council Fund services which will be reported to the Cabinet Meeting of the Council in July 2015. The Outturn for the Housing Revenue

Account (HRA) is reported separately at the same meeting. The figures for the Harbour Authority are based on the Council's ledger at the same date. These figures include some depreciation charges and the corresponding reversing entry which is required in order to neutralise the impact on Council Tax.

Not included in Net Cost of Services
Certain types of income and expenditure which are included in the reported Outturn are required to be excluded from the Net Cost of Services and shown as either corporate amounts or included in the statutory adjustment accounts. These include the following:

- Employers pension contributions
- Appropriations to earmarked reserves and balances
- Direct revenue financing costs
- Voluntary revenue provision made by Directorates
- Transfers to capital reserves included in HRA and Harbour revenue accounts
- Interest payable and receivable
- Precepts and levies

Amounts not reported to management for decision making
Items included in the above classification mainly cover adjustments that are required under the IFRS Code.

The following are reversed out in the statutory adjustment accounts ensuring that they do not impact on Council tax:

- Adjustments required under IAS19 in respect of accounting for pension costs and accruing for untaken leave.
- Other items including the reclassification of certain operating lease rentals into finance leases; elimination of agency expenditure and income; a reclassification between income and expenditure.

Other items include:

- The Council's share of the transactions of those Joint Committees of which it is a member are required to be added into its Comprehensive Income Expenditure Statement on a line-by–line basis instead of being shown as a contribution to each Joint Committee.
- Additional capital journals that are input as 'technical adjustments' after the reported Outturn is determined.

Adjustment for recharges
The presentation of figures in the Council's Outturn report is based on the cash limit budgets of Directorates. Support service recharges are largely shown in the directorate that is responsible for the expenditure. However, some internal income is netted off against expenditure.

In the Comprehensive and Income Expenditure Statement all internal recharging between Directorates is eliminated.

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement
This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to amounts included in the Comprehensive Income and Expenditure Statement.

2013/14 (Restated) £000		2014/15 £000
593,007	Net expenditure in Service Area Analysis (including Harbour)	583,547
(964)	Services not included in Service Area Analysis (HRA)	(314)
(527,286)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(19,038)
670,299	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	6,888
0	Amounts in respect of presentation of internal recharges	0
735,056	**Net Cost of Services in Comprehensive Income & Expenditure Statement**	**571,083**

The income and expenditure of the Council's principal Directorates recorded in the budget reports for **2014/15** is as follows:

	Health & Social Care (including asylum seekers) £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,128)	(28,655)	(32,692)	(10,950)	(15,632)	(19,840)	(22,805)	**(136,702)**
Government grants	(10,058)	(50,225)	(2,672)	(9,171)	(191,614)	(2,399)	(19,405)	**(285,544)**
Total Income	**(16,186)**	**(78,880)**	**(35,364)**	**(20,121)**	**(207,246)**	**(22,239)**	**(42,210)**	**(422,246)**
Employee expenses	24,997	237,401	27,061	24,077	24,583	14,699	60,403	**413,221**
Other service expenses	89,206	66,569	23,007	17,234	224,326	32,615	138,442	**591,399**
Support service recharges	2,483	5,701	1,304	5,290	584	1,814	(16,003)	**1,173**
Total Expenditure	**116,686**	**309,671**	**51,372**	**46,601**	**249,493**	**49,128**	**182,842**	**1,005,793**
Net Expenditure	**100,500**	**230,791**	**16,008**	**26,480**	**42,247**	**26,889**	**140,632**	**583,547**

Comparative data for 2013/14 is as follows:

	Health & Social Care (including asylum seekers) £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,669)	(27,579)	(31,309)	(8,753)	(15,222)	(17,014)	(31,144)	**(137,690)**
Government grants	(10,171)	(47,442)	(2,591)	(8,856)	(187,302)	(1,975)	(14,933)	**(273,270)**
Total Income	**(16,840)**	**(75,021)**	**(33,900)**	**(17,609)**	**(202,524)**	**(18,989)**	**(46,077)**	**(410,960)**
Employee expenses	27,623	234,214	29,442	27,210	24,497	16,742	65,330	**425,058**
Other service expenses	83,079	69,180	22,942	14,882	220,270	35,858	127,830	**574,041**
Support service recharges	3,314	5,157	1,248	4,669	716	2,199	(12,435)	**4,868**
Total Expenditure	**114,016**	**308,551**	**53,632**	**46,761**	**245,483**	**54,799**	**180,725**	**1,003,967**
Net Expenditure	**97,176**	**233,530**	**19,732**	**29,152**	**42,959**	**35,810**	**134,648**	**593,007**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2014/15	Directorate analysis (inc Harbour) £000	HRA £000	Not included in Net Cost of Services £000	Allocation of recharges £000	*Not reported to management for decision making* £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(107,191)	(64,674)	2,097	168,892	(183,854)	**(184,730)**	0	**(184,730)**
Interest & investment income	(874)	(65)	68	0	871	**0**	(1,091)	**(1,091)**
Income from Council Tax	0	0	0	0	0	**0**	(164,720)	**(164,720)**
Government grants & contributions	(285,545)	(748)	12,262	0	(15,491)	**(289,522)**	(477,759)	**(767,281)**
Capital Financing reversals (Net)	(28,636)	(481)	23,224	0	5,893	**0**	0	**0**
Change in fair value of investment properties	0	0	(80)	0	80	**0**	(8,853)	**(8,853)**
Gain/loss on disposal of fixed assets	0	0	(4,189)	0	4,189	**0**	(4,188)	**(4,188)**
Total Income	**(422,246)**	**(65,968)**	**33,382**	**168,892**	**(188,312)**	**(474,252)**	**(656,611)**	**(1,130,863)**
Employee expenses	413,219	10,487	0	(14,723)	15,255	**424,238**	0	**424,238**
Other service expenses	496,921	37,910	(1,870)	(96,608)	122,023	**558,376**	0	**558,376**
Support service recharges	1,172	5,789	(2,111)	(56,611)	51,761	**0**	0	**0**
Depreciation, amortisation, impairment & REFCUS	0	0	0	(950)	63,671	**62,721**	0	**62,721**
Interest payments	19,818	4,806	(4,806)		(19,818)	**0**	24,616	**24,616**
Interest on net defined benefit liability/asset	0	0	0	0	0	**0**	19,416	**19,416**
Precepts & levies	16,984	0	0	0	(16,984)	**0**	43,651	**43,651**
Capital financing	57,679	6,662	(17,707)	0	(46,634)	**0**		**0**
Total expenditure	**1,005,793**	**65,654**	**(26,494)**	**(168,892)**	**169,274**	**1,045,335**	**87,683**	**1,133,018**
(Surplus)/deficit on provision of services	**583,547**	**(314)**	**6,888**	**0**	**(19,038)**	**571,083**	**(568,928)**	**2,155**

2013/14	Directorate analysis incl. Harbour £000	HRA £000	Not included in Net Cost of Services £000	Allocation of recharges £000	*Not reported to management for decision making* £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(102,794)	(62,496)	724,085	186,532	(901,752)	**(156,425)**	0	**(156,425)**
Interest & investment income	(859)	(65)	162	0	762	**0**	(1,199)	**(1,199)**
Income from Council Tax	0	0	0	0	0	**0**	(157,258)	**(157,258)**
Government grants & contributions	(273,270)	(659)	746		(9,473)	**(282,656)**	(517,136)	**(799,792)**
Capital Financing reversals (Net)	(34,037)	(645)	60,592	0	(25,910)	**0**	0	**0**
Gain/loss on disposal of fixed assets	0	0	0	0	0	**0**	(671)	**(671)**
Total Income	**(410,960)**	**(63,865)**	**785,585**	**186,532**	**(936,373)**	**(439,081)**	**(676,264)**	**(1,115,345)**
Employee expenses	425,058	10,139	(43,360)	(14,235)	67,475	**445,077**		**445,077**
Other service expenses	493,083	36,058	(1,515)	(100,110)	119,697	**547,213**		**547,213**
Support service recharges	4,868	5,674	(1,723)	(57,256)	49,194	**757**		**757**
Depreciation, amortisation, impairment & REFCUS	0	0	0	(14,931)	196,021	**181,090**		**181,090**
Interest payments	19,037	4,756	(4,782)	0	(19,011)	**0**	23,873	**23,873**
Interest on net defined benefit liability/asset	0	0	0	0	0	**0**	30,055	**30,055**
Precepts & levies	17,395	0	(17,395)	0		**0**	42,656	**42,656**
Change in fair value of investment properties	0	0	(80)	0	80	**0**	162	**162**
Capital financing	44,526	6,274	(44,167)	0	(6,633)	**0**		**0**
Total expenditure	**1,003,967**	**62,901**	**(113,022)**	**(186,532)**	**406,823**	**1,174,137**	**96,746**	**1,270,883**
(Surplus)/deficit on provision of services	**593,007**	**(964)**	**672,563**	**0**	**(529,550)**	**735,056**	**(579,518)**	**155,538**

5. Harbour Authority & Associated Activities

The following accounts are extracted from the Council's accounts and relate to functions transferred to The City of Cardiff Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000. These accounts are required by the Welsh Government and comprise an Income and Expenditure Statement and Balance Sheet. They are consolidated into the accounts of The City of Cardiff Council but are shown separately for information purposes. A separate set of accounts have been prepared in accordance with the 1964 Harbours Act and can be seen from page 197.

2013/14 £000	Harbour Authority Income & Expenditure Statement	2014/15 £000
	Income	
(8,659)	Government Grants	(6,324)
(898)	Fees and Charges	(884)
(227)	Capital Grants Applied	(324)
(9,784)	**Total Income**	**(7,532)**
	Expenditure	
3,278	Employees	2,607
2,500	Premises	1,298
86	Transport	73
1,884	Supplies and Services	2,263
973	Support Services	628
7	Third Party Payments	6
4,489	Depreciation	3,029
13,217	**Total Expenditure**	**9,904**
3,433	**Net Expenditure for the year**	**2,372**
	Appropriations from reserves:	
	Contributions to/(from) Capital Adjustment Account in respect of	
(4,489)	- Depreciation charged to income & expenditure	(3,029)
227	- Capital Grants Applied	324
415	- Capital expenditure funded from revenue resources	0
4	Contribution from Accumulated Absences account	(4)
(86)	Contributions to/(from) Pensions Reserve	57
496	Contributions to/(from) Project & Contingency Fund	280
0	**(Surplus)/Deficit for the year**	**0**

2014/15 is the first year of a revised 3 year agreement with Welsh Government for the management of the Harbour Authority and associated activities.

31 March 2014 £000	Harbour Authority Balance Sheet	31 March 2015 £000
	Property, plant and equipment	
7,571	Land and Buildings	7,532
255	Vehicles, Plant, Furniture & Equipment	338
165,903	Infrastructure	163,218
1,103	Community Assets	1,103
475	Surplus Assets	475
56	Heritage Assets	56
191	Intangible Assets	128
175,554	**Long-term assets**	**172,850**
1,113	Stocks and Work in Progress	485
951	Debtors	537
910	Cash	1,986
2,974	**Current assets**	**3,008**
(2,591)	Creditors	(2,424)
(2,591)	**Current liabilities**	**(2,424)**
175,937	**Net assets**	**173,434**
	Financed by:	
170,616	Capital Adjustment Account	167,946
4,863	Revaluation Reserve	4,828
491	Project & Contingency Fund	697
(33)	Accumulated absences account	(37)
175,937	**Total Reserves**	**173,434**

6. Precepts and Levies

	2013/14 £000	2014/15 £000
Precepts		
Police and Crime Commissioner for South Wales	25,012	26,411
Community Councils:		
Lisvane	31	34
Pentyrch	80	80
Radyr	79	79
St Fagans	18	18
Old St Mellons	26	26
Tongwynlais	18	19
	25,264	**26,667**
Levies & Contributions		
South Wales Fire & Rescue Service	17,076	16,650
Caldicot & Wentloog Drainage Board	168	171
Cardiff Port Health Authority	144	158
Newport Health Authority	4	5
	17,392	**16,984**

7. Participation in Joint Committees

During 2014/15 the Council was lead Authority for three Joint Committees:

- **Glamorgan Archives Joint Committee** which is responsible for the management and administration of the Glamorgan Records Office (GRO).
- **Prosiect Gwyrdd** has been established in order to jointly procure a residual waste treatment facility.
- **The Welsh Purchasing Consortium** has been established to support the Member Authorities in delivering joint, collaborative contracts and framework agreements for the procurement of goods and services.

For 2014/15 the revenue contributions made to these Committees were: **Glamorgan Archives £218,141** (£242,378 in 2013/14); **Prosiect Gwyrdd £26,000** (£83,333 in 2013/14); **Welsh Purchasing Consortium £12,150** (£13,500 in 2013/14).

The City of Cardiff Council is also a member of the **Central South Consortium Joint Education Service** which was created on 1 September 2012. The revenue contributions made to this **committee for 2014/15 were £1.550 million** (£1.535 million in 2013/14).

The Council has included its share of the transactions and balances of each Joint Committee in its 2014/15 accounting statements on a line-by-line basis. The exception is the funding of the GRO, where each Authority included within its own accounts how it has paid for its contribution towards the GRO building.

8. Council Tax

Council tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police Authority for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's **council tax base** for 2014/15 was **138,759** (137,979 for 2013/14).

The amounts for a band D property in Cardiff during 2014/15 were as follows:

Band D Council Tax:	2013/14 £	2014/15 £
The City of Cardiff Council	937	974
Police and Crime Commissioner for South Wales	181	190
TOTAL	**1,118**	**1,164**

The above amount (£1,164) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from council tax:

	2013/14 £000	2014/15 £000
Council Tax collectable	(158,206)	(165,499)
Provision for non-payment of Council Tax	948	779
	(157,258)	**(164,720)**

The following table shows the cumulative provision for non-payment of Council Tax held at the Balance Sheet date:

31 March 2014 £000		31 March 2015 £000
(5,996)	Council Tax Bad Debt Provision	(5,596)

9. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (**47.3p in 2014/15** and 46.4p in 2013/14) and, subject to the effects of transitory arrangements; local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to local Authorities on the basis of a fixed amount per head of population.

The NDR income, after relief and provision, of **£178,575,755** for 2014/15 (£181,839,744 for 2013/14) was based on a total rateable value of **£467,399,165** for 2014/15 (£468,945,159 for the year 2013/14).

Analysis of the net proceeds from non-domestic rates:

	2013/14 £000	2014/15 £000
Non-Domestic Rates collectable	181,840	178,576
Cost of collection allowance	(877)	(879)
Provision for non payment of NDR	(4,109)	(4,305)
Payment into national pool	176,854	173,392
Redistribution from national pool	**(107,229)**	**(109,695)**

10. Agency Income & Expenditure

The City of Cardiff Council acts as an agent on behalf of the **Welsh Government** for the collection of Non Domestic Rates. A net debtor of **£22,227,015** (£11,274,484 in 2013/14) is shown in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.

During 2014/15, the Council carried out work on behalf of the **South Wales Trunk Road Agency** under an agency agreement. The Council is fully reimbursed for this work. The total reimbursement received **£538,353** in 2014/15 (£564,424 in 2013/14).

The Council acts as an agent on behalf of the **Welsh Government** to provide loans to bring back unused properties into homes. At 31/3/2014 the balance available for loans was £717,051. A further £495,000 was received from Welsh Government to provide additional loans. During the year **loans totalling £1,228,761** were awarded and **loans of £85,000 were repaid**, leaving a balance available for loans of **£68,290** at 31 March 2015.

11. Remuneration

11.1. The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2014/15 was **1:8**. The median full time equivalent earnings for 2014/15 was £20,400.

11.2. The Accounts and Audit (Wales) Regulations 2014 also requires that the number of employees, whose remuneration is over £60,000 per annum be disclosed within bands of £5,000. The following table includes all staff that falls within this category including teaching staff and those whose remuneration is disclosed in more detail in note 11.3.

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

The figures also include individuals directly employed by the governing bodies of several Voluntary-Aided, Voluntary-Controlled and Foundation Schools, rather than by the City of Cardiff Council. The employee costs relating to these individuals are included with the Authority's Net Cost of Services and, therefore, these individuals are included in the table below.

Remuneration band	Number of Employees	
£	2013/14	2014/15
60,000-64,999	90	90
65,000-69,999	37	28
70,000-74,999	15	8
75,000-79,999	8	15
80,000-84,999	13	6
85,000-89,999	8	6
90,000-94,999	4	8
95,000-99,999	2	0
100,000-104,999	5	2
105,000-109,999	3	2
110,000-114,999	2	1
115,000-119,999	1	10
120,000-124,999	0	1
125,000-129,999	0	0
130,000-134,999	0	0

Remuneration band £	Number of Employees 2013/14	2014/15
135,000-139,999	1	1
140,000-144,999	0	1
145,000-149,999	0	0
150,000-154,999	0	1
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	1
170,000-174,999	0	0
175,000-179,999	0	1

11.3. Further disclosure is required in respect of the individual remuneration details of senior employees (Chief Officers and Heads of Function and above) whose salary is £60,000 or more per annum but less than £150,000, identified by job title. Employees whose salary is £150,000 or more on an annualised basis are required to be identified by name.

No bonuses have been paid during 2014/15 (2013/14 - £nil)

The following persons fell within this definition for **2014/15**

2014/15 Post title	Salary, fees and allowances	Taxable benefits	Compensation for loss of employment: Received via payroll (taxable) (a)	Compensation for loss of employment: Received via creditors (non taxable)	Employers pension contribution (23.9% of salary)	Total
	£	£	£	£	£	£
Paul Orders, Chief Executive	166,937	0	0	0	38,228	205,165
Corporate Director Resources & Section 151 Officer (a)	127,658	0	0	0	29,233	156,891
Director Childrens Services	118,551	20	0	0	26,985	145,556
Director Education & Lifelong Learning	117,990	59	0	0	26,985	145,034
Director Health & Social Care	118,008	8	0	0	26,985	145,001
Director Environment	117,962	42	0	0	26,985	144,989
Director Communities, Housing & Customer Services	117,838	0	0	0	26,985	144,823
Director Sport, Leisure & Culture	117,838	0	0	0	26,985	144,823
County Clerk & Monitoring Officer	117,838	0	0	0	26,985	144,823
Director Strategic Planning, Highways, Traffic & Transport	117,838	0	0	0	26,985	144,823
County Solicitor	117,838	0	0	0	26,985	144,823
Director Economic Development	117,378	0	0	0	26,880	144,258
Chief HR Officer	78,252	0	0	0	17,920	96,172

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £13,080 (£1,957 in 2013/14).

b) As the result of a one-off budget saving implemented for 2014/15 all Council officers salaries were reduced by 1.8% in 2014/15. Therefore none of the officers identified above will have achieved their normal annualised salaries in 2014/15. Normal annualised salaries for the officers identified above are as follows:

- Chief Executive - £170,000
- Corporate Director Resources - £130,000
- Directors, County Clerk & Monitoring Officer, County Solicitor - £120,000
- Chief HR Officer - £80,000

Comparative data for 2013/14 is as follows:

2013/14			**Compensation for loss of employment**			
Post title	**Salary, fees and allowances**	**Taxable benefits**	**Received via payroll (taxable) (a)**	**Received via creditors (non taxable)**	**Employers pension contribution (23.9% of salary)**	**Salary, fees and allowances**
	£	**£**	**£**	**£**	**£**	**£**
Christine Salter, Interim Head of Paid Service, Corporate Director Resources and Section 151 Officer, Corporate Chief Officer, Corporate and Section 151 Officer (a)	136,957	0	0	0	32,733	169,690
Director Communities, Housing & Customer Services, Corporate Chief Officer, Communities (b)	115,787	0	0	0	27,673	143,460
Director Economic Development, Chief Officer, City Development (c)	111,990	0	0	0	26,766	138,756
Corporate Director Operations, Chief Operating Officer (Leaving Date 05/01/2014) (d)	103,338	0	0	0	23,771	127,109
Chief Officer, Legal and Democratic Services (Leaving Date 31/07/2013) (e)	42,531	0	61,968	0	10,592	115,091
Jonathan House, Chief Executive (Leaving Date 07/07/2013)(f)	96,285	0	0	0	11,804	108,089
Director Sport, Leisure & Culture (Commenced 15/07/2013) (g)	85,484	0	0	0	20,431	105,915
Chief HR Officer, Corporate Chief Officer, Shared (h)	84,935	0	0	0	20,299	105,235
Assistant Director Sport, Leisure & Culture, Chief Officer, City Management (i)	81,663	0	0	0	19,517	101,180
Director Health & Social Care (Commenced 29/07/2013) (j)	81,270	0	0	0	19,351	100,621
Assistant Director Environment, Chief Officer, City Services (k)	81,167	0	0	0	19,399	100,566
Director Children Services (Commenced 05/08/2013) (l)	78,710	52	0	0	18,812	97,574
Director Education & Lifelong Learning (Commenced 12/08/2013) (m)	76,571	0	0	0	18,272	94,843
Chief Officer, Adults Services (Leaving Date 03/06/2013) (n)	17,582	0	71,696	0	3,513	92,791

2013/14			Compensation for loss of employment			
Post title	Salary, fees and allowances	Taxable benefits	Received via payroll (taxable) (a)	Received via creditors (non taxable)	Employers pension contribution (23.9% of salary)	Salary, fees and allowances
	£	£	£	£	£	£
Director Environment (Commenced 19/08/2013) (o)	74,194	0	0	0	17,732	91,926
County Clerk & Monitoring Officer (Commenced 19/08/2013) (p)	74,194	0	0	0	17,732	91,926
Assistant Director Customer Services & Communities, Head of Service, Customer Services (q)	73,583	0	0	0	17,586	91,169
Interim Section 151 Officer and Operational Manager Project & Technical Accountancy (r)	71,261	0	0	0	17,031	88,292
Head of Service, Internal Services (Leaving Date 31/10/2013) (s)	49,238	11	29,700	0	8,953	87,902
Head of Service, Regulatory and Supporting Services (t)	70,393	88	0	0	16,786	87,267
Head of Service, Scrutiny, Performance and Improvement	70,128	0	0	0	16,761	86,889
Director Strategic Planning, Highways, Traffic & Transport (Commenced 02/09/2013) (u)	69,637	0	0	0	16,650	86,287
County Solicitor (Commenced 09/09/2013) (v)	67,333	0	0	0	16,093	83,426
Head of Service, Community Facilities, Operational Manager Programme Manager (w)	64,459	18	0	0	15,348	79,825
Paul Orders, Chief Executive (Commenced 09/12/2013) (x)	53,011	0	0	0	12,670	65,681
Project Officer (Leaving Date 11/06/2013) (y)	19,671	0	0	29,700	4,701	54,072

a) Interim Head of Paid Service from 08/07/2013 – 08/12/2013. Annualised salary of £156,000. Corporate Director Resources & Section 151 Officer from 03/06/2013 – 07/07/2013 and then from 09/12/2013. Annualised salary of £130,000. Corporate Chief Officer, Corporate and Section 151 Officer until 02/06/2013. Annualised salary of £107,088. In addition to the remuneration fees detailed in the table above, Christine Salter received fees relating to Returning Officer duties of £1,957 (£nil in 2012/13).

b) Director Communities, Housing & Customer Services from 03/06/2013. Annualised salary of £120,000. Corporate Chief Officer, Communities until 02/06/2013. Annualised salary of £95,538.

c) Director Economic Development from 03/06/2013. Annualised salary of £120,000. Chief Officer City Development until 02/06/2013. Annualised salary of £73,491.

d) Corporate Director Operations from 03/06/2013 until leaving the Authority on 05/01/2014. Annualised salary of £120,000. Chief Operating Officer until 02/06/2013. Annualised salary of £131,235.

e) Chief Officer, Legal & Democratic Services left the Authority on 31/07/2013. Annualised salary of £83,991.

f) Jonathan House, Chief Executive left the Authority on 07/07/2013. Annualised salary of £183,726.

g) Director Sport, Leisure & Culture commenced 15/07/2013. Annualised salary of £120,000.

h) Chief HR officer from 03/06/2013. Annualised salary of £80,000. Corporate Chief Officer, Shared until 02/06/2013. Annualised salary of £99,741.
i) Assistant Director Sport, Leisure & Culture from 01/09/2013. Annualised salary of £80,000. Chief Officer City Management until 31/08/2013. Annualised salary of £83,991.
j) Director Health & Social Care commenced 29/07/2013. Annualised salary of £120,000.
k) Assistant Director Environment from 01/09/2013. Annualised salary of £80,000. Chief Officer City Services until 31/08/2013. Annualised salary of £82,800.
l) Director Children's Services commenced 05/08/2013. Annualised salary of £120,000.
m) Director Education & Lifelong Learning commenced 12/08/2013. Annualised salary of £120,000.
n) Chief Officer Adult's Services left the Authority 03/06/2013. Annualised salary of £83,991.
o) Director Environment commenced 19/08/2013. Annualised salary of £120,000.
p) County Clerk & Monitoring Officer commenced 19/08/2013. Annualised salary of £120,000.
q) Assistant Director Communities & Customer Services from 25/11/2013. Annualised salary of £80,000. Head of Service, Customer Services until 24/11/2013. Annualised salary of £70,128.
r) Interim Section 151 Officer from 08/07/2013 until 08/09/2013. Annualised Salary of £76,838. Operational Manager Project & Technical Accountancy. Annualised Salary of £64,032.
s) Head of Services, Internal Services left the Authority on 31/10/2013. Annualised salary of £64,218.
t) Head of Service Regulatory & Supporting Services reports to Director Environment from 01/09/2013. Prior to this date the post reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13. Therefore to maintain consistency of treatment it was also disclosed for 2013/14.
u) Director Strategic Planning, Highways, Traffic & Transport commenced 02/09/2013. Annualised salary of £120,000.
v) County Solicitor commenced 09/09/2013. Annualised salary £120,000.
w) Head of Service Community Facilities until 16/03/2014. Annualised salary of £64,218. This post no longer exists but reported to Corporate Director Communities, Housing & Customer Service from 03/06/2013 until 16/03/2014. Prior to this it reported directly to Corporate Chief Officer, Communities and remuneration was deemed required to be disclosed as part of this note for 2012/13. Therefore to maintain consistency of treatment it was also disclosed for 2013/14. Post holder then occupied post of Operational Manager from 17/03/2014. Annualised salary of £51,945.
x) Paul Orders, Chief Executive commenced 09/12/2013. Annualised salary of £170,000.
y) Project Officer left the Authority on 11/06/2013. Annualised salary of £99,741. Project Officer post reported directly to the former Chief Executive and therefore remuneration was disclosed for 2013/14.
z) In 2013/14 payments of £13,300 (£156,100 in 2012/13) were made to Windsor Transformational Education Services Ltd for payments to service as Corporate Director, People.

The numbers of **exit packages** with total cost per band and the total cost of the compulsory and other redundancies for 2013/14 and 2014/15 are set out in the tables below. The total costs of the exit packages identified below are made up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either Voluntary Severance or Compulsory Redundancy. The second element is the cost of the additional contributions the Authority is required to make to the Pension Fund in respect of the individuals who are leaving the Authority. This is known as the Pension Strain cost.

Exit package cost band (including special payments)	**Number of compulsory redundancies**	**Number of other departures agreed**	**Total number of exit packages by cost band**	**£ Total cost of exit packages in each band**
£0 - £20,000	36	295	**331**	**2,841,328**
£20,001 – £40,000	21	215	**236**	**6,512,672**
£40,001 – £60,000	2	46	**48**	**2,363,107**
£60,001 – £80,000	1	15	**16**	**1,123,442**

£80,001 – £100,000	0	12	**12**	**1,088,877**
£100,001 – £150,000	2	7	**9**	**1,067,185**
Total	**62**	**590**	**652**	**14,996,611**

2013/14 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	21	257	**278**	**2,739,392**
£20,001 – £40,000	11	162	**173**	**4,623,123**
£40,001 – £60,000	0	50	**50**	**2,454,227**
£60,001 – £80,000	2	21	**23**	**1,537,634**
£80,001 – £100,000	0	11	**11**	**980,211**
£100,001 – £150,000	0	11	**11**	**1,253,820**
Total	**34**	**512**	**546**	**13,588,407**

The total amount of **Members' Allowances** (including basic and special responsibility) paid in 2014/15 was **£1,289,268** (£1,287,408 in 2013/14). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances, and expenses which are directly reimbursed.

12. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store (JES) is a section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale UHB for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Authority's transactions are included in the Health and Social Care line of the income and expenditure account. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2015 is as follows:

2013/14 £000		2014/15 £000
	Expenditure	
1,673	Equipment	1,639
102	Contribution to Overheads	124
1,775	**Total Expenditure**	**1,763**
	Funding	
1,148	Cardiff and Vale UHB	1,194
426	Cardiff Council	418
201	Vale of Glamorgan Council	277
1,775	**Total Funding**	**1,889**
0	**Surplus transferred to JES Partnership Reserve**	**126**

13. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in note 31 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2015 are shown in note 31.

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2014/15 is shown in note 11. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2014/15, goods and services to the value of **£1,265,844** were commissioned from companies in which members had an interest (£1,289,574 in 2013/14). Grants totalling **£800,252** (£904,462 in 2013/14) were paid to voluntary organisations in which members had an interest.

Officers - details of Officers' emoluments are shown in note 11 to the Core Financial Statements. During 2014/15, the Council received income of £1,530 from Chief Officers relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£128 in 2013/14). In 2014/15 no goods and services were commissioned from companies in which Chief Officers had an interest. (£nil in 2013/14).

Subsidiary Companies - The City of Cardiff Council has four subsidiary companies, Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC), Cardiff & Co and Cardiff Business Council. Details of transactions with these companies are shown in note 26 to the Core Financial Statements.

Cardiff Medicentre is a joint venture between The City of Cardiff Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. Details of transactions with Medicentre are shown in note 26 to the Core Financial Statements.

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

Precepts and Levies – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 6 to the Core Financial Statements.

Police and Crime Commissioner for South Wales – the precept paid to Police and Crime Commissioner for South Wales during 2014/15 is detailed in note 6 to the Core Financial Statements. In addition to this, the Council made payments of £197,000 to SWPA during 2014/15 (£193,000 in 2013/14).

Related Party Balances
As at 31 March 2015 the following balances were held in respect of related parties:

31 March 2014			31 March 2015	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
18,391	(7,223)	Central Government Grants	30,604	(5,675)
31	(206)	Cardiff City Transport Services Ltd	29	(117)
339	(13)	Medicentre/CBTC/Cardiff Business Council	144	(55)
4	0	Chief Officers and above – outstanding car loan balances	3	0
0	0	Precepting Bodies	0	0
0	(2)	Companies in which members' interests declared/other	3	(22)

14. External Audit Costs

In 2014/15 the Council incurred the following fees relating to external audit and inspection:

	2013/14 £000	2014/15 £000
Fees payable to Wales Audit Office for external audit services	461	421
Fees payable to Wales Audit Office in respect of statutory inspection	0	0
Fees payable to Wales Audit Office for the certification of grant claims and returns	117	118
Fees payable in respect of Public Interest Disclosure Act	0	0
Total	**578**	**539**

15. Trading Accounts Summary

The following table summarises the results of the Council's trading activities in those areas where it is operating in a commercial environment. The following figures have been compiled in accordance with the requirements of the 2014/15 Code and SERCOP. Net capital charges, which include depreciation and impairment, are shown separately.

	2013/14	2014/15			
	Trading (Surplus) /Deficit £000	Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
Bereavement & Registration Services	65	(11,473)	0	11,191	**(282)**
Cardiff Castle	821	(8,330)	0	8,923	**593**
Commercial Catering	6,072	(5,971)	2,245	11,005	**7,279**
Education Cleaning	5,944	(5,526)	440	2,010	**(3,076)**
Housing Community Maintenance Services	2,693	(5,397)	970	6,750	**2,323**
Land & Buildings & Workshops	415	(4,231)	0	4,389	**158**
Leisure Centres	1,068	(4,607)	101	5,526	**1,019**
New Theatre	437	(3,277)	206	3,291	**220**
Non Housing Building Maintenance	297	(2,381)	0	2,343	**(38)**
Non Schools Cleaning	95	(3,337)	51	2,929	**(357)**
Other trading accounts *	0	(8,203)	0	8,127	**(76)**
Schools Catering	(35)	(1,607)	0	1,612	**5**
St. David's Hall	1,670	(12,538)	541	17,799	**5,803**
Total	**19,542**	**(76,879)**	**4,553**	**85,896**	**13,570**

* Other trading accounts totalled 15 in 2014/15 (17 in 2013/14). The Civil Parking Enforcement account is shown in note 2 to the accounts.

16. Leasing

Under IFRS, a number of leases that were previously accounted for as operating leases are now required to be accounted for as finance leases. Where applicable, the comparative figures below have been adjusted to reflect this reclassification.

Authority as Lessee
Operating leases
Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2014/15:

	2013/14 £000	2014/15 £000
Property leases	2,114	1,886
Other leases	460	416

The Council was committed at 31 March 2015 to making payments of £2.912 million under operating leases in 2015/16 (£2.265 million at 31 March 2014 for 2014/15) comprising the following elements:

	2013/14		2014/15	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	158	46	8	433
Leases expiring between 2 and 5 years	140	311	583	797
Leases expiring after 5 years	1,602	8	1,091	0

Finance Leases
The Council leases a number of its vehicles under contract hire arrangements. The vehicle leases have been reviewed under the Code and as a result a small number of leases have been reclassified from operating leases to finance leases.

There were **no finance leases** at 31 March 2015 (none in 2013/14).

The **aggregate finance charges** made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Vehicles	2	**0**

There are **no obligations** under finance leases:

Authority as Lessor
Operating Leases
Operating leases exist in respect of land and buildings and the Council received revenue of £5.903 million in 2014/15 (£5.748 million in 2013/14)

The Council was committed as at 31 March 2015 to receiving income of £5.377 million (£5.482 million as at 31 March 2014) under operating leases for Land & Buildings comprising the following elements:

	2013/14 £000	2014/15 £000
Leases expiring within 1 year	158	863
Leases expiring between 2 and 5 years	785	641
Leases expiring after 5 years	4,539	3,873

Finance Leases
The Council does not provide any leases of this type.

17. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2013/14 £000	2014/15 £000
Rental income from investment property	**(4,747)**	**(5,166)**
Direct operating expenses arising from investment property	**2,191**	**1,911**
Net (gain) / loss	**(2,556)**	**(3,255)**

Subject to compliance with any regulatory requirements, the Council can realise the value inherent in its investment property and has the right to income and the proceeds of disposal. Subject to the terms and conditions of individual lease arrangements, the Authority does have contractual obligations to repairs, maintain or enhance certain properties.

18. Prudent Revenue Provision

The Council is required to set aside from its revenue budget a prudent amount for the repayment of external loans to be undertaken to pay for capital expenditure. The amount is set in accordance with Council policy approved in the February 2015 budget report and Welsh Government Guidance. It is used to reduce the Council's underlying need to borrow, the Capital Financing Requirement (CFR).

Depreciation, impairment charges and finance lease charges included in the Comprehensive Income and Expenditure Statement are accounting charges. These are reversed and replaced by the prudent revenue provision via an appropriation to/from the Capital Adjustment Account in the Movement in Reserves Statement.

	2013/14 £000	2014/15 £000
Non Housing revenue provision	21,578	**23,374**
HRA provision	4,073	**2,899**
Prudent revenue provision	**25,651**	**26,273**

19. Pensions

Participation in Pension Schemes

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

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

The Local Government Pension Scheme

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

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

Teachers' Pension Scheme

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

The Local Government Pension Scheme

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

Transactions relating to retirement benefits

The main accounting statements have been compiled in accordance with IAS19 and for the Local Government Pension Scheme, include the cost to the Authority of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. The cost of entitlements earned, which is known as the current service cost has been recognised in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

However, the charge that is required to be made against Council Tax in respect of pensions is to be based on the cash payable to the pension fund during the year. To achieve this, IAS 19 costs are reversed out in the Movement in Reserves Statement and replaced with the employers' contribution payable during the year.

The following table sets out the requisite transactions that have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement during the year:

	2013/14			2014/15		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Comprehensive Income Expenditure Statement (CI&E Statement)						
Net Cost of Services:						
Current Service Cost	42,948	0	**42,948**	34,857	0	**34,857**
Past Service Costs	2,400	80	**2,480**	2,778	120	**2,898**
Financing & Investment Income & Expenditure						
Interest on net defined benefit liability/(asset)	28,365	1,690	**30,055**	17,876	1,540	**19,416**
Net charge to C I&E Statement	**73,713**	**1,770**	**75,483**	**55,511**	**1,660**	**57,171**
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(73,713)	(1,770)	**(75,483)**	(55,511)	(1,660)	**(57,171)**
Actual amount charged against Council Tax in respect of pensions for the year						
Employers contributions payable to the scheme	39,910	0	**39,910**	38,403	0	**38,403**
Payments in respect of unfunded pensions liabilities **	0	3,450	**3,450**	0	3,500	**3,500**
	39,910	**3,450**	**43,360**	**38,403**	**3,500**	**41,903**

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

Contributions for year ending 31 March 2016
Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2016 are estimated to be **£36.61 million**. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2016 the Council expects to pay £3.54 million directly to beneficiaries.

Basis for estimating assets and liabilities
The latest actuarial valuation of The City of Cardiff Council's liabilities in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2013. The latest actuarial valuation of unfunded benefits took place as at 31 March 2008.

The principal assumptions used by the independent qualified actuaries in updating the latest valuation for IAS19 purposes were:

(a) Principal financial assumptions

	31 March 2014 % pa	31 March 2015 % pa
Rate of inflation - RPI	3.4	2.9
Rate of inflation - CPI	2.4	1.8
Rate of general increase in salaries *	3.4	2.8
Rate of increase to pensions in payment**	2.4	1.8
Rate of increase to deferred pensions	2.4	1.8
Discount rate for scheme liabilities	4.3	3.2

*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2013 valuation

** In excess of Guaranteed Minimum Pension increases in payment where appropriate

(b) Mortality assumptions

	31 March 2014		31 March 2015	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.7	26.6	23.8	26.7
Currently age 45	25.7	28.9	25.8	29.0

(c) Take-up option to convert annual pension into retirement lump sum

	31 March 2014	31 March 2015
Pre 2010	75%	75%
Post 2010	75%	75%

Asset Allocation
The approximate split of assets for the Fund as a whole is shown in the following table. The asset allocation in the fund are notional and the assets are assumed to be invested in line with the investments of the Fund set out below for the purposes of calculating the return to be applied to those notional assets. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets if the situation arises.

The Authority does not invest in property or assets related to itself. It is possible, however, that assets may be invested in shares relating to some of the private sector employers participating in the Fund if it forms part of the balanced investment strategy.

	31 March 2014	31 March 2015		
	Approx. split of assets	Quoted	Unquoted	Total
	%	%	%	%
Equities	78.3	72.1	5.3	77.4
Property	5.4	5.9	0	5.9
Government Bonds	6.9	6.8	0	6.8
Corporate Bonds	8.0	7.9	0	7.9
Cash	1.3	1.7	0	1.7
Other *	0.1	0.3	0	0.3
Total	**100**	**94.7**	**5.3**	**100**

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

Reconciliation of funded status to balance sheet

	31 March 2014 (Restated)			31 March 2015		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	909,593	0	**909,593**	1,027,052	0	**1,027,052**
Present value of liabilities	(1,344,170)	(38,450)	**(1,382,620)**	(1,528,588)	(38,250)	**(1,566,838)**
Net pension asset/(liability)	**(434,577)**	**(38,450)**	**(473,027)**	**(501,536)**	**(38,250)**	**(539,786)**

Assets and Liabilities in relation to Retirement Benefits
Changes to the present value of liabilities during the accounting period:

	31 March 2014 (Restated)			31 March 2015		
	Funded scheme	Unfunded liabilities	Total	Funded scheme	Unfunded liabilities	Total
	£000	£000	£000	£000	£000	£000
Opening present value of liabilities	(1,485,030)	(42,890)	**(1,527,920)**	(1,344,170)	(38,450)	**(1,382,620)**
Current service cost	(43,145)	0	**(43,145)**	(34,858)	0	**(34,858)**
Interest cost	(64,585)	(1,690)	**(66,275)**	(56,995)	(1,540)	**(58,535)**
Contributions by participants	(9,991)		**(9,991)**	(9,882)	0	**(9,882)**
Remeasurements in Other Comprehensive Income (OCI)	215,584	2,760	**218,344**	(128,181)	(1,640)	**(129,821)**
Net benefits paid out **	45,400	3,450	**48,850**	48,276	3,500	**51,776**
Past service cost	(2,403)	(80)	**(2,483)**	(2,778)	(120)	**(2,898)**

Closing present value of liabilities	**(1,344,170)**	**(38,450)**	**(1,382,620)**	**(1,528,588)**	**(38,250)**	**(1,566,838)**

* Includes changes to the actuarial assumptions.

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

	31 March 2014 (restated) £000	31 March 2015 £000
Opening fair value of assets	820,605	909,593
Interest income on assets	36,220	39,119
Remeasurement gains/(losses) on assets	48,067	78,330
Contributions by employer	40,115	38,403
Contributions by participants	9,986	9,883
Net benefits paid out **	(45,400)	(48,276)
Closing fair value of assets	**909,593**	**1,027,052**

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

Re-measurements in Other Comprehensive Income (OCI)

	31 March 2014 (restated)		31 March 2015	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities
Return on plan assets (in excess of) / below that recognised in net interest	(48,067)	0	(78,330)	0
Actuarial (gains)/losses due to change in financial assumptions	(129,510)	(2,020)	136,019	2,000
Actuarial (gains)/losses due to changes in demographic assumptions	(51,681)	(780)	0	0
Actuarial (gains)/losses due to liability experience	(34,393)	40	(7,838)	(360)
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	0
Total amount recognised in OCI	**(263,651)**	**(2,760)**	**49,851**	**1,640**

Actual return on assets

	31 March 2014 *(restated)* £000	31 March 2015 £000
Interest income on assets	36,110	39,119
Remeasurement gain/(loss) on assets	47,950	78,330
Actual return on assets	**84,060**	**117,449**

Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

	31 March 2014 (restated)			31 March 2015		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000
Total Actuarial Gain/(Loss)	263,651	2,760	266,411	(49,852)	(1,640)	(51,492)

History of total gains and losses recognised in the Comprehensive Income & Expenditure Statement

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Total gain/(loss) –funded scheme	53.43	(132.77)	(47.19)	263.70	(49.85)
Total gain/(loss) –unfunded liabilities	(1.56)	(3.04)	(2.56)	2.76	(1.64)
Cumulative gain/(loss)	**(380.44)**	**(516.25)**	**(566.00)**	**(299.54)**	**(351.03)**

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

	31 March 2011 £000	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000
Fair value of assets	690,680	711,530	818,465	906,610	1,027,052
Present value of funded liabilities	(1,145,070)	(1,303,680)	(1,482,889)	(1,341,187)	(1,528,588)
Present value of unfunded liabilities	(39,980)	(41,850)	(42,890)	(38,450)	(38,250)
Surplus/(deficit)	**(494,370)**	**(634,000)**	**(707,314)**	**(473,027)**	**(539,786)**

History of experience gains and losses

	Year ending 31.3.11 £m	Year ending 31.3.12 £m	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m
Experience gains/(losses) on funded assets	5.93	(37.93)	67.92	47.95	78.33
Experience gains/(losses) on funded liabilities	52.02	(8.24)	1.55	34.60	8.21
Experience gains/(losses) on unfunded liabilities	(0.15)	(0.94)	0.08	0.04	(0.36)

Sensitivity Analysis
The results shown above are sensitive to the assumptions used. In each case, only the assumption mentioned is altered; all other assumptions remain the same. Sensitivity of unfunded benefits is not included on materiality grounds. This analysis is shown in the tables below:

Discount rate assumption

Adjustment to discount rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,496,760	1,553,360
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	39,600	42,130
Approximate % change in projected service cost	-3.1%	3.1%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,553,160	1,516,550
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	40,850	40,850
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a (£000)	-0.1% p.a. (£000)
Present value of total obligation	1,545,420	1,504,480
% change in present value of total obligation	1.4%	-1.3%
Projected service cost	42,130	39,600
Approximate % change in projected service cost	3.1%	-3.1%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year (£000)	+1 year (£000)
Present value of total obligation	1,564,830	1,484,670
% change in present value of total obligation	2.6%	-2.6%
Projected service cost	42,190	39,500
Approximate % change in projected service cost	3.3%	-3.3%

The Council does not currently have information on the maturity profile of the defined benefit obligation.

The Teachers' Pension Scheme
Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. The scheme is defined benefit scheme and although it is unfunded, Teachers pensions use a notional fund as a basis for calculating the employer's contribution rate paid by Local Education Authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities of the scheme attributable to its own employees and so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme, i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2014/15 the Council paid **£15.917 million** in respect of teachers' pension costs, which represents **14.1%** of teachers' pensionable pay (£15.926 million representing 14.1% of teachers' pensionable pay in 2013/14) In addition, the Authority is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

20. Non-Current Assets

Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 21 to 38.

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2014	589,754	772,948	44,172	557,909	18,734	55,403	24,036	**2,062,956**
Additions	17,777	24,410	3,966	16,785	472	785	8,795	**72,990**
Impairment losses/reversals to RR *	0	0	0	0	0	(389)	0	**(389)**
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(260)	0	**(3,708)**
Derecognition - disposals	(1,335)	(214)	(6,753)	0	0	(25)	0	**(8,327)**
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	**(3,504)**
Other reclassifications	0	15,487	19	480	0	(13,237)	(21,074)	**(18,325)**
Revaluation increases /(decreases) to RR*	0	217	0	0	0	(1,796)	0	**(1,579)**
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	**(1,247)**
At 31 March 2015	**604,426**	**809,892**	**41,388**	**575,174**	**19,206**	**37,024**	**11,757**	**2,098,867**
Depreciation								
At 1 April 2014	23,361	25,656	28,779	243,043	0	0	0	**320,839**
Depreciation charge	12,106	14,656	4,373	23,465	0	0	0	**54,600**
Depreciation written out on impairment	0	(35)	0	0	0	0	0	**(35)**
Derecognition -disposals	(53)	(67)	(6,753)	0	0	0	0	**(6,873)**
Depreciation written out to SDPS **	0	(308)	0	0	0	0	0	**(308)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	0	0	0	0	0	0	0	**0**
At 31 March 2015	**35,414**	**39,902**	**26,399**	**266,508**	**0**	**0**	**0**	**368,223**
Net Book Value:								
At 31 March 2015	**569,012**	**769,990**	**14,989**	**308,666**	**19,206**	**37,024**	**11,757**	**1,730,644**
At 31 March 2014	**566,393**	**747,292**	**15,393**	**314,866**	**18,734**	**55,403**	**24,036**	**1,742,117**

*Further detail can be found in the narrative below.

Comparative Movements in 2013/14

2013/14 Restated	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2013	578,430	1,005,516	36,596	544,547	16,715	51,424	18,570	**2,251,798**
Additions	12,155	22,058	3,878	11,550	425	428	21,891	**72,385**
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)	0	**(363)**
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)	0	**(1,332)**
Derecognition - disposals	(399)	(447)	(49)	0	0	(914)	0	**(1,809)**
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013	0	**(513)**
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087	(16,425)	**(593)**
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384	0	**(121,617)**
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)	0	**(135,000)**
At 31 March 2014	**589,754**	**772,948**	**44,172**	**557,909**	**18,734**	**55,403**	**24,036**	**2,062,956**
Depreciation								
At 1 April 2013	11,569	34,149	24,621	217,036	0	0	0	**287,375**
Depreciation charge	11,800	13,747	4,207	26,007	0	0	0	**55,406**
Depreciation written out on impairment	0	(11)	0	0	0	0	0	**(11)**
Derecognition -disposals	(8)	(56)	(49)	0	0	0	0	**(113)**
Depreciation written out to SDPS **	0	(368)	0	0	0	0	0	**(368)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	0	(21,805)	0	0	0	0	0	**(21,805)**
At 31 March 2014	**23,361**	**25,656**	**28,779**	**243,043**	**0**	**0**	**0**	**320,484**
Net Book Value:								
At 31 March 2014	**566,393**	**747,292**	**15,393**	**314,866**	**18,734**	**55,403**	**24,036**	**1,742,472**
At 31 March 2013	**566,861**	**929,612**	**11,975**	**327,511**	**16,715**	**51,424**	**7,079**	**1,911,177**

** RR = Revaluation Reserve
*** SDPS = Surplus or deficit on Provision of Services

Intangible Assets
Movements in Intangible assets during 2014/15 are summarised as follows:

	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation			
At 1 April 2014	4,523	2,668	**7,191**
Additions	0	444	**444**
Other reclassifications	0	0	**0**
At 31 March 2015	**4,523**	**3,112**	**7,635**
Amortisation			
At 1 April 2014	2,443	0	**2,443**
Amortisation	846	0	**846**
At 31 March 2015	**3,289**	**0**	**3,289**
Net Book Value:			
At 31 March 2015	**1,234**	**3,112**	**4,346**
At 31 March 2014	**2,080**	**2,668**	**4,748**

Comparative Movements in 2013/14:

	Other Assets £000	Intangible AUC £000	Total £000
Cost or Valuation			
At 1 April 2013	3,926	2,344	**6,270**
Additions	12	909	**921**
Other reclassifications	585	(585)	**0**
At 31 March 2014	**4,523**	**2,668**	**7,191**
Amortisation			
At 1 April 2013	1,539	0	**1,539**
Amortisation	904	0	**904**
At 31 March 2014	**2,443**	**0**	**2,443**
Net Book Value:			
At 31 March 2014	**2,080**	**2,668**	**4,748**
At 31 March 2013	**2,387**	**2,344**	**4,731**

Non-Current Assets
The non-current assets of the Council include the following:

Allotment Gardens (27)	Mental Health Day Centres (1)
Caravan Park	New Theatre
Cardiff Bay Barrage	Parks & Public Open Spaces (Approx 1500 ha)

Cardiff Castle	Play Centres (7)
Cardiff International Swimming Pool	Residential Establishments (3)
Cardiff International Sports Stadium	Roads - Non-Principal (1,022 km)
Cardiff International White Water Centre	Roads - Principal (86 km)
Cardiff Story Museum	Schools - Nursery (2)
Cemeteries (5)	Schools - Primary (83)
Central Bus Station	Schools - Secondary (16)
City Hall	Schools - Special (7)
Civic Residence	Schools – Integrated Children's Centre (1)
Community Halls (5)	Sports and Leisure Centres (8)
Council Dwellings	St David's Hall
County Hall	Storey Arms Outdoor Pursuits Centre
Crematorium	Surface Car Parks (17)
Day Centres and Clubs (7)	Traveller Sites (2)
Depots (5) and Workshops (9)	Various Administrative Buildings
Eastern Park & Ride	Various Property & Land Holdings
Family Centres (2)	Vehicles, Plant, Furniture & Equipment
Horse Riding School	Works of Art, Civic Regalia & other heritage
Libraries/Hubs (20)	assets
Indoor Market	Youth & Neighbourhood Learning Centres (18)
Road Safety Centre & Cycle Track	

Voluntary Aided/Voluntary Controlled/Foundation Schools Recognition changes
Based on responsibilities for maintenance, control of admissions policy or where Welsh Ministers have directed, the Council has not previously recorded the buildings used by Voluntary Aided (VA) and Foundation schools on its Balance Sheet.

Due to inconsistencies of approach throughout the UK, CIPFA has recently clarified their approach, with a very short timescale for inclusion in the 2014/15 Statement of Accounts, indicating that legal ownership is likely to be the key factor in determining balance sheet recognition.

It requires each school to be treated as / considered as a separate entity and a review of the ownership and operating arrangements to determine whether assets should be recognised on school balance sheets.

Legal ownership of land and property assets of 30 schools that fall within the definition of Voluntary Aided, Voluntary Controlled (VC) and Foundation schools was reviewed. The output is as follows with adjustments made to the Councils balance sheet at 01.04.2013 as prior year adjustments:-

- 6 schools building assets not previously recognised are to be recognised on the Council Balance Sheet with associated existing land to be revalued
- 5 school building and land assets not previously recognised are to be recognised on the Council Balance Sheet
- 2 school land assets to be de-recognised from the Council Balance Sheet as not owned by Council

Valuation Basis
The timescales for achieving valuations and any changes has been short, given uncertainty re timing of clarification of CIPFA requirements in December 2014. The valuation basis used for these schools is similar to that used for schools valuations undertaken in 2013/14 to ensure a consistent basis.

Building valuation to be recognised using Modern Equivalent Asset Valuation approach £46.4 million. £19.7 million relates to St Teilo's new school which was classified as an Asset Under Construction at 01.04.2013 and 01.04.2014.

School	High/Primary
Corpus Christi Roman Catholic	High
St Teilo's Church in Wales	High
Whitchurch High School – Upper and Lower	High (Foundation)
Holy Family Roman Catholic	Primary
St Cadoc's Roman Catholic	Primary
St Cuthbert's Roman Catholic	Primary
St Francis Roman Catholic	Primary
St John Lloyd Roman Catholic	Primary
St Patrick's Roman Catholic	Primary
St Paul's Church in Wales	Primary
St Phillip Evans Roman Catholic	Primary

Additional Land valuation to be recognised £17 million

School	High/Primary
Corpus Christi Roman Catholic	High
St Teilo's Church in Wales	High
Whitchurch High School – Upper and Lower	High (Foundation)
Holy Family Roman Catholic	Primary
St Cadoc's Roman Catholic	Primary
St Cuthbert's Roman Catholic	Primary
St Francis Roman Catholic	Primary
St John Lloyd Roman Catholic	Primary
St Patrick's Roman Catholic	Primary
St Paul's Church in Wales	Primary
St Phillip Evans Roman Catholic	Primary

Land valuation to be derecognised £14,000

School	High/Primary
Llandaff Church in Wales	Primary
St Peter's Roman Catholic	Primary

The following approach has been adopted for any changes to the accounts:-

- St Teilos Buildings valuation at 1.04.2013 is £11.491m reflects the valuation less expenditure incurred in that year of £8.230m. This total valuation of £19.721m is shown as an asset under construction at 31 March 2014 and reclassified in 2014/15 to Land and buildings when it became operational
- All other buildings assets are deemed to be brought onto the balance sheet at 1 April 2013 (£24.726m) with valuation adjusted for reversal of REFCUS expenditure in 2013/14 which is now shown as an addition (£1.928m). One years accumulated depreciation (£355,000) is provided to be consistent with other schools assets.
- Land valuation (£17.029m) to be recognised at 1 April 2013.
- Recognition to be 'deemed cost' in accordance with CIPFA requirements i.e. opposite entry to the Capital Adjustment Account rather than Re-valuation reserve.

The impact of the changes to opening balance sheet values, subtotals and totals at 1 April 2014 as a result of the changes are shown in the table below:-

	As Previously Stated 31 March 2014 £000	Movement at 1 April 2014 £000	As Restated 1 April 2014 £000
Other land and buildings	703,964	43,328	**747,292**
AUC	4,315	19,721	**24,036**
Total Net Assets	**877,709**	**63,049**	**940,758**
Capital Adjustment Account	1,093,549	63,049	**1,156,598**
Unusable Reserves	825,530	63,049	**888,579**
Total Reserves	**877,709**	**63,049**	**940,758**

Heritage Assets

2013/14 £000		2014/15 £000
50,393	**Balance at 1 April**	50,789
3	Additions	95
393	Other Reclassifications	0
50,789	**Balance at 31 March**	**50,884**

Heritage assets are defined as assets of historic, artistic or scientific importance that are maintained principally for their contribution to knowledge and culture at either a national or local level. This requires their identification, recognition and disclosure in the accounts where relevant practicable and material.

The Council has no material intangible heritage assets, however it does hold tangible heritage assets which can broadly, but not exclusively, be identified into three main categories:-

- public art
- scheduled ancient monuments for which it is responsible
- paintings, artefacts and civic regalia

The Council is one of the constituent bodies of the Glamorgan Records Office (GRO) which holds assets and data accumulated over time. The GRO prepares a separate set of accounts, with only the Council's share of any asset values included in these accounts. No valuations are recorded by the GRO for heritage assets.

The notes below indicate the treatment of each of the above three categories in these accounts.

Public Art - In total there over 100 pieces of public art owned by the Council across the City. This includes freestanding artworks and significant pieces integrated into the design of buildings. Individually and in total, these assets are not identified or valued separately in the Council's balance sheet as the Council is of the opinion that conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site www.cardiff.gov.uk under the Resident, Planning, City Design and Public Art section.

Scheduled Ancient Monuments - The Council is responsible for a number of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Councils accounts at historic cost or value. Given the unique and often diverse nature of these assets, the Council is of the opinion that conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits.

Paintings, artefacts and civic regalia - The Council has a collection of paintings, artefacts and civic regalia, much of which is related to local interest. The main items in terms of number and value are collections at the castle reflecting its historic significance and interpretation for visitors. Other items held at public buildings have been accumulated over a number of years. These items are included in the Council's balance sheet at an insurance valuation of £35.9 million undertaken externally as at 1 April 2013, by Mr AN Schoon, Antiques and Fine Art Valuer.

Council policy on acquisitions, disposals, care and conservation
Where resources allow, the Council will seek to create, acquire and preserve heritage resources for the benefits of its Citizens in partnership with other public and private sector bodies using grant and other funding opportunities. Acquisitions are rare, although public art is often commissioned as part of regeneration schemes. Given limited resources and the cost of preserving heritage assets, the Council may consider various options such as community asset transfer and disposal to ensure the preservation of assets.

For assets held at the castle, acquisition, disposal and care is undertaken in accordance with the museum accreditation scheme.

The statutory requirements placed upon the owners of Scheduled Ancient Monuments are likely to make the disposal of assets within Council ownership unviable. Before any work, alteration or controlled archaeological excavations are undertaken, consent is obtained from the Welsh Government, a function administered by CADW.

The following table lists Heritage assets and their treatment in the Council's accounts

Heritage Category	Item	Nature / Type	Identified separately in Balance Sheet (Yes/No)	Valuation Basis of any asset or expenditure incurred
Public Art	Various – Per Public Art Register	Statues, Street Art	No	n/a
	Animal Wall	Statues	Yes	Historic Cost
	Welsh National War Memorial	Statue / Monument	Yes	Historic Cost
Scheduled Ancient Monuments	Wenallt Camp	Castle, Fort, Camp – Pre Roman	No	n/a
	Caerau Fort	Castle, Fort, Camp – Iron Age	No	n/a
	Ely Roman Villa	Domestic – Roman	No	n/a
	Penylan Roman Site	Remains – Roman	No	n/a
	Morganstown Castle Mound	Castle, Fort, Camp – Medieval	No	n/a
	Dominican Friary	Religious – Medieval	Yes	Historic Cost
	Llandaff Cathedral Bell Tower	Religious – Medieval	No	n/a
	Old Bishops Palace	Religious – Medieval	No	n/a
	Sea Wall Rumney	Sea Defences – Post	No	n/a

Heritage Category	Item	Nature / Type	Identified separately in Balance Sheet (Yes/No)	Valuation Basis of any asset or expenditure incurred
		Medieval		
	Leckwith Bridge	Bridge – Post Medieval	No	n/a
	Wreck of the Louisa	Industry – Post Medieval	No	n/a
	Coal Discharger	Industry – Post Medieval	No	n/a
	Melingriffith Water Pump	Industry – Post Medieval	Yes	Historic Cost
	Gun Batteries – Flatholm Island	Defence – Post Medieval	No	n/a
	Coastal and Aircraft Defences – Flatholm Island	Defence – Modern	No	n/a
	Cardiff Castle and Roman Fortress	Castle, Fort, Camp – Roman	Yes	Historic Cost
Paintings Artefacts and Civic Regalia	Various, primarily at Castle also at City Hall Mansion House and County Hall	Furniture, paintings, ornaments, jewellery, ceramics etc.	Yes	Valuation for Insurance Purposes
Other	Flatholm Island	Local Nature Reserve, Site of Special Scientific Interest and Special Protection Area	Yes	Historic Cost
	Graving Docks - Harbour	Post Medieval vessel servicing facilities	Yes	Historic Cost
	In library Stock and held at National Library	First editions, Book of Aneirin	No	n/a

Investment Properties
The following table summarises the movement in the fair value of investment properties over the year:

2013/14 £000		2014/15 £000
57,809	**Balance at 1 April**	75,625
18,233	Additions	726
0	Impairment Losses / reversals to SDPS	0
(455)	Disposals	(121)
200	Other Reclassifications	18,326
0	Revaluation increases /(decreases) to RR*	(117)
(162)	Revaluation increases /(decreases) to SDPS**	6,348
75,625	**Balance at 31 March**	**100,787**

*Revaluation Reserve
** Surplus/Deficit on Provision of Services

Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by borrowing, it results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

2013/14 Restated £000		CFR exc. landfill 2014/15 £000	Landfill CFR 2014/15 £000	Total CFR 2014/15 £000
503,702	**Opening Capital Financing Requirement**	**486,169**	**26,899**	**513,068**
	Capital Expenditure:			
72,384	Property, Plant and Equipment	72,991	0	72,991
4	Heritage Assets	95	0	95
0	Assets Held for Sale	0	0	0
18,233	Investment Properties	726	0	726
921	Intangible Assets	444	0	444
1,332	Loans	50	0	50
12,645	Expenditure on REFCUS	8,208	0	8,208
	Sources of Finance:			
(3,354)	Capital Receipts	(4,754)	0	(4,754)
(62,413)	Government grants and other contributions	(35,624)	0	(35,624)
(4,089)	Direct revenue contributions and reserves	(5,580)	0	(5,580)
(26,297)	Prudent revenue and capital provision for loan repayment	(26,424)	(1,210)	(27,634)
513,068	**Closing Capital Financing Requirement**	**496,301**	**25,689**	**521,990**
	Explanation of movements in year:			
(6,463)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(7,248)	0	(7,248)
15,829	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	17,380	(1,210)	16,170
9,366	**Increase in Capital Financing Requirement**	**10,132**	**(1,210)**	**8,922**

Revenue Expenditure funded from Capital under Statute (REFCUS)
The following amounts were treated as capital expenditure to be paid for from capital resources. This is expenditure on items that do not result in the creation or enhancement of an asset for the Council.

	2013/14 £000	2014/15 £000
Movements in Year:		
Housing Improvement grants	4,315	**5,219**
Buildings not owned by Cardiff Council	5,877	**886**
Grants awarded (not Housing grants)	2,453	**2,103**
Charged to Income and Expenditure Account	**12,645**	**8,208**
Funded by:		
Grants and Contributions	(9,249)	**(7,460)**
Borrowing, receipts and other capital resources	(3,396)	**(748)**
	(12,645)	**(8,208)**

Asset Disposals
The main asset disposals during the year are identified below:-

- Sale of freeholds to Wales and West Housing Association
- Sale of 20 Council Dwellings
- Sale of land at Oxford Street
- Sale of units at Ipswich Road Industrial Estate
- Sale of 9 Birchgrove Road

Significant capital expenditure contractual commitments
At 31 March 2015 the figure for significant capital expenditure commitments scheduled for completion in 2015/16 and future years is £32.767 million (£9.606 million 2013/14) and includes the following:

	£000
Pontprennau Primary School	5,034
Eastern Leisure Centre Refurbishment	5,984
Grangetown Community Hub Refurbishment and Extension	900
Radyr Hydro Scheme	2,690
Insole Court Restoration	2,074
Purchase of Wood Street NCP Car Park	8,325
Windsor Road Bridge Replacement Scheme	1,094
Public Housing - Roofing Contract	1,530
Public Housing – Secure by Design Fire Doors	2,337
Street Lighting Energy Reduction	1,292

21. Financial Instruments

Financial Instrument Balances
The following table discloses the Council's Financial Instruments (Assets and Liabilities) at their carrying value in the accounts. They arise as a result of the Council's Treasury Management activities as well as Financial Instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below. Debtors and Creditors, with the exception of car loans, are shown separately in the respective notes rather than as financial instruments:-

	31 March 2014 (Restated)			31 March 2015		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
Investments/Financial Assets						
Loans & Receivables at amortised cost	4,247	70,984	**75,231**	2,803	65,738	**68,541**
Investments at Fair Value	17,160	0	**17,160**	14,998	0	**14,998**
Total	21,407	70,984	92,391	17,801	65,738	83,539
Borrowings/Financial Liabilities						
Financial Liabilities at Amortised Cost	(465,486)	(14,457)	(479,943)	(464,808)	(12,964)	(477,772)

Investments / Financial Assets
Loans and receivables include:

- **Cash and bank including temporary investments** of £65 million. £53.9 million is deposited for various maturities with financial institutions. In addition a sum of £1 million is placed with Lloyds Bank as an integral part of mortgage lending in relation to the Council's Local Authority Mortgage Scheme. This indemnity is repayable 24 April 2017, subject to any loss from mortgages approved within the scheme.
- **Car loans** to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement. Over 300 such agreements existed during 2014/15 and the value of loans outstanding total £0.90 million as at 31 March 2015.
- **Loan of £1 million** repayable in June 2016 provided to Cardiff Bus to support investment in its fleet of vehicles and depot facilities.

There is little difference between the fair value calculation for loans and receivables and the balance sheet carrying amount.

	31 March 2014 (Restated)		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	41,761	41,761	23,137	23,137
Deposits with banks and building societies	30,040	30,045	42,088	42,108
Local Authority Mortgage Scheme	1,042	1,120	1,042	1,109
Assisted Car Purchase Loans	1,235	1,235	900	900
Loan to Cardiff Bus	1,000	1,000	1,000	1,000
Loans to External Organisations / Subsidiary	153	153	374	374
Financial assets	75,231	75,314	68,541	68,628

Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. Whilst the Council's shareholding is not listed on any quoted market, accounting rules require a valuation be estimated. Any change in value is offset by a corresponding movement the 'available for sale reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2015 is deemed to be £13.6 million (£15.8 million 2013/14). This value is determined by applying a multiplier to the Company's Earnings before Interest Tax Depreciation and Amortisation (EBITDA) all of which could fluctuate dependent on the company's performance and economic climate in which it operates. Accordingly, the accounting valuation may vary significantly from year to year.

- A 44.5% interest in the Medicentre, a Joint Venture between the Council, University of Wales College of Medicine, the Welsh Government and the Cardiff and Vale NHS Trust (£1.09 million), and minority holdings in SMEs. Negotiations to dispose of the Council's stake in the Joint Venture are being undertaken.

Borrowings / Financial Liabilities include:

- Borrowing is undertaken to fund the long term capital expenditure requirements of the Council and any short term cash flow requirements. It includes Lender Option Borrower Option Loans totalling £51 million which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. The carrying amounts below also include accrued interest payable at 31 March 2015.

- The Council has not granted financial guarantees of a significant value that warrants separate recognition on the Balance Sheet.

- The fair value of borrowing and financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. Interest rates on similar loans have seen a reduction compared to the same point last financial year. Where fair value is higher the Council would have to pay a premium or penalty in order exit the loans before natural maturity.

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board Loans	(425,849)	(500,795)	(423,181)	(599,216)
Lender Option Borrower Option Loans	(51,636)	(47,850)	(51,636)	(61,610)
Market loans, Bonds and Temporary Balances	(2,455)	(2,634)	(2,955)	(3,092)
Bank overdraft	0	0	0	0
Financial liabilities	**(479,940)**	**(551,279)**	**(477,772)**	**(663,918)**

Fair value calculations used the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing on 31 March 2015. The PWLB provided a fair value of £703.42 million based on the premature repayment rates in force at 31 March 2015.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- Interpolation techniques between available rates have been used where the exact maturity period was not available.
- No early repayment or impairment is recognised.

Financial Instrument Gains/Losses

The following table shows the gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to Financial Instruments:

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2013/14 £000	2014/15 £000	2013/14 '£000	2014/15 £000	2013/14 £000	2014/15 £000	2013/14 £000	2014/15 £000

Interest Expense	23,871	24,616	0	0	0	0	**23,871**	**24,616**
Impairment Losses	0	0	5,056	0	0	0	**5,056**	**0**
Interest Payable & Similar Charges	**23,871**	**24,616**	**5,056**	**0**	**0**	**0**	**28,927**	**24,616**
Interest / Dividend Income	0	0	(872)	(832)	0	0	**(872)**	**(832)**
Interest and Investment Income	**0**	**0**	**(872)**	**(832)**	**0**	**0**	**(872)**	**(832)**
Losses on Revaluation	0	0	0	0	488	2,211	**488**	**2,211**
(Surplus) / Loss arising on revaluation of financial assets	**0**	**0**	**0**	**0**	**488**	**2,211**	**488**	**2,211**
Net (gain) / loss for the year	**23,871**	**24,616**	**4,184**	**(832)**	**488**	**2,211**	**28,543**	**25,995**

In accordance with accounting requirements, the Council is required to consider whether amounts shown on its balance sheet are shown at their recoverable amount. At 31 March 2014, loans of £5.056 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium and shown within long term debtors were shown as an impairment loss following a number of indicators of impairment. During 2014/15, 70% of sums due under the contractual terms were agreed to be written off with the balance to be restructured. This is to be undertaken in 2015/16. As the loan had been provided from Capital resources, the loss on impairment during 2013/14 was neutralised against capital reserves, with a net nil impact in the year.

Nature and Extent of Risks arising from Financial Instruments

The Authority's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks. In undertaking its treasury management activities, the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs. Given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. This risk is enhanced when loans to external organisations are provided for service delivery objectives and Indicators of significant impairment are considered at the balance sheet date.

Treasury management risks include credit and counterparty, liquidity and refinancing, interest rate, market value, exchange rate, fraud and regulatory risk. The Council has Treasury Management Practices to address and mitigate these risks. It has adopted the CIPFA Treasury Management Code of Practice and sets indicators to control key financial instrument risks. The Treasury Management Strategy is set at the start of the year which can be found on the Council's external website, www.cardiff.gov.uk. by selecting Your Council > Council Finance > Managing the Council's Finances > Treasury Management Strategy 2014-15.

Responsibility for the execution and administration of treasury management decisions rests with the Corporate Director Resources. Scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices are undertaken by the Council's Audit Committee.

Reports on the Council's borrowing and investments for Treasury Management Purposes are provided periodically to Council, Cabinet and Audit Committee.

Further details in relation to key risks are disclosed in the following sections where relevant.

Credit Risk – further disclosures

This is the possibility that other parties may fail to pay amounts due to the Authority. For the Council it arises from lending of temporary cash balances to banks, building societies, other local Authorities and money market funds as part of the Council's Treasury Management Activities. It also arises from exposure to the Authority's customers and organisations to whom it may have provided a loan.

The following table summarises the Council's main exposures to credit risk.

<table>
<tr><th>Credit Risk</th><th>Likelihood of Default</th><th>31 March 2014 Restated £000</th><th>31 March 2015 £000</th></tr>
<tr><td>Deposits – banks, buildings societies</td><td>Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. Ratings are regularly reviewed.
A risk of non-recoverability applies to all of the Authority's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the Authority has not experienced default of any institution and as the counterparty exposure following table shows this is not deemed to be a significant factor for investments held. Accordingly no provisions or losses are to be recognised.</td><td>71,399</td><td>65,076</td></tr>
<tr><td>Local Authority Mortgage Scheme</td><td>The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. The Authority will only incur a loss if a house is repossessed and sale proceeds are insufficient to cover the debt. No defaults have occurred to date and an earmarked reserve for this purpose, should this be the case.</td><td>1,000</td><td>1,000</td></tr>
<tr><td>Car Loans</td><td>Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.</td><td>1,235</td><td>900</td></tr>
<tr><td>Loans to External Bodies</td><td>Includes primarily loans to SME's £380,000 and loan to Cardiff Bus £1 million. Repayments on loans are dependant on financial and operating performance, which are monitored closely for large amounts. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.</td><td>1,516</td><td>1,380</td></tr>
<tr><td>Customers</td><td>The Authority does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.
The bad debt provision for 2014/15 was based on the adjusted age profile disclosed in the following table.
<table>
<tr><th></th><th>2013/14</th><th>2014/15</th></tr>
<tr><td></td><td>£000</td><td>£000</td></tr>
<tr><td>Less than 1 year</td><td>11,211</td><td>10,708</td></tr>
<tr><td>1 – 2 years</td><td>788</td><td>734</td></tr>
<tr><td>2 – 3 years</td><td>225</td><td>553</td></tr>
<tr><td>3 – 4 years</td><td>198</td><td>133</td></tr>
<tr><td>4 – 5 years</td><td>128</td><td>153</td></tr>
<tr><td>Over 5 years</td><td>291</td><td>298</td></tr>
<tr><td>Total</td><td>12,841</td><td>12,579</td></tr>
</table></td><td>12,912</td><td>12,599</td></tr>
</table>

Credit Risk	Likelihood of Default	31 March 2014 Restated £000	31 March 2015 £000
	Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non payment is not usually considered necessary.		
Total		**88,062**	**80,955**

Counterparty Exposure at 31 March 2015

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland plc	UK	A	12,000
Commonwealth Bank of Australia	Australia	AA-	5,000
Development Bank Singapore	Singapore	AA-	5,000
National Australia Bank	Australia	AA-	5,000
Nationwide Building Society	UK	A	10,000
Santander UK plc	UK	A	5,000
Ignis - Money Market Fund	Domiciled in Ireland	AAA	11,900
Lloyds - LAMS	UK	A	1,000
Total			**54,900**

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2015, the probability of any default is 0.045% or £24,920.

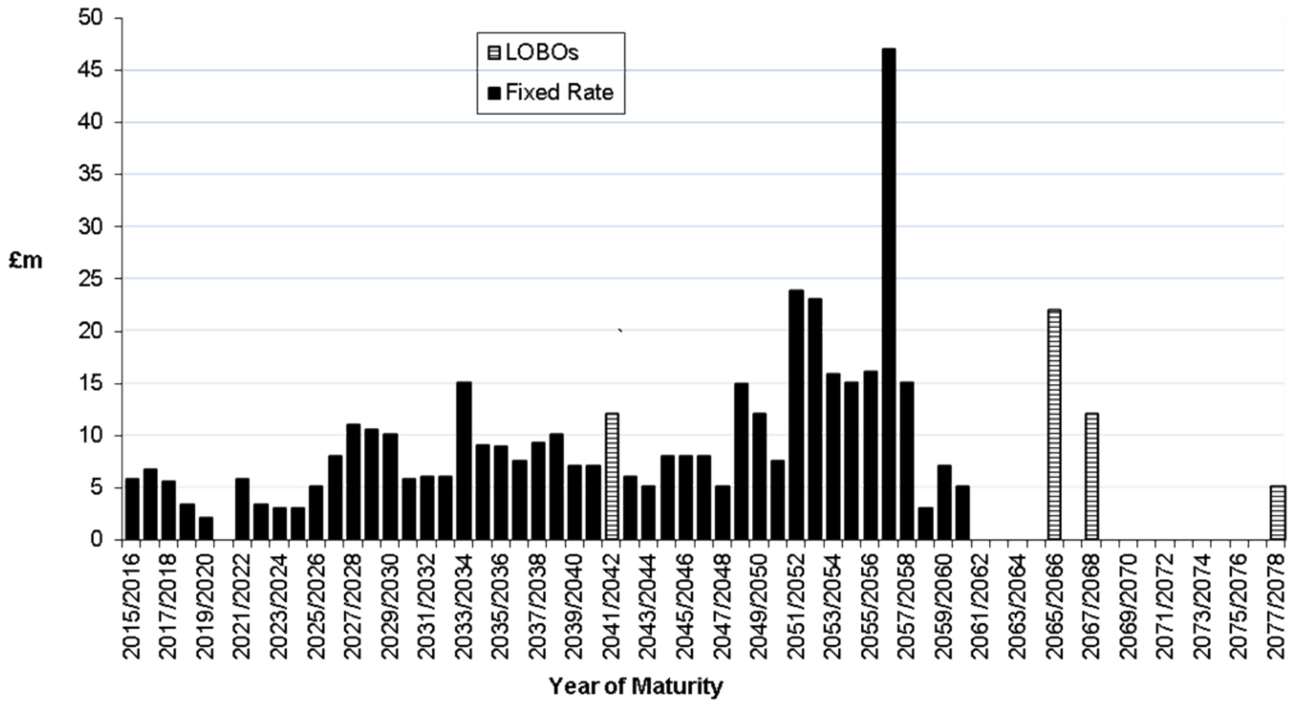
Liquidity and Refinancing Risk – further disclosures

This is the possibility that the Authority may not have funds available to meet its commitments to make payments or have to renew a financial instrument on maturity at disadvantageous interest rates or terms. The Council manages its daily liquidity position by undertaking cash flow modelling. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance to meet its commitments under financial instruments and for the purposes of the prudent management of its financial affairs. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. The amounts of fixed rate debt maturing in any period are disclosed in the following table:-

31 March 2014 £000	Loans Outstanding	31 March 2015 £000
420,695	Public Works Loans Board	418,077
51,000	LOBO's	51,000
1,621	Market Debt / Bonds	1,468
473,316	**Total**	**470,545**
7,830	Under 12 months	5,737
5,719	12 months and within 24 months	6,726
15,629	24 months and within 5 years	10,941
14,147	5 years and within 10 years	15,150
80,306	10 years and within 20 years	86,306
76,602	20 years and within 30 years	80,602
126,049	30 years and within 40 years	133,049
108,034	40 years and within 50 years	93,034
34,000	50 years and within 60 years	34,000
5,000	60 years and within 70 years	5,000
473,316	**Total**	**470,545**

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £5.748 million and short term borrowing of £1.479 million. It should be noted that a further £187 million of borrowing will be undertaken in 2015/16 to make the settlement payment to HM Treasury to exit the Housing Finance Subsidy system.

The Council's debt maturity profile at 31 March 2015 is shown in the following graph on the assumption that all loans run to their final maturity.



Currently, £24 million of the Lender Option Borrower Option loans are subject to the lender having the right to change the rate of interest payable every six months. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. Details are shown in the following table:-

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	01/09/2015	6 months	23/05/2067
6	21/05/2015	6 months	21/11/2041
6	21/05/2015	6 months	21/11/2041
6	21/05/2015	6 months	23/05/2067
22	21/11/2015	5 years	23/11/2065
5	05/01/2018	5 years	17/01/2078

In respect of trade and other payables, the Council aims to make payment within 10 days in respect of undisputed invoices.

Interest Rate Risk – further disclosures
The possibility that financial loss might arise for the Authority as a result of changes in interest rates.

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	• Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure. • Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year. • By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Authority's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2014/15 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(212)
Interest in interest receivable on investments	376
Impact on Income and Expenditure Account	**164**
Increase in interest transferred to HRA	(52)
Increase in interest transferred to other balances and accounts	(69)
Net Income / (Expenditure)	**43**

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	240
Decrease in Fair Value of Fixed Rate Borrowings	99,222

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

Foreign exchange risk
The Authority's exposure to loss arising from movements in exchange rates is minimal. Borrowing and investments are carried out only in sterling.

Price Risk
This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. Whilst the Council, excluding the pension fund, could invest directly in products such as Bank Certificates of Deposits and Gilts, at the Balance Sheet date, the Council did not have any direct holding.

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5% in the fair value (positive or negative) would result in a £678,000 gain or loss being recognised in the Movement in Reserves Statement.

22. Held for Sale Assets

2013/14 £000		2014/15 £000
1,013	**Balance at 1 April**	380
0	De-recognition	(10)
513	Reclassified to/(from) Held for Sale	3,504
(123)	Revaluation increases /(decreases) to RR*	(330)
(1,023)	Revaluation increases /(decreases) to SDPS**	(504)
380	**Balance at 31 March**	**3,040**

*Revaluation Reserve
** Surplus/Deficit on Provision of Services

23. Debtors

31 March 2014 £000		31 March 2015 £000
38,268	Central Government Bodies	53,746
3,338	Other Local Authorities	7,008
5,235	NHS Bodies	4,883
17	Public Corporations & Trading Funds	38
25,243	Other Entities and Individuals	25,307
72,101	**Total Debtors Net of Impairments**	**90,982**

24. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

31 March 2014 £000		31 March 2015 £000
323	Cash	182
9,219	Bank (including cheque book schools)	11,051
32,219	Short-term deposit with banks and building societies	11,904
41,761	**Total Cash and Cash Equivalents**	**23,137**

Included within the bank figure above are bank balances of chequebook schools totalling **£1.644 million** (£1.245 million in 2013/14).

In addition to the above, at 31 March 2015 the Council held **£1.114 million** (£938,000 at 31 March 2014) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

25. Creditors

31 March 2014 £000		31 March 2015 £000
(13,403)	Central Government Bodies	(11,252)
(2,120)	Other Local Authorities	(6,576)
(853)	NHS Bodies	(860)
(43)	Public Corporations & Trading Funds	(12)
(59,408)	Other Entities and Individuals	(76,101)
(75,827)	**Total Creditors**	**(94,801)**

26. Interests in companies and other organisations

The Council has interests in 3 subsidiary companies and one joint venture. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 141 to 162. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2014/15.

Cardiff City Transport Services Ltd. (Cardiff Bus)
Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by The City of Cardiff Council. Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2014/15 as summarised below:

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Turnover	(35,054)	(36,571)
Operating and other expenditure	33,494	33,912
Net (Profit) / Loss before Taxation	**(1,560)**	**(2,659)**
Less: Taxation	345	0
(Profit)/ Loss after Taxation	**(1,215)**	**(2,659)**

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

	31 March 2014 £000	31 March 2015 £000
Bus and other operating assets	20,055	19,940
Current Assets	5,409	6,663
Less Current Liabilities	(3,383)	(3,483)
Net Assets	22,081	23,120
Creditors: Amounts falling due after more than one year	(4,000)	(4,292)
Provisions & Long term liabilities	(3,060)	(2,865)
Deferred Taxation	(401)	(613)
Pension Liability	(2,910)	(3,753)
Total Assets less liabilities	**11,710**	**11,597**
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	6,111	6,685
IAS19 Pension Reserve	(2,910)	(3,753)
Revaluation Reserve	3,891	4,047
Net Worth	**11,710**	**11,597**

In 2014/15 the Council made payments totalling **£10.004 million** to Cardiff Bus (£11.068 million in 2013/14), of which £9.140 million related to concessionary fares payments (£10.052 million in 2013/14). The Council also received income of **£463,000** (£144,000 in 2013/14). During 2014/15 Cardiff Bus did not pay a dividend to the Council (£nil in 2013/14).

At 31 March 2015, Cardiff Bus had inter-company balances with The City of Cardiff Council as follows: debtors **£117,000** (£206,000 in 2013/14); creditors **£29,000** (£31,000 in 2013/14).

The accounts for year ended 31 March 2015 have not yet been audited.

Cardiff Business Technology Centre Ltd. (CBTC Ltd.)
CBTC is a company limited by guarantee, which is wholly owned by the Council. The Council's guarantee to CBTC Ltd is to pay costs not exceeding £10 in the event of the company being wound up. The company's principal activity is to promote and assist in the development of new and existing high technology companies through the provision of business/incubator premises with a high level of support services. The most recent operating results are shown as follows:

	Year to 31 March 2014 £000	Year to 31 March 2015 £000
Net (Profit)/Loss before taxation	(46)	(59)
Less: Taxation	10	2
(Profit)/Loss for year after taxation	**(36)**	**(57)**

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

	31 March 2014 £000	31 March 2015 £000
Total assets less current liabilities	920	956
Creditors: falling due after more than one year	(7)	(7)
Provision for taxation	(4)	(6)
Total Assets less liabilities	**909**	**943**
Represented by:		
Retained Profit	189	223
Revaluation Reserve	720	720
Net Worth	**909**	**943**

During 2014/15 the Council received income of **£36,000** (£25,000 in 2013/14) from CBTC Ltd. At 31 March 2015 CBTC Ltd. owed The City of Cardiff Council **£125,965** (£150,174 at 31 March 2014) and was owed **£10,851** (£10,850 at 31 March 2014).

The company's auditors are Gerald Thomas & Co. The accounts ended 31 March 2015 have not yet been audited.

Cardiff Business Council
Cardiff Business Council is a company that was set up during 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. It is a wholly owned arms-length company of the Council limited by guarantee. The company's closing operating results, as summarised as follows, are provisional:

	Period to 31 March 2014 £000	Year to 31 March 2015 £000
Net (Profit)/Loss before taxation	(197)	59
Taxation	0	0
(Profit)/Loss for year after taxation	**(197)**	**59**

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

	31 March 2014 £000	31 March 2015 £000
Total assets less current liabilities	197	137
Total assets less liabilities	**197**	**137**
Represented by		
Retained Profit	(197)	(137)
Balance	**(197)**	**(137)**

During the year The City of Cardiff Council made core funding payments totalling **£500,000** to Cardiff Business Council and received income from the Company totalling **£92,165**. The Council incurred other expenditure in connection with Cardiff Business Council totalling **£104,792**. At 31 March 2015 the Company owed the Council **£17,717** (£73,130 at 31 March 2014) and was owed **£43,895** (£112,810 at 31 March 2014) by the Council.

The company's auditors are Broomfield & Alexander Ltd. The accounts ended 31 March 2015 have not yet been audited.

Cardiff Medicentre Joint Venture

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

During 2014/15 the Council received a total income of **£4,750** from Medicentre (£4,500 in 2013/14). No decision has as yet been reached as to the profit distribution to be made in respect of the 2014/15 surplus (£nil in 2013/14). At 31 March 2015 Medicentre there is no outstanding money owing to the Council (£nil at 31 March 2014). A net **surplus of £163,365** was made in 2014/15 (net surplus of £137,895 in 2013/14).

The accounts for the year ended 31 March 2015 have not yet been audited.

27. Provisions

	Balance 1 April 2014	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2015
	£000	£000	£000	£000
Cardiff Insurance Provisions	(11,980)	5,810	(5,164)	(11,334)
MMI Scheme of Arrangement Levy	(450)	0	(254)	(704)
Termination Benefits Provision	(856)	856	(59)	(59)
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(18,088)	1,095	0	(16,993)
Other Provisions	(2,431)	1,547	(1,340)	(2,224)
Total Provisions	**(42,901)**	**9,308**	**(6,817)**	**(40,410)**

	Not later than one year	Later than one year	Balance 31 March 2015
	£000	£000	£000
Cardiff Insurance Provisions	(4,924)	(6,410)	(11,334)
MMI Scheme of Arrangement Levy	(50)	(654)	(704)
Termination Benefits Provision	(59)	0	(59)
Ferry Rd Landfill Provision	(45)	(9,051)	(9,096)
Lamby Way Landfill Provision	(2,064)	(14,929)	(16,993)
Other Provisions	(1,869)	(355)	(2,224)
Total Provisions	**(9,011)**	**(31,399)**	**(40,410)**

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

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

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

Municipal Mutual Scheme of arrangement levy provision represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims.

Termination Benefits Provision represents the obligation The City of Cardiff Council has following the decision to terminate an employee's employment, where the employee has not yet left the Authority, but there is a communication to the affected employee outlining a plan of termination.

Landfill Aftercare Provision - The Council has numerous landfill sites throughout the City's boundaries and whilst many are historic and have no obligations, others such as Lamby Way and Ferry Road require the Council to address restoration and after care in accordance with obligations made to Natural Resources Wales as part of initial permits. Such financial obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure obligations. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will need to be professionally reviewed periodically.

Within other provisions is an amount of **£495,614** in respect of the potential early termination of the automated public conveniences contract.

27.1 Pension Strain

In addition to the costs of redundancy payments made to leavers, in some cases the Authority also incurs costs relating to Pension Strain which it is required to pay over to the Pension Fund when individuals leave via the Severance Scheme.

This applies only to leavers who are members of the Local Government Pension Scheme and aged 55-59 at the date they leave employment with the Authority. The pension strain cost to the Authority is the amount it has to pay over to the Pension Fund to compensate for the lost pension contributions for these staff.

The City of Cardiff Council has an arrangement in place with the Cardiff & Vale Pension Fund whereby it pays the amounts due in respect of pension strain over a 5 year period in order to spread the impact of these costs. The following table shows the level of pension strain in the balance sheet.

	Balance at 31 March 2014 £000	Balance at 31 March 2015 £000
Pension Strain due within 1 year	2,486	2,830
Pension Strain due later than 1 year	5,766	6,252
Total Pension Strain	**8,252**	**9,082**

28. Deferred Liabilities

	Balance 1 April 2014	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2015
	£000	£000	£000	£000
Commuted Maintenance Sums	(8,500)	1,078	(819)	**(8,241)**
Total Deferred Liabilities	**(8,500)**	**1,078**	(819)	(8,241)

	Not later than one year	Later than one year	Balance 31 March 2015
Commuted Maintenance Sums	(1,024)	(7,217)	(8,241)
Total Deferred Liabilities	**(1,024)**	**(7,217)**	**(8,241)**

29. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

Usable Capital Receipts Reserve

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

2013/14 £000		2014/15 £000
1,605	**Balance as at 1 April**	**1,399**
	Movements during Year:	
2,696	Sale of Land, Buildings and other assets	3,825
854	Sale of Council Dwellings	2,022
3	Private Mortgage Repayments	13
143	Recoupments of grant/other	204
3,696		**6,064**
(3,354)	Finance Capital Expenditure	(4,753)
(545)	Provide for Repayment of External Loans	(1,361)
(3,899)		**(6,114)**
(3)	Additional set aside from Private Mortgage Repayments	(13)
1,399	**Balance as at 31 March**	**1,336**

The balance held at 31 March 2015 relates primarily to sums received for housing purposes and to be used for future housing capital schemes

30. Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserves contain only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The movements are as follows:

2013/14		2014/15

£000		£000
317,680	**Balance as at 1 April**	**206,879**
19,902	Upward revaluation of assets	937
(127,651)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,698)
(107,749)	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**(2,761)**
(2,909)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(3,017)
(143)	Accumulated gains on assets sold or scrapped	(173)
(3,052)	**Amount written off to the Capital Adjustment Account**	**(3,190)**
206,879	**Balance as at 31 March**	**200,928**

Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

Note 1 provides details of the source of all of the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2013/14 (Restated) £000		2014/15 £000
1,263,727	**Balance as at 1 April 2014**	**1,156,598**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(56,725)	Charges for depreciation and impairment of non-current assets	(58,629)
14,931	Reverse previous impairment on revaluation	951
(142,461)	Revaluation losses on Property, Plant and Equipment	(3,691)
(904)	Amortisation of intangible assets	(846)
(3,396)	Expenditure on REFCUS	(749)
(2,008)	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,413)
(190,563)		**(64,377)**
2,909	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	3,017
(187,654)	Net written out amount of the cost of non-current assets consumed in the year	**(61,360)**
	Capital financing applied in the year:	
3,354	Capital Receipts	4,753
3,197	Direct Revenue Financing	4,621
892	Reserves and provisions	959
216	Insurance settlement	31
52,948	Grants and contributions	28,134
25,651	Prudent Revenue Provision	26,273
646	Capital receipts used to repay external loans	1,361
(5,056)	Impair Glamorgan County Cricket Club loan	0

2013/14 (Restated) £000		2014/15 £000
(141)	Reduction in loan debtors	(243)
13	Leased vehicles	0
81,720		**65,889**
(162)	Movements in the market value of Investment Properties	8,853
(1,033)	Movement in the value of Held for Sale assets	(504)
1,156,598	**Balance as at 31 March**	**1,169,476**

*Further detail on the recognition of VA/VC/Foundation Schools can be found in note 20.

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. The Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Useable Capital Receipts Reserve. The movements are as follows:

2013/14 £000		2014/15 £000
851	**Balance as at 1 April**	**104**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(747)	Transfers to the Capital Receipts Reserve upon receipt of cash	(17)
104	**Balance as at 31 March**	**87**

Following consent given to Cardiff City Football Club for the development of the hotel site and former coach park in 2009/10, a £720,000 premium payable to the Council was paid to the Council in 2013/14.

Available for Sale Financial Instruments Reserve

Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

2013/14 £000		2014/15 £000
16,262	**Balance as at 1 April**	**15,774**
(488)	Downwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(2,211)
15,774	**Balance as at 31 March**	**13,563**

Whilst the Council's shareholding in Cardiff Bus is not listed on any quoted market, accounting rules require a valuation be estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is reflected in a corresponding reserve, the 'available for sale reserve' as it is required to be called. The fair value of the investment at 31 March 2015 is deemed to be £13.563 million, a decrease of £2.211 million from the value previously determined in 2013/14. This value is determined by applying a multiplier to the Company's EBITDA, both of which are likely to fluctuate.

Financial Instruments Adjustment Account

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

2013/14 £000		2014/15 £000
(3,051)	**Balance as at 1 April**	**(2,709)**
342	Proportions of premiums and discounts incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	342
(2,709)	**Balance as at 31 March**	**(2,367)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2013/14 (Restated) £000		2014/15 £000
(713,470)	**Balance as at 1 April**	**(481,278)**
266,411	Actuarial gains or losses on pensions assets and liabilities	(51,492)
(75,483)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement *	(57,171)
(2,096)	Reversal of amounts accrual in respect of pension strain for future years	(830)
43,360	Employer's pensions contributions and direct payments to pensioners payable in the year	41,903
(481,278)	**Balance as at 31 March**	**(548,868)**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the Council Fund Balance from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the Council Fund Balance is neutralised by transfers to and from the Account.

2013/14 £000		2014/15 £000
(5,956)	**Balance as at 1 April**	(6,789)
(833)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(881)
(6,789)	**Balance as at 31 March**	(7,670)

31. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2014/15:

	2013/14 £000	2014/15 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(339,678)	(326,291)
Outcome Agreement Grant	(3,303)	(3,305)
Concessionary Fares Grant	(11,220)	(10,303)
Council Tax Reduction Scheme	(2,542)	0
Non-Domestic Rates	(107,229)	(109,695)
Capital Grants	(26,406)	(26,340)
Developers' Contributions	(18,944)	(1,825)
Total	**(509,322)**	**(477,759)**
Credited to Services (Revenue Grants & Contributions)		
Central Government Bodies	(271,435)	(268,218)
Other Local Authorities	(4,916)	(6,995)
NHS Bodies	(7,235)	(7,498)
Public Corporations & Trading Funds	(67)	(108)
Other Entities and Individuals	(6,817)	(6,459)
Total	**(290,470)**	**(289,278)**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

31 March 2014		31 March 2015
£000		£000
	Capital Grants Receipts in Advance	
(306)	Central Government Bodies	(2,404)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(306)	**Total**	**(2,404)**

Capital expenditure and other Contributions Receipts in Advance:

2013/14 £000		2014/15 £000
(25,404)	**Balance as at 1 April**	**(9,724)**
	Movements during Year:	
(3,724)	Contributions received during the year	(2,523)
19,093	Contributions applied to expenditure during the year	1,850
311	Reclassification	302
(9,724)	**Balance as at 31 March**	**(10,095)**

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure. Schemes to be funded are specific and very often time limited. The overall reduction in 2013/14 was primarily because of the use of a £17 million contribution received from Welsh Government and used towards purchase of land as part of the redevelopment of Central Square.

31 March 2014 £000		31 March 2015 £000
	Revenue Grants and Contributions Receipts in Advance	
(1,447)	Central Government Bodies	(3,005)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
(916)	Other Entities and Individuals	(729)
(2,363)	**Total**	**(3,734)**

32. Contingent Assets & Liabilities

Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2015 is **£4.691 million.**

At 31 March 2015, Glamorgan County Cricket Club owed the Council a total of £6.412 million. In March 2015, the Council considered a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This is to be actioned in 2015/16 following completion of legal agreements and confirmation of no adverse tax implications for the club. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.924 million) remains 100% impaired, but is shown as a contingent asset in the statement of accounts to reflect the amounts potentially receivable in accordance with the proposed restructured loan.

There are a number of outstanding VAT claims that could be due to the Council in the future. This includes further trade waste claims, parking claims and cultural exemption claims. Certain claims would also be subject to due interest being added to the amount received.

Liabilities
As at 31 March 2015 there existed 98 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, racial and disability discrimination, repayment of hackney carriage licence fees, council house disrepairs, claims for refunds of searches carried out, outstanding equal pay claims and unsuccessful tender of procurement and breach of contract. The maximum liability in respect of the 98 claims is estimated to be £1.039 million although some are unknown. The Council is resisting liability in all cases, where appropriate the Council has included a provision for the estimated liability.

The former Authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. As at 31 March 2015 this liability amounted to £2.513 million for the former South Glamorgan County Council (shared 72/28 with the Vale of Glamorgan) and £235,071 for the former Cardiff City Council.

The Scheme was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of any future claims. A 15% levy has been paid and open and new claims will be paid at 85%. The Council has recognised as a provision the sum of £704,349 as at 31 March 2015 (as disclosed at note 27 of the Notes to the Statement of Accounts). Additional levies may be imposed on Authorities. The value and timing of these is not yet known.

The Council continues to encourage expressions of interest in voluntary redundancy in order to meet future budget constraints. Expressions of interest are sought across the Council and business cases are assessed on a case by case basis. The cost of such cases is recognised and disclosed in the Statement of Accounts in the year in which the business case is approved since until that stage, any application for voluntary severance can be declined. Redundancies that have been approved in 2014-15 are included in the disclosure of exit packages at note 11.

33. Notes to Cash Flow Statement

Adjust net surplus or deficit on the provision of services for non-cash movements

	2013/14 (Restated) £000	2014/15 £000
Depreciation, impairment & amortisation	(191,410)	(53,867)
Charges made for retirement benefits (IAS19) less employers contributions	(35,052)	(20,238)
Contributions (to)/from provisions	3,273	5,153
Gain/loss on disposal of non-current assets	(2,150)	(1,586)
Increase/(decrease) in stock	(300)	(588)
Increase/(decrease) in debtors (exc capital)	(5,388)	1,247
(Increase)/decrease in creditors (exc capital creditors) & super fund	(12,641)	(14,593)
	(243,668)	**(84,472)**

Items in net surplus/ deficit on provision of services that are investing and financing activities

	2013/14 (Restated) £000	2014/15 £000
REFCUS	(3,396)	(749)
Net gain/(loss) on sale of non-current assets	2,821	5,774
Repayments of liabilities under finance leases	14	0
Capital grants/contributions recognised in I&E	53,164	28,165
Other cash items which effect investing or financing activities	(2,016)	(10,759)

	50,587	**22,431**

34. Voluntary and Compulsory Severance

During the year, circa **652 people** left the Council under its voluntary severance scheme. It is likely that this will continue during 2015/16. In total the severance costs incurred during the year amounted to **£11.900 million** (£9,742 million in 2013/14) of which **£0.402 million** (£0.292 million in 2013/14 related to staff working under the Asylum Seeker contract or the HRA. The balance of **£11.498 million** severance cost related to Council fund services. This was paid from within in-year revenue resources.

35. Events after the Reporting Period

The Council has worked actively with Welsh Government, Welsh Local Government Association and other Housing Stock retaining Authorities to secure exit from the Housing Revenue Account Subsidy System, which has been in place for some time. This was achieved in England in 2012. The new arrangements mean that, from April 2015, the Council will no longer have to pay circa £15 million from tenant rents to the Welsh Government, which is then passed on to UK Treasury each year. Instead, the Council has made a one-off payment of £187 million as a "buy out" to the Welsh Government/UK Treasury on 2 April 2015. In accordance with Treasury and Welsh Government requirements, this was paid by undertaking borrowing from the Public Works Loan Board at interest rates determined by HM Treasury. This will impact on Balance sheet liabilities as well as financial instruments notes for the 2015/16 Statement of Accounts in respect of Council borrowing.

36. Date of Authorisation of the Accounts for Issue

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2013/14			2014/15
£000		Note	£000
	Expenditure		
18,524	Repairs and maintenance		20,739
17,255	Supervision and management		17,833
198	Rents, rates, taxes and other charges		128
15,062	Housing Revenue Account subsidy payable		14,464
446	Provision for bad and doubtful debts		523
13,113	Depreciation, impairment and revaluation of non-current assets	9	15,899
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	10	353
30	Debt management costs		32
64,628	**Total Expenditure**		**69,971**
	Income	2	
(56,398)	Dwelling rents		(58,586)
(81)	Non-dwelling rents		(67)
(6,508)	Charges for services and facilities		(6,578)
(62,987)	**Total Income**		**(65,231)**
1,641	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		4,740
42	HRA Services' share of Corporate and Democratic Core		42
1,683	**Net Cost for HRA Services**		**4,782**
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(561)	(Gain)/loss on sale of HRA non-current assets		(2,819)
4,756	Interest payable and similar charges		4,806
0	Changes in fair value of investment properties		80
(65)	Interest and Investment income	3	(65)
(10,248)	Capital Grants and Contributions applied		(11,480)
(4,435)	**(Surplus)/Deficit for year on HRA services**		**(4,696)**

MOVEMENT ON HRA STATEMENT

2013/14 £000		Note	2014/15 £000
(7,295)	**Balance on the HRA at the end of the previous year**		(8,124)
(4,435)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(4,696)
4,234	Adjustments between accounting basis and funding basis under regulations	1	4,828
(201)	**Net (increase)/decrease before transfers to or from reserves**		**132**
(628)	Transfers to/(from) reserves		(446)
(829)	**Increase or decrease in the year on the HRA**		**(314)**
(8,124)	**Balance on the HRA at the end of the current year**		(8,438)

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

2013/14 £000		Note	2014/15 £000
	Adjustments primarily involving the Capital Adjustment Account:		
	Reversal of items debited or credited to the HRA Income and Expenditure Statement:		
13,113	Charges for depreciation and impairment of non-current assets	9	15,899
0	Movement in the market value of investment properties		80
55	Sums directed by Welsh Government	10	353
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,145
(10,248)	Capital grants and contributions applied		(11,480)
	Insertion of items not debited or credited to the HRA Income and Expenditure Statement:		
(4,074)	Prudent Provision for the financing of capital investment		(2,899)
(2,198)	Capital expenditure funded by the HRA		(3,761)
	Adjustments involving the Pensions Reserve:		
1,428	Net Retirement Benefits per IAS19		1,290
(15)	Pension Strain Accrual – future years		(14)
(1,755)	Employers Contributions to pension schemes		(1,507)
	Adjustments involving the Capital Receipts Reserve:		
(561)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(4,101)
18	Credit for disposal costs that qualify to be met from the resulting capital receipts		35
	Adjustments involving the Revaluation Reserve:		
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		137
	Adjustments involving the Accumulated Compensated Absences Account:		
5	Amount by which officer remuneration charged to the HRA Income & Expenditure Account on an accruals basis is different from remuneration chargeable in accordance with statutory requirments		(3)
	Adjustments involving the Financial Instruments Adjustment Account:		
(2)	Amortisation of premiums and discounts		(2)
(4,234)	**Total Adjustments**		(4,828)

Rental Income
This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for **2.04%** of rental income (2.52% in 2013/14). Average rents were **£84.33** per week (£81.36 in 2013/14) based on a 52 week year.

2. Rent Arrears and Bad Debt Provision

	As at 31 March 2014		As at 31 March 2015	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
Ordinary HRA	2,140	1,697	2,459	1,929
Leasehold properties	52	52	44	44
Hostels	89	89	121	121
Total	**2,281**	**1,838**	**2,624**	**2,094**

In addition the following sums were also due from tenants:

	As at 31 March 2014		As at 31 March 2015	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Service Charges	62	37	55	33
Tenants recoverables	299	299	294	294
Total	**361**	**336**	**349**	**327**

During 2014/15 a number of old debts totalling **£221,951** were written off as irrecoverable (£384,880 in 2013/14).

3. Investment Income
The figure for HRA investment income includes mortgage interest, interest earned on notional cash balances and repayments of retained equity.

4. Pension Costs
In accordance with IAS19 the amount included within Supervision and Management in respect of employee costs includes the current service cost for pensions. In order that the bottom line pension cost borne by the HRA equals the total employer's contributions paid to the Pension Fund in the year plus any discretionary benefits payable to ex-housing staff, a transfer has been made to the Pensions Reserve as follows:

	2013/14 £000	2014/15 £000
Cost of employer's contributions plus discretionary benefits	1,755	1,507
Current service cost	(1,428)	(1,290)
Pension Strain Accrual - Future Years	15	14
Net transfer to Pensions Reserve	**342**	**231**

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

5. Mortgages on Sold Council Houses

Mortgage arrears amounted to £15,621 (£17,333 in 2013/14) and prepayments were £1,759 (£17,595 in 2013/14).

6. Housing Stock

The Council's housing stock is shown below:

	31 March 2014	31 March 2015
Houses	7,286	7,268
Bungalows	624	624
Flats/Bedsits	5,113	5,110
Maisonettes	291	240
Retirement complexes	358	358
Total	**13,672**	**13,600**

The Council also had:

	31 March 2014	31 March 2015
Bed spaces in hostels	9	9
Flats in hostels	49	49
Total	**58**	**58**

7. Capital Expenditure and Capital Financing

2013/14 £000		2014/15 £000
93,898	**Opening Capital Financing Requirement**	**96,360**
	Capital Expenditure:	
12,154	Council dwellings	17,777
(314)	Other land & buildings	22
92	Vehicles, plant & equipment	1
428	Surplus assets	422
181	Assets under construction	1,029
232	Intangible Assets including intangible AUC	61
55	Expenditure on REFCUS	353
7,040	Appropriation of Land	1,100
	Sources of Finance:	
(375)	Capital Receipts	(3,237)
(10,268)	Government grants and other contributions *	(11,480)
(2,185)	Direct revenue contributions and reserves	(3,761)
(4,578)	Prudent revenue and capital provision for loan repayment	(4,129)
96,360	**Closing Capital Financing Requirement**	**94,518**
	Explanation of Movements in Year:	
(2,024)	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	(2,850)
4,486	Increase in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	1,008
2,462	**Movement in capital financing requirement**	**(1,842)**

*£9.6 million (£9.6 million in 2013/14) of Major Repairs Grant was received and applied in the year.

8. Capital Receipts

Proceeds from the disposal of HRA Assets during 2014/15 were as follows:

- Council Dwellings, Repayment of Discount & Home Purchase Contributions £2.022 million (£854,000 in 2013/14)
- Land £2.061 million (£207,000 in 2013/14)

9. Depreciation, Impairment and Revaluation charged

Depreciation and impairment was charged on HRA assets as follows:

	2013/14 £000	2014/15 £000
Council dwellings	12,232	13,877
Land and buildings	759	1,901
Vehicles, plant & equipment	122	123
Total depreciation, impairment and revaluation	**13,113**	**15,901**

Such charges to the HRA and changes in valuation do not have any impact on the amount required to be collected from rents as all such adjustments to non-current assets are required to be neutralised from capital reserves.

10. Sums directed by the Welsh Government

Revenue expenditure funded from capital under statute charged to the Housing Revenue Account in 2014/15 was **£353,000** (£55,000 in 2013/14).

	2013/14 £000	2014/15 £000
Movements in Year:		
Buildings not owned by The City of Cardiff Council	55	353
Charged to Income and Expenditure Account*	**55**	**353**
***Funded by**:*		
Borrowing, receipts and other capital resources	55	353
	55	**353**

Foreword

The City of The City of Cardiff Council is the Administering Authority for the Cardiff & Vale of Glamorgan Pension Fund which is itself part of the national Local Government Pension Scheme (LGPS) for England & Wales. The regulations for the Scheme are determined by the UK Government.

The Pension Fund's assets grew by 12.5% during 2014/15, from £1.49 billion to £1.68 billion. Despite periods of volatility, global equity markets performed well over the year with growth in asset values exceeding 20% in sterling terms in some overseas regions. The Fund has benefitted from the agreement of the Investment Advisory Panel to increase the proportion of assets invested overseas. The continuing low interest rates remain a concern while Fund liabilities are also estimated to have increased since the 2013 valuation. The next valuation will take place in 2016.

New regulations for the LGPS were introduced on 1 April 2014. The scheme is now a Career Average Revalued Earnings (CARE) arrangement which is linked to the State Pension Age, although benefits earned prior to that date are protected and will continue to be based on the member's service up to 31 March 2014 and final salary on retirement.

During the past year the Department for Communities and Local Government (DCLG) has continued to consult on issues affecting the governance and structure of the LGPS. In May and June 2014 consultations were issued on collaborative investments and draft regulations on scheme governance. Whilst the government has not made any further announcements in response to the consultation on investments, the governance regulations were finalised in January 2015. The regulations require each LGPS administering Authority to establish a Local Pension Board in compliance with the Public Services Pensions Act 2013.

The City of The City of Cardiff Council established its Local Pension Board on 29 January 2015. The Board comprises three employer representatives, three scheme member representatives and an independent (non-voting) chair. The Board's role is to assist the Council in securing compliance with the LGPS regulations and related legislation. Information about the Board's membership and activities will be made available via the Council web site.

Despite these changes, the Fund's key objective continues to be to provide pensions effectively and efficiently, with the aim of minimising the burden on contributing employers over the long term.

Christine Salter
Corporate Director Resources
June 2015

Actuarial Statement

Cardiff and Vale of Glamorgan Pension Fund

Introduction
The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position
1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date (of £1,369M) covering 82% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.

2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2014 was:

- 15.4% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.

Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2014, amounting to £16.9M in 2014/15, and increasing by 3.4% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 22.2% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.4% p.a.

3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt's report dated 28 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.

5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service Scheduled Bodies Admission Bodies	 5.6% p.a. 5.2% p.a.
Discount rate for periods after leaving service Scheduled Bodies Admission Bodies	 5.6% p.a. 3.9% p.a.
Rate of pay increases	3.4% p.a.
Rate of increase to pension accounts	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:
https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20Valuation%20Report%20-%2031%20March%202013.pdf

Aon Hewitt Limited
May 2015

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions receivable	
58,961	from employers (note 5)	58,471
15,720	from employees (note 5)	16,026
3,872	Transfers in	2,978
23,630	Deficit Funding (note 5)	0
4,327	Other Income (Capitalised Payments and interest on deficit funding)	5,134
106,510		**82,609**
	Benefits Payable	
(52,321)	Pensions (note 6)	(55,983)
(16,784)	Lump Sums (note 6)	(19,439)
	Payments to and on account of leavers	
(10)	Refunds of contributions	(76)
(4,668)	Transfers out	(3,204)
(73,783)		**(78,702)**
	Net Additions/(Withdrawals) from	
32,727	dealings with Members of the Fund	**3,907**
	RETURNS ON INVESTMENT	
12,746	Investment Income (note 9)	17,388
104,275	Change in market value of investments (note 10)	171,478
(5,048)	Management expenses (note 8)	(5,759)
111,973	Net Returns on Investments	**183,107**
144,700	Net Increase/(Decrease) in the Fund During Year	**187,014**
1,347,803	Opening Net Assets of the Scheme	1,492,503
1,492,503	**Closing Net Assets of the Scheme**	**1,679,517**

NET ASSET STATEMENT AS AT 31 MARCH 2015

2013/14 £000		2014/15 £000
1,442,289	Investments at market value (note 10)	1,616,090
23,836	Cash & investment proceeds due (note 10)	37,061
1,466,125		**1,653,151**
	Current assets	
147	UK & Overseas Tax	121
4,471	Contributions due from Employers and deficit funding	4,488
118	Sundry Debtors (note 14)	793
2,733	Pension Strain costs due within one year	3,078
7,469		**8,480**
	Non current assets	
18,022	Deficit funding (former employers)	15,618
4,857	Pension strain costs due after one year	6,253
22,879		**21,871**
	Current liabilities	
(2,811)	Unpaid Benefits	(3,055)
(1,159)	Sundry Creditors (note 14)	(930)
(3,970)		**(3,985)**
1,492,503	**Net Assets of the Scheme**	**1,679,517**

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2014/2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2014/2015 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the ''actuarial present value of the promised retirement benefits''. This figure has been calculated by the Actuary as at 31 March 2013 as £2,028.8 million, with a comparator value as at the 31 March 2010 valuation of £1,950.4 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 121 and 122. This shows that the overall funding level as at 31 March 2013 is 82%.

2. Accounting Policies

(a) Basis of Preparation

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future. As per IAS 26, a disclosure has been made of the Fund's pension liability i.e. the actuarial present value of promised retirement benefits

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2015 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2015 was **£87 million** (93 million at 31 March 2014).

Pension fund liability -This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 121 and 122. This estimate is based on significant variances based on changes to the underlying assumptions.

(d) Assumptions made about the future and other major sources of estimation uncertainty.
The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £87 million. There is a risk that this investment may be under, or overstated in the accounts.

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

3. Taxation

(a) UK Income, Capital Gains Taxes
The Fund is an exempt approved fund able to recover UK income tax. No Capital Gains Tax is chargeable.

(b) Value Added Tax
The accounts are shown exclusive of VAT. As the County Council is the administering Authority, VAT is recoverable on all Fund activities.

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

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2015 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

5. Employing Bodies – Contributions

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
SCHEDULED BODIES:						
Barry Town Council	13	27.0%	0	74	18	92
Cardiff and Vale College	371	13.6%	259	1,254	464	1,718
Cardiff City Transport	30	25.4%	480	729	65	794
City of Cardiff Council	9,160	22.9%	0	35,608	9,791	45,399
Cardiff Metropolitan University	767	13.6%	527	3,108	1,288	4,396
Cowbridge Town Council	4	27.0%	0	18	4	22
Dinas Powys Community Council	1	27.0%	0	7	1	8
Lisvane Community Council	1	27.0%	0	1	0	1
Llantwit Major Town Council	4	27.0%	0	18	4	22
Penarth Town Council	14	27.0%	0	73	17	90
Penllyn Community Council	1	27.0%	0	1	0	1
Public Services Ombudsman for Wales	3	32.3%	254	290	9	299
Radyr & Morganstown Community Council	1	27.0%	0	6	1	7
St Davids Sixth Form College	37	13.6%	14	114	47	161
Stanwell School	75	16.4%	13	167	55	222
Vale Of Glamorgan Council	3,191	22.7%	0	12,037	3,332	15,369
Wenvoe Community Council	1	27.0%	0	2	0	2
Sub-total	**13,674**			**53,507**	**15,096**	**68,603**
ADMITTED BODIES:						
Cardiff Business Technology Centre	3	28.7%	0	14	3	17
Cardiff Gypsy & Traveller Project	1	23.4%	3	8	1	9
Cardiff Institute For The Blind	2	20.6%	57	66	3	69
Cardiff University	57	27.3%	1,300	1,684	89	1,773
Careers Wales (Cardiff & Vale)	84	18.1%	0	397	138	535
Children In Wales	22	24.7%	0	142	38	180
Civic Trust For Wales	0	23.4%	4	4	0	4
Colleges Wales	6	19.8%	9	67	23	90
Design Commission for Wales	4	20.3%	0	30	12	42
Memorial Hall	4	17.8%	0	17	6	23

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo)	Employers	Employees	Total
Mirus Wales	6	23.4%	0	56	20	76
National Trust	11	20.7%	0	43	13	56
One Voice	2	19.4%	3	19	8	27
Play Wales	5	24.0%	4	57	17	74
Royal National Eisteddfod	12	25.5%	32	142	33	175
Sport Wales	131	20.2%	500	1,323	286	1,609
Wales & West Housing	1	20.6%	102	139	16	155
Welsh Council For Voluntary Action	73	21.4%	43	500	149	649
Workers Education Association	47	22.3%	5	256	75	331
Sub-total	**471**			**4,964**	**930**	**5,894**
Total	**14,145**			**58,471**	**16,026**	**74,497**

Additional deficit funding
There was no additional deficit funding in 2014/15

6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	77	14	0	0
Cardiff City Transport	2,228	1,012	8	0
City of The City of Cardiff Council	36,222	11,070	1,147	337
Cardiff and Vale College	562	211	0	0
Cardiff Metropolitan University	1,373	657	0	0
Cowbridge Town Council	11	0	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	14	0	0	0
Penarth Town Council	42	5	0	0
Probation Service	250	8	0	0
Public Services Ombudsman for Wales	182	75	0	0
Radyr & Morganstown Community Council	17	0	0	0
Royal Welsh College of Music & Drama	76	0	0	0
S Wales Magistrates Courts	316	348	0	34

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
St Cyres School	47	14	0	0
St Davids Sixth Form Coll	63	32	0	0
Stanwell School	43	102	0	17
Vale of Glamorgan Council	10,497	3,066	319	97
Sub-total	**52,047**	**16,614**	**1,474**	**485**
ADMITTED BODIES:				
Cardiff Bay Arts Trust	11	0	0	0
Cardiff Bay Devt Corp	489	15	0	0
Cardiff Business Technology Centre	12	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,014	156	61	10
Careers Wales (Cardiff & Vale)	293	87	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	13	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	10	11	0	0
Civic Trust for Wales	16	33	0	0
Colleges Wales	49	180	0	0
Design Commission for Wales	3	0	0	0
Dimensions	9	0	0	0
Glam & Gwent Hsg Assoc	58	0	0	0
Glamorgan Holiday Hotel	54	0	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	196	0	0	0
Intervol	22	0	0	0
Land Authority for Wales	318	22	0	0
National Eisteddfod	76	3	0	0
National Trust				
Memorial Hall	3	75	0	0
Mirus Wales (Opportunity Housing Trust)	22	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	757	163	3	6
STAR	7	0	0	0
Wales & West Housing	139	7	0	0
Wales Youth Agency	55	0	0	0
Welsh Council for Voluntary Action	164	27	7	0
Workers Education Association	14	0	0	0
Sub-total	**3,936**	**779**	**71**	**16**

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
TOTAL	**55,983**	**17,393**	**1,545**	**501**

7. Membership of the Fund

Fund membership at 31 March 2015 is as follows:

	2013/14 Restated	2014/15
Contributing Employers	35	33
Contributors	13,922	14,145
Pensioners	9,866	10,194
Deferred pensioners	11,335	11,893
Total membership	**35,123**	**36,232**

8. Management Expenses

Management Expenses fully charged to the Fund are:

	2013/14 £000	2014/15 £000
Administration Costs	951	789
Investment Management Expenses	3,980	4,846
Oversight & Governance Costs	117	124
TOTAL	**5,048**	**5,759**

9. Investment Income

	2013/14 £000	2014/15 £000
UK Fixed Interest Securities	3,802	5,277
Overseas Fixed Interest Securities	1,120	2,345
UK Equities & Private Equity Funds	2,760	3,105
Pooled investments	1,134	1,278
Overseas Equities (net of irrecoverable tax)	3,234	3,682
Property Unit Trust Income	619	1,529
Interest on UK cash	66	75
Securities Lending	11	97
TOTAL	**12,746**	**17,388**

10. Investments at Market Value

2013/14 £000		2014/15 £000
	UK Fixed Interest:	
46,589	Public Sector	53,976
8,051	Non Govt	0
107,302	Other (Pooled)	129,201
161,942		**183,177**
	Overseas Fixed Interest:	
0	Public Sector (Pooled)	0
58,120	Other	61,913
58,120		**61,913**
77,425	UK quoted Equities & Convertibles	101,886
157,972	Foreign quoted Equities	174,678
79,897	UK & Global Property (Pooled)	99,211
315,294		**375,775**
92,925	Private Equity	87,433
	Pooled Funds	
446,157	UK	484,258
367,851	Overseas	423,534
814,008		**907,792**
884	Derivatives: Forward Currency contracts	(2,209)
	Cash:	
16,950	UK	24,110
5,190	Overseas	13,559
812	Net investment proceeds due	1,601
22,952		**39,270**
1,466,125	**TOTAL**	**1,653,151**

Gross purchases in the year (excluding cash and forward currency) were £146.615 million, whilst sales were £141.299 million. From these a net realised profit was accrued to the Fund of £16.0 million. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

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

	Value at 31/03/14 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/15 £000's
Fixed Interest Securities	220,062	65,699	(57,319)	16,648	245,090
Equities	235,397	66,497	(59,102)	33,772	276,564
Pooled Funds	814,008	784	0	93,000	907,792
Property unit trusts	79,897	5,779	0	13,535	99,211
Private equity	92,925	7,856	(24,878)	11,530	87,433
Sub total	**1,442,289**	**146,615**	**(141,299)**	**168,485**	**1,616,090**
Forward Currency	884	2,089,769	(2,098,490)	5,628	(2,209)
Futures	0	286,496	(286,496)	0	0
Total Derivatives	**884**	**2,376,265**	**(2,384,986)**	**5,628**	**(2,209)**
Debtors	812				1,742
Creditors	0				(141)
Managers' Cash	9,049				7,700
Internal Cash	12,625				24,110
Currency Overlay	466				5,859
Total Cash	**22,952**			**(2,635)**	**39,270**
Total Cash and Investment Proceeds Due	**23,836**			**2,993**	**37,061**
Total	**1,466,125**			**171,478**	**1,653,151**

Comparative Data for 2013/14	Value at 31/03/13 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/14 £000's
Fixed Interest Securities	219,150	77,421	(67,140)	(9,369)	220,062
Equities	207,401	88,401	(70,145)	9,740	235,397
Pooled Funds	711,647	18,695	0	83,666	814,008
Property unit trusts	75,238	0	(339)	4,998	79,897
Private equity	93,089	8,907	(14,874)	5,803	92,925
Sub total	**1,306,525**	**193,424**	**(152,498)**	**94,838**	**1,442,289**
Forward Currency	732	1,581,563	(1,592,067)	10,656	884
Futures	0	418,215	(418,215)	0	0
Total Derivatives	**732**	**1,999,778**	**(2,010,282)**	**10,656**	**884**
Debtors	1,754				812
Creditors	(9)				0
Managers' Cash	7,709				9,049
Internal Cash	16,288				12,625
Currency Overlay	6,929				466
Total Cash	**32,671**			**(1,219)**	**22,952**
Total Cash and Investment Proceeds Due	**33,403**			**9,437**	**23,836**
Total	**1,339,928**			**104,275**	**1,466,125**

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £298,009. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

Analysis of derivatives

Objectives and policies for holding derivatives
Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

Forward foreign currency
In order to maintain appropriate diversification and to take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency management overlay in place managed by Mesirow, which hedges significant long term currency movements to limit losses. The portfolio covers US dollars, Yen and Euro currencies.

11. Summary of Manager's Portfolio Values at 31 March 2015

	£000	% of Fund
Aberdeen Asset Management	244,159	14.8
Aberdeen Emerging Markets	58,585	3.5
Blackrock Investment Management	188,209	11.4
Invesco Perpetual	93,847	5.7
J P Morgan	67,775	4.1
Majedie	104,072	6.3
Nikko	94,447	5.7
Schroder Investment Managers	84,854	5.1
State Street Global Advisers	499,375	30.2
Property	99,210	6.0
Private Equity Managers	87,433	5.3
Mesirow currency overlay & cash with custodian	7,074	0.4
Internally managed (Cash)	24,111	1.5
Total	**1,653,151**	**100**

12. Financial Instruments

a) Classification of financial instruments

31/03/2014				31/03/2015		
Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs		Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs
£000	£000	£000	**Financial assets**	£000	£000	£000
220,062	0	0	Fixed Interest Securities	245,090	0	0
235,397	0	0	Equities	276,564	0	0
814,008	0	0	Pooled Funds	907,792	0	0
79,897	0	0	Property Unit Trusts	99,211	0	0
92,925	0	0	Private Equity	87,433	0	0
41,742	0	0	Derivatives	156,416	0	0
0	22,140	0	Cash	0	37,669	0
812	0	0	Other investments	1,601	0	0
0	30,348	0	Debtors	0	30,351	0
1,484,843	**52,488**	**0**		**1,774,107**	**68,020**	**0**
			Financial liabilities			
(40,858)	0	0	Derivatives	(158,625)	0	0
0	0	0	Other investments	0	0	0
0	0	(3,970)	Creditors	0	0	(3,985)
0	0	0	Borrowings	0	0	0
(40,858)	**0**	**(3,970)**		**(158,625)**	**0**	**(3,985)**
1,443,985	**52,488**	**(3,970)**		**1,615,482**	**68,020**	**(3,985)**

b) Net gains and losses on financial instruments

31/03/2014		31/03/2015
£000	**Financial Assets**	£000
94,041	Fair value through profit and loss	289,262
0	Loans and receivables	0
	Financial liabilities	
4,919	Fair value through profit and loss	(117,769)
5,315	Loans and receivables	(15)
104,275	**Total**	**171,478**

c) Fair value of financial instruments and liabilities

31/03/2014			31/03/2015	
Carrying value	Fair value		Carrying value	Fair value
£000	£000		£000	£000
		Financial assets		
1,049,489	1,484,843	Fair value	1,069,969	1,774,107
52,488	52,488	Loans and receivables	68,020	68,020
1,101,977	**1,537,331**	**Total financial assets**	**1,137,989**	**1,842,127**
		Financial liabilities		
(40,858)	(40,858)	Fair value	(158,625)	(158,625)
(3,970)	(3,970)	Financial liabilities	(3,985)	(3,985)
(44,828)	**(44,828)**	**Total financial liabilities**	**(162,610)**	**(162,610)**

d) Valuation of financial instruments carried at fair value

Level 1 - Quoted prices for similar instruments. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 - Directly observable market inputs other than Level 1 inputs. Where an instrument is traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 - Inputs not based on observable market data. The values of investment in private equity are based on valuations provided by the general partners to the private equity funds. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end.

Values as at 31st March 2015	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value	699,914	729,532	344,661	1,774,107
Loans and receivables	68,020	0	0	68,020
Total financial assets	**767,934**	**729,532**	**344,661**	**1,842,127**
Financial liabilities				
Financial liabilities at fair value	0	0	(158,625)	(158,625)
Financial liabilities at amortised cost	(3,985)	0	0	(3,985)
Total financial liabilities	**(3,985)**	**0**	**(158,625)**	**(162,610)**
Net financial assets	**763,949**	**729,532**	**186,036**	**1,679,517**

13. Nature and extent of risks rising from financial instruments

The fund maintains positions in a variety of instruments, as dictated by the Statement of Investment principles (SIP), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

Market Risk

Market risk is the risk that the fair value or future cashflows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

Interest rate risk is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen, the appointed active bond manager.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits

	Carrying amount as at 31.03.2015	Change in year in the net assets available to pay benefits	
Asset Type		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,061	371	(371)
Fixed interest securities	245,090	2,451	(2,451)
Total	**282,151**	**2,822**	**(2,822)**

2013/14 Comparative:

Asset Type	Carrying amount as at 31.03.2014	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	23,836	238	(238)
Fixed interest securities	220,082	2,201	(2,201)
Total	**243,918**	**2,439**	**(2,439)**

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates.
The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis
Following analysis of historical data, the fund's aggregate currency change has been calculated as 3.49%. A 3.49% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

	Asset value as at 31.03.2015	Change to net assets available to pay benefits	
Currency exposure – asset type		3.49%	-3.49%
	£000	£000	£000
Overseas quoted securities	616,984	638,493	595,476
Total change in assets available	**616,984**	**638,493**	**595,476**

	Asset value as at 31.03.2014	Change to net assets available to pay benefits	
Currency exposure – asset type		3.09%	-3.09%
	£000	£000	£000
Overseas quoted securities	526,232	542,513	509,951
Overseas corporate bonds (quoted)	58,120	59,918	56,322
Total change in assets available	**584,352**	**602,431**	**566,273**

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Price risk sensitivity analysis
Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2015 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	**1,653,151**	**6.65%**	**1,763,086**	**1,543,216**
UK Equities	586,144	9.73%	643,176	529,112
Overseas Equities	598,212	9.68%	656,119	540,305
Total Bonds	245,090	3.78%	254,354	235,826
Cash	37,061	0.01%	37,065	37,057
Alternatives	87,433	2.25%	101,443	96,979
Property	99,211	3.35%	90,362	84,504

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	**1,466,125**	**8.04%**	**1,584,001**	**1,348,249**
UK Equities	539,453	11.42%	601,059	477,847
Overseas Equities	509,953	12.63%	574,360	445,546
Total Bonds	220,082	4.65%	230,316	209,848
Cash	23,816	0.02%	23,821	23,811
Alternatives	92,924	1.89%	81,407	78,387
Property	79,897	4.61%	97,208	88,640

Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme. This is run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with the Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2015 was £24.6 million (£13.2 million at 31.03.2014). This was held with the following institutions:

	Rating	Balance at 31.03.2014 £000	Balance at 31.03.2015 £000
Money market funds			
Ignis	AAA	13,080	**12,000**
Deutsche	AAA	0	**12,000**
Blackrock	AAA	0	**650**
Bank current account			
Lloyds Bank	A	0	**6**
Co-operative	A-	131	**0**
Total		**13,211**	**24,656**

Liquidity Risk
Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Pension Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds investments are substantially made up of listed securities which are considered readily realisable.

14. Sundry Debtors & Creditors

	2013/14 £000	2014/15 £000
Debtors		
Pensions Administration	108	26
Miscellaneous	10	767
	118	**793**
Creditors		
Management & Custody Fees	(956)	(899)
Miscellaneous	(203)	(31)
	(1,159)	**(930)**
Total	**(1,041)**	**(137)**

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

The amount of AVC contributions paid during the year amounted to £415,000 and the market value of separately invested AVC's as at 31 March 2015 was £3.167 million.

16. Commitments
As at 31 March 2015 the Fund had outstanding private equity commitments of a maximum of £40.57 million (£48.07 million at 31 March 2014).

As at 31 March 2015 the Fund had forward currency contracts amounting to £154.91 million of purchases and £157.12 million of sales, showing an unrealised gain of £2.21 million.

17. Securities Lending
At the year end the value of quoted equities on loan was £38.00 million (£16.15 million at March 2014) in exchange for which the custodian held collateral of £40.35 million (£17.32 million at March 2014). For the year ending 31 March 2015, the Fund received income of £131,025 from the lending of stock.

18. Contingent Liabilities
The Fund has no contingent liabilities.

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

Other related party transactions with The City of Cardiff Council are:
- Cash invested internally by The City of Cardiff Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.

- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of The City of Cardiff Council.

20. Post Balance Sheet Events

There are no post balance sheet events to report.

INTRODUCTION

The group accounts that follow comply with the requirement of the 2014/15 Code that a local Authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of The City of Cardiff Council and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus).

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff & Co., and in Cardiff Medicentre Joint Venture. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2014/15. Details of the Council's interests in these organisations are included in note 26 to the Core Financial Statements.

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

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

Accounting policies
The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 21 to 38 with the following additions and exceptions:

1. Retirement Benefits
Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with IAS19. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

2. Value Added Tax
VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

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

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

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

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
Balance at 31 March 2013 carried forward (Restated)	**11,548**	**40,319**	**7,295**	**1,312**	**1,605**	**62,079**	**867,235**	**876,068**
Movement in Reserves during 2013/14 (Restated)								
Surplus or (deficit) on the provision of Services	(159,973)	0	4,435	0	0	**(155,538)**	1,215	**(154,323)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	160,925	**160,925**
Total Comprehensive Income and Expenditure	**(159,973)**	**0**	**4,435**	**0**	**0**	**(155,538)**	**162,140**	**6,602**
Adjustments between accounting basis & funding basis under regulations	150,078	0	(4,234)	0	(206)	**145,638**	(145,638)	**0**
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**(9,895)**	**0**	**201**	**0**	**(206)**	**(9,900)**	**16,502**	**6,602**
Transfers to/(from) Earmarked Reserves	9,760	(9,760)	628	(628)	0	**0**	0	**0**
Other Movements in Reserves	0	0	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2013/14	**(135)**	**(9,760)**	**829**	**(628)**	**(206)**	**(9,900)**	**16,502**	**6,602**
Balance at 31 March 2014 carried forward	**11,413**	**30,559**	**8,124**	**684**	**1,399**	**52,179**	**883,737**	**882,670**
Movement in Reserves during 2014/15								
Surplus or (deficit) on the provision of Services	(6,851)	0	4,696	0	0	**(2,155)**	2,659	**504**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(57,055)	**(57,055)**
Total Comprehensive Income and Expenditure	**(6,851)**	**0**	**4,696**	**0**	**0**	**(2,155)**	**(54,396)**	**(56,551)**
Adjustments between accounting basis & funding basis under regulations	11,857	0	(4,828)	0	(63)	**6,966**	(6,966)	**0**

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
Net Increase/(Decrease) before Transfers to Earmarked Reserves	**5,006**	**0**	**(132)**	**0**	**(63)**	**4,811**	**(61,362)**	**(56,551)**
Transfers to/(from) Earmarked Reserves	(3,265)	3,265	446	(446)	0	**0**	0	**0**
Other Movements in Reserves	0	0	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2014/15	**1,741**	**3,265**	**314**	**(446)**	**(63)**	**4,811**	**(61,362)**	**(56,551)**
Balance at 31 March 2015 carried forward	**13,154**	**33,824**	**8,438**	**238**	**1,336**	**56,990**	**822,375**	**826,119**

THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

2013/14 (Restated)					2014/15		
Gross Expenditure £000	Gross Income £000	2012/13 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
54,714	(20,680)	**34,034**	Central Services to the Public		51,243	(17,958)	**33,285**
58,897	(25,426)	**33,471**	Cultural & Related Services		58,205	(27,886)	**30,319**
56,113	(19,586)	**36,527**	Environmental & Regulatory Services		58,059	(23,779)	**34,280**
32,169	(17,017)	**15,152**	Planning Services		22,261	(19,905)	**2,356**
504,712	(76,706)	**428,006**	Children's and Education Services		400,445	(98,704)	**301,741**
98,458	(41,706)	**56,752**	Highways & Transport Services		85,101	(42,017)	**43,084**
63,765	(62,124)	**1,641**	Housing Revenue Account		69,971	(65,231)	**4,740**
182,254	(175,897)	**6,357**	Housing Services (General Fund)		181,640	(175,755)	**5,885**
125,423	(23,029)	**102,394**	Adult Social Care		127,857	(25,777)	**102,080**
11,980	246	**12,226**	Corporate & Democratic Core		9,982	(2,004)	**7,978**
2,837	0	**2,837**	Non-Distributed Costs		3,405	323	**3,728**
5,056	0	**5,056**	Exceptional Item	6	0	0	**0**
1,196,378	**(461,925)**	**734,453**	**Net Cost of Services**		**1,068,169**	**(498,693)**	**569,476**
25,012	0	**25,012**	South Wales Police Authority Precept		26,411	0	**26,411**
252	0	**252**	Community Council Precepts		256	0	**256**
17,392	0	**17,392**	Levies & Contributions		16,984	0	**16,984**
2,150	(2,854)	**(704)**	(Gain)/loss on sale of non-current assets		1,589	(5,774)	**(4,185)**
44,806	**(2,854)**	**41,952**	**Other Operating Expenditure**		**45,240**	**(5,774)**	**39,466**
23,884	0	**23,884**	Interest Payable on debt		24,734	0	**24,734**
64	0	**64**	Interest element of finance leases	4	16	0	**16**
32,626	(3,551)	**29,075**	Interest on net defined liability/(asset)		21,970	(3,728)	**18,242**
0	(1,218)	**(1,218)**	Interest & Investment Income		0	(1,106)	**(1,106)**
162	0	**162**	Change in fair value of Investment Properties		3,538	(12,391)	**(8,853)**
56,736	**(4,769)**	**51,967**	**Financing and Investment Income &**		**50,258**	**(17,225)**	**33,033**

2013/14 (Restated)					2014/15		
Gross Expenditure £000	Gross Income £000	2012/13 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
			Expenditure				
0	(53,164)	**(53,164)**	Recognised Capital Grants & Contributions		0	(28,165)	**(28,165)**
0	(339,678)	**(339,678)**	Revenue Support Grant		0	(326,291)	**(326,291)**
0	(107,229)	**(107,229)**	Non-Domestic Rates		0	(109,695)	**(109,695)**
948	(158,206)	**(157,258)**	Council Tax Income		779	(165,499)	**(164,720)**
0	(17,065)	**(17,065)**	Other Central Grants		0	(13,608)	**(13,608)**
948	**(675,342)**	**(674,394)**	**Taxation & Non-Specific Grant Income**		**779**	**(643,258)**	**(642,479)**
345	0	**345**	Tax expenses - Corporation Tax payable			0	**0**
1,299,213	**(1,144,890)**	**154,323**	**(Surplus)/Deficit on Provision of Services**		**1,164,446**	**(1,164,950)**	**(504)**
		(19,902)	Revaluation Gains				**(937)**
		127,299	Revaluation Losses				**3,287**
		352	Impairment losses on non-current assets charged to the Revaluation Reserve				**412**
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				**0**
		(266,411)	Actuarial gains/losses on pension assets/liabilities				**51,491**
		0	Other gains/losses required to be included in the Comprehensive Income & Expenditure Statement				**0**
		(2,263)	Share of other comprehensive income & expenditure of subsidiaries				**2,802**
		(160,925)	**Other Comprehensive Income & Expenditure**				**57,055**
		(6,602)	**Total Comprehensive Income & Expenditure**				**56,551**

GROUP BALANCE SHEET AS AT 31 MARCH 2015

31 March 2014 (Restated) £000		Note	31 March 2015 £000
	Property Plant & Equipment:	7	
566,393	Council Dwellings		569,012
752,760	Other Land and Buildings		775,520
29,979	Vehicles, Plant, Furniture & Equipment		29,398
314,866	Infrastructure		308,666
18,734	Community Assets		19,206
24,036	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		37,024
50,789	Heritage Assets		50,884
75,625	Investment Properties		100,787
4,748	Intangible Fixed Assets including AUC	7	4,346
3,780	Long-term Investments		3,754
2,935	Long-term Debtors		2,790
728	Deferred tax asset		938
1,900,776	**Total Long Term Assets**		**1,914,082**
28,895	Short-term Investments		42,185
380	Assets held for Sale	7	3,040
2,961	Inventories		2,446
73,290	Short-term Debtors	9	91,910
45,542	Cash and Cash Equivalents		28,446
151,068	**Total Current Assets**		**168,027**
(14,457)	Short Term Borrowing		(12,964)
(77,779)	Short Term Creditors	11	(97,074)
(2,486)	Pension Strain		(2,830)
(11,400)	Provisions	12	(10,300)
(1,914)	Deferred Liabilities	13	(1,746)
(552)	Deferred tax liability		(397)
(108,588)	**Total Current Liabilities**		**(125,311)**
(466,486)	Long Term Borrowing		(465,808)
(34,561)	Provisions		(32,975)
(10,290)	Deferred Liabilities		(10,510)
(9,724)	Capital Contributions Receipts in Advance		(10,095)
(2,363)	Revenue Grants Receipts in Advance		(3,734)
(306)	Capital Grants Receipts in Advance		(2,160)

31 March 2014 (Restated) £000		Note	31 March 2015 £000
(5,766)	Pensions Strain		(6,252)
(476,665)	Net Pensions Liability		(544,477)
(1,179)	Deferred tax liability		(1,422)
(1,007,340)	**Total Long Term Liabilities**		**(1,077,433)**
935,916	**NET ASSETS**		**879,365**
	Financed by:		
11,413	Council Fund Balance		13,154
30,559	Council Fund Earmarked Reserves		33,824
8,124	Housing Revenue Account Balance		8,438
684	HRA Earmarked Reserves		238
1,399	Capital Receipts Reserve		1,336
52,179	**Usable Reserves**		**56,990**
209,992	Revaluation Reserve		204,166
1,156,598	Capital Adjustment Account		1,169,476
104	Deferred Capital Receipts		87
4,618	Available for Sale Financial Instruments Reserve		4,618
(2,709)	Financial Instruments Adjustment Account		(2,367)
(484,188)	Pensions Reserve		(552,621)
(6,789)	Accumulated Absences Adjustment Account		(7,670)
6,111	Reserves (group entities)		6,686
883,737	**Unusable Reserves**		**822,375**
935,916	**TOTAL RESERVES**		**879,365**

GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2015

2013/14 (Restated) £000		Note	2014/15 £000
154,323	**Net (Surplus) /Deficit on the provision of services**		**(504)**
(244,874)	Adjust net surplus or deficit on the provision of services for non-cash movements	14	(87,266)
45,400	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15	21,712
(45,151)	**Net cash flows from operating activities**		**(66,058)**
(1,080)	Interest Received		(1,126)
24,802	Interest Paid		24,744
63	Finance lease interest paid		118
0	Dividends received		0
(122)	Taxation (group only)		56
(68,814)	Net cash flow from other operating activities		(89,850)
63,155	**Investing activities**		**69,447**
81,661	Purchase of property, plant and equipment, investment property and intangible assets		72,585
3,232	Purchase of short-term and long-term Investments		29,047
25,268	Other payments for investing activities		9,922
(3,619)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(5,830)
(43,319)	Capital Grants		(33,754)
(68)	Proceeds from short-term and long-term investments		(2,523)
(25,434)	**Financing activities**		**13,707**
(19,382)	Cash receipts from short-term and long-term borrowing		(6,902)
(7,752)	Other receipts from financing activities		
1,594	Cash payments for the reduction of outstanding liabilities relating to finance leases		891
106	Repayments of short-term and long-term borrowing		7,820
0	Other payments for financing activities		11,898
(7,430)	**Net (increase)/ decrease in cash and cash equivalents**		**17,096**
38,112	**Cash and cash equivalents at the beginning of the reporting period**		**45,542**
45,542	**Cash and cash equivalents at the end of the reporting period represented by:**		**28,446**
324	Cash held e.g. Impresst Accounts		182
10,513	Cash and Bank		13,842
34,705	Short-term deposits with financial institutions		14,422

NOTES TO THE GROUP ACCOUNTS
The notes to the Council's Core Financial Statements as set out on pages 45 to 114 apply also to the Group Accounts with the following additions and exceptions:

1. Remuneration

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

Remuneration band	Number of Employees	
£	2013/14	2014/15
60,000-64,999	91	**91**
65,000-69,999	37	**28**
70,000-74,999	15	**8**
75,000-79,999	10	**17**
80,000-84,999	13	**6**
85,000-89,999	8	**6**
90,000-94,999	4	**8**
95,000-99,999	2	**0**
100,000-104,999	6	**3**
105,000-109,999	3	**2**
110,000-114,999	2	**1**
115,000-119,999	1	**10**
120,000-124,999	0	**1**
125,000-129,999	0	**0**
130,000-134,999	0	**0**
135,000-139,999	1	**1**
140,000-144,999	0	**1**
145,000-149,999	0	**0**
150,000-154,999	0	**1**
155,000-159,999	0	**0**
160,000-164,999	0	**0**
165,000-169,999	0	**1**
170,000-174,999	0	**0**
175,000-179,999	0	**1**

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2014/15 Financial Statements.

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

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 13 to the single entity financial statements with the following addition:

PTI Cymru During the year Cardiff City Transport Services received £37,199 (£79,983 in 2013/14) from PTI CYMRU Ltd. for the rent of a call centre in Cardiff together with refurbishment costs. At 31 March 2015 there was a net balance of £0 (£6,177 in 2013/14) owed by PTI Cymru Ltd to Cardiff City Transport Services Ltd.

3. External Audit Costs

In 2014/15 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2013/14 £000	2014/15 £000
Fees payable to Wales Audit Office for external audit services	461	421
Fees Payable to other external auditors in respect of external audit services	23	24
Fees payable to external auditors for the certification of grant claims and returns	117	118
Fees payable in respect of other services provided by external auditors	8	3
Total	**609**	**566**

Within the disclosure for fees payable in 2013/14 in respect of other services provided by the appointed auditor £32,000 is in respect of an audit to consider and investigate the disclosure of the Public Internet Disclosure Act.

4. Leasing

Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Property Leases	2,114	1,886
Other Leases	460	416

The group was committed at 31 March 2015 to making payments of £2.913 million under operating leases in 2014/15 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring in 2014/15	8	433
Leases expiring between 2015/16 and 2016/17	583	797
Leases expiring after 2017/18	1,091	0

Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2014/15 were as follows:

	2013/14 £000	2014/15 £000
Vehicles, Plant & Equipment	64	16

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2013/14 £000		2014/15 £000
8,674	Vehicles, Plant, Furniture and Equipment	8,934

Obligations under finance leases:

2013/14 £000		2014/15 £000
704	Obligations payable within 1 year	**722**
3,000	Obligations payable between 2 and 5 years	**3,292**
0	Obligations payable after 5 years	**0**
3,704	**Total liabilities as at 31st March**	**4,014**

5. Pensions

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

	2013/14 £000	2014/15 £000
Net Cost of Services		
Current Service Cost	43,902	35,735
Past Service Costs	2,480	2,928
Net Operating Expenditure		
Interest on net defined benefit liability/(asset)	29,075	18,242
Net charge to Group Income & Expenditure Account	**75,457**	**56,905**
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(32,123)	(15,268)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	1,727	1,872
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaires in respect of Pensions	**45,061**	**43,509**
Presented by:		
Employers Contributions charged to Council Tax:		
Employers Contributions Payable to the Scheme	(39,910)	(38,403)
Payments in Respect of Unfunded Pensions Liabilities	(3,450)	(3,500)
Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year	(1,701)	(1,606)
	(45,061)	**(43,509)**

Pensions Assets and Liabilities of Cardiff Bus

The disclosures in note 5 relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2014/15 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced. This closed to new members in July 2013. The total cost charged in the profit and los account for the money purchase scheme of £682,000 (£719,000 in 2013/14) represents contributions payable during the year. At 31 March 2015, contributions of £89,000 (£99,000 in 2013/14) due in respect of the current reporting period had not been paid over to the scheme.

Cardiff City Transport Services Limited Pension Scheme
The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2012. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 2.6% per annum higher than the rate of future annual wage and salary growth and 1.4% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 1.6% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £30.1m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, was found to be 14.7% of members' pensionable pay from 1 April 2015. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

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

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2015 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2013	31 March 2014	31 March 2015
Rate of increase in salaries	3.7% per annum	3.9% per annum	3.5% per annum
Discount rate	4.3% per annum	4.4% per annum	3.3% per annum
Inflation assumption	3.2% per annum	3.4% per annum	3.0% per annum
Pension increases	2.5% per annum	2.7% per annum	2.0% per annum
Inflation assumption (CPI)	2.5% per annum	2.7% per annum	2.0% per annum

Mortality assumption
The mortality assumptions are based on SIPA tables, relevant to year of birth adjusted for medium cohort effects, rated up two years, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.2 years if they are male and for a further 22.7 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 22.0 years after retirement if they are male and for a further 24.5 years after retirement if they are female.

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

	2012/2013		2013/2014		2014/15	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.0% pa	10,814	7.0% pa	7,341	N/A	N/A
Diversified growth	6.8% pa	9,122	6.8% pa	12,937	N/A	N/A
Convertible Bonds	6.5% pa	8,692	6.5% pa	9,748	N/A	N/A
Bonds	N/A	0	N/A	0	N/A	N/A
Cash	2.0% pa	86	2.0% pa	60	N/A	N/A
		28,714		30,086		

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Total market value of assets	28,714	30,086	32,795
Present value of scheme liabilities	(29,260)	(29,914)	(34,276)
Net IAS19 Scheme Deficit	(546)	172	(1,481)

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Analysis of amount charged to operating profit			
Current service cost and total operating charge	(711)	(644)	(588)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	1,707	1,941	2,018
Interest on pension scheme liabilities	(1,232)	(1,251)	(1,304)
Net finance income/(charge)	475	690	714

Analysis of amount recognised in the primary statements

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Actual return less expected return on pension assets	1,683	(474)	974
Changes in financial assumptions underlying the scheme/(liabilities)	(2,979)	245	(3,599)
Actuarial gain/(loss) recognised in the primary statements	(1,296)	(229)	(2,625)

Movements in scheme deficit during the year

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
At 1 April b/f	**(111)**	**(546)**	**172**
Movement in year:			
Total operating charge	(711)	(644)	(588)
Contributions	1,097	901	846
Net finance income/(charge)	475	690	714
Actuarial gain/(loss) in the primary statements	(1,296)	(229)	(2,625)
At 31 March c/f	**(546)**	**172**	**(1,481)**

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

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2013.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2011 continuing into 2016/17. In addition to this rate, Cardiff City Transport Services Limited is required to pay £480,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of FRS17 in order to assess the liabilities of the Fund as at 31 March 2015. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company's contribution rate over the accounting period was 25.4% of pensionable pay plus a monetary amount of £480,000. The contribution rates certified for the company at the 31 March 2014 valuation are as follows:

April 2015 to March 2017 25.4% of pensionable pay plus £480,000.

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

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

The main assumptions used for the purposes of IAS19 are as follows:

	At 31 March 2013	At 31 March 2014	At 31 March 2015
Rate of increase in salaries	3.7% pa	3.9% pa	3.5% pa
Discount rate	4.3% pa	4.4% pa	3.3% pa
Rate of increase in pensions in payment	2.5% pa	2.7% pa	2.0% pa
Rate of increase in deferred pensions	2.5% pa	2.7% pa	2.0% pa
Rate of inflation (RPI)	3.2% pa	3.4% pa	
Rate of inflation (CPI)	2.5% pa	2.7% pa	

Mortality assumption

The mortality assumptions are based on SIPMA tables, for 100% of medium cohort, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.1 years if they are male and for a further 22.7 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.9 years after retirement if they are male and for a further 24.4 years after retirement if they are female.

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

	2012/2013		2013/14		2014/15	
'he assets in the fund and expected rates of return were:	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.8% pa	17,883	7.6% pa	19,888	N/A	N/A
Government bonds	2.8% pa	1,765	3.4% pa	1,753	N/A	N/A
Corporate bonds	3.8% pa	2,141	4.0% pa	2,032	N/A	N/A
Property	7.3% pa	1,318	6.9% pa	1,372	N/A	N/A
Cash	0.9% pa	282	0.9% pa	330	N/A	N/A
Other assets	7.8% pa	141	7.6% pa	25	N/A	N/A
		23,530		**25,400**		**21,170**

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Total market value share of assets	23,530	25,400	27,500
Present value of scheme liabilities	(31,200)	(29,210)	(30,710)
Net IAS19 Scheme Deficit	**(7,670)**	**(3,810)**	**(3,210)**

Analysis of amount charged to operating profit:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Current service cost	(340)	(310)	(320)
Past service cost	0	0	0
Total Operating Charge	**(340)**	**(310)**	**(320)**

Analysis of amount credited/(charged) to interest receivable/payable:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Expected return on pension scheme assets	1,500	1,610	1,710
Interest on pension scheme liabilities	(1,410)	(1,320)	(1,250)
Net Finance Income/(Charge)	**90**	**290**	**460**

Analysis of amount recognised in the primary statements:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
Actual return less expected return on pension assets/(liabilities)	1,460	840	1,500
Changes in financial assumptions underlying the scheme (liabilities)/assets	(1,470)	2,240	(1,800)
Actuarial (loss)/gain recognised in the primary statements.	**(10)**	**3,080**	**(300)**

Movements in scheme deficit during the year:

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
At 1 April	**(8,240)**	**(7,670)**	**(3,810)**
Movement in year:			
Total operating charge	(340)	(310)	(320)
Contributions	830	800	760
Net finance income/(charge)	90	290	460
Actuarial (loss)/gain in the primary statements	(10)	3,080	(300)
At 31 March	**(7,670)**	**(3,810)**	**(3,210)**

The total net pension liability measured under IAS19 for both schemes is as follows:

The Group and the Company	31 March 2014 £000	31 March 2015 £000
Cardiff City Transport Scheme	(172)	1,481
Cardiff & Vale of Glamorgan Pension Scheme	3,810	3,210
Deferred Tax Asset	(728)	(938)
Total	**2,910**	**3,753**

6. Exceptional Item

There are no exceptional items reported in the 2014/15 Cardiff Bus Accounts.

7. Non-Current Assets note

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2014	589,754	778,553	80,926	557,909	18,734	55,403	24,036	**2,105,315**
Additions	17,777	24,410	5,849	16,785	472	785	8,795	**74,873**
Impairment losses/reversals to RR *	0	0	0	0	0	(389)	0	**(389)**
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(260)	0	**(3,708)**
Derecognition - disposals	(1,335)	(214)	(8,965)	0	0	(25)	0	**(10,539)**
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	**(3,504)**
Other reclassifications		15,487	19	480	0	(13,237)	(21,074)	**(18,325)**
Revaluation increases /(decreases) to RR*	0	172	0	0	0	(1,796)	0	**(1,624)**
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	**(1,247)**
At 31 March 2015	**604,426**	**815,452**	**77,813**	**575,174**	**19,206**	**37,024**	**11,757**	**2,140,852**
Depreciation								
At 1 April 2014	23,361	25,793	50,947	243,043	0	0	0	**343,144**
Depreciation charge	12,106	14,656	6,392	23,465	0	0	0	**56,619**
Depreciation written out on impairment	0	(35)	0	0	0	0	0	**(35)**
Derecognition - disposals	(53)	(67)	(8,924)	0	0	0	0	**(9,044)**
Depreciation written out to SDPS **	0	(308)	0	0	0	0	0	**(308)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	0	(107)	0	0	0	0	0	**(107)**
At 31 March 2015	**35,414**	**39,932**	**48,415**	**266,508**	**0**	**0**	**0**	**390,269**
Net Book Value:								
At 31 March 2015	**569,012**	**775,520**	**29,398**	**308,666**	**19,206**	**37,024**	**11,757**	**1,750,583**
At 31 March 2014	**566,393**	**752,760**	**29,979**	**314,866**	**18,734**	**55,403**	**24,036**	**1,762,171**

* RR = Revaluation Reserve
SDPS = Surplus or deficit on Provision of Services

Comparative Movements in 2013/14:

2013/14 (Restated)	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2013	578,430	1,011,121	71,601	544,547	16,715	51,424	18,570	**2,292,408**
Additions	12,155	22,058	8,867	11,550	425	428	21,891	**77,374**
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)	0	**(363)**
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)	0	**(1,332)**
Derecognition - disposals	(399)	(447)	(3,289)	0	0	(914)	0	**(5,049)**
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013	0	**(513)**
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087	(16,425)	**(593)**
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384	0	**(121,617)**
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)	0	**(135,000)**
At 31 March 2014	589,754	778,553	80,926	557,909	18,734	55,403	24,036	2,105,315
Depreciation								
At 1 April 2013	11,569	34,179	48,114	217,036	0	0	0	**310,898**
Depreciation charge	11,800	13,854	6,103	26,007	0	0	0	**57,764**
Depreciation written out on impairment	0	(11)	0	0	0	0	0	**(11)**
Derecognition - disposals	(8)	(56)	(3,270)	0	0	0	0	**(3,334)**
Depreciation written out to SDPS **	0	(368)	0	0	0	0	0	**(368)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	0	(21,805)	0	0	0	0	0	**(21,805)**
At 31 March 2014	23,361	25,793	50,947	243,043	0	0	0	343,144
Net Book Value:								
At 31 March 2014	**566,393**	**752,760**	**29,979**	**314,866**	**18,734**	**55,403**	**24,036**	**1,762,171**
At 31 March 2013	**566,861**	**935,187**	**23,487**	**327,511**	**16,715**	**51,424**	**7,079**	**1,928,264**

Movements in Intangible assets during 2014/15 are summarised as follows:

	Other Intangible Assets	Intangible AUC	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2014	4,523	2,668	7,191
Additions	0	444	444
Other reclassifications	0	0	0
At 31 March 2015	**4,523**	**3,112**	**7,635**
Amortisation			
At 1 April 2014	2,443	0	2,443
Amortisation	846	0	846
At 31 March 2015	**3,289**	**0**	**3,289**
Net Book Value:			
At 31 March 2015	**1,234**	**3,112**	**4,346**
At 31 March 2014	**2,080**	**2,668**	**4,748**

Comparative Movements in 2013/14:

	Other Intangible Assets	Intangible AUC	Total
	£000	£000	£000
Cost or Valuation			
At 1 April 2013	3,926	2,344	6,270
Additions	12	909	921
Other reclassifications	585	(585)	0
At 31 March 2014	**4,523**	**2,668**	**7,191**
Amortisation			
At 1 April 2013	1,539	0	1,539
Amortisation	904	0	904
At 31 March 2014	**2,443**	**0**	**2,443**
Net Book Value:			
At 31 March 2014	**2,080**	**2,668**	**4,748**
At 31 March 2013	**2,387**	**2,344**	**4,731**

8. Financial Instruments

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

Consolidation Adjustment

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

Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2015, the company had no contracts to buy fuel.

9. Debtors

31 March 2014 (Restated) £000		31 March 2015 £000
38,400	Central Government Bodies	53,976
3,479	Other Local Authorities	7,168
5,235	NHS Bodies	4,883
17	Public Corporations & Trading Funds	38
26,159	Other Entities and Individuals	25,845
73,290	**Total Debtors Net of Impairments**	**91,910**

10. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £2.512 million (£2.486 million in 2013/14) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.519 million (£2.492 million in 2013/14) in money market accounts that are not instant access.

11. Creditors

31 March 2014 £000		31 March 2015 £000
(13,403)	Central Government Bodies	(11,649)
(2,120)	Other Local Authorities	(6,576)
(853)	NHS Bodies	(860)
(43)	Public Corporations & Trading Funds	(12)
(61,360)	Other Entities and Individuals	(77,977)
(77,779)	**Total Creditors**	**(97,074)**

12. Provisions

	Balance 1 April 2014 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2015 £000
Cardiff Insurance Provisions	(11,980)	5,810	(5,164)	(11,334)
MMI Scheme of Arrangement Levy	(450)	0	(254)	(704)
Cardiff Bus Insurance Provision	(2,666)	2,080	(2,279)	(2,865)
Cardiff Bus Reorganisation Provision	(394)	394	0	0
Termination Benefits Provision	(856)	856	(59)	(59)
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(18,088)	1,095	0	(16,993)
Other Provisions	(2,431)	1547	(1,340)	(2,224)
Total Provisions	**(45,961)**	**11,782**	**(9,096)**	**(43,275)**

	Not later than one year £000	Later than one year £000	Balance 31 March 2015 £000
Cardiff Insurance Provisions	(4,924)	(6,410)	**(11,334)**
MMI Scheme of Arrangement Levy	(50)	(654)	**(704)**
Cardiff Bus Insurance Provision	(1,289)	(1,576)	**(2,865)**
Termination Benefits Provision	(59)	0	**(59)**
Ferry Rd Landfill Provision	(45)	(9,051)	**(9,096)**
Lamby Way Landfill Provision	(2,064)	(14,929)	**(16,993)**
Other Provisions	(1,869)	(355)	**(2,224)**
Total Provisions	**(10,300)**	**(32,975)**	**(43,275)**

13. Deferred Liabilities

	Balance 1 April 2014	Utilised/ Released in year	Transfers to Provisions	Balance 31 March 2015
	£000	£000	£000	£000
Commuted Maintenance Sums	(8,500)	1,078	(819)	(8,241)
Cardiff Bus Finance Lease Liability	(3,704)	891	(1,202)	(4,015)
Total Deferred Liabilities	**(12,204)**	**1,969**	**(2,021)**	**(12,256)**

	Not later than one year	Later than one year	Balance 31 March 2015
	£000	£000	£000
Commuted Maintenance Sums	(1,024)	(7,217)	(8,241)
Cardiff Bus Finance Lease Liability	(722)	(3,293)	(4,015)
Total Deferred Liabilities	**(1,746)**	**(10,510)**	**(12,256)**

14. Adjust net surplus or deficit on the provision of services for non-cash movements

	2013/14 (Restated) £000	2014/15 £000
Depreciation and impairment	(192,219)	(55,814)
Charges made for retirement benefits (IAS19) less employers contributions	(31,116)	(20,713)
Contributions (to)/from provisions	(2,802)	5,153
Changes in fair value of investment properties	(1,195)	(1,589)
Cardiff Bus Taxation	(122)	
Increase/(decrease) in stock	(356)	(515)
Increase/(decrease) in debtors (exc capital)	(4,320)	898
(Increase)/decrease in creditors (exc capital creditors) & super fund	(12,744)	(14,688)
	(244,874)	**(87,268)**

15. Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2013/14 (Restated) £000	2014/15 £000
REFCUS	(3,396)	(749)
Net gain/(loss) on sale of non-current assets	704	5,774
Repayments of liabilities under finance leases	14	0
Capital grants/contributions recognised in I&E	53,165	28,165
Other cash items which effect investing or financing activities	(5,087)	(11,478)
	45,400	**21,712**

16. Segmental Reporting

Please refer to note 4 in the Notes to Core Financial Statements for the Council's segmental reporting analysis. The group report is not prepared on the basis that Cardiff Bus prepares its accounts in accordance with UK GAAP.

Trust Funds

During 2014/15, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

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

The Council is the sole trustee of the following charities the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

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

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

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

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

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

Christine Salter
Corporate Director Resources
County Hall
Cardiff
CF10 4UW

	Balance as at 31 March 2014 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2015 £
General Funds					
Llandaff War Memorial Fund	1,446	8	0	11	1,443
Maindy Park Foundation	77,850	256	0	11	78,095
Norwegian Church Preservation Trust	80	68,316	0	68,501	(105)
Further Education					
Cardiff Further Education Trust/ Craddock Wells	17,763,733	790,497	2,947,550	316,387	21,185,393
Total funds for which the council is sole trustee	**17,843,109**	**859,077**	**2,947,550**	**384,910**	**21,264,826**
Other funds administered by the Council					
R Fice Memorial Trust	59,361	2,110	4,122	2,245	63,348
The Howardian Trust	26,924	955	2,814	998	29,695
Total other funds which are administered by the Council	**86,285**	**3,065**	**6,936**	**3,243**	**93,043**
Total	**17,929,394**	**862,142**	**2,954,486**	**388,153**	**21,357,869**

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31 March 2015 have yet to be examined. This is to be undertaken in January 2016 which is within the statutory deadlines set.

Scope of Responsibility

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

2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. There are further specific requirements for the Pension Fund which are:

- The Statement of Investment Principles
- Funding Strategy Statement
- A full Actuarial Valuation to be carried out every third year

4. The Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit and Risk Manager. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2014.

The Purpose of the Governance Framework

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled together with its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

6. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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.

7. The following paragraphs summarise the core principles of the Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:

- Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles
- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of Members and Officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability

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

8. The Council's vision is an integral part of the city's 10 Year What Matters Strategy (2010-2020) which has been developed in conjunction with public, private and voluntary sector stakeholders and following citizen engagement.

9. The What Matters Strategy brings together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering 7 shared outcomes. The Council participated in the development of seven Citizen Outcomes with the Cardiff Partnership Board partners.

10. The Council's new Corporate Plan for 2015-17 sets out a clear vision to be "Europe's most liveable Capital City" based on delivering the What Matters seven strategic outcomes. There is also a greater focus on a smaller number of priorities and review of performance measures. The Corporate Plan priorities have been determined as:

- Education and skills for people of all ages
- Supporting vulnerable people
- Sustainable economic development
- Working with people and partners to design, deliver and improve services

11. There is alignment between these documents, risk assessments and the Medium Term Financial Plan in order to direct resources to priority areas. The Budget, where possible, provides dedicated funds for service improvements.

12. Delivery against the What Matters outcomes has continued in 2014/15. A progress report for 2013/14 has been produced and a similar report for 2014/15 is being prepared.

13. As part of the mid term review of the 10 year Strategy, the Partnership has commenced a refresh of the Strategic Needs Assessment and Strategy for completion by autumn 2015. The refresh will review the changing policy context and priorities in light of the changed economic environment and also reflect future requirements of the Wellbeing of Future Generations (Wales) Bill.

14. To inform the refresh, work has also been undertaken with the existing Partnership Programmes to review priorities and at the meeting of the Cardiff Partnership Board on 5 February, it was agreed that there should also be alignment of delivery arrangements with the Council's Organisational Development Programme where relevant.

15. Services are delivered by the Council, by third party providers contracted to the Council, and through partnership arrangements with other public bodies. The Cardiff Partnership Leadership Group, chaired by the Leader of the Council, acts as an overarching body providing strategic guidance for the city on wide ranging issues.. The implementation of the vision is led by the Cardiff Partnership Board (CPB), chaired by the Council's Chief Executive and supporting programme management arrangements.

16. In 2014, the Cardiff Partnership Leadership group was replaced by the Joint Cardiff & Vale of Glamorgan Local Service Board (agreed by Cabinet on 10th April 2014) and there have been three meetings to date. A joint work programme has been agreed and is being progressed which aligns with both the What Matters Strategy and the Council's Corporate Plan.

17. The CPB facilitates a 'seamless public service' approach which encourages greater joint working and integration of service delivery to release efficiencies and improve the effectiveness of services provided. Alignment of commissioning processes to meet identified needs and deliver shared outcomes has been progressed through the Families First programme which has used outcome based service specifications. These services are also being joined-up with other programmes such as Flying Start, Communities First, Integrated Family Support and Neighbourhood Management.

18. Alignment of commissioned services and partnership activity has continued in 2014/15 using Neighbourhood Partnerships as a mechanism for aligning local service providers, reviewing provision and identifying gaps. There has also been significant progress made in using individual focussed data to review provision and provide improved tailored support e.g. EET Panels (EETs refers to young people not in Education, Employment or Training). Through robust contract management and performance reporting there have also been reviews of thematic services (e.g. Parenting Services) across separate Programmes such as Families First, Communities First, Flying Start and Team around the Family which has identified both potential duplication and gaps in provision. This has resulted in decommissioning of some services and commissioning of new provision to meet demands.

19. A Neighbourhood White Paper was agreed by partners in October 2013 which included a number of recommendations for further developing locality working and the delivery of neighbourhood action plans. One of the recommendations included the identification of lead elected members for each of the six Neighbourhood Partnerships, which were agreed by Cabinet in March 2014.

20. The Neighbourhood White Paper has been implemented in 2014/15 including the establishment of the Lead Elected member role for the 6 Neighbourhood Partnership and the delivery of the Neighbourhood Fund.

21. Neighbourhood delivery also continues to shape the new model of public services in Cardiff and this is reflected by its inclusion in Council's Organisational Development Programme – Reshaping Services Portfolio and a new Neighbourhood Infrastructure Service Pilot being undertaken.

22. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order. The annual Outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality Plan, Directorate Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

23. The Corporate Plan and Directorate Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.

24. Enhancements have been made in 2014/15 to strengthen the performance management arrangements given the range of challenges facing the Council, examples include the Star Chamber Sessions chaired by the Leader and the Improvement Boards chaired by the Chief Executive set up within specific Directorates including Children's and Education and Lifelong Learning.

25. An annual Improvement Report sets out the progress over the previous financial year in terms of:
- a review against the key objectives
- progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan,
- an account of the challenges for the future to be part of the requirements of the Corporate Planning regime.

26. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. The Auditor General for Wales' is required to issue Certificates of Compliance to the Council to discharge his requirements under the Local Government (Wales) Measure 2009. The Council also receives reports regarding key elements of governance i.e. finance and performance management. The proposals for improvement in these reports help to shape the processes and outputs of the Council.

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

27. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee and

recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.

28. The Council's Constitution sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:
- Scheme of Delegations
- Members' Code of Conduct
- Employees' Code of Conduct
- Protocol on Member / Officer Relations
- Cardiff Undertaking - upon election all Members sign "The Cardiff Undertaking" which underlines their duties to the City and its citizens.

29. Soon after the 2014/15 Budget was approved in February 2014 Council the Leader announced her resignation. Councillor Joyce stepped down when a new Leader had been appointed by the Labour Group. Councillor Phil Bale was elected the Leader of the Council in March 2014.

30. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the Independent Remuneration Panel in any annual or supplementary reports. Information relating to officers' pay levels is included in the Council's Annual Pay Policy Statement as required by the Localism Act 2011 and also in the annual Statement of Accounts.

31. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Council's strategic policy priorities and improvement objectives, and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.

32. The Annual Improvement Report 2013/14 was noted by Cabinet in September 2014, incorporated several proposals for improvement which have been instigated through 2014/15 including:

- Directorate Delivery Plans that provide clear milestones and performance indicators against which the delivery of the Corporate Plan can be monitored;
- Aligned monitoring and reporting cycles for finance and service performance information to afford the Council greater visibility of its overall performance position;
- Performance Challenge sessions at Senior Management Team on a monthly basis;
- Joint Cabinet and Senior Management Team Performance Challenge meetings on a monthly basis;
- Scrutiny of performance information prior to formal Cabinet consideration;
- Accelerated Improvement Support – led by the Chief Executive for targeted services, including Children's Services and Education, utilising a mix of internal support and external peer support and challenge;
- A Challenge Forum which draws together senior Members and officers, together with external peer support, to test and challenge the Council's progress against its improvement journey;
- An extensive staff engagement programme to raise awareness of, and involvement in, the improvement journey;
- A simplified Personal Performance Development and Review process and a focus on compliance.

33. During the autumn of 2014 the Council set about developing a Corporate Plan for 2015-2017 in the context of severe financial challenges facing local government. The content of the Medium Term Financial Plan (MTFP) approved as part of the 2014/15 Budget Report has been incrementally updated during the year as further negative announcements were made by both the UK government and the Welsh Government. The July Budget Strategy Report detailed changes to the assumed level of Revenue Support Grant (RSG) which increased the anticipated budget gap from £34.2 million as reported in February 2014 to circa £45.5 million in July 2014. The 2015/16 Provisional RSG settlement announced in October 2014 was slightly better than the planning assumption mainly as a result of increases in population. The final RSG settlement in December 2014 was consistent with this position so that overall the Council's cash

position is a reduction of £12.516 million against that received in 2014/15 resulting in the second year of an absolute cash reduction.

34. As part of the Budget Strategy Report it was decided that the budget savings proposed for 2015/16 would need to be delivered by following a targeted budget savings approach and that the classification introduced in 2014/15 would be continued. Consequently, targets were developed under the headings of:

- Policy led savings
- Business Process led corporate efficiency savings
- Discrete Directorate led savings

35. Given the significant level of savings required in 2015/16 following the unprecedented level required in the current year, it was more important than ever that the proposals identified are robust and deliverable and as a result of a due diligence exercise a number of budget proposals were reduced or removed.

36. The Council's Budget for 2015/16 and the medium term was set at Council in February. The approved budget included making savings amounting to £32.473 million, a one-off capitalisation direction of £3.487 million and an increase in council tax rates of 5%. In recognition of the challenges of realising year on year significant budget savings the Council maintain the general and issue-specific contingency sums that were established in 2014/15.

37. The Budget Strategy for 2016/17 and the medium term will be presented to Cabinet and Council in July 2015. This report will be key in establishing a financial strategy for the Council to meet the continued significant financial challenges facing the Council.

38. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. As part of the integrated, corporate approach required to support the implementation of the Corporate Plan 2015-2017, individual Directorate Delivery Plans, containing more detailed objectives and outcomes, further integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.

39. During 2014/15 there has been a period of stability regarding the Senior Management Team. Chief Executive Paul Orders commenced in post in December 2013. Cabinet In February 2015 considered a report from the Chief Executive with proposals for an amended senior management structure, designed to meet the Council's objectives, the changing requirements of service delivery and the proposed budget saving. This was outlined in the Cabinet report '2015/16 Budget proposals – For Consultation' which was considered in November 2014, together with the objectives set out in the Cabinet report 'Senior Management Arrangements' considered in January 2015.

40. The restructure looked to reduce the number of posts from eleven to seven. The Chief Executive discussed the proposals with each of the affected individuals who were invited to provide comments in response. He also briefed relevant audit and inspection bodies on the proposals. The Chief Executive considered the various comments which have been received as part of the consultation process. As a result, the proposals set out in the report reflect any subsequent changes that have been made to the Tier 1 proposals based on valid submissions received.

41. The following are considered new roles1) Director of City Operations, 2) Director of Social Services and 3) Director of Governance & Legal Services (reporting to Corporate Director Resources). Appointments were made to these roles in June 2015.

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

43. On 19 February 2015 the Cabinet approved an Officers' Personal Interests & Secondary Employment Policy. All Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests (paragraph 8(1) of the Code). The

Standards and Ethics Committee had considered this matter and recommended the new draft policy for adoption by the Cabinet. The policy has also been shared with Audit Committee members.

44. Under the policy, staff are required to disclose any personal interest which actually or potentially conflicts with their duties to the Council (and guidance is given on this) and all secondary employment. Their manager must then decide, in consultation with the staff member, whether an actual conflict exists. If it's decided that there is a conflict then a decision must be taken on how that conflict should be managed. (This may include the re-allocation of duties, if possible, and an appeals procedure).

45. The Cabinet at their meeting on 2 April 2015 agreed a Workforce Strategy in order to strengthen links between business, financial and workforce planning, particularly during the current period of financial challenge and rapid organisational change. An integral part of the strategy is the Employee Charter. The Charter is a response to a series of challenges the Council has faced and issued raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier WLGA Peer Review. The Employee Charter, founded on the Council's values, sets out the expectations of employees, managers and senior managers.

46. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. During the temporary period when the Corporate Director Resources was acting as Interim Head of Paid Service arrangements were made to appoint an Interim Section 151 Officer. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

47. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.

48. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the Council's Financial Procedure Rules and the Contract Standing Order and Procurement Rules.

49. Currently the Council's Monitoring Officer role is undertaken by the County Clerk and Monitoring Officer. This position is affected by the proposed Tier 1 management restructure, looking forward to 2015/16 the Monitoring Officer role will be undertaken by the new post Director of Governance & Legal Services.

50. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also included within the Cabinet Report template to ensure the Council meets its statutory duties.

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

51. In October 2014, the Cabinet agreed a renewed set of Values for the organisation, focusing on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council. The organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.

52. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place

for working relationships between Members and Officers e.g. Officer-Member Protocol. Since the local elections in 2012 a new Member Enquiry System has been launched and this logs Member enquiries and the responses from Officers.

53. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members. There have been some changes to the independent members of the Committee during 2014/15, due to there being one vacant seat and Sir Richard Lloyd-Jones resigning from the Committee. A public recruitment exercise was undertaken and two independent members were appointed who both have a wealth of knowledge and experience to bring to the Audit Committee; Ian Arundale and Hugh Thomas. A full induction programme is provided for all new members. Sir Jon Shortridge was re-elected as Chair to the Committee for the municipal year 2014/15.

54. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Committee is supported by the Council's Section 151 Officer as the principal advisor, the Audit Manager, who provides technical support and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are available on the Council's Website.

55. All staff undertakes induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Health & Safety, Equalities and IT Security.

56. The Council takes fraud, corruption and maladministration very seriously and takes a zero tolerance approach to this, with the following policies to prevent, and deal with, such occurrences:

- Financial Procedure Rules
- Contract Standing Order and Procurement Rules
- Whistleblowing Policy
- Fraud, Bribery & Corruption Policy
- Anti-Money Laundering Policy
- HR policies regarding discipline of staff involved in such incidents;
- Local Government Code of Conduct (for employees)

57. In March 2015 Audit Committee was presented with the revised Fraud, Bribery & Corruption Policy, formerly 'Anti Fraud, Anti Corruption & Bribery Policy' which was last reviewed and updated in 2011. Members were aware from regular reports received from the Audit & Risk Manager that the Council deals with a number of cases of suspected fraud and financial impropriety; and that there has been an increase in the number and complexity of these in recent times. This has emphasised the importance of having a policy in place which is fully understood and implemented consistently across the Council.

58. The Committee were informed of elements of the policy which highlight where the Council is proactive in adopting prevention and detection techniques, and setting out a detailed process for investigation of cases to ensure these are undertaken to professional standards and in a consistent manner. Members of the Committee were informed of the role of Senior Management in terms of their responsibility for financial control and the actions of their members of staff. Throughout an investigation there is a requirement for Internal Audit to oversee and be content with the way the investigation is undertaken and reported.

59. Simultaneously there is a detailed review underway of the Council's Disciplinary Policy and Procedure which has a direct impact on how suspected cases of fraud and financial impropriety investigations are handled. It has been determined that both policies are to be presented to Cabinet for approval early in 2015-16, and every effort is to be made to ensure that they complement each other.

60. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The new streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.

61. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and staff. These policies provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice, the Freedom of Information Act, and Environmental Information Regulations.

62. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receives training based on their employment within the Council and additional training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with level one being mandatory for all staff that use a PC as part of their duties. Compliance reports for level one training are regularly distributed to Directors and Operational Managers. All other staff receive a booklet outlining the Council's Policies and setting out their responsibilities, staff are required to attend a briefing session and sign that they have received the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.

63. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.

64. Over the last financial year the Council has continued to strengthen information governance arrangements and capabilities, for instance; by assigning directorate representatives to be Service Information Asset Owners, providing them with training and key tasks. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.

65. Members are registered with the Information Commissioner as individual Data Controllers.

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

66. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.

67. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.

68. The City of Cardiff Council Scrutiny services play an important role in facilitating robust challenge to the organisation through the work of the Scrutiny Committees and a variety of informal scrutiny panels and activities. Scrutiny is an integral part of the Wales programme for improvement, and its challenge is designed to support the cabinet in providing accessible, efficient and effective services for citizens.

69. The Council has appointed five standing Scrutiny Committees, each of which meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Training events were arranged throughout the year for scrutiny members; an example includes 'Working with Risk – Budget Scrutiny Workshop' which was held in January prior the Council's budget being set for 2015/16.

70. On 2 April 2014, Democratic Services Committee was presented with a Strategy for Democratic Services 2014/15. The Strategy set the framework for a number of improvements to be implemented throughout the year. Following the Cabinet report presented in May 2014 'Establishing a Programme of Organisational Change for the City of The City of Cardiff Council' it was agreed that the 'Governance and Member Engagement' become a formal Programme to deliver against the Organisational Development Plan. Therefore the programme has ensured the effective delivery of the improvements identified in the report presented to Democratic Services Committee.

71. The Council's Scrutiny Committee Work Programme for the municipal year 2014/15 was published on the Council's website by way of a forward plan, which gave details of the task and finish inquiries to be undertaken through the year and the associated timescales for delivery.

72. Each Committee launches a number of in depth inquiries each year to help the Cabinet develop and review robust, evidence driven policies and services. The Committees provide recommendations to the Cabinet following Scrutiny Inquiries, the majority of which are fully accepted. Recommendations are monitored to ensure these are accepted. Each Inquiry is formally presented to Cabinet and a formal response given, detailing exactly how many recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward, often annually.

73. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations.

74. The Council is entering into an increasing number of collaborative scrutiny arrangements with its partners. Notable examples currently underway are the Prosiect Gwyrdd five Council Joint Scrutiny Panel and the Cardiff Partnership Joint Scrutiny Panel. Plans to develop joint scrutiny committees to ensure democratic accountability of regional social care and schools improvement consortia are underway.

75. In January 2015, a project brief for Improving Scrutiny was presented to the Governance and Member Engagement Programme Board. The purpose of the Project is to ensure that scrutiny remains agile and able to play its role as a critical friend, in an environment that will see greater emphasis on partnerships, collaboration, commissioning and other alternative delivery models.

76. The project looks to take forward the learning from the Council's participation in the 2013 Wales Audit Office Improving Scrutiny Study; and to assess and make recommendation on the structures and arrangements that will be most appropriate to manage the scrutiny of the Council's transformation over coming years. The Project is being undertaken in participation with the Centre for Public Scrutiny, a charity providing expertise and capacity in non-executive governance. The Council is one of nine major case studies featured in a UK wide analysis of local Authority transformation.

77. A project plan has been agreed along with a number of actions to be undertaken through 2014/15, some of which have already been undertaken including Scrutiny Chairs' Liaison Forum. The Centre for Public Scrutiny interviewed key project stakeholders from senior officers through to members and desk top research has been undertaken. It is anticipated that the project will conclude in the summer of 2015. A Scrutiny Inquiry Report will be will be drafted in April 2015 and finalised in May, which will then be submitted to Cabinet. The timescales in place will enable managers to implement arrangements in time for the start of the 2016/17 financial year.

78. In addition to the Council's five Scrutiny Committees the Audit Committee provides a role in challenging and scrutinising the Council's governance, risk management and internal control arrangements. The work of the Audit Committee is very much informed by the work of the Internal Audit Team. The Audit Committee have very much enforced the work of the Internal Audit team, by writing to the Chief Executive or relevant Scrutiny or Cabinet Members, following reports which have been presented to the Committee. The Audit Committee were also supportive of the Audit Manager in writing to all Directors to reinforce the message of financial conduct and internal control at a time of severe financial pressures.

79. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, currently being rolled out and delivered to middle managers across the Council. The programme will provide a benchmark of expectations placed on management which will enable managers to make informed and transparent decisions. There are a number of themes delivered across the programme; specifically the Audit Manager will be delivering two sessions to each cohort on the management of risk and decision making and compliance in context with Council procedure rules, such as Financial Procedure Rules. Cohorts commenced on the programme in the autumn of 2014 and will continue into 2015/16.

80. Further initiatives have commenced in 2014/15 to drive consistency in the standards applied across the Council. E-learning modules are being developed around the management of risk and how to deal with instances of fraud; both of which will reinforce the message of the high standards expected of all staff.

81. The Audit Committee in January 2015 approved the Senior Management Assurance Statement 2014/15 to inform this statement, which will be completed by Directors at the year end position and challenged by the Audit & Risk Manager. Amendments have been made; specifically the emphasis has been on internal control and compliance and an additional question on Personal Performance and Development Reviews.

82. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. Councillor Graham Hinchey is the nominated Member Risk Champion and the Corporate Director Resources has continued as Senior Officer Risk Champion through 2014/15.

83. During the financial year the group have focused on a number of key themes including comparison exercises undertaken to those within the Core Cities Group. The findings have been presented to the Steering Group, with the exercises focused on Corporate Risks, Risk Management Partnership Protocols and Risk Appetite Statements. Following the research the group will oversee the development of a Risk Management Partnership Protocol to supplement the Risk Management Policy, Strategy and Methodology; and the development of a Risk Appetite Statement in 2015/16.

84. In September 2014 the Steering Group was presented with an Internal Audit report of the Council's Risk Management arrangements, which identified good practice in many aspects of managing risks. An overall satisfactory audit opinion was provided and an Action Plan setting out a few recommendations to enhance existing arrangements, which are being overseen by the Steering Group e.g. the development of a Risk Appetite Statement which will be taken forward in 2015/16.

85. The work of the Risk Management Steering Group is cascaded to the network of Risk Champions who assist with identifying, assessing and managing risks at a Directorate level.

86. The Council has a Risk Management Policy, Strategy and Methodology, which was last reviewed in 2013/14. The Cabinet approved the revised document on 13 March 2014. Cabinet members were also provided with risk management training during the year.

87. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. Each year an assessment is undertaken to cross reference the CRR to the Corporate Plan which

incorporates the strategic objectives. This forms the focus for senior managers in identifying their business risks, as detailed in their Directorate Delivery Plans.

88. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.

89. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

Developing the capacity and capability of Members and Officers to be effective

90. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.

91. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be undertaken in a group environment or one to one with officers. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements. Twenty six sessions were delivered through the year, which were well attended. Democratic Services Committee has set up a Task Group to plan the new programme for 2015/16 after annual Council in May. A mentoring programme continues to be in place for Members to support each other.

92. The Council operates a Personal Performance and Development scheme through which each member of staff has regular structured opportunities to discuss their objectives, performance against those objectives, and their development needs and aspirations.

93. The Council provides targeted management development programmes including the Sustainable Leaders Programme, and is developing its approach to talent management.

94. The City of Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.

95. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.

96. In some areas compliance with Council rules has been identified as an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A number of training sessions specifically covered the Contract Standing Orders and Procurement Rules. A training programme has been delivered to Governing Bodies, Head Teachers and Financial Staff specific to the Financial Procedure Rules for Schools and was generally well attended.

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

97. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.

98. In October 2014, the Cabinet agreed a renewed set of Cooperative Values for the organisation, focusing on fairness, openness and working together. The values mention specifically the importance of being "open and honest about the difficult choices we face, and leading a debate where people can have

their say on what's important to them and their communities." Greater consultation, engagement and joint working with citizens are at the heart of these values, particularly being an Open Council.

99. The Cardiff Debate was launched with partners in June 2014 as a three year 'conversation' about the future of public services in Cardiff.

100. The first phase of engagement involved 37 events across the city, covering every Neighbourhood Partnership area and ward. The events involved a combination of 'on-street' sessions which were at existing community events, festivals or at community facilities such as supermarkets and a number of 'Drop-In' Workshops. The sessions focussed on which services mattered most; how the public service can save money and do things differently, and how can the community get more involved.

101. Interest in the events was high with over 3,000 postcards completed by the public and over 6,600 'votes' cast on people's top three services. A full report of the results and findings of Phase 1 can be found at http://cardiffdebate.co.uk/reports-and-information/

102. As part of the Cardiff Debate work, the Council and its partners have collected citizen vox pops on what people think are priorities and a new website has been established for people to give views. Social media is also being utilised to encourage discussion, promote engagement events and share findings - @Cardiff Debate.

103. In light of the difficult budget decisions required, the Council has undertaken its largest public consultation on the budget proposals to date. City wide proposals were published by neighbourhood areas within the 'Changes for Cardiff' consultation so the public could understand the full impact of the proposed budget savings in their community.

104. A wide range of mechanisms were used to promote the consultation including a short video on the '£124m budget challenge', 10 engagement events, partners, libraries, leisure centres, community centres, Citizen's Panel, social media etc.

105. At the end of the consultation the response included 4,191 questionnaire responses received; over 500 attended events; 766 communications received, 91,418 views of the budget webpage and 20,000 people signed petitions representing a high level of engagement in the consultation. A full report on the consultation process and results can be found at www.cardiff.gov.ul/budget

106. The Council continues to provide a webcasting service for live meetings, with the facility to download relevant documents or presentations discussed. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions made, whilst also giving the public the chance to feedback on items being discussed.

107. Scrutiny meetings are held in public, with annual reports published by each of the Council's five Scrutiny Committees presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts, and public and third sector leaders on topics of their expertise.

108. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by Directorates are in accordance with the Council's Corporate Consultation Strategy.

109. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.

110. The system 'Modern.gov' was implemented in November 2014 for committee clerks to use and has increased the efficiency of the Democratic Services Team in administering meeting papers. The system

stores all committee reports, back dated to May 2012. The intention is that the system will go fully live in May 2015.

111. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate the engagement of local people and other stakeholders in the identification of local priorities and solutions.

112. A budget engagement process was undertaken to inform the 2014/15 budget proposals which included engagement events, an on-line budget strategy tool and consultation on the detailed proposals.

113. The Council publishes a newsletter 'Capital Times' which is distributed to every home in Cardiff providing up to date information on the Council's vision and priorities.

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

115. Institutional stakeholders to whom the Council is accountable include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.

116. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.

117. The Council regularly engages in consultation with the Trade Unions. Consultation with the Trade Unions has taken place through 2014/15, particularly with regards to the budget saving proposals which were considered in advance of the Cabinet meeting. In addition, detailed negotiations in respect of the Budget Strategy planning assumption in relation to reductions in employee costs were completed in January 2015 with the agreement of the Partnership for Change Memorandum of Understanding. This document was considered by Cabinet on 26 January 2015 and will prepare the way for continued negotiations between the Council and trade unions to conclude by 31 July 2015.

Review of Effectiveness

118. Regulation 4 of the Accounts and Audit (Wales) Regulations 2014 requires Authorities to carry out an annual review of the effectiveness of the system of internal control. This is informed by:

- The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
- The opinion of the Audit Committee;
- The outcome of any Scrutiny reviews;
- Views or comments from any Committee, the Cabinet or Council;
- The work of the Internal Auditors;
- The external auditors and other review agencies and inspectorates.

An Internal Control Self Assessment

119. At the year end position Directors are required to complete a Senior Management Assurance Statement, reflecting on the internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues will be highlighted in the Assurance Statement.

120. Building on previous work of the Annual Governance Statement 2013/14, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing.

121. Any new issues captured on individual Senior Management Assurance Statements, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

Assurance Mapping

122. During a period of unprecedented financial challenges the Audit Manager is aware of how stretched resources are across Directorates, which will become even more of a challenge in 2015/16. The Audit Manager has set about identifying which Regulators and other Inspection Bodies are engaging with Directorates. This information will be used to build and develop an Assurance map to provide an overview of the work of others, which may contribute to providing assurance in relation to governance, risk and internal control matters. This will help shape future Internal Audit priorities and impact on the work and timing of the Internal Audit team, who should seek to provide greater assurance in some areas, avoid duplication and ease the pressures on Directorates, in dealing with those who seek to provide independent assurance on Council functions.

123. Evidence has been collated to inform this Assurance mapping exercise at the financial year end which captures the key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure all key sources of assurance can be captured in this statement. Work has also started to determine where the work of others seeks to provide assurance around the mitigation of corporate risks as set out in the Corporate Risk Register. This again will help provide assurance to senior management understanding where others are contributing to mitigation of these strategic risks and can help to shape audit plans and priorities to maximise the use of this resource.

External Audit and Inspection

Wales Audit Office

124. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.

125. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.

126. During the financial year 2013/14 the Wales Audit Office commenced a 'Full Corporate Assessment' of the Council. The assessment was to provide a position statement of the Council's capacity and capability to deliver continuous improvement. Cabinet in September 2014 considered the Wales Audit Office Corporate Assessment. Within the report the conclusion was that fragmented leadership and management have meant that weak performance in key service areas has not improved. The Wales Audit Office has stated that this conclusion was reached because:

- political and managerial instability over a number of years has meant that the Council has been unable to develop the culture and framework necessary for continuous improvement;
- the Council has identified what it wants to achieve for its citizens but has lacked an effective means of delivery;
- some processes intended to ensure good governance are not being implemented, and decision-making processes are inefficient and lack transparency;
- whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past;
- although the Council ensures a balanced budget, prospects for achieving proposed savings in 2014-15 are uncertain and the anticipated level of future funding means current methods of service delivery are unsustainable;
- corporate human resource arrangements are founded on positive practice but are not being implemented consistently;
- the Council is improving its use of information technology and its information management arrangements;
- the Council is not managing its land and property assets well; and
- the Council engages well in collaboration with others and is able to demonstrate improved outcomes for citizens.

127. The majority of the issues raised in the Wales Audit Office report had been previously identified in the Chief Executive's report approved by Cabinet in May 2014 addressing the challenges facing the Council, and setting out the Organisational Development Programme through which to secure continuous improvement in both systems and services. The Programme remains central to the Council's approach to addressing the issues reported by Wales Audit Office, with some strengthening of the plan being undertaken to ensure all key issues are addressed.

128. On 31 March 2015 a report was presented to the Policy Review and Performance Scrutiny Committee which gave the Committee an opportunity to receive more detailed information on the work to date to deliver the Organisational Development Programme. The report offered assurance against the Council's progress in addressing the findings of the WAO Corporate Assessment Report 2014 and service improvements which have taken place.

129. Cabinet received an update on the Organisational Development Programme in July 2015. The programme has a rolling three-year time horizon, and progress has been made on a number of fronts, addressing positively the observations of the Wales Audit Office via the Corporate Assessment, and shifting the organisation into a process of service reviews and change through its principal portfolios of work i) Enabling and Commissioning Services and ii) Reshaping Services.

130. The organisational development update report provides further details on the work streams, associated milestones and required next steps in order to deliver the required outcomes of the Organisational Development Programme and move the council towards a new Target Operating Model. Officers and Elected Members will work jointly to develop the future direction of the programme ensuring cross party buy in to the programme and awareness of the challenges faced and the solutions implemented.

131. In the case of the Corporate Assessment for the Council, the Auditor General made one proposal for improvement, in that 'the Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment'.

132. The Wales Audit Office has been monitoring progress through out the financial year and intends to undertake a further inspection in 2015/16 to assess progress.

Internal Audit

133. The Council operates an independent Internal Audit function whose role is to review internal control arrangements. This function has operated under the requirements of the Public Sector Internal Audit Standards which came into effect on 1 April 2013.

134. The Audit Manager is responsible for providing an independent opinion on the adequacy and effectiveness of the systems of internal control, based on the work undertaken by the section. The Authority's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

135. The Audit Manager is responsible for the efficient and effective delivery of an audit and investigatory service and reports to the Section 151 Officer, but also has the Authority, as appropriate, to report in his own name and has direct access to all Council Officers and Members. The Audit Manager post has been undertaken on a job share basis since April 2011. Managers are required to consult with Internal Audit in relation to any system changes or developments where the internal control environment may be affected.

136. Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents i.e. Corporate Risk Register and the Annual Governance Statement, it is considered that overall the framework for financial control within the Council, for the financial year 2014/15 is satisfactory. The Internal Audit Annual Report provides more details of sources of assurance and background to this opinion, It also highlights some issues around compliance and pressures on Directorates which is beginning to impact on the internal control environment which include:

- a potential impact on the Council's control environment of significant business change activities resulting from the Organisational Development Programme. This is proactively monitored with Directors as a 'significant governance issue', and via the Policy Review and Performance Scrutiny Committee;
- budget and service delivery pressures resulting from continuing reductions in resources, a growing population, and greater demand for public services. Assurance is gained through regular updates to the Committee from the Corporate Director Resources and other senior managers, and Committee challenge and scrutiny of the Budget Strategy;
- contract and procurement concerns raised by Members of the Committee about the lack of appropriate skills within the Council to manage contracts effectively, particularly at a time when the Council is moving towards new delivery models for services, for which sound contract management is essential;
- School governance and compliance matters, historically reported in a number of 'Limited Assurance' Internal Audit reports. The number of 'Limited Assurance' reports reduced in 2014/15, and the Committee received a presentation from by the Director of Education & Lifelong Learning on actions being taken to resolve prevalent issues;
- the reduction of Internal Audit staffing resources and more recently a loss of experienced staff. Reliance is placed on the Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Authority. Resource pressures will require continuing attention and close monitoring as Internal Audit plays a key role in supporting senior managers in maintaining an effective control environment, particularly when resources are stretched.

Audit Committee

137. Based on the evidence presented to the Audit Committee during 2014/15, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks are well captured and reviewed on a regular basis and these represent the true challenges facing the Council at the present time. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2015/16, include:

Organisational Development Plan

138. Historically, the Audit Committee has been kept informed of significant business change activity and the potential impact on the control environment. On 8 December 2014, the Committee welcomed the presentation by the Leader of the Council and the Chief Executive on the arrangements in place to deliver the Organisational Development Plan. The Committee asked to continue to be kept informed of the progress against the plan, and emphasised the need for accountability to be clear and governance structured and adhered to so as to mitigate the associated risks.

139. Linked to the WAO Corporate Assessment and Organisational Development Plan, the Committee has emphasised the need for managerial stability through the recent senior management restructure.

140. In March the Committee was presented with a Cabinet report which set out the rationale for the restructure which has been duly noted e.g. to provide capacity of strategic leadership balanced with effective operational management.

141. The Committee appreciate that delivery against the Organisational Development Plan will be monitored and challenged by other Committees and is mindful of this in looking ahead to its own work programme for 2015/16. Where assurance can be placed on the work of other Committees there will be less need for officers to duplicate information to the Audit Committee; with regard to the Organisational Development Plan, assurance will first be sought from the Policy Review and Performance Scrutiny Committee.

Budget Pressures

142. The Committee will continue to receive regular updates from the Corporate Director Resources and other senior managers to seek assurances around sound governance and fundamental financial control.

143. The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing unprecedented challenges in how it delivers services in the

future. Care will continue to be required to ensure that the significant changes to business processes and personnel that will be required do not impact on the financial control environment in a negative manner.

144. Looking ahead, Members of the Committee will be seeking further information in relation to the Budget Strategy Assumptions, in accordance with their role and given the unprecedented savings to be found in future years.

Contract and Procurement Matters

145. The Committee has been informed, through the work of the Internal Audit team, of the compliance issues identified in relation to some contract and procurement matters. Whilst a framework of rules and best practice guidance is in place Internal Audit reports continue to highlight compliance issues in some areas. The Committee has raised this as a concern in previous years; however there are general signs of improvement, apart from small pockets of non-compliance. The Committee has established a Task and Finish Group to examine some specific contract matters which will report back to the main Committee during 2015/16.

146. Members of the Committee have raised concerns around the lack of appropriate skills within the Council to manage contracts effectively, particularly at a time when the Council is moving towards new delivery models for services, of which contract management would be key to the achievement and success of these arrangements.

Schools Governance & Compliance

147. Historically the Audit Committee has sought increased assurance around the governance and compliance arrangements of Cardiff's schools due to the number of 'Limited Assurance' audit reports issued by the Audit & Risk Manager. The number of these reports has reduced in 2014/15. The Committee welcomed the presentation by the Director of Education & Lifelong Learning who provided assurance around the action being taken to resolve prevalent issues within schools i.e. governance arrangements, contract management practices and deficit budgets.

148. Given the composite size of school budgets and reputational risk to the Council, the Committee will continue to monitor schools governance through the work of the Internal Audit team; and the Director of Education and Lifelong Learning will provide an Annual Report to the Committee identifying progress made against the issues raised by Members of the Committee.

149. The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. The Audit Committee continues to support the production of best practice guidance which strengthens financial control within schools and for these to be commended to schools.

Internal Audit Resources

150. The financial challenges facing the Authority are having an impact across all services resulting in the reduction of resources. The Internal Audit section like others has seen a significant reduction in the number of staff in recent years, and more recently a loss of experienced staff. Reliance is placed on the Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Authority.

151. Members of the Audit Committee have concern over the continuing reduction in Internal Audit resources and the likely impact any further reductions may have on audit coverage and the assurances provided from the work of the Audit teams. This was highlighted at the March 2015 meeting of the Audit Committee, when consideration was given to the Internal Audit Strategy 2015/16. The Audit Committee has expressed strongly that in terms of reducing resources for Internal Audit, there is a point below which the Council should not go, or it will put itself at risk. This requires careful monitoring, and the Audit Committee will be kept informed of the issues facing the Internal Audit team and closely monitor resource implications and the informed associated risks, through the Audit & Risk Manager's quarterly progress reports.

Reducing Resources and Maintaining Fundamental Controls

152. Some Internal Audits issued during 2014/15 have identified increasing pressure on implementing audit recommendations to enhance the internal control environment. Management agree to the recommendations in principal and encouragingly the level of agreement for these is around 100%, but in some areas they are struggling to implement all the recommendations to which they are committed, due to a lack of resource, having lost a number of experienced officers. This is not considered to be a significant issue at the moment as managers are working with the Audit Team to consider compensating controls and smarter ways of working to ensure that fundamental controls are maintained. This will nonetheless be a key consideration for the future, and an area that requires careful monitoring.

Other Sources of Assurance

153. The Council receives reports from other regulatory and inspection regimes which often refer to risk management, governance and control issues. Where this is the case the appropriate Director will receive and action the report and any significant issue arising from these will have been highlighted in their Annual Assurance Statements. The work underway to respond to the Wales Audit Office assessment will also serve to identify and address any concerns raised by other regulators or be part of elements of the Organisational Development Programme that is underway.

Significant Governance Issues

154. As part of the aforementioned governance methodology Senior Management Assurance statements returned from Directors identified twelve issues, which were discussed at the Senior Management meeting in May. At that meeting, having considered each, it was decided that none of these need feature in the Annual Governance Statement, as some were linked to Corporate risks, (some of which may need changing to reflect new pressures), some were captured in the Actions carried forward from 2013-14 (see below) and the rest were not considered strategic and it was felt, best addressed within Directorates.

155. There were four significant issues identified during 2013/14 and carried forward into 2014/15. Much work has been done on all of these but they are still considered ongoing at the end of the financial year 2014/15 with more work to be done to address the issues. Details of these, with an updated position as at year end, are shown below.

Significant issue	Year End Position 2014/15	Responsible Officer
<u>Capacity & Decision Making</u> The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice. <u>Action at year end position 2013/14</u> Prioritisation of work to make best use of internal expertise.	<u>Capacity and Decision Making</u> A reduction in staff across the Council has reduced capacity and increased pressures on staff to provide professional and sound advice. Directorates have mitigated against this by revising their service delivery plans and streamlining their activities to reflect the resources available. Much work has been done on service reviews and identifying key activities to ensure efficient and effective use of reducing resources. Much work has been done on improving performance management arrangements and reporting thereof and there are a number of ongoing restructures to deliver services most effectively with limited resources. Decision making has improved through prioritising work and restructuring teams to make the best use of internal expertise.	Senior Management Team

Significant issue	Year End Position 2014/15	Responsible Officer
	In 2015/16 Directorates will be required to further tighten, rationalise and prioritise their work through their delivery plans and review action plans and consider what they can restructure or stop doing. Improvements will be monitored through performance management arrangements ensuring that there is clear visibility and management of risks. Delivery of projects such as SharePoint and Online Services will improve access to information for staff and customers and therefore increase capacity for staff to provide advice.	
Organisational Development (OD) Plan The Cabinet acknowledges the range of critical challenges facing the Council. In order to respond to these challenges an ambitious programme of organisational change has been established to reflect the transformational ambition for the Council and for Cardiff. This includes a wide number of capital and other projects. We need to ensure that projects are commissioned through proper arrangements and that their subsequent sponsorship ensures that project objectives are met. The requirement to have sound processes and governance arrangements are critical to the success of the Programme. Action at year end position 2013/14 The OD Plan identifies the key enablers through which the Council will reposition its approach to understanding and meeting citizen needs. This approach will be central in meeting the challenges facing the Council.	Organisational Development (OD) Programme The OD programme has been revised and divided into two Portfolios: “Enabling and Commissioning” and “Reshaping Services” which will ensure delivery and has improved the governance of the Council’s change agenda as well as adhering to the Authority’s scheme of delegations. Robust project management approaches are led by appropriate Directors. A year end assessment for the programme has been considered by the Challenge Forum and Policy Review and Performance Scrutiny Committee. The focus in 2015/16 will be to continue to strengthen governance arrangements. This can be achieved by ensuring that reporting and decision making from the programmes within the OD is also aligned and communicated to other Corporate boards e.g. Investment Review Board and Asset Management Board. The OD programme should also continue to identify and address skills gaps to enable effective delivery of the projects.	Senior Management Team
Commissioning Capability and Capacity In the new Organisational Framework this will be a critical competency and capability. The success of a number of programmes depends on having this capability	Commissioning Capability and Capacity The Council has pursued a more effective strategic commissioning approach. Directorates have worked with the Commissioning and Procurement team to develop the new Commissioning Framework. Health and Social Care have	Senior Management Team

Significant issue	Year End Position 2014/15	Responsible Officer
and capacity in place e.g. Health & Social Care transformation. <u>Action at year end position 2013/14</u> A Commissioning Capability Framework needs to be developed using external best practice and internal experiences and skills. This framework will identify key competencies, capabilities and behaviours needed to successfully develop and get the best out of partnerships with service providers. It is now critical that this framework is translated into delivering a step change in commissioning capability.	developed commissioning models for residential and nursing care, domiciliary care and supported living. In 2015/16 Health and Social Care will have a programme to commission support from the third sector and establish a model for the commissioning of internally provided services. As the Commissioning Framework progresses it has been identified that contract management skills in the Council need to be developed.	
<u>Transparency of Internal Market Costing</u> The Council's internal charging arrangements are not always sufficiently transparent in terms of rate setting, monitoring and charging. Some council wide arrangements, for instance the timescales operated by Service Desks are not always sufficiently aligned to the requirements of business critical services within Directorates. <u>Action at year end position 2013/14</u> Reviews currently being carried out to improve costing arrangements in the most critical areas with ongoing investigations to shortly commence in less critical areas. Account manager arrangements to be considered to improve dialogue between customers and clients.	<u>Transparency of Internal Market Costing</u> Where possible Directorates have used in-house support and advice teams but have challenged some costs. It has been noted that Directorates would like increased transparency of charging by the Central Transport Service in particular. For 2015/16 a new system will be introduced to enable full transparency of internal charging arrangements.	Senior Management Team

Significant Issues - The Cardiff and Vale of Glamorgan Pension Fund

156. During 2014/15, no significant governance issues have been identified in respect to the Pension Fund however it is considered the following may have potential implications on future financial periods and is worthy of note in this statement.

Issue	Action	Responsible Officer
<u>Welsh Local Government Pension Funds Working Together</u>		

In 2010 the Pensions Sub Group of the Society of Welsh Treasurers commissioned a report from PWC who were asked to conduct a high level review of ways in which the eight current pension Funds could operate more effectively together, particularly in their investment and administration arrangements. During 2014/15 Mercers were commissioned to work on the detailed business case for a collaborative investment vehicle for Pension Funds in Wales. The final report will be published in 2015/16.	The Cardiff and Vale of Glamorgan Pension Fund to continue to contribute to the Project, Project Board and Steering Group. Developments are regularly reported to the Pension Fund's Investment Advisory Panel.	Corporate Director Resources
<u>Local Pension Board</u> The Public Service Pensions Act 2013 and the LGPS Regulations require the Council to establish a Local Pension Board. The Terms of Reference was agreed by Full Council on 29 January 2015.	Appointment of Board Members to be completed and the first Board meeting to be held by 31 July 2015. The Board will meet at least twice a year.	Corporate Director Resources

Cardiff Port Health Authority (CPHA)
157. During 2014/15, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

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

Certification by the Leader of the Council and the Chief Executive
159. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Management Team.

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

161. On the basis of this process, the legal and financial advice of the statutory officers, and the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2014/15.

Paul Orders, Chief Executive
Date:

Councillor Phil Bale, Leader of the City of the City of Cardiff Council
Date:

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

Agency Services

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

Asset Under Construction

An Asset Under Construction represents an asset that is not yet complete.

Borrowing

Loans taken out taken out by the Authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

Capital Expenditure

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

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Capital Financing Requirement

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

Capital Receipts

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal.

Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the professional body for people in public finance. As the world's only specialised public services body, they provide information, guidance, and determine accounting standards and reporting standards to be followed by Local Government.

Civil Parking Enforcement

A responsibility granted by Welsh Government designating Cardiff as a "Civil Enforcement Area". This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

Council Fund Balance

The Council Fund Balance represents the cumulative retained surpluses on the Council's revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

Credit Criteria

The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

Credit Rating

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

Depreciation/Impairment/Amortisation

A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non current assets in the year in the provision of Council services.

Direct Revenue Financing

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

Earmarked Reserves

Amount set aside from the General Balance to fund a future specific purpose or requirement. This is done in accordance with CIPFA guidance (LAAP 77).

Fair Value

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

Financial Guarantee

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

Financial Instrument

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

Housing Revenue Account (HRA)

The HRA is an account of expenditure and income that every local Authority housing department must keep in accordance with the Local Government & Housing Act 1989. The account is kept separate or ring fenced from other Council activities. Income is primarily generated by the rents and service charges paid by tenants, while expenditure is on the management and maintenance of the housing stock, and capital financing charges on the HRA's Capital Financing Requirement.

Internal Borrowing

Money borrowed from within the Council, sourced from temporary internal cash balances.

Investments

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

Lender Option Borrower Option Loans (LOBOs)

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

Market Loans

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

Non-domestic rates (NDR)
A levy on businesses collected by billing Authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh Authorities on the basis of population.

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

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

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

Prudential Code for Capital Finance
The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Prudent Revenue Provision (PRP)
An amount set aside as a provision each year to repay loans taken out to pay for capital. This has the effect of reducing the Capital Financing Requirement (CFR).

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

Recharge
An internal charge for services rendered by one Council directorate or section to another.

Revenue Expenditure funded from Capital Under Statute (REFCUS)
Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the Authority e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

Revenue Support Grant
General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

Term Deposits
A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Trust Funds
Funds held in trust which are administered by the Council.

ANNUAL RETURN

2014/15

of

CARDIFF PORT HEALTH AUTHORITY

FOREWORD

The Cardiff Port Health Authority's annual return for the year 2014/15 is set out on page 192.

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its Authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of The City of Cardiff Council, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on The City of Cardiff Council and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates (SSCEC/SSCC).

ACCOUNTING POLICIES

1. General

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

2. Debtors and Creditors

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

3. Support Services Costs

The City of Cardiff Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2014/15 (SERCOP). This applies to support service recharges from The City of Cardiff Council Directorates to the Port Health Authority.

Section 1 – Accounting statements for Cardiff Port Health Authority:

	Year ending		Notes and guidance for compilers
	31 March 2014 (£)	**31 March 2015 (£)**	**Please round all figures to nearest £.** **Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the Body's underlying financial records for the relevant year.**
1. Balances brought forward	80,891	93,268	Total balances and reserves at the beginning of the year as recorded in the financial records. Must agree to Line 7 of the previous year.
2. (+) Income from local taxation and/or levy	159,336	175,825	Total amount of local taxation, rates and/or levy received or receivable in the year including funding from a sponsoring body.
3. (+) Total other receipts	2,478	1,837	Total income or receipts as recorded in the cashbook less income from local taxation and/or levy (Line 2). Include any grants received here.
4. (-) Staff costs	113,215	108,011	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and related expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the Body's borrowing (if any).
6. (-) Total other payments	36,222	29,709	Total expenditure or payments as recorded in the cashbook minus staff costs (Line 4) and loan interest/capital repayments (Line 5).
7. (=) Balances carried forward	93,268	133,210	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6).
8. (+) Debtors and stock balances	0	72	**Income and expenditure accounts only:** Enter the value of debts owed to and stock balances held at the year-end.
9. (+) Total cash and investments	101,477	143,916	**All accounts:** The sum of all current and deposit bank accounts, cash holdings and investments held at 31 March. This must agree with the reconciled cashbook balance as per the bank reconciliation.
10. (-) Creditors	8,209	10,778	**Income and expenditure accounts only:** Enter the value of monies owed by the Body (except borrowing) at the year-end.
11. (=) Balances carried forward	93,268	133,210	**Total balances should equal Line 7 above:** Enter the total of (8+9-10).
12. Total fixed assets and long-term			The original Asset and Investment Register value of all fixed

	Year ending		Notes and guidance for compilers
	31 March 2014 (£)	31 March 2015 (£)	Please round all figures to nearest £. Do not leave any boxes blank and report £0 or nil balances. All figures must agree to the Body's underlying financial records for the relevant year.
assets			assets, plus other long-term assets owned by the Body as at 31 March.
13. Total borrowing			The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).

14. Trust funds disclosure note	Yes	No	N/A	Yes	No	N/A	The Body acts as sole trustee for and is responsible for managing (a) trust fund(s)/assets (readers should note that the figures above do not include any trust transactions).
			N/A			N/A	

Section 2 – Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2015, that:

	Agreed?		'YES' means that the Body:	PG Chap
	Yes	No*		
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	Yes		Prepared its accounting statements in the way prescribed by law.	6, 12
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes		Made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.	6, 7
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes		Has only done things that it has the legal power to do and has conformed to codes of practice and standards in the way it has done so.	6
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes		Has given all persons interested the opportunity to inspect and ask questions about the Body's accounts.	6, 23
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes		Considered the financial and other risks it faces in the operation of the Body and has dealt with them properly.	6, 9
6. We have maintained an adequate and effective system of internal audit of the Body's accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes		Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether these meet the needs of the Body.	6, 8
7. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes		Has responded to matters brought to its attention by internal and external audit.	6, 8, 23
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact	Yes		Disclosed everything it should have about its business during the year including events taking place	6

	Agreed?		'YES' means that the Body:	PG Chap
	Yes	No*		
on the Body and, where appropriate, have included them on the accounting statements.			after the year-end if relevant.	

	Yes	No	N/A		
9. Trust funds – in our capacity as trustee, we have: • Discharged our responsibility in relation to the accountability for the fund(s) including financial reporting and, if required, independent examination or audit.			N/A	Has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.	3, 6

* Please provide explanations to the external auditor on a separate sheet for each 'no' response given; and describe what action is being taken to address the weaknesses identified.

Section 3 – Certification and approval

Approval and certification of the accounts and annual governance statement
The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return which:

- summarises the Body's accounting records for the year ended 31 March 2015; and
- confirms and provides assurance on those matters that are important to the external auditor's responsibilities.

Certification by the RFO	Approval by the Body
Certificate under Regulation 15(1) Accounts and Audit (Wales) Regulations 2014 I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2015.	**Approval of accounting statements under Regulation 15(2) Accounts and Audit (Wales) Regulations 2014 and the Annual Governance Statement** I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
RFO signature:	**Chair signature:**
Name: Christine Salter	**Name:**
Date: 24 September 2015	**Date: 24 September 2015**

External Audit Certificate
The external auditor conducts the audit in accordance with guidance issued by the Auditor General for Wales.

On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met. We certify that we have completed the audit of the Annual Return for the year ended 31 March 2015 of Cardiff Port Health Authority:

External auditor's report

On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the Body/meeting are included in our report to the Body dated ______________________.

External auditor's signature: **For and on behalf of the Auditor General for Wales**		
External auditor's name:		**Date:**

STATEMENT OF ACCOUNTS

2014/15

OF

CARDIFF HARBOUR AUTHORITY

Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities.

Agreement

By an Agreement dated 27th March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25th August 2006 and made between the national Assembly for Wales and the Council.
- Dated 27th March 2007 and made between the national Assembly for Wales and the Council.
- Dated 15th September 2009 and made between the Welsh Ministers and the Council.
- Dated 5th April 2011 and made between the Welsh Ministers and the Council.
- Dated 3rd April 2014 and made between the Welsh Ministers and the Council.

Review of the Financial Year

A new three year budget was agreed with the Welsh Ministers covering the period 2014/15 to 2016/17. The revised budget for 2014/15 was set at £6.397 million which represented a reduction of almost £1.2 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement. The funding reduction was planned to be achieved through a combination of staffing reductions, efficiency savings and increased income generation.

An additional claim for £12,000 was made during the year to cover costs associated with employee voluntary severance costs and a further amount of £280,000 was received in respect of the share of previous years underspend against the fixed cost budget. This increased the budget allocation to £6.689 million.

The financial outturn at 31st March 2015 following the transfer of amounts to the Project & Contingency Reserve was £6.648 million.

Total Capital Expenditure incurred and funded by Harbour Grant during the year was £324,000. This forms part of a three year programme to 2016/17 for works at the harbour, barrage and surrounding environmental infrastructure. Works included in the programme are: Barrage replacement parts and accessories, midlife refit of harbour equipment, public realm improvements and replacement of water quality monitoring equipment.

Key Achievements

During 2014-15 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. The achievements against the Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Operated and delivered the business plan within a significantly reduced budget.
- The largest live multi agency emergency response exercise in Wales took place on 2nd April 2014 to test the updated Agreement regarding the co-ordination of Search and Rescue.
- A record number of commercial operators are now licenced and supported by Cardiff Harbour Authority numbering thirteen, operating between them twenty one vessels carrying 170,000 plus passengers.
- Improvements to the recycling facility on the Environment Quay were undertaken.
- The 3rd Extreme Sailing Series event was successfully delivered between the 22nd and 25th August 2014 as part of Cardiff Harbour Festival, with the highest number of teams racing to date. Approximately 90,000 attendees reported over the weekend.
- Implementation of 5S system in engineering storage areas.
- Sponsorship agreements have been secured with four hotels
- P1 Powerboat was successfully delivered during the same weekend as the ‘Beach’ opening weekend and attracted approximately 35,000 attendees to Cardiff Bay.

Statement of Responsibilities for the Financial Statements and Corporate Director Resources Certificate

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

In preparing these financial statements, the Corporate Director Resources has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Director Resources Certificate

The financial statements for the Cardiff Harbour Authority give a true and fair view of the financial position of the Authority at 31 March 2015 and its income and expenditure for the year ended 31 March 2015.

Christine Salter **Date:**
Corporate Director Resources

Annual Governance Statement

The Cardiff Harbour Authority is not a separate entity to The City of Cardiff Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of The City of Cardiff Council. For reference, the Annual Governance Statement can be found with the Statement of Accounts for The City of Cardiff Council. The financial statements that follow are an extract from the accounts of the City of Cardiff Council, where such transactions can be identified separately without significant cost.

Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2005, this Statement of Accounts summarises the Harbour Authority's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, supported by International Financial Reporting Standards (IFRS). The accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of The City of Cardiff Council. Whilst these are not replicated in full, the key policies deemed to be applied are below:-

Accounting policies used when formulating the accounts

1. Accruals of Income and Expenditure
Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

2. Employee Benefits Payable during Employment
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement.

3. Grants - Revenue
Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:

- the Harbour Authority will comply with the conditions for their receipt.
- there is reasonable assurance that the grant or contribution will be received.

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants for which conditions have not been yet been satisfied are carried in the Balance Sheet as Revenue Grants receipts in advance. When conditions have been satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

4. Grants and Contributions – Capital
Grants and contributions that are applied in the year to fund capital schemes that are Revenue Expenditure Funded by Capital under Statute (REFCUS) are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement to the relevant service line.

Capital Grants and Contributions applied in paying for other capital works are credited to the income and expenditure statement.

5. Inventories
Inventories are measured and held at the lower of cost or net realisable value. When such inventories are sold, exchanged or distributed, the carrying amount is recognised as an expense in the Comprehensive Income and Expenditure Statement.

6. Operating Leases

Payments for operating leases are charged to the relevant service revenue account on an accruals basis. The charges are made evenly throughout the period of the lease.

7. Overheads and Support Services Costs
The City of Cardiff Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2014/15 (SERCOP). The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

8. Property, Plant, Equipment, Community and Heritage Assets
Assets that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Recognition:
Expenditure on the acquisition, creation or enhancement of such assets is capitalised on an accruals basis. All expenditure incurred on existing assets is assumed to result in enhancement of the asset and will be shown in the accounts as an addition to the asset. This together with a 3-year rolling programme of revaluations ensures that the values of land and buildings carried in the accounts are not materially misstated and ensures a sustainable cost/ benefit approach to valuation and accounting for capital expenditure on land and buildings in the year.

The Council recognises heritage assets where it may have incurred separately identifiable expenditure on their acquisition or preservation at historic cost or where it has information on the value of the asset.

Measurement:
Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the specific asset into working condition for its intended use. The Council does not capitalise borrowing costs.

These assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure assets – depreciated historical cost. Balance sheet values reflect historic expenditure incurred on such assets from a point in time. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to change in future years,
- Community assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.

Revaluation:
Assets included in the Balance Sheet at fair value are revalued at least every five years with a date of 1 April.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

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

Charges to Revenue for Non-Current Assets:
Services are debited with the following amounts to record the cost of holding assets during the year:
- depreciation attributable to the assets used by the relevant service
- impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

The Harbour authority does not receive grant for depreciation or any other accounting adjustments for non-current assets. Depreciation, impairment losses and amortisations charged to income and expenditure are neutralised by appropriations from unusable reserves.

Impairment and Downward Revaluation:
Assets are assessed at each year-end as to whether there is any indication that an asset may be reduced in value, either due to a reduction in service potential (impairment) or general market fluctuations (downward revaluation). Where either type of loss is identified, they are accounted for by:
- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation:
Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction).

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

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	5
Land	n/a
Buildings	53-70
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

9. Reserves
The Harbour Authority holds one usable reserve. It is used to hold accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

10. Value Added Tax
The Harbour Authority does not have a separate VAT registration to The City of Cardiff Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have, therefore, been prepared exclusive of this tax.

Guide to the Financial Statements

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Harbour Authority, analysed into usable reserves (i.e. those that may be used to provide services) and unusable reserves. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Harbour Authority's services, more detail of which is shown in the Comprehensive Income and Expenditure Statement.

Comprehensive Income and Expenditure account

This statement shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices.

Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Harbour Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that may used to provide services. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses and reserves that reflect 'adjustments between accounting basis and funding basis under regulations'.

Notes to the Core Financial Statements

These notes provide any further analysis required to explain those figures contained in the financial statements.

Movement in Reserves Statement 2014/15

	Usable Reserves		Unusable Reserves		
	Harbour General Balance £000	Project & Contingency Fund £000	Capital Adjustment Account £000	Revaluation Reserve £000	Accumulated Absences Account £000
Opening Balance at 1st April 2014	**0**	**491**	**170,616**	**4,863**	**(33)**
Surplus/(Deficit) on the Provision of Services	(2,372)	0	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0	0
Total Comprehensive Income and Expenditure	**(2,372)**	**0**	**0**	**0**	**0**
Adjustments between accounting basis and funding basis:					
Reversal of charges for depreciation	3,029	0	(3,029)	0	0
Accumulated absence accrual	4	0	0	0	(4)
Capital grants applied	(324)	0	324	0	0
Net Increase/(Decrease) before transfers to earmarked reserves	**337**	**0**	**(2,705)**	**0**	**(4)**
Transfers to/(from) earmarked reserves	(280)	280	0	0	0
Other movements in reserves:					
Transfer from Project & Contingency Fund	0	(74)	0	0	0
Adjustments involving Pensions Reserve	(57)	0	0	0	0
Adjustments involving Revaluation Reserve	0	0	35	(35)	0
Increase/(Decrease) in 2014/15	**0**	**206**	**(2,670)**	**(35)**	**(4)**
Closing Balance at 31st March 2015	**0**	**697**	**167,946**	**4,828**	**(37)**

Comprehensive Income and Expenditure Account for the year ended 31st March 2015

2013/14 £000		2014/15 £000
	Income	
(8,659)	Government Grants	(6,044)
0	Grants Relating to Previous Years	(280)
(227)	Capital Grants Applied	(324)
(898)	Fees and Charges	(884)
(9,784)	**Total Income**	**(7,532)**
	Expenditure	
3,278	Employees	2,607
2,500	Premises	1,298
86	Transport	73
1,884	Supplies and Services	2,263
973	Support Services	628
7	Third Party Payments	6
0	Direct Revenue Financing	0
4,489	Depreciation	3,029
13,217	**Total Expenditure**	**9,904**
3,433	**Net Expenditure for the year**	**2,372**
	Appropriations from reserves:	
	Contributions to/(from) Capital Adjustment Account in respect of	
(4,489)	- Depreciation charged to income & expenditure	(3,029)
227	- Capital Grants Applied	324
415	- Capital expenditure funded from revenue resources	0
4	Contribution from Accumulated Absences account	(4)
(86)	Contributions to/(from) Pensions Reserve	57
496	Contributions to/(from) Project & Contingency Fund	280
0	**(Surplus)/Deficit for the year**	**0**

Balance Sheet as at 31st March 2015

31 March 2014 £000		31 March 2015 £000
	Property, plant and equipment	
7,571	Land and Buildings	**7,532**
255	Vehicles, Plant, Furniture & Equipment	**338**
165,903	Infrastructure	**163,218**
1,103	Community Assets	**1,103**
475	Surplus Assets	**475**
0	Assets under construction	**0**
175.307		**172,666**
56	Heritage Assets	**56**
191	Intangible Assets	**128**
175,554	**Long-term assets**	**172,850**
1,113	Stocks and Work in Progress	**485**
951	Debtors	**537**
910	Cash	**1,986**
0	Assets held for sale	**0**
2,974	**Current assets**	**3,008**
(2,591)	Creditors	**(2,424)**
(2,591)	**Current liabilities**	**(2,424)**
0	Revenue Grants Receipts in Advance	**0**
0	Capital Grants Receipts in Advance	**0**
0	**Long-term liabilities**	**0**
175,937	**Net assets**	**173,434**
	Financed by:	
491	Project & Contingency Fund	697
491	**Usable Reserves**	**697**
4,863	Revaluation Reserve	4,828
170,616	Capital Adjustment Account	167,946
(33)	Accumulated absences account	(37)
175,446	**Unusable Reserves**	**172,737**
175,937	**Total Reserves**	**173,434**

Notes to the Core Financial Statements

1. Movements in Property, Plant, Equipment & Other Long Term Assets

Long term assets are primarily Property, Plant and Equipment, with movements analysed in the table that follows.

2014/15	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
Cost or Valuation								
At 1 April 2014	7,759	1,057	218,409	1,103	475	**228,803**	56	319
Additions	15	155	154	0	0	**324**	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	**0**	0	0
Impairment losses / reversals to SDPS **	0	0	0	0	0	**0**	0	0
Derecognition - disposals	0	(708)	0	0	0	**(708)**	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	**0**	0	0
Other reclassifications	0	0	0	0	0	**0**	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	**0**	0	0
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	**0**	0	0
At 31 March 2015	**7,774**	**504**	**218,563**	**1,103**	**475**	**228,419**	**56**	**319**
Depreciation								
At 1 April 2014	188	803	52,506	0	0	**53,496**	0	128
Depreciation charge	54	72	2,839	0	0	**2,965**	0	64
Depreciation written out on impairment	0	0	0	0	0	**0**	0	0
Derecognition -disposals	0	(708)	0	0	0	**(708)**	0	0
Depreciation written out to SDPS **	0	0	0	0	0	**0**	0	0
Reclassifications	0	0	0	0	0	**0**	0	0
Depreciation written out on revaluation	0	0	0	0	0	**0**	0	0
At 31 March 2015	**242**	**167**	**55,345**	**0**	**0**	**55,753**	**56**	**192**
Net Book Value:								
At 31 March 2015	**7,532**	**388**	**163,218**	**1,103**	**475**	**172,666**	**56**	**127**
At 31 March 2014	**7,759**	**1,057**	**218,409**	**1,103**	**475**	**228,803**	**56**	**319**

2. Capital Adjustment Account

The Capital Adjustment Account reflects differences between normal accounting practice and statutory requirements. The Account is credited with the amounts used as finance for capital expenditure. It contains accumulated gains and losses on Investment Properties, amounts set aside to repay external loans and also revaluation gains accumulated on non current assets before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

	2013/14 £000	2014/15 £000
Opening Balance	174,842	170,616
Charges for depreciation and impairment of non-current assets	(4,424)	(2,965)
Amortisation of intangible assets	(64)	(64)
	(4,488)	**(3,029)**
Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	35	35
Capital financing applied in the year:		
Grants and contributions	227	324
	262	**359**
Closing Balance	170,616	167,946

3. Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its non current assets. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised

The Reserves contain only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account. The movements are as follows:

	2013/14 £000	2014/15 £000
Balance as at 1 April	4,898	4,863
Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(35)	(35)
Amount written off to the Capital Adjustment Account	**(35)**	**35)**
Balance as at 31 March	4,863	4,828

4. Projects and Contingency Fund

	£000
Balance at 1 April 2014	491
Plus fixed cost savings 2011/12	244
Plus Fixed cost savings 2013/14	36
Plus Land disposals	129
Less High Ropes Facility	(203)
Balance at 31 March 2015	697

The existing Deed of Variation (section 16.5A) allows the Harbour Authority to retain all capital receipts from the disposal of land (in whole or part) which is owned by the Council as part of the Harbour Authority's undertaking. The proceeds of the sale of any such land is to be credited to the Harbour Project and Contingency Fund.

In 2014/15 the disposal of surplus land generated usable capital receipts of £129,000.

Land adjoining 31 Mermaid Quay	£54,000
Land at the Pilotage Building	£75,000

This was utilised in year to part fund the development of a high ropes facility at the Cardiff International White Water activity.

If actual costs of performing the activities is less than the amount approved in the Fixed Cost budget the difference between the two sums shall be shared equally between the parties.

5. Officers' Remuneration

Under the Accounts and Audit (Wales) Regulations 2005 as amended, Local Authorities must disclose in their accounts the number of staff whose remuneration exceeded £60,000 (listed in ranges, in multiples of £5,000). For the purpose of this disclosure, remuneration includes gross pay, employer's National Insurance contributions, but excludes employer's pension contributions.

For 2014/15, no individual member of staff received remuneration in the year above £60,000.

6. Grant Income

The Harbour Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Account in 2014/15:

Credited to Services (Revenue Grants)	2013/14 £000	2014/15 £000
Central Government Bodies	8,886	6,648
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
Total	**8,886**	**6,648**

The Harbour Authority has received grants that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at year-end are as follows:

Grant Creditor Balances (Revenue Grants)	2013/14 £000	2014/15 £000
Central Government Bodies	(1,645)	(2,001)
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
Total	**(1,645)**	**(2,001)**

In addition the Harbour Authority has recognised income that has not yet been paid in cash and is, therefore, owed to the Authority. The balances at year-end are as follows:

Grant Debtor Balances (Revenue Grants)	2013/14 £000	2014/15 £000
Central Government Bodies	923	513
Other Local Authorities	0	0
NHS Bodies	0	0
Other Entities & Individuals	0	0
Total	**923**	**513**

7. Stock

Movements in stock during the financial year are as follows:

Stock Movements 2014/15	2014/15 £000
Opening Balance	1,113
Stock written off to the CI&E	628
Closing Balance	**485**

Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report

The City of Cardiff Council

Audit year: 2014-15

Issued: September 2015

Document reference: draftA2015

Purpose of this document

This document is a draft supplied in confidence solely for the purpose of verifying the accuracy and completeness of the information contained in it and to obtain views on the conclusions reached.

Handling prior to publication

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

Contents

Subject to work outstanding on council dwellings the Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

Introduction

1. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the City of Cardiff Council (the Council) at 31 March 2015 and its income and expenditure for the year then ended.
2. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
3. The quantitative level at which we judge such misstatements to be material for the Council's accounts is £8,552,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity, for example the remuneration note.
4. International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
5. This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2014-15, that require reporting under ISA 260.

Status of the audit

6. We received the draft financial statements for the year ended 31 March 2015 on 15 June, in line with the agreed deadline, at the date of our presentation of this report work on verifying the council dwellings capital expenditure is on-going.
7. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

8. Subject to the work outstanding on council dwellings, it is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.
9. The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10. There are no non trivial misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

12. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have some concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be, in the most part, relevant, reliable, comparable, material and easy to understand. We concluded that estimates are appropriate and financial statement disclosures unbiased, fair and clear. We requested that some additional information be added to your accounting policies to reflect the current practices being applied by the Council. We also identified that the Council needed to improve its processes for identifying and capitalising relevant council dwelling expenditure.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner in the main and were not restricted in our work. The audit process took longer than it has in previous years with a contributory factor being the number of experienced staff leaving the Council and officers having to take on new roles at a crucial time in the audit process. We will work with officers to improve the closure process from both our and the Council's perspective in 2015-16.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already**
- **There are not any 'other matters' specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13. As part of the finalisation process, we are required to provide you with representations concerning our independence.

14. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the City of Cardiff Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Huw Vaughan Thomas
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ
[Date]

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of the City of Cardiff Council (the Council) for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting in the UK 2014-15; in particular the financial statements give a true and fair view in accordance therewith.
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements;
- The identity of all related parties and all the related party relationships and transactions of which we are aware;
- Our knowledge of all known partnerships and joint working/ collaborative arrangements that would impact on the financial statements.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Council has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the accounts.

The Council has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The reserves of the Council have been reviewed and are properly treated within the final accounts in accordance with the CIPFA guidance.

The provisions of the Council have been reviewed and have been properly treated within the final accounts in accordance with IAS 37.

The Council has accounted for and disclosed its partnership and joint/collaborative working arrangements in accordance with accounting standards and the CIPFA Code.

The agreed recommendations set out in the 2013/2014 WAO financial accounts reports have been satisfactorily implemented.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. A summary of these items is set out below:

- [xxxx]

Representations by the Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the City of Cardiff Council on [insert date].

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance]
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General to the Members of the City of Cardiff Council

I have audited the accounting statements and related notes of:

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

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

The City of Cardiff Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City of Cardiff Council Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xx, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City of Cardiff Council's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the City of Cardiff Council's, the City of Cardiff Council's Group's and the Cardiff and Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the City of Cardiff Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of City of Cardiff Council Group as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit;

- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the City of Cardiff Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

XX September 2015

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

	Value of correction, £	Nature of correction	Reason for correction
1	63,049,000	To account for the voluntary-aided and voluntary controlled VA/VC) schools as required by LAAP101.	Voluntary-aided and voluntary-controlled schools had been included in the accounts as a result of the changes to 'The Code'. However, LAAP101; issued by CIPFA stated that a prior period adjustment was required, as the change in accounting for schools was a change in accounting policy. This had not been actioned by the Council; the assets had been brought onto the balance sheet on 1 April 2014 rather than 1 April 2013.
2	14,685,001	Change the classification of assets from the surplus asset category to the investment property category within the Non Current Assets note (Note 20)	Five International Sports Village (ISV) Assets were included in the surplus asset category within Note 20, however on further review it was deemed that the Council was holding the properties/land for capital appreciation. Where assets are held for capital appreciation 'The Code' deems the assets to be investment properties.
3	442,706	To correctly reflect the revaluation loss for the reclassification of ISV assets (CIES and Note 30)	As a result of the re-classification of ISV assets from surplus to investment properties a different treatment for the revaluation loss is required. For surplus assets revaluation losses are first taken to the revaluation reserve and matched against any prior year revaluations with the difference being charged to the income and expenditure account. However for investment

			properties the revaluation element is taken directly to the income and expenditure account.
4	4,324,593	Removal of a school from the balance sheet as it has now closed and is being demolished in 2015-16. (Note 20)	Although Llanederyn High School has been closed and was no longer in use at 31 March 2015 a balance was included in the property, plant and equipment note (Note 20) within the accounts.
5	2,087,488	Removal of internal income from Note 4 reconciliation to subjective analysis	Note 4: reconciliation to subjective analysis: Internal income had been incorrectly included within the government grants and contributions line, this has been removed from that line and the corresponding expenditure has been removed from the other services expenses line, this does not have any effect on the bottom line.
6	1,507,000	Reduction in capital commitments disclosure (Note 20)	Two contracts within the capital commitments disclosure were overstated.
7	1,356,000	Removal of the interest element for the Glamorgan Cricket Club Loan (Note 21)	Although the loan had been impaired to zero in 2013-14, the interest element still remained within Note 21 and within the bad debt impairment figure within debtors.
8	430,234	Reclassification of the Carbon Reduction Commitment (CRC) allowance from provisions (Note 27) to accruals (Note 25)	When purchased under the “buy to comply” scheme ‘the Code’ requires the CRC allowance to be recorded as an accrual where the amount and timing are certain.
9	353,000	To correctly reflect all Revenue Expenditure Funded from Capital Under Statute (REFCUS) in note 20	The REFCUS element for the Housing Revenue Account had been omitted from the capital financing and expenditure table within Note 20.
10	20,400	Note 11 Remuneration: ‘The Code’ requirements for remuneration changed in 2014-15 and this was not fully reflected in the accounts.	The remuneration note (Note 11) did not include the median remuneration for all full-time equivalent employees throughout the year.
11	Narrative	To include a Post Balance Sheet	Although the foreword included

		Event for the new housing revenue self financing regime.	reference to the new housing revenue self financing regime no post balance sheet event note had been included in the accounts.
12	Narrative	Note 11- Remuneration: 'The Code' changes for voluntary-aided and voluntary-controlled schools (Note 11) required additional disclosures.	A note was needed after the employee remuneration bandings table in note 11.2 to disclose that the table includes employees who are employed by the Governing Body of VA/VC schools rather than the Council; although the salaries are paid by the Council.
13	Narrative	To ensure that the non-current asset ownership table within Note 20 accurately reflects the fixed asset register maintained by the Council	Note 20 to be amended to reflect the fixed asset register information for the number of: • Allotment gardens; • Cemeteries; • Day centres and clubs; • Play centres; and • Youth and neighbourhood learning centres
14	Narrative	To ensure that notes and statements within the accounts contained the correct information.	Narrative changes were made to the following notes and statements within the accounts to ensure that they accurately reflected the supporting evidence provided: • Accounting policies: impairment and de minimus • Note 19: Pensions; • Note 9: Non-Domestic Rates; • Note 21: Financial Instruments. • Note 26: Long-term investments and • Annual Governance Statement
15	Contingent asset	The Council approved the write-off of 70% of the Glamorgan Cricket Club loan in 2014-15, the potential for recovering the remaining 30% was not reflected in the accounts.	Although the Glamorgan Cricket Club loan had been impaired to zero in 2013-14, the Council has subsequently agreed to write-off 70% of the loan, with the expectation that the remaining 30% will be recovered. Given the uncertainty over the timing of the collection of the remaining 30% of the loan, the Council needed to recognise a contingent asset within the accounts (Note 32).
16	Various notes	To ensure that all areas of the accounts cast, cross-cast and are	The first draft of the accounts had a number of errors in casting, cross-

		cross-referenced to supporting notes.	casting and cross referencing accurately to supporting notes.
Trust fund statements			
	Narrative	To ensure consistency of information in the statement.	Two Trust funds didn’t have their Charity number recorded.

Wales Audit Office	Swyddfa Archwilio Cymru
24 Cathedral Road	24 Heol y Gadeirlan
Cardiff CF11 9LJ	Caerdydd CF11 9LJ
Tel: 029 2032 0500	Ffôn: 029 2032 0500
Fax: 029 2032 0600	Ffacs: 029 2032 0600
Textphone: 029 2032 0660	Ffôn Testun: 029 2032 0660
E-mail: info@wao.gov.uk	E-bost: info@wao.gov.uk
Website: www.wao.gov.uk	Gwefan: www.wao.gov.uk

Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Audit of Financial Statements Report and Management Letter

Cardiff and Vale of Glamorgan Pension Fund

Audit year: 2014-15

Issued: September 2015

Document reference: 481A2015

Status of report

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

The team who delivered the work comprised Ann-Marie Harkin, Helen Goddard, David Williams and David Phillips.

Contents

This document summarises the conclusions on the 2014-15 audit including our recommendations for the year. The Auditor General intends to issue an unqualified audit report on your financial statements.

Summary report

Introduction

1. The purpose of this report is twofold:

- to set out for consideration the matters arising from the audit of the financial statements of Cardiff and Vale of Glamorgan Pension Fund for 2014-15, that require reporting to those charged with governance, in time to enable appropriate action; and
- to formally communicate the completion of our audit and capture the recommendations arising from our audit work for the year.

2. The Auditor General's responsibilities were set out in our audit plan along with your responsibilities as those charged with governance; we do not repeat them in detail again here.

3. We confirm we have undertaken the audit as planned and our performance against the agreed measures are reported in Appendix 4. We have no other issues to report to you other than in this report.

4. We are particularly grateful to the staff of the Council who administer the Cardiff and Vale of Glamorgan Pension Fund for their assistance, good-quality working papers and draft accounts provided during the course of our audit.

5. The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff and Vale of Glamorgan Pension Fund at 31 March 2015 and its income and expenditure for the year then ended.

6. We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

7. The quantitative level at which we judge such misstatements to be material for Cardiff and Vale of Glamorgan Pension Fund audited body are £16.791 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

Status of the audit

8. We received the draft financial statements for the year ended 31 March 2015 on 29 June 2015, which was in accordance with the date we agreed, and have now substantially completed the audit work.

9. We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with Pension Fund Manager and the Head of Technical Accountancy.

Proposed audit report

10. It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

11. The proposed audit report is set out in Appendix 2. (This is the full report that will be provided on conclusion of the audit of the Council's accounts as the Pension Fund statements are included within them.)

Significant issues arising from the audit

Uncorrected misstatements

12. There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

13. There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

14. In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. However, we note at the time of preparing this report, we await assurances from a small number of investment fund managers which are required to confirm the controls in place to manage funds on behalf of the Pension Fund are in place and operating effectively. We require these assurances prior to audit certification.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls.** However, we note a continued absence of Internal Audit coverage of systems relating to the Pension Fund. Internal Audit is a key part of the Internal Control Framework and should provide management with assurance that key controls are in place and operating effectively, via a cyclical programme of work, if not annual.
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Recommendation arising from our 2014-15 audit work

15. A recommendation arising from our audit work is set out in Appendix 5. Management has responded to it and we will follow up progress during next year's audit. Where any actions are outstanding, we will continue to monitor progress and report it to you in next year's report.

Independence and objectivity

16. As part of the finalisation process, we are required to provide you with representations concerning our independence.

17. We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Cardiff and Vale of Glamorgan Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2014-15 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2015 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

Management representations

Responsibilities

I have fulfilled my responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the 2014-15 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale of Glamorgan Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.
There were no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by County Council of the City and County of Cardiff on 24 September 2015.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance (director only for companies)]
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General to the members of the City of Cardiff Council

I have audited the accounting statements and related notes of:

- The City of Cardiff Council
- The City of Cardiff Council Group
- The Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2015 under the Public Audit (Wales) Act 2004.

The City of Cardiff Council's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The City of Cardiff Council Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

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

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page xx, the responsible financial officer is responsible for the preparation of the statement of accounts, including the City of Cardiff Council's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the City of Cardiff Council's, the City of Cardiff Council's Group's and the Cardiff and Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the City of Cardiff Council

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the City of Cardiff Council as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of City of Cardiff Council Group as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

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

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of the Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

Opinion on other matters

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

I certify that I have completed the audit of the accounts of the City of Cardiff Council in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ
[Date]

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit, we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Value of correction	Nature of correction	Reason for correction
£622,000	Investments within the Net Asset statement were increased by £622,000, with corresponding increase in the change in market value of investments within the fund account.	To correct the valuation of Schroders Property Unit Trusts. The initial valuation was recorded at the incorrect date.
£205,000	Investments within the Net Asset statement were decreased by £205,000, with corresponding decrease in the change in market value of investments within the fund account.	To ensure the correct valuation basis for Blackrock investments.
Narrative disclosure	The market value of separately invested Additional Voluntary Contributions included within Note 15 was reduced to £3.167 million.	To ensure a consistent approach to the value of the disclosure compared to prior years.
Narrative disclosure	The number of active contributors to the pension scheme as detailed in Note 10 was amended for both the current and prior year to more accurately reflect membership numbers. The figure for 2014-15 was increased by 793 to 14,145 contributors. The figure for 2013-14 was increased by 376 to 13,922.	To correct the number of active contributors to the pension scheme given updated information input into the Altair system post production of the draft financial statements.
Various other disclosure notes	A number of narrative and disclosure amendments, not identified separately in this table, as not regarded material to the financial statements.	To ensure completeness, clarity, accuracy and consistency throughout the financial statements.

Appendix 4

Wales Audit Office performance measures

We have agreed a range of targets for the delivery of our work and I have summarised our assessment of achievements against these targets below:

Planned output	Target	Outcome
2015 Audit Plan	January – March 2015	March 2015
Financial accounts work: • Audit of Financial Statements Report • Opinion on Financial Statements	June – August 2015	September 2015

Appendix 5

Recommendations arising from our 2014-15 audit work

We set out all the recommendations arising from our audit with management's response to them. We will follow up these next year and include any outstanding issues in next year's Audit Report:

Matter arising 1 – controls over the input of data into the ALTAIR system and its ongoing integrity requires strengthening	
Findings	We identified through completing our predictive analytical review on employee and employer contributions that active membership numbers had not been maintained up to date in the ALTAIR system. A processing lag had developed following the migration last year of the Pension Fund data to the new ALTAIR system. As a consequence, the initial membership figures presented in the draft financial statements required amendment.
Priority	Medium
Recommendation	We recommend that the Pension Fund determines a cut-off policy for the amendment of active membership numbers for inclusion within the draft financial statements, whilst ensuring a more-timely processing of amendments to membership data throughout the year. We also recommend that membership number data is reconciled on a more formal basis; in the past it has been completed informally, often after the audit has been completed. Regular reconciliation of this data would provide a key internal control to the pension fund and consequently provide additional assurance over the accuracy of this data.
Accepted in full by management	*Yes*
Management response	*The Pensions Section will establish a monthly membership update process for major employers and quarterly reconciliations of membership data. The final reconciliation at year end to be completed before the submission of draft financial statements for audit.*
Implementation date	*1st October 2015*

Wales Audit Office	Swyddfa Archwilio Cymru
24 Cathedral Road	24 Heol y Gadeirlan
Cardiff CF11 9LJ	Caerdydd CF11 9LJ
Tel: 029 2032 0500	Ffôn: 029 2032 0500
Fax: 029 2032 0600	Ffacs: 029 2032 0600
Textphone: 029 2032 0660	Ffôn Testun: 029 2032 0660
E-mail: info@audit.wales	E-bost: post@archwilio.cymru
Website: www.audit.wales	Gwefan: www.archwilio.cymru

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 16 September 2015

ORGANISATIONAL DEVELOPMENT PROGRAMME UPDATE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

Reason for this Report

1. To provide Audit Committee with an opportunity to be aware of the progress of projects within the Council's Organisation Development Programme (ODP).

Background

2. Audit Committee have previously received updates in respect of the Council's ODP and remain interested in the progress of this critically important part of the improvement journey. Progress on the ODP is also monitored through Cabinet and Scrutiny Committees.

Issues

3. Cabinet received an update on the ODP at their meeting on 16 July 2015 and this report has previously been circulated to Audit Committee members for their information. Attached to this report is an Appendix from the Cabinet report which sets out the time line of key strategic milestones of the projects and programmes. This information will allow Audit Committee to gain assurance that the required activities are continuing apace.

Reason for Recommendations

4. To enable the Audit Committee to gain assurance that the implementation of projects under the auspices of the ODP is progressing.

Legal Implications

5. No direct legal implications arise from this report.

Financial Implications

6. There are no direct financial implications arising from this information report.

RECOMMENDATIONS

7. To note the Timeline of key strategic milestones and the activities being implemented in respect of the Council's ODP.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
09 September 2015

The following appendix is attached:

Appendix 1 - Organisation Development Programme Timeline of Key Strategic Milestones

Appendix 3: ODP Time-Line of Key Strategic Milestones

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
2015/16 Q2	**Assets & Property** • Corporate Asset Management Plan approved • Howardian Starter School Complete • Four Wards Welsh Satellite School Complete • Tender awarded for Eastern High School • Finalisation of partnership arrangements for Cardiff International Sports Stadium **Improvement** • Performance Management training undertaken with Cabinet & Scrutiny Committees; • Balanced Scorecard rolled out across Council • Liveable City Report published • Social media strategy launched • Employee Survey 2015 results available **Corporate Commercialisation** • Corporate Commercialisation strategy approved • Commercial Trading Company established • Open Alarm Receiving Centre **Governance & Engagement** • Modern.gov fully implemented ensuring effective management of reports, minutes, registered, etc. • Effective safeguarding processes in place, and members understand their responsibilities; • Alignment of Scrutiny & Cabinet forward work plan	**Customer Focus & Enabling Technology** • SharePoint live in C2C, Audit & OD & Children's Services • CRM Phase 1 go live: contact centre using C4C, portal functionality established for initial 'Report It' function • Grangetown Hub – open • City Centre Hub – open (enabling c.£400k saving) **Infrastructure & Neighbourhood Services** • Cabinet approve Outline Business Case for Infrastructure ADM • Neighbourhood Services: expansion of SW trial to West of city **Services for Vulnerable Adults** • First Point of Contact live for Council services • Mobile Working & Scheduling in Reablement: User Acceptance Testing and DRS training complete, transition planning complete • Proof of Concept for agile working complete **Services for Vulnerable Children** • Business Support Process Review – implement new arrangements

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
	• Webcasting of Committee Meetings to commence – Planning & Regulatory Services • Refreshed Member Development programme established **Strategic Commissioning** • Corporate ADM Methodology and Toolkit approved. • Establish Adult Social Care Commissioning Project	• Adolescent Resource Centre – Full Business case
2015-16 Q3	**Assets & Property** • Fitzalan School Science Block Complete • Non- Operational Estate –Plan approved by Cabinet • Office Accommodation Review – Cabinet Decision **Improvement** • WAO Corporate Assessment • Complete Cardiff Manager Programme Phase 1 **Governance & Engagement** • Approve new scrutiny arrangements arising from CfPS review • Cardiff Debate – Budget Consultation **Strategic Commissioning** • Leisure ADM Cabinet Decision • Arts ADM Cabinet Decision • Cardiff Heritage Trust Business Case- cabinet Approval	**Customer Focus & Enabling Technology** • SharePoint phase 3 – live • On-line payment live via Pay.gov • Debt management: One-step Phase 1 roll out (income generating) • Customer Management Strategy approved • Grangetown Hub – open **Infrastructure & Neighbourhood Services** • Neighbourhood Services city wide roll out (main contributor to enable £1.6m savings target) **Services for Vulnerable Adults** • First Point of Contact integration with Health services • Mobile Working & Scheduling in Reablement: Go Live roll out and embedding (£295k FYE savings, based on 0% service growth) • Results of housing Market Assessment for older people

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
		available • Day Opportunities Strategy **Services for Vulnerable Children** • Children's Accommodation & Support Strategy – Commence Procurement
2015-16 Q4	**Assets & Property** • SAP Asset management Solution business case approved • Pontprennau Primary School Complete • End of Year target: Office buildings − 6 offices in scope	**Customer Focus & Enabling Technology** • SharePoint phase 4- live • Income Management: Chip & PIN improvements roll out commences

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
	– £1.7m anticipated Capital Receipt – £350k Revenue reduction – £1.4m Maintenance backlog reduction • End of Year Target: Community Buildings – 9 properties in scope – £80k anticipated Capital Receipt – £600k Revenue reduction – £1.1m Maintenance backlog reduction • End of Year Target: Schools estate – 10 assets in scope for decision – £250k anticipated Capital Receipt – £9k Revenue reduction – £97k Maintenance backlog reduction • Commissioning and Procurement Strategy (2016 – 2019) approved	**Infrastructure & Neighbourhood Services** • Neighbourhood Services new structures go live • City Operations back office and performance restructure • Outline Business Case for Mobile Working & Scheduling in Neighbourhood Services **Services for Vulnerable Adults** • CareFirst improvements delivered (inc. data cleansing, CareFinance) • Mobile Working & Scheduling in Reablement: Go Live roll out and embedding (£295k FYE savings, based on 0% service growth) • Agile working project phase implementation to enable vacation of social care staff from Global Link **Services for Vulnerable Children** • Commence phased delivery of remodelled services for children with disability;

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio

2016-17 Q1	**Assets & Property**
	• Global Link vacated
	
	Corporate Commercialisation
	• Commercial Model established for:
	  – Cardiff Works
	  – Alarm Receiving Company
	  – Bereavement
	• New Income streams available
	
	Improvement
	• Credible Benchmarking information included in all Directorate Delivery Plans
		Customer Focus & Enabling Technology
		• SharePoint phase 5 – live
		• Debt Management: One-step Phase 2 roll out commences (income generating)
		• STAR Hub – open
		• Fairwater Hub - Open
		
		Infrastructure & Neighbourhood Services
		• Infrastructure ADM agreed solution – commence implementation of preferred model (£4.3m savings anticipated over the MTFP)
		
		Services for Vulnerable Adults
		• First Point of Contact integration with Vale of Glamorgan
		
		Services for Vulnerable Children
		• MASH – Go live
		• Remodelling services for children with disability – Complete

	Enabling & Commissioning Services Portfolio	Re-Shaping Services Portfolio
2016-17 Q2	**Assets & Property** • Adamsdown Primary School Complete • Coed Glas primary School Complete • Ysgol y Wern School complete • Secure WLGA Member Charter **Strategic Commissioning** • Leisure ADM –Operational • Arts ADM –Operational **Improvement** • Employee Survey 2016	**Customer Focus & Enabling Technology** • CRM – enhanced "Report It" functions go live • SharePoint phase 6 – live • Llandaff North & Gabalfa Hub - open **Services for Vulnerable Adults** • Agile working project fully deployed

Archwilydd Cyffredinol Cymru
Auditor General for Wales

The City of Cardiff Council: Follow-on from the Corporate Assessment

Project Brief

Audit year: 2014-15 and 2015-16

Issued: June 2015

Document reference: 363A2015

This document is a draft version pending further discussions with the audited and inspected body. Information may not yet have been fully verified and should not be widely distributed.

Status of report

This document has been prepared for the internal use of The City of Cardiff Council as part of work performed in accordance with the statutory functions.

No responsibility is taken by the Auditor General, the staff of the Wales Audit Office or, where applicable, the appointed auditor in relation to any member, director, officer or other employee in their individual capacity, or to any third party.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales, the Wales Audit Office and, where applicable, the appointed auditor are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at info.officer@audit.wales.

Contents

Project Brief

Background

1. In September 2014, the Auditor General published his report on the full Corporate Assessment[1] at the City of Cardiff Council. This report concluded at that time ***'Fragmented leadership and management have meant that weak performance in key service areas has not improved'***.

2. We came to this conclusion because:

- political and managerial instability over a number of years meant that the Council had been unable to develop the culture and framework necessary for continuous improvement;
- the Council had identified what it wanted to achieve for its citizens but had lacked an effective means of delivery;
- some processes intended to ensure good governance had not been implemented and decision-making processes were inefficient and lacked transparency;
- whilst there had been some recent changes, performance management had failed to consistently secure improvement in the past;
- although the Council ensured a balanced budget, prospects for achieving proposed savings in 2014-15 were uncertain and the anticipated level of future funding meant current methods of service delivery were unsustainable;
- corporate human resource arrangements were founded on positive practice but were not being implemented consistently;
- the Council was improving its use of information technology and its information management arrangements;
- the Council was not managing its land and property assets well; and
- the Council engaged well in collaboration with others and was able to demonstrate improved outcomes for citizens.

3. The Corporate Assessment report made one Proposal for Improvement:

P1	The Council ensures that the implementation of its Organisational Development Plan resolves the range of issues identified in this assessment.

[1] www.audit.wales/system/files/publications/Cardiff_Corp_Assess_English_2014.pdf

The purpose of the corporate assessment follow-on

4. The full corporate assessment, sought to answer the following question: *'Is the Council capable of delivering its priorities and improved outcomes for citizens?*'

5. The Corporate Assessment Follow-On will seek to answer the question: **'Is the Council effectively addressing the issues raised in the corporate assessment?'**

Methodology

6. We will undertake work to inform the Corporate Assessment Follow-On over the course of the year. Our main fieldwork is likely to commence in the week of 5 October 2015. We will work closely with other regulatory bodies and inspectorates and will coordinate our work where possible and appropriate.

7. The delivery of this work will be shaped by:

- document review and analysis;
- structured interviews;
- observations of meetings;
- focus groups; and
- two short surveys of senior officers and Members of the Council.

8. A list of suggested interviewees, focus groups and observations is set out in Appendix 1. The list is not exhaustive and will be informed by discussions with the Council and will be confirmed following our document review.

9. A document request list is included in Appendix 2. Again this is not exhaustive and will be informed by our ongoing work. We will agree with the Council how these documents are provided to us.

10. An electronic list of the email addresses of all senior officers and Members will be required from the Council to undertake the two surveys.

11. We will also be undertaking a series of smaller pieces of tracer work between July and September 2015 to inform the Corporate Assessment Follow-On.

12. The tracer work will be undertaken in the following areas:

- Waste and Recycling;
- Leisure; and
- Delayed Transfer of Care (this is currently provisional, and we are liaising with the Wales Audit Office Health Audit Team to co-ordinate the work).

13. The exact nature of the tracer work will be set out in separate project briefs in due course.

Output

14. The output for this work will be a published report, planned for issue in early 2016.

Timing

15. A timetable for undertaking the work and producing the report is set out below:

Activity	Timescale
Scoping corporate assessment follow-on	June – July 2015
Fieldwork for the tracers	July– September 2015
Surveys of senior officers and Elected Members	August – September 2015
Fieldwork – on site at Council; qualitative research; focus groups and interviews	October 2015 (likely to be 5 – 9 October, and week commencing 12 October should this be required)
Drafting and issue of Draft Report for comment	November – December 2015
Issue Report	(Estimated)* January 2016

** Subject to timely clearance of draft findings with the Council.*

Team

16. The contacts for the Wales Audit Office are as follows.

Wales Audit Office
Alan Morris, Performance Audit Engagement Lead Email: Alan.morris@audit.wales Mobile: 07818 427472
Non Jenkins, Local Government Manager Email: non.jenkins@audit.wales Telephone: 02920 320500 Mobile: 07879 848671
Chris Pugh, Performance Audit Lead Email: chris.pugh@audit.wales Telephone: 02920 320523 Mobile: 07748181685

Wales Audit Office
Janet McNicholas, Financial Audit Manager Email: janet.mcnicholas@audit.wales Telephone: 02920 829312 Mobile: 07805812201
Allison Rees, Performance Auditor Email: allison.rees@audit.wales Telephone: 02920329307 Mobile: 07580 823820
Phil Morgan, Performance Auditor Email: phil.morgan@audit.wales Telephone: 02920 320500 Mobile: 07773 198785
Avril Watkins, Performance Auditor Email: avril.watkins@audit.wales Telephone: Mobile: 07813 218210

17. Other colleagues may also be involved where relevant to the work.

Appendix 1

Interviews, focus groups and observations

The following is a list of suggested interviews and focus groups that will be scheduled for 60 minutes. The list is not exhaustive and will be informed by discussions with the Council and will be confirmed following our document review.

Individual interviews

- Chief Executive
- Section 151 officer
- Monitoring Officer
- Corporate and Service Directors – selection to be agreed
- HR Manager
- Learning & Development Officer
- Occupational Health Manager
- Democratic Services Manager
- Head of ICT
- Head of Finance
- Head of Asset Management
- Head of Risk Management (if applicable or equivalent)
- Head of Performance (or equivalent)
- Head of Procurement
- Head of Internal Audit
- Other lead Officers – to be confirmed following document reviews
- Leader of the Council
- Leader of the Opposition and leaders of other political groups
- Chair of Audit Committee
- Current Executive/Cabinet members – selection to be agreed
- Previous Executive/Cabinet members – selection to be agreed
- Chair of Standards Committee
- Cabinet support officers
- Scrutiny support officers

Focus groups to be determined following document review

- Overview and Scrutiny Chairs
- A selection of Non-Executive Members

Observations

- Council
- Cabinet
- Scrutiny committees and some Task and Finish Group meetings
- Audit Committee
- Challenge forum
- Any others to be confirmed following document review

Appendix 2

Document request list

The following is a list of documents we want to review as part of the follow-on. The list is not exhaustive and requests for additional documents may be made during the course of the review. Where documents in the list below are publically available on the Council's website, please direct us to where we can find them.

Document request list – for the main on-site work

- Organisation chart
- Details of member affiliations, portfolio etc
- Constitution
- Standing orders and scheme of delegation
- Delegated decision register
- Annual Governance Statement 2014/15
- Officer/member protocol
- Organisational Development Plan
- Single Integrated Plan
- Medium Term Financial Plan 2015/16
- Budget monitoring reports 2014/15
- Budget Savings Proposals 2015/16
- Budget Strategy Work Programme 2015-16
- Improvement Plan
- Organisational Development Plan reports/updates
- Departmental/Service Business Plans 2015/16
- Corporate engagement/consultation strategy and guidance
- Asset Management Plan
- ICT strategy
- Workforce plan
- Information Storage Strategy
- Staff Appraisal process
- Statistics relating to appraisals completed for staff per service area/Directorate
- Random sample of anonymous appraisals
- Succession & Talent management plans re service area and/or Directorate
- Sickness Absence policy & procedure
- Sickness absence guidance for managers & staff
- Staff survey results
- Training and Development strategy – staff and members

- Assessment of/feedback in relation to Cardiff Academy
- Evaluations undertaken of training initiatives delivered
- Risk Register
- Executive and Scrutiny work programmes 2014/15 and 2015/16
- Scrutiny Guidance and/or Annual Report 2014/15
- Any guidance documentation for council staff on business/service improvement plans and performance management more generally
- Performance Management Reports – latest quarter and 2014/15 end of year
- Information and Guidance on 'Star Chamber' sessions
- Project Management Guidance
- Staff survey results
- Reports on the Cardiff Partnership Board
- Challenge Forum Papers
- Any relevant documents that the Council uses to monitor its progress on implementing any of the Recommendations or Proposals for Improvement, together with any supporting evidence.

Please send us electronic copies of the documents by **17July 2015.** If documents are available sooner, please provide them as soon as possible.

If these documents are also available on your website, please provide the appropriate links to these documents too.

For the two surveys, a list of the email address of every Elected Member of the Council; and the email address of every senior officer of the Council is required by **24 July 2015**. The list is required in an Excel spread sheet rather than any other format. Please liaise directly with Chris Pugh on the surveys.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru
Gwefan: www.archwilio.cymru

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Annual Improvement Report 2014-15

The City of Cardiff Council

Issued: August 2015
Document reference: 375A2015

This Annual Improvement Report has been prepared on behalf of the Auditor General for Wales by Non Jenkins and Chris Pugh under the direction of Alan Morris.

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The Auditor General is independent of government, and is appointed by Her Majesty the Queen. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office Board, which is a statutory board established for that purpose and to monitor and advise the Auditor General. The Wales Audit Office is held to account by the National Assembly.

The Auditor General audits local government bodies in Wales, including unitary authorities, police, probation, fire and rescue authorities, national parks and community councils. He also conducts local government value for money studies and assesses compliance with the requirements of the Local Government (Wales) Measure 2009.

Beyond local government, the Auditor General is the external auditor of the Welsh Government and its sponsored and related public bodies, the Assembly Commission and National Health Service bodies in Wales.

The Auditor General and staff of the Wales Audit Office aim to provide public-focused and proportionate reporting on the stewardship of public resources and in the process provide insight and promote improvement.

Contents

Summary report

Purpose of this report

1 Each year, the Auditor General is required to audit the improvement planning and reporting arrangements of Welsh councils, fire and rescue authorities, and national park authorities, and to assess whether each authority will meet statutory continuous improvement duties[1]. This work has been undertaken on behalf of the Auditor General by staff of the Wales Audit Office. Appendix 1 provides more information about the Auditor General's powers and duties in local government.

2 In addition, the Auditor General undertakes an in-depth corporate assessment at each authority on a cyclical basis (currently at least once every four years). In the intervening years, in addition to audits of improvement planning and reporting, the Wales Audit Office, on behalf of the Auditor General, will keep track of developments and focus further assessment work on a number of key themes, developed in discussion with each authority.

3 This Annual Improvement Report summarises the audit work undertaken at the City of Cardiff Council (the Council) since the last such report was published in September 2014, when it was combined with the Council's Corporate Assessment.

4 The Corporate Assessment concluded that: **fragmented leadership and management meant that weak performance in key services areas had not improved**. During 2015, we will conduct a follow-on review to assess how the Council has progressed and how it is addressing the issues identified in the Corporate Assessment.

5 This current Annual Improvement Report includes a summary of the key findings from reports issued by 'relevant regulators', namely: the Care and Social Services Inspectorate Wales (CSSIW); Her Majesty's Inspectorate for Education and Training in Wales (Estyn); and the Welsh Language Commissioner. Nonetheless, this report does not represent a comprehensive review of all the Council's arrangements or services. The conclusions in this report are based on the work carried out at the Council by relevant external review bodies and, unless stated otherwise, reflect the situation at the point in time that such work was concluded.

6 Taking into consideration the work carried out during 2014-15, the Auditor General will state in this report whether he believes that the Council is likely to make arrangements to secure continuous improvement for 2015-16.

7 This statement should not be seen as a definitive diagnosis of organisational health or as a prediction of future success. Rather, it should be viewed as providing an opinion on the extent to which the arrangements currently in place are reasonably sound insofar as can be ascertained from the work carried out.

8 We want to find out if this report gives you the information you need and whether it is easy to understand. You can let us know your views by e-mailing us at info@audit.wales or writing to us at 24 Cathedral Road, Cardiff, CF11 9LJ.

1 Duties and requirements contained within the Local Government (Wales) Measure 2009 (the Measure).

2014-15 performance audit work

9 In determining the breadth of work undertaken during the year, we considered the extent of accumulated audit and inspection knowledge as well as other available sources of information including the Council's own mechanisms for review and evaluation. For 2014-15, we undertook improvement assessment work under three themes: use of resources; governance; and performance.

10 The work carried out since the last Annual Improvement Report, including that of the 'relevant regulators', is set out below:

Project name	Brief description	Dates [when the work was carried out]
Wales Audit Office Annual 'Improvement Plan' Audit 2014-15	Wales Audit Office Annual 'Improvement Plan' Audit	June 2014
Wales Audit Office Annual 'Improvement Plan' Audit 2015-16	Wales Audit Office Annual 'Improvement Plan' Audit	April 2015
Wales Audit Office Annual 'Assessment of Performance' Audit	Audit of the City of Cardiff Council's assessment of 2013-14 performance	November 2014
Audit of the Council's Accounts	To provide an opinion on whether the financial statements give a true and fair view of the financial position of the Council at 31 March 2014 and its income and expenditure for the year then ended.	July to September 2014
Arrangements to support safeguarding of children	Review of the Council's governance and management arrangements to provide assurance that children are safeguarded and that any concerns can be highlighted effectively and efficiently.	March to May 2014, published in October 2014
Estyn Significant Improvement Visit	Monitoring Visit.	March 2015
Estyn – Monitoring Report – Cardiff and Vale Adult Community Learning (ACL) Partnership	Monitoring Visit.	January 2015

Project name	Brief description	Dates [when the work was carried out]
CSSIW Performance Evaluation Report 2013-14	Annual Review of the Council's Social Services function.	October 2014
CSSIW National Inspection: Safeguarding and Care Planning of looked after children and care leavers, who exhibit vulnerable or risky behaviours	Assessment of the quality of Safeguarding and Care Planning	January to May 2014, published in August 2014
Delivering with Less – Environmental Health	Review of the impact of cuts in resources on environmental services.	January 2015
Data Quality Review	A review of the Council's data quality arrangements.	January to March 2015
Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales	Review of arrangements to manage the impact of welfare reform.	December 2013 to March 2014
Conclusions from the Welsh Language Commissioner	Review of the Council's approach to the Welsh language.	September 2014

Based on, and limited to, the work carried out by the Wales Audit Office and relevant regulators to date, the Auditor General believes that it is uncertain whether the Council is likely to comply with the requirements of the Measure during 2015-16. However, we will follow up the Council's progress in addressing the issues we raised in our 2014 Corporate Assessment during the Autumn of 2015

11 During 2014-15 a number of reports were issued to the Council from the Auditor General, Estyn, CSSIW, and the Welsh Language Commissioner. A number of areas for improvement were identified during this work.

12 Since 2013-14 there have been significant weaknesses in relation to how the Council discharged its duties under the Measure.

13 In September 2013, the Auditor General wrote to the Council outlining scope for further improvement in the way the Council sought to discharge its duties under the Measure. The letter stated that the Council needed to urgently set clear improvement priorities for 2013-14 as this had not been done as at September 2013. In addition the letter identified that there was a lack of clear and measureable targets within its Improvement Plan, meaning the Council would be unable to fully evaluate its performance.

14 The Auditor General made three proposals for improvement relating to these issues, which were:

- a establish clear improvement priorities for 2013-14 by November 2013, identifying explicitly the specific improvement sought during the year to enable more focussed reporting of outcomes;
- b improve performance reporting required by the Measure; and
- c develop performance management arrangements.

15 In September 2014, the Auditor General published his Corporate Assessment of the Council, concluding that fragmented leadership and management meant that weak performance in key service areas had not improved. This was reported as part of our Annual Improvement Report 2013-14 to the Council.

16 The Auditor General reached this conclusion because:

- a political and managerial instability over a number of years meant that the Council had been unable to develop the culture and framework necessary for continuous improvement;
- b the Council identified what it wanted to achieve for its citizens but lacked an effective means of delivery;

c some processes intended to ensure good governance had not been implemented, and decision-making processes were inefficient and lacked transparency;

d whilst there had been some recent changes, performance management had failed to consistently secure improvement in the past;

e although the Council ensured a balanced budget, prospects for achieving proposed savings in 2014-15 were uncertain and the anticipated level of future funding meant current methods of service delivery were unsustainable;

f corporate human resource arrangements were founded on positive practice but were not being implemented consistently;

g the Council was improving its use of information technology and its information management arrangements;

h the Council was not managing its land and property assets well; and

i the Council engaged well in collaboration with others and was able to demonstrate improved outcomes for citizens.

17 A single proposal for improvement was made as part of the Corporate Assessment report which was that: ‘The Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in the Corporate Assessment’.

18 In November 2014, we undertook an audit of the Council’s assessment of performance for 2013-14. The Auditor General issued a certificate of compliance with regards to the Council having discharged its duties under the Measure. During the course of this audit we identified a number of areas for improvement and strengths, which were set out in a letter to the Chief Executive (Appendix 4).

19 In April 2015 we undertook an audit of the Council’s Improvement Plan for 2015-16, and the Auditor General issued a certificate of compliance with regards to the Council having discharged its duties under the Measure (Appendix 5). We noted during the audit that the Council had made a step change in improving the quality of its 2015-16 Improvement Plan when compared to the previous year.

20 In October 2015, we will be undertaking a follow-on review in respect of the Corporate Assessment undertaken in 2014. The follow-on review will assess progress made since the Corporate Assessment and the Council’s arrangements to secure continuous improvement.

Headlines – a summary of key findings

21 The table below summarises the key findings of reports issued since the last Annual Improvement Report by the Wales Audit Office, the CSSIW, Estyn and the Welsh Language Commissioner.

Audit of accounts	The Appointed Auditor issued an unqualified opinion on the Council's financial statements on 29 September 2014. This means that we believe the financial statements gave a true and fair view of the financial position of the Council and of its expenditure and income for the year ending 31 March 2014. (Appendix 6)
Improvement planning and reporting audits	We issued audit certificates stating that the Council had discharged its duties under the Measure (see Appendices 2, 3 and 5).
Use of resources	Information on the Council's income, expenditure and staffing levels is set out in Appendix 7.
Governance	The Wales Audit Office reported on the Council's arrangements to support safeguarding of children in October 2014: • the governance, accountability and management arrangements for overseeing whether the Council met its safeguarding responsibilities to children had some weaknesses, which the Council must address; • the Council's arrangements for monitoring and evaluating its safeguarding responsibilities to children had some weaknesses which the Council was addressing; and • the Council's approach to identifying and acting on improvements in its safeguarding arrangements had some weaknesses which the Council was addressing. Wales Audit Office – October 2014.

Performance	Estyn continued to monitor the Council's progress following an inspection in January 2011. Estyn – March 2015 The Cardiff and Vale of Glamorgan Adult Community Learning Partnerships had made sufficient progress in relation to the recommendations from their separate core inspections. Both Partnerships have since merged to form the Cardiff and Vale Audit Community Learning Partnership which has been removed from any further follow-up activity. The full report is available on Estyn's website. In 2013-14, social services experienced a challenging and demanding year but there was a clear assessment of future challenges, particularly in the recruitment and retention of staff and improved performance. CCSIW October 2014 – Full report CSSIW undertook a National Inspection of: Safeguarding and care planning for looked after children and care leavers, who exhibit vulnerable or risky behaviour. CSSIW August 2014 – Full report The Council was mostly delivering environmental health services at a good standard or above but due to cuts in resources and negative views on the quality and management of current services, the Council will find it difficult to take on new statutory duties that protect the public and the environment in the future. Wales Audit Office – December 2014 The Council's central performance team implemented a number of controls to help ensure that correct performance information was published, but a number of weaknesses in underlying systems remained. Wales Audit Office – May 2015 The Council established good systems to administer Discretionary Housing Payments and managed the impact of welfare reform although some further changes could be made to make the service even more responsive to applicants' needs. Wales Audit Office – January 2015 The Council positively promoted the use of the Welsh language in the workplace by approving a new Welsh Language Skills Strategy and established a new Welsh Language Cross Party Members Working Group. Welsh Language Commissioner – September 2014. A full report is available at: www.comisiynyddygymraeg.org

Recommendations and Proposals for Improvement

22 Given the wide range of services provided by the Council and the challenges it is facing, it would be unusual if we did not find things that can be improved. The Auditor General is able to:

a make proposals for improvement – if proposals are made to the Council, we would expect it to do something about them and we will follow up what happens;

b make formal recommendations for improvement – if a formal recommendation is made, the Council must prepare a response to that recommendation within 30 working days;

c conduct a special inspection and publish a report and make recommendations; and

d recommend to Ministers of the Welsh Government that they intervene in some way.

23 During the course of the year, the Auditor General did not make any formal recommendations. However, proposals for improvement are contained in our other reports but may be referred to later on in this report.

24 The Council had one proposal for improvement in relation to its Corporate Assessment reported in September 2014, which was:

Proposal for improvement	
P1	The Council ensures the implementation of its Organisational Development Plan resolves the range of issues identified in the Corporate Assessment.

25 We will continue to monitor proposals for improvement during the course of our improvement assessment work. The Council's progress against the proposal for improvement made in the Corporate Assessment will be followed up directly as part of the Corporate Assessment Follow-On which we will be undertaking during 2015-16.

26 The Auditor General also makes recommendations that may be relevant to councils in his Local Government National Reports. A list of relevant recommendations contained in reports issued in 2014-15 can be found in Appendix 8.

27 Recommendations made by the CSSIW and Estyn during the course of the year are set out below.

CSSIW	
The Council should:	
AFI 1	continue to reduce the number of delayed transfers of care;
AFI 2	continue improving the availability of direct payments to both children and adults;
AFI 3	work with health colleagues to ensure that children and young people with mental health needs receive appropriate CAMHS services to meet their needs;
AFI 4	improve the number of adult carers’ assessments;
AFI 5	review the commissioning of services for adults with mental health needs;
AFI 6	ensure children in need reviews are undertaken in accordance with statutory timescales;
AFI 7	improve the inconsistencies in the quality of assessments for looked after children;
AFI 8	continue to raise awareness of the availability of direct payments;
AFI 9	improve performance in the number of statutory reviews for looked after children;
AFI 10	improve performance in ensuring personal education plans are in place for looked after children;
AFI 11	improve the retention of social workers;
AFI 12	take forward plans to recruit to agreed senior leadership and management posts within the department.

Estyn – Adult Community Learning Partnership	
R1	The adult community learning partnership should continue to work towards meeting the inspection recommendations that have not yet been fully addressed.

Detailed report

Use of resources

Audit of the Council's accounts

28 On 4 November 2014 the Appointed Auditor issued an Annual Audit Letter to the Council. The letter summarised the key messages arising from his statutory responsibilities under the Public Audit (Wales) Act 2004 and his reporting responsibilities under the Code of Audit Practice. The Appointed Auditor issued an unqualified opinion on the Council's accounting statements on 29 September 2014 confirming that they presented a true and fair view of the Council's and the Pension Fund's financial position and transactions. The Annual Audit Letter can be found in Appendix 6 of this report.

29 Information on the Council's income, expenditure and staffing levels is set out in Appendix 7.

Governance

The Wales Audit Office reported on the Council's arrangements to support safeguarding of children in October 2014

30 During the period March to May 2014, the Wales Audit Office completed a review of the Council's assurance and accountability arrangements for ensuring that safeguarding policies and procedures are in place and are being adhered to. The study examined what the Council itself had done to seek assurance that its arrangements to support safeguarding are effective by reviewing how the Council was discharging its safeguarding responsibilities at all levels: Cabinet, Senior Management Team, Scrutiny and individual officers.

The governance, accountability and management arrangements for overseeing whether the Council met its safeguarding responsibilities to children had some weaknesses, which the Council must address

31 The recently created Cardiff and Vale of Glamorgan Local Safeguarding Children Board provided the overview for safeguarding children in the city. The Council's Corporate Plan set a range of key actions for its Children's Social Services to continue to develop and strengthen the role and responsibilities of the Council's safeguarding and corporate parenting. The Council had a local Child Protection Policy that outlined the key principles of child protection in the city, and the Council took into account the Equalities Act when developing its policies and procedures.

32 The Council underwent a significant management change with 12 new senior managers having taken up post, including a new Chief Executive, Director of Social Services, Director of Education and the Monitoring Officer. There was consequently a major change in management responsibilities, organisational structure and culture that took place.

33 Welsh Government guidance, 'Safeguarding Children: Working together under the Children Act 2004', set out that local authorities should identify a named senior officer with responsibility for promoting safeguarding throughout the organisation. It was not clear who in the Council had been given this role. This lack of clarity was echoed by our survey, however, we were aware that the Council planned to create a Designated Officer post in Education to comply with new Welsh Government guidance on 'Safeguarding in Education'.

34 Similarly, with regard to clarity of member roles, fewer respondents in Cardiff knew who the Council's lead Councillor for child protection was compared to the Wales average. This highlighted that the Council needed to undertake significant work to strengthen leadership and accountability for safeguarding.

35 The Council had a comprehensive risk management approach to support how it met its child safeguarding responsibilities. There was a risk management strategy and a corporate risk management group with responsibility for overseeing the Council's risk management work. However, awareness amongst managers on how risk management operated varied widely and some staff interviewed were unclear how departmental and corporate risks were monitored and reviewed.

The risk register identified a ‘Potential for mismatch between children’s needs and capacity to meet them if current trends continue. This did not, however, identify safeguarding children as a specific risk for the Council.

The Council’s arrangements for monitoring and evaluating its safeguarding responsibilities to children had some weaknesses which the Council was addressing

36 The Council was developing new systems for governance and scrutiny of safeguarding but these were not fully embedded. The Council’s safeguarding arrangements were subject to planned work by Scrutiny, although this was related to the wider children services agenda rather than testing corporate safeguarding arrangements. We were informed that a significant role of the new Operational Manager Safeguarding would focus on developing an independent Council-wide safeguarding function. At the time of our assessment, these arrangements were not in place.

37 The Council identified what information it needed to monitor and evaluate to determine if its children’s safeguarding arrangements were working effectively and was in the process of creating new systems to monitor, evaluate and challenge information and performance. The Council had timeframes for monitoring and reviewing information and performance related to children’s safeguarding. Most reporting was undertaken quarterly, although some specific information was reported weekly and high-profile information reported daily. The recent peer review identified a series of weaknesses in current performance management arrangements, which the Council was addressing.

38 The Council had systems for the safe recruitment of staff and volunteers. The Recruitment and Selection Policy and Procedure set out the key principles which the Council intended to follow in relation to all recruitment and selection activity, and outlined the responsibilities of elected members and officers. The policy applied to the recruitment and selection of all Council employees, and was commended to governing bodies for implementation in relation to recruitment of schools-based employees. Human Resources had a recruitment team that undertook the recruitment process from advert to contract and oversaw the appointment, deployment, and management of the process with schools.

39 However, we found that respondents in Cardiff were significantly less aware of how their role/job contributes to safeguarding and protecting children and young people than the survey average. Likewise, fewer respondents strongly agreed or agreed that their responsibilities for safeguarding and protecting children and young people were explained when they started in their role than the survey average.

40 The Council was taking steps to gain assurance that members and staff were appropriately trained in safeguarding. Children's Services' staff received relevant training, and training was provided to schools on a rolling annual programme. During 2013-14, the Social Care Training Centre delivered 46 individual training events in relation to Safeguarding Children, which included a comprehensive training programme delivered on behalf of the Local Safeguarding Children Board. Attendees primarily came from Children's Services – 79 per cent (341 attendees) – and Health and Social Care – 16 per cent (151 attendees) – and the rest from other Council services and partners.

41 However, not all those who would benefit from this training received it and the Council needed to ensure all those outside of education and social care who come into contact with children on a regular basis receive this training. A series of learning events for elected members on specific aspects of safeguarding children had been provided on a monthly basis since November 2013. As at the date of the review, 37 attendances had been recorded at these evening briefing events. Because this training is not mandatory, attendance has been low.

42 Our survey found that the Council is well below the survey average for the number of people who have received training on safeguarding in the last six months.

The Council's approach to identifying and acting on improvements in its safeguarding arrangements had some weaknesses which the Council was addressing

43 The Council had an internal audit plan, but had not identified and agreed how it would use this resource to provide assurance on its corporate safeguarding arrangements. Some specific audit work was undertaken within Children's Services relating to child protection. However, whilst there was regular reporting to Scrutiny of Children's Services' performance that included a section on safeguarding, this was limited to performance relating to child protection and assessment. It did not address broader safeguarding issues or give an overall assurance on safeguarding arrangements.

44 The Council was in the process of establishing an enhanced scrutiny role with independent reviewing officers and independent chairs. The Council had taken steps to assure itself that it complied with data protection requirements in relation to children. For example, the Director of Children Services is Caldicott Guardian for the Council.

45 Our survey found that far fewer respondents felt that the Council dealt effectively with specific incidents concerning safeguarding and protecting children and young people. Similarly, a significantly lower proportion than the survey average strongly agreed or agreed that the Council informed all parents how their children were safeguarded and protected when using Council services and schools.

Performance

Estyn continued to monitor the Council's progress in education services for children and young people following an inspection in January 2011

46 In February 2014 Estyn conducted a monitoring visit to review the Council's progress against recommendations made as part an inspection of the Council's education services for children and young people in January 2011. Estyn concluded that the Council had made insufficient progress in relation to the recommendations following the core inspection in January 2011. As a result, Estyn revised the recommendations from the original 2011 inspection. The revised recommendations were:

a raise standards, particularly at Key Stage 4;

b reduce exclusions and reduce the proportion of young people who are not in education, employment or training post-16;

c make sure that the arrangements for delivering school improvement services challenge and support all schools effectively, in order to improve standards for learners in all key stages;

d improve the effectiveness of joint planning across the range of partnership working;

e improve performance management processes to ensure a consistent approach in delivering objectives; and

f improve the scrutiny of local authority education services and partnership working.

47 Estyn subsequently undertook a significant improvement visit in March 2015 which focussed on reviewing the progress made by the Council against three of the six revised recommendations arising from the 2014 monitoring visit.

48 Estyn found that since the monitoring visit in February 2014, the Council had begun to strengthen its capacity in delivering school improvement services and had made improvements to its performance management processes and its scrutiny arrangements for education services for children and young people. However, these improvements were still relatively recent and the local authority still faced many significant challenges, particularly in improving performance in key measures in a minority of its secondary schools.

49 Further monitoring visits will be undertaken by Estyn during 2015-16, and we will continue to liaise with them to inform our corporate assessment follow-on work.

The Cardiff and Vale of Glamorgan Adult Community Learning Partnerships had made sufficient progress in relation to the recommendations from their separate core inspections. Both Partnerships have since merged to form the Cardiff and Vale Audit Community Learning Partnership which has been removed from any further follow-up activity

50 In 2013, Estyn undertook two core inspections of the Cardiff Adult Learning Partnership and the Vale of Glamorgan Adult Community Learning Partnership. Estyn made recommendations in respect of the Cardiff Adult Learning partnership.

51 Recommendations for Cardiff Council following the Estyn inspection were as follows:

a improve success rates for all learners;

b improve the strategic leadership, management and co-ordination of adult community-based learning in Cardiff to make sure that provision is better aligned to local and national priorities and that all operational managers understand their roles and priorities;

c improve the quality of the curriculum and provision offered to learners, especially in the most deprived areas and to priority groups of learners;

d improve arrangements for self-assessment and subsequent improvements by the partnership at a faster pace;

e improve the quality of teaching and make sure that all tutors fully understand their professional role;

f improve the identification, early assessment and support for learners with additional learning needs and subsequent monitoring of the impact of this support; and

g improve the support available for learners with health and personal issues that hamper their progress.

52 Since the separate core inspections were undertaken, the two partnerships have amalgamated to form one Cardiff and Vale Adult Community Learning Partnership.

53 In January 2015, Estyn undertook a follow-up inspection of the joint Cardiff and Vale Adult Community Learning Partnership, which was judged to have made sufficient progress in relation to the recommendations from their separate core inspections. As a result, the Cardiff and Vale Adult Community Learning Partnership was removed from any further follow-up activity. Estyn will monitor progress against the recommendations during link visits to the partnership.

54 The report is available on Estyn's website.

In 2013-14 social services experienced a challenging and demanding year but there was a clear assessment of future challenges, particularly in the recruitment and retention of staff and improved performance

55 The CSSIW published its Annual Review and Evaluation of the Council's Performance 2013-2014 in October 2014 which reported that the year had been both challenging and demanding in terms of meeting the diverse needs of a large population. The Council's Social Services' Director's report reflected a mixed picture in terms of improvement and performance. There was a clear assessment of the challenges facing Cardiff in the coming year and improved performance in areas such as care planning and review.

56 The Director of Children's Services had taken a strategic overview of services to understand areas for improvement and development. This resulted in a more realistic approach to the allocation of resources in a climate of budget reductions. This approach would be supported by the appointment of an Assistant Director for Children's Services and an additional post of operational manager strategic commissioning for adult services.

57 There was evidence in the Director's report that the Council had taken steps to prepare for the impact of the Social Services and Well Being (Wales) Act 2014. Integrated services with the Vale of Glamorgan Council and the Cardiff and Vale University Health Board were being strengthened.

58 There was strong corporate support for the delivery of social services which had seen the Council strengthen the management structure and produce additional funding for the directorate. Whilst some areas for savings had been identified in the director's report, it was not clear if these were sufficient to fully meet the savings required.

59 The Director's report set out the vision for the restructuring of children's services. While some performance indicators suggested improvement, several others described performance below that of other comparable authorities and below the Wales average.

60 There was evidence of consultation with the people of Cardiff which informed the Council's strategies for service development and highlighted areas in need of improvement.

61 This had been a challenging year for adult social care. The appointment of a Director for health and adult social care had brought improvement in some areas of performance. As with children's services there had been a strategic approach to reviewing the adult social care services provided by the Council. The review highlighted areas of improvement and the need to restructure teams to work more effectively.

62 The Annual Review and Evaluation of the Council's Performance 2013-2014 is available on the CSSIW website at www.cssiw.org.uk.

63 A further inspection will be undertaken by CSSIW during 2015-16, and we will continue to liaise with them to inform our corporate assessment follow-on work.

CSSIW undertook a national inspection of safeguarding and care planning for looked after children and care leavers who exhibit vulnerable or risky behaviour

64 During 2014-15 CSSIW undertook an inspection of safeguarding and care planning of looked after children and care leavers who exhibit vulnerable or risky behaviour. The inspection was carried out as part of the CSSIW national thematic inspection programme. The methodology for the review was undertaken in each local authority across Wales, between January and May 2014. The aim of the national inspection was to assess the quality of care planning across Wales and whether it effectively:

a supported and protected looked-after children and care leavers;

b identified and managed the vulnerabilities and risky behaviour of looked-after children and care leavers;

c promoted rights-based practice and the voice of the child;

d promoted improved outcomes for looked-after children and care leavers; and

e promoted compliance with policy and guidance.

65 Findings from the individual local authority inspections and the CSSIW national overview report can be found on the CSSIW website.

The Council was mostly delivering environmental health services at a good standard or above but due to cuts in resources and negative views on the quality and management of current services, the Council would find it difficult to take on new statutory duties that protect the public and the environment in the future

66 In December 2014 we reviewed the Council's environmental health services as part of one of our all-Wales studies. The study considered the impact of cuts in resources on the ability of council environmental health services to deliver their statutory obligations.

67 Our review concluded that 'the Council was mostly delivering environmental health services at a good standard or above but due to cuts in resources and negative views on the quality and management of current services, the Council would find it difficult to take on new statutory duties that protect the public and the environment in the future'.

68 In reaching our conclusion, we reported the following findings:

a councils had many statutory environmental health duties but spending was not being protected during the current period of financial austerity, which was making it more difficult to deliver national strategic priorities;

b the Council was delivering most of its environmental health services at the highest levels as judged against the Best Practice Standards;

c between 2011-12 and 2013-14 the Council cut environmental health budgets and staff numbers but the level of reduction was below the average for Welsh councils;

d survey respondents were mostly negative about the current standard of environmental health service and there was a low awareness of current performance or future plans; and

e new environmental health statutory duties were being introduced which the Council would find it difficult to deliver.

The Council's central performance team implemented a number of controls to help ensure that correct performance information was published, but a number of weaknesses in underlying systems remained

69 We undertook a data quality review in January 2015 to gain assurance that the Council's performance measurement systems were robust and that resulting performance data was accurate. The purpose of the review was to establish whether performance measurement systems were fit for purpose, in order to provide assurance that the resulting data was likely to be accurate, provided that the systems were used properly.

70 We examined eight performance indicators in detail and the underlying systems used to compile the results. The performance indicators examined were all National Strategic Indicators or Public Accountability Measures, against which all councils are required to submit results. We were unable to review any local performance measures as during the period the review covered, no such measures were in place.

71 Performance Indicators at the Council are calculated using information produced from a number of underlying systems at a service level.

72 We identified that the Council actively used its central performance team to assess and verify certain performance information prior to publication. This central control was developed to mitigate against incorrect performance indicators being published. The performance team engaged in a number of processes. In particular it: used a risk register to identify performance indicators which were most likely to require detailed assessment; reviewed and amended where appropriate, the calculations submitted by the performance indicator compilers; and delivered feedback sessions to those who compiled the performance indicators.

73 Of the eight performance indicators reviewed in detail, four were found to be satisfactory. In relation to the remaining four, the following weaknesses were identified:

a information was not uploaded to one of the data systems in a timely manner;

b reports used to extract data and calculate performance indicators contained omissions and duplicated entries; and

c data was excluded from the calculation of one performance indicator due to a potential misinterpretation of its definition.

The Council established good systems to administer discretionary housing payments and managed the impact of welfare reform although some further changes could be made to make the service even more responsive to applicants' needs

74 The Welfare Reform Act 2012 heralded a significant change to the administration and distribution of benefits and would have a major impact on many citizens. In April 2011, the UK Government embarked on a programme of reform which would culminate with the phased introduction of Universal Credit between October 2013 and 2017. A major focus of the UK Government's plans were changes to Housing Benefit, which were aimed at reducing annual expenditure by around £2.3 billion. These changes would mean that millions of households in Great Britain would receive less in benefits, creating hard choices for them about how they use their money and manage financially on a day-to-day basis.

75 In January 2015, the Auditor General for Wales published his report on how well councils were managing the impact of welfare reform changes on social housing tenants in Wales. His report reviewed the management and use of discretionary housing payments by councils in Wales and concluded that the allocation, distribution, administration and use of these payments had significant inconsistencies and weaknesses. We followed up this work at individual councils.

76 Our review found that the Council made it easy for customers to apply for discretionary housing payments. It had an easily accessible website page for discretionary housing payments and a downloadable application form. However, the Council asked for a great deal of information and required a customer to complete a detailed 10-page form. The application form asked for information that

was needed to make a decision, but due to its length and complexity, it could put a vulnerable person off from applying for discretionary housing payments. The form asked for a wide range of supporting information, for example, comprehensive income and expenditure, mobile phone and home entertainment charges as well as information about the reasons behind why an applicant decided to rent their home. However, the information that the Council gathered was used by the Council's Advice Hub where applicants were advised of alternative ways of reducing the burden of welfare reform changes. Discretionary housing payments were then used as the last resort, enabling the funds to be available for the most vulnerable.

77 The Council had not published a welfare strategy or policy which clearly set out the Council's priorities for the use of discretionary housing payments and how it assisted people affected by welfare reform. There was a comprehensive document that set out how the Council would assess the applicant's claim for discretionary housing payments and how it could be used to help the applicant. There was also a link to a welfare reform page on the Council's website. We found that whilst the Council's Homelessness Strategy referred to discretionary housing payments, the Strategy was four years old and did not provide detail about the Council's approach to discretionary housing payments.

78 The Council had systems in place to monitor the amount spent against the amount of money provided by the Department for Work and Pensions. The Council also monitored how many customers had been assisted and the amount of budget remaining to assist applicants. The Council monitored the impact of discretionary housing payments and who had been supported including those social housing tenants affected by the Spare Room Subsidy and the benefit cap. The Council monitored the number of landlords assisted where this information was available. This allowed the Council to ensure there was good coverage across all sectors and areas. However, it was not clear how the performance information was used to influence policy.

79 The Council had paid out £988,158 of its Department for Work and Pensions provision of £1,175,856, which represented 84 per cent of its allocation at the end of November 2014. The Council had funded 1,989 applicants, which indicated that the Council was positively trying to use discretionary housing payments to support those who needed it.

The Council positively promoted the use of the Welsh language in the workplace by approving a new Welsh Language Skills Strategy and established a new Welsh Language Cross Party Members Working Group

80 The role of the Welsh Language Commissioner (the Commissioner) was created by the Welsh Language (Wales) Measure 2011. New powers to impose standards on organisations came into force through subordinate legislation on 31 March 2015. The Commissioner continued to review Welsh-language schemes by virtue of powers inherited under the Welsh Language Act 1993.

81 The Commissioner worked with all councils in Wales to inspect and advise on the implementation of language schemes. It is the responsibility of councils to provide services to the public in Welsh in accordance with the commitments in their language schemes. Every council is committed to providing an annual monitoring report to the Commissioner outlining its performance in implementing the language scheme. The Commissioner analyses every monitoring report, provides a formal response and collects further information as required.

82 The Commissioner reported that a new Welsh Language Cross-Party Members Working Group was established following the Bilingual Cardiff conference.

83 Following the approval of a revised Corporate Welsh Language Skills Strategy the Council began to analyse its linguistic skills requirements, assessing 400 frontline posts during the year. Welsh-language training was no longer offered internally, however, support was given to enable frontline staff to attend external courses. One hundred and ninety-six individuals completed training during 2013-14, with 101 library staff and all new corporate directors attending Welsh-language awareness courses. It was decided that such courses should be provided throughout the whole organisation in future.

84 A detailed blueprint for the development of a Customer Relationship Management System was completed, which allowed the Council to construct a database of its users' language preferences. The Council strengthened their partnership with Menter Caerdydd. The language initiative received a contract to provide substantial Welsh-medium leisure provision for children and their families. Seventeen weekly sport clubs were organised, and as demand remained high, it was hoped that the current provision can be expanded during the forthcoming year.

Appendix 1 – Status of this report

The Local Government (Wales) Measure 2009 (the Measure) requires the Auditor General to undertake an annual improvement assessment, and to publish an annual improvement report, for each improvement authority in Wales. This requirement covers local councils, national parks, and fire and rescue authorities.

This report has been produced by staff of the Wales Audit Office on behalf of the Auditor General to discharge his duties under section 24 of the Measure. The report also discharges his duties under section 19 to issue a report certifying that he has carried out an improvement assessment under section 18 and stating whether, as a result of his improvement plan audit under section 17, he believes that the authority has discharged its improvement planning duties under section 15.

Improvement authorities are under a general duty to 'make arrangements to secure continuous improvement in the exercise of [their] functions'. Improvement authorities are defined as local councils, national parks, and fire and rescue authorities.

The annual improvement assessment is the main piece of work that enables the Auditor General to fulfil his duties. The improvement assessment is a forward-looking assessment of an authority's likelihood to comply with its duty to make arrangements to secure continuous improvement. It also includes a retrospective assessment of whether an authority has achieved its planned improvements in order to inform a view as to the authority's track record of improvement. The Auditor General will summarise his audit and assessment work in a published annual improvement report for each authority (under section 24).

The Auditor General may also, in some circumstances, carry out special inspections (under section 21), which will be reported to the authority and Ministers, and which he may publish (under section 22). An important ancillary activity for the Auditor General is the co-ordination of assessment and regulatory work (required by section 23), which takes into consideration the overall programme of work of all relevant regulators at an improvement authority. The Auditor General may also take account of information shared by relevant regulators (under section 33) in his assessments.

Appendix 2 – Audit of the city of Cardiff Council's 2014-15 Improvement Plan

Certificate

I certify that I have audited Cardiff Council's (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas
Auditor General for Wales

CC: Lesley Griffiths, Minister for Local Government and Government Business
Steve Barry, Manager
Sam Spruce, Performance Audit Lead

Appendix 3 – Audit of the City of Cardiff Council's assessment of 2013-14 performance

Certificate

I certify that I have audited the City of Cardiff Council's (the Council) assessment of its performance in 2013-14 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to annually publish an assessment which describes its performance:

- in discharging its duty to make arrangements to secure continuous improvement in the exercise of its functions;
- in meeting the improvement objectives it has set itself;
- by reference to performance indicators specified by Welsh Ministers, and self-imposed performance indicators; and
- in meeting any performance standards specified by Welsh Ministers, and self-imposed performance standards.

The Measure requires the Council to publish its assessment before 31 October in the financial year following that to which the information relates, or by any other such date as Welsh Ministers may specify by order.

The Measure requires that the Council has regard to guidance issued by Welsh Ministers in publishing its assessment.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit to determine whether the Council has discharged its duty to publish an assessment of performance, to certify that I have done so, and to report whether I believe that the Council has discharged its duties in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information. Other assessment work that I will undertake under section 18 of the Measure may examine these issues. My audit of the Council's assessment of performance, therefore, comprised a review of the Council's publication to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the assessment complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing it.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas
Auditor General For Wales

CC: Leighton Andrews, Minister for Local Government and Government Business
Non Jenkins, Manager
Chris Pugh, Performance Audit Lead

Appendix 4 – Feedback on the audit of the Council's assessment of performance

Paul Orders
Chief Executive
City of Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UW

Dear Paul

Feedback on the audit of the Council's assessment of performance

The Auditor General recently audited the City of Cardiff Council's (the Council) assessment of its performance in 2013-14 in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and his Code of Audit Practice.

In respect of that audit, the Auditor General issued an assessment of performance certificate of compliance (dated 20 November 2014) confirming that the Council had discharged its duties under sections 15(2), (3), (8) and (9) of the Measure and had acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

During the course of the work, we identified a number of areas for improvement and strengths. We agreed to share these with you at the earliest opportunity to enable you to feed any learning into the delivery of your Organisational Development Plan. These have been set out below for your consideration.

Areas for Improvement:

- The Corporate Plan 2013-17 did not contain improvement objectives which should clearly identify the Council's priorities.
- The Council subsequently established seven improvement objectives following the Auditor General's publication of the Improvement Assessment Letter 1 in September 2013. However, it is unclear what the actions and targets are that will support the delivery of and determine planned progress against the improvement objectives.
- Within the Council's Improvement Report 2014, baseline data and targets are included for some improvement objectives but not for all. Therefore, we were unable to conclude what specific improvements the Council was planning to achieve for all objectives and whether improvements have been made.
- Within the Council's Improvement Report 2014 the Council has included graphs to aid in assessing progress for four of the improvement objectives. The graphs show the average performance of the Council and Wales as a whole over a number of years (the timescale varies for each graph). However the 2013-14 targets for the Council are again not stated.
- The comparison of performance against previous years is limited and not consistently presented.

- The Improvement Report 2014 states that across the five Outcome Agreement priorities with the Welsh Government, there are 55 measures in which 12 did not achieve the target. No further information is provided in the report on these measures and it is unclear why this information has not been included to explain progress against the improvement objectives.
- The Council has not provided an overall assessment of performance for each of the seven improvement objectives.
- For the 44 National Strategic Indicators (NSI) and Public Accountability Measures (PAM), the Council did not set targets for 2013-14 for seven measures and five of these relate to education. No explanation is provided as to why targets were not set.

Strengths:

- The Improvement Report 2014 recognises that the Council is required to assess performance against the NSI and PAM data sets.
- The Improvement Report 2014 does provide information on the overall NSI and PAM data sets.
- Performance compared to the rest of Wales and previous years' information for 2011-12, 2012-13 and 2013-14 is provided to demonstrate a trend in performance.
- The Improvement Report 2014 does highlight the best five performing NSI/PAM indicators and the indicators where the Council is ranked the lowest in Wales.
- The Improvement Report 2014 does explicitly reference the Local Government Measure's seven aspects of improvement. A matrix is included to cross reference the improvement objectives with the seven aspects of improvement.
- An English version of the Improvement Report was published on the Council's website prior to the 31 October 2014 deadline.

The matters identified above are for your consideration. They are not intended to be formal recommendations or proposals for improvement requiring any specific actions to be reported to us. However, we assume that you will want to reflect on these and assure yourselves that the delivery of your Organisational Development Plan incorporates your learning.

Yours sincerely

Alan Morris

CC: Martin Hamilton, Chief Officer Change & Improvement

Appendix 5 – Audit of the City of Cardiff Council's 2015-16 Improvement Plan

Certificate

I certify that I have audited The City of Cardiff Council's (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

Huw Vaughan Thomas
Auditor General For Wales

CC: Leighton Andrews, Minister for Public Services
Non Jenkins, Manager
Chris Pugh, Performance Audit Lead

Appendix 6 – Annual Audit Letter

Councillor Phil Bale
Leader
Cardiff Council
County Hall
Atlantic Wharf
Cardiff
CF10 4UQ

Dear Councillor Bale

Annual Audit Letter

This letter summarises the key messages arising from my statutory responsibilities under the Public Audit (Wales) Act 2004 as the Appointed Auditor and my reporting responsibilities under the Code of Audit Practice.

The Council complied with its responsibilities relating to financial reporting and use of resources

It is the Council's responsibility to:

- put systems of internal control in place to ensure the regularity and lawfulness of transactions and to ensure that its assets are secure;
- maintain proper accounting records;
- prepare a Statement of Accounts in accordance with relevant requirements; and
- establish and keep under review appropriate arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Public Audit (Wales) Act 2004 requires me to:

- provide an audit opinion on the accounting statements;
- review the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- issue a certificate confirming that I have completed the audit of the accounts.

Local authorities in Wales prepare their accounting statements in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. This code is based on International Financial Reporting Standards.

On 29 September 2014, I issued an unqualified audit opinion on the accounting statements confirming that they present a true and fair view of the Council's and the Pension Fund's financial position and transactions. My report is contained within the Statement of Accounts. The key matters arising from the accounts audit were reported to members of the Audit Committee and Council in my Audit of Financial Statements report on the 15 and 25 September 2014 respectively, and a more detailed report to officers will follow in due course.

Overall the statement of accounts and associated working papers provided for audit were of a good standard, with the issue raised last year in connection with weakened procedures to support debtors and creditor balances being addressed. I also commented on the fact that the Council is not complying with the CIPFA code of practice in respect of the valuation and depreciation of surplus assets but that we were satisfied that this was not a material issue this year. It was agreed that the Council's accounting policies would be updated to explain the Council's reasons for these departures from the Code.

I am satisfied that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources but areas for improvement have been identified

My consideration of the Council's arrangements to secure economy, efficiency and effectiveness has been based on the audit work undertaken on the accounts as well as placing reliance on the work completed as part of the Improvement Assessment under the Local Government (Wales) Measure 2009 (the Measure). Overall, I am satisfied that there are no issues that would impact on the unqualified audit opinion given on the 2013-14 statement of accounts. However, a number of issues were raised by the Auditor General in his Annual Improvement Report and Corporate Assessment 2014 which was discussed at Cabinet and Council on 18 and 25 September respectively. The main conclusion of the report was that 'fragmented leadership and management have meant that real performance in key service areas has not improved'. Given these issues, it has been agreed that a follow up review will be undertaken in 2014-15 with progress monitored throughout this period. It is vital that the Council addresses the issues if it is to achieve improved performance.

The extremely challenging financial position faced by all local government bodies in Wales continues and, even though the recent budget settlement for Cardiff was better than anticipated, there is still the need to make significant savings over the next three years.

It is recognised that the Council has good arrangements for financial planning and overall budget management. The Council has acknowledged that it needs to consider fundamental changes in the way it operates and delivers its services and that difficult decisions will need to be made to meet the funding gap. It is important that the Medium Term Financial Plan is monitored closely and is clearly linked to the corporate and directorate savings plan, service delivery plans etc with any slippage dealt with quickly and effectively if savings targets are to be achieved. These continue to be challenging times for Members and Officers.

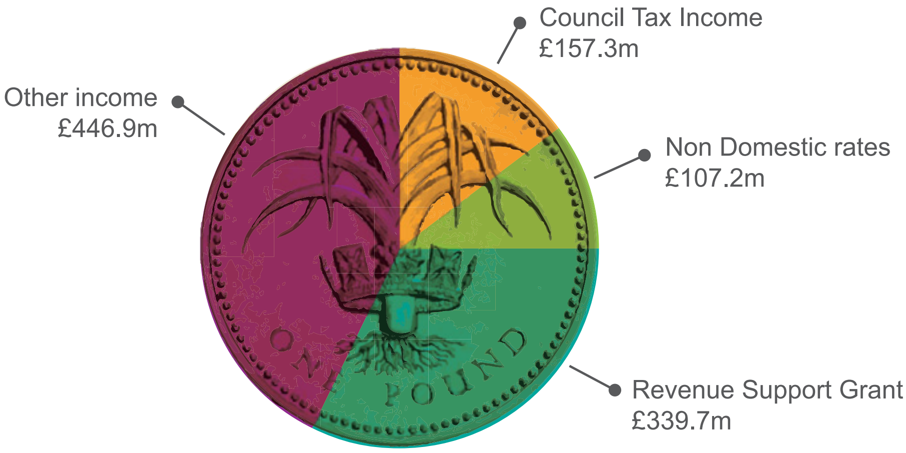
I issued a certificate confirming that the audit of the accounts has been completed on 29 September 2014.

The financial audit fee for 2013-14 is currently expected to be in line with the agreed fee set out in the Annual Financial Audit Outline.

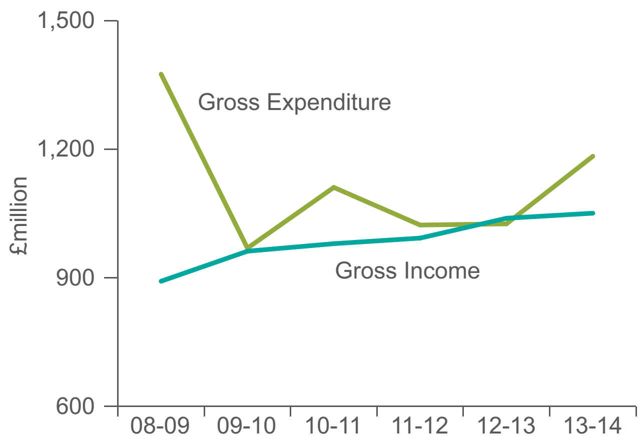
Yours sincerely

Ann-Marie Harkin
For and on behalf of the Appointed Auditor

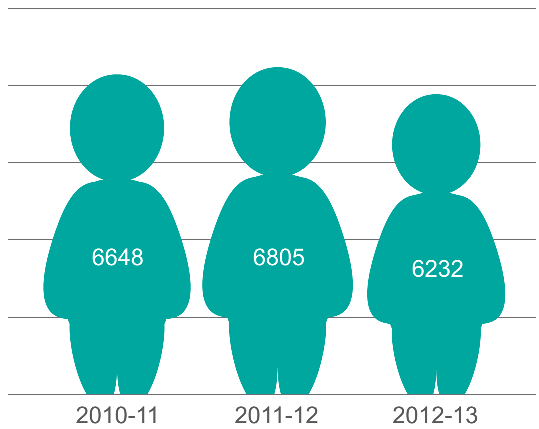
Appendix 7 – Information about the Council's income, expenditure and staffing levels



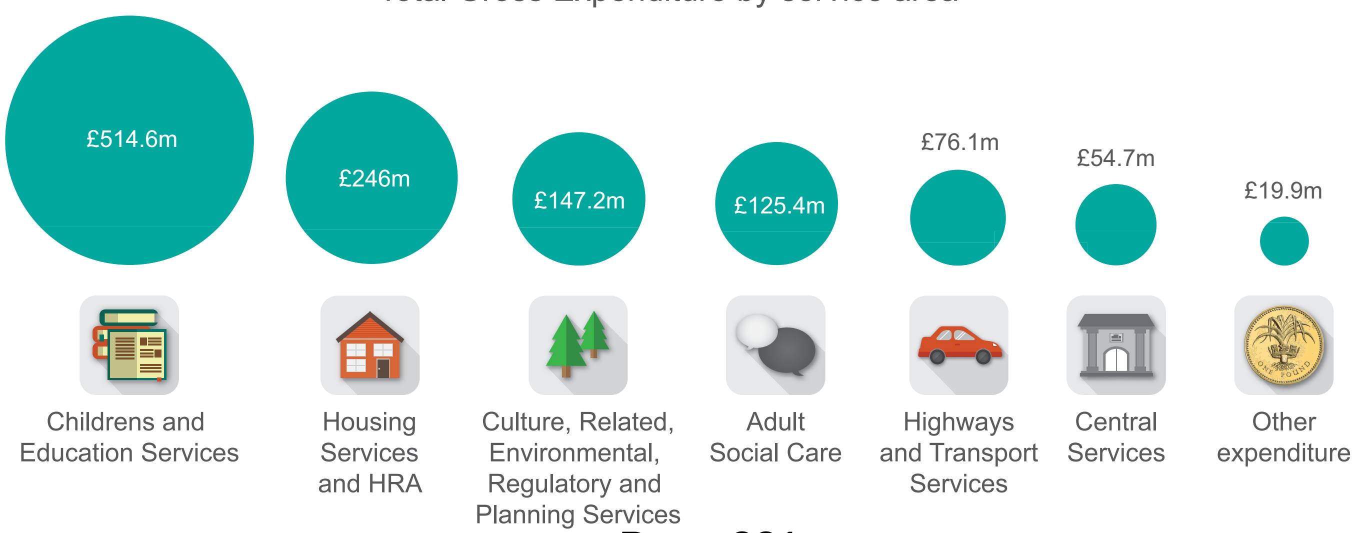
Total Income and Expenditure



Number of whole time equivalent staff 2010-11 to 2012-13



Total Gross Expenditure by service area



Appendix 8 – National report recommendations 2014-15

Date of report	Title of review	Recommendation	
May 2014	Good Scrutiny? Good Question!	R1	Clarify the role of executive members and senior officers in contributing to scrutiny.
		R2	Ensure that scrutiny members, and specifically scrutiny chairs, receive training and support to fully equip them with the skills required to undertake effective scrutiny.
		R3	Further develop scrutiny forward work programming to: • provide a clear rationale for topic selection; • be more outcome focused; • ensure that the method of scrutiny is best suited to the topic area and the outcome desired; and • align scrutiny programmes with the council's performance management, self-evaluation and improvement arrangements.
		R4	Ensure that scrutiny draws effectively on the work of audit, inspection and regulation and that its activities are complementary with the work of external review bodies.
		R5	Ensure that the impact of scrutiny is properly evaluated and acted upon to improve the function's effectiveness; including following up on proposed actions and examining outcomes.
		R6	Undertake regular self-evaluation of scrutiny utilising the 'outcomes and characteristics of effective local government overview and scrutiny' developed by the Wales Scrutiny Officers' Network.
		R7	Implement scrutiny improvement action plans developed from the Wales Audit Office improvement study.
		R8	Adopt Participation Cymru's 10 Principles for Public Engagement in improving the way scrutiny engages with the public and stakeholders.

Date of report	Title of review	Recommendation	
July 2014	Young people not in education, employment or training - Findings from a review of councils in Wales	R1	Together with partners, map and review expenditure on NEETs services to better understand the resources required to deliver the Framework.
		R2	Clarify their strategic approach to reducing the proportion of 19 to 24 year olds who are NEET as well as their approach for 16 to 18 year olds.
		R3	Focus on young people with significant or multiple barriers to engaging with education, employment or training rather than those who are more likely to re-engage without significant additional support.
		R4	Develop their objectives and targets for reducing the number of young people NEET so that they can be held to account and their work aligns with the Welsh Government's targets and objectives.
		R5	Ensure that elected members and partners fully understand that councils have a clear responsibility for leading and co-ordinating youth services for 16 to 24 year olds.
		R6	Improve the evaluation of the effectiveness and relative value for money of the services and interventions in their area that are intended to reduce the proportion of young people who are NEET.

Date of report	Title of review	Recommendation
October 2014	Delivering with less – the impact on environmental health services and citizens	R1 Revise the best practice standards to: • align the work of environmental health with national strategic priorities; • identify the wider contribution of environmental health in delivering strategic priorities of the Welsh Government; and • identify the benefit and impact of environmental health services on protecting citizens.
		R2 Provide scrutiny chairs and members with the necessary skills and support to effectively scrutinise and challenge service performance, savings plans and the impact of budget reductions.
		R3 Improve engagement with local residents over planned budget cuts and changes in services by: • consulting with residents on planned changes in services and using the findings to shape decisions; • outlining which services are to be cut and how these cuts will impact on residents; and • setting out plans for increasing charges or changing standards of service.
		R4 Improve efficiency and value for money by: • Identifying the statutory and non-statutory duties of council environmental health services. • Agreeing environmental health priorities for the future and the role of councils in delivering these. • Determining an 'acceptable standard of performance' for environmental health services (upper and lower) and publicise these to citizens. • Improving efficiency and maintaining performance to the agreed level through: – collaborating and/or integrating with others to reduce cost and/or improve quality; – outsourcing where services can be delivered more cost effectively to agreed standards; – introducing and/or increasing charges and focusing on income-generation activity; – using grants strategically to maximise impact and return; and – reducing activities to focus on core statutory and strategic priorities.
		R5 Improve strategic planning by: • identifying, collecting and analysing financial, performance and demand/need data on environmental health services; • analysing collected data to inform and understand the relationship between 'cost: benefit: impact' and use this intelligence to underpin decisions on the future of council environmental health services; and • agree how digital information can be used to plan and develop environmental health services in the future.

Date of report	Title of review	Recommendation	
January 2015	Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales	R1	Improve strategic planning and better co-ordinate activity to tackle the impact of welfare reform on social-housing tenants by ensuring comprehensive action plans are in place that cover the work of all relevant council departments, housing associations and the work of external stakeholders.
		R2	Improve governance and accountability for welfare reform by: • appointing member and officer leads to take responsibility for strategic leadership on welfare reform and be accountable for performance; and • ensuring members receive adequate training and regular briefings on welfare reform to be able to challenge and scrutinise performance and decisions.
		R3	Ensure effective management of performance on welfare reform by: • setting appropriate measures to enable members, officers and the public to judge progress in delivering actions; • ensuring performance information covers the work of all relevant agencies and especially housing associations; and • establishing measures to judge the wider impact of welfare reform.
		R4	Strengthen how welfare-reform risks are managed by creating a single corporate-level approach that co ordinates activity across the Council and the work of others to provide adequate assurance that all the necessary and appropriate actions to mitigate risk are taking place.
		R5	Improve engagement with tenants affected by the removal of the spare-room subsidy through: • the provision of regular advice and information on the options open to them to address the financial impact of the change in their circumstances; • the promotion of the 'Your benefits are changing' helpline; and • the provision of support to tenants specifically affected by the removal of the spare-room subsidy to participate in regional/national employment schemes.

Date of report	Title of review	Recommendation	
January 2015	Managing the Impact of Welfare Reform Changes on Social Housing Tenants in Wales	R7	Improve management, access to and use of Discretionary Housing Payments by: • establishing a clear policy or guide that is available in hard copy and online to the public that sets out the Council's policy and arrangements for administering Discretionary Housing Payments; • clearly defining eligible and non-eligible housing costs covered by Discretionary Housing Payments in application forms, policy documentation and applicant guidance leaflets; • clearly setting out the maximum/minimum length of time that such payments will be provided; • setting and publishing the timescale for the Council making a decision on Discretionary Housing Payments applications; • including information within public literature on the Council's policy for right to review or appeal of a decision and the timescales and process to be followed in deciding on these; and • clearly define the priority groups for Discretionary Housing Payments in public literature to ensure that those seeking assistance, and those agencies supporting them, can assess whether such payments are a viable option to address their housing and financial needs.

Wales Audit Office
24 Cathedral Road
Cardiff CF11 9LJ

Tel: 029 2032 0500
Fax: 029 2032 0600
Textphone: 029 2032 0660

E-mail: info@audit.wales
Website: www.audit.wales

Swyddfa Archwilio Cymru
24 Heol y Gadeirlan
Caerdydd CF11 9LJ

Ffôn: 029 2032 0500
Ffacs: 029 2032 0600
Ffôn Testun: 029 2032 0660

E-bost: post@archwilio.cymru
Gwefan: www.archwilio.cymru

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 16 SEPTEMBER 2015

TITLE: Wales Audit Office Report on the Financial Resilience of Councils in Wales

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 6.3

Reason for this Report

To present to the Audit Committee the Wales Audit Office (WAO) Report on the financial resilience of councils in Wales

Background

The Auditor General for Wales undertakes national studies across a range of functions and activities of local government. The report on the financial resilience of councils in Wales is a recent report which seeks to identify not only the current position but some indicators of good practice.

As a result of the WAO's work the Auditor General has concluded that Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.

WAO's Comments and Recommendations

Councils need to make informed assumptions about the future trajectory of central funding in the absence of definitive guidance and identify the desired role of the council within a chosen delivery model for the future.

R1 Councils should ensure that their corporate plan:

- is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure
- maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies
- should clearly articulate the desired role of the council in five years – the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances

Adverse financial scenarios should be anticipated and mitigated against in the medium term financial plan, with built-in flexibility to deal with risks using reserves and other contingencies.

R2 Councils should ensure that their medium term financial plan identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.

Annual savings requirements must be realistic and achievable and avoid 'back-loading' towards the latter years of the medium term financial plan. Savings in the latter years of the medium term financial plan should focus on service transformation projects that need to be developed well in advance of any projected financial benefit.

R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.

Failure to deliver planned savings will have a severe cumulative effect on a council's ability to continue to be financially resilient in the future.

R4 Councils should regularly review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.

A reserves strategy should form part of the medium term financial plan and should clearly demonstrate the rationale for reserves in light of financial risks. The plan should include a policy on the use of revenue surpluses.

R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.

A better understanding of income for subsidised activities can help inform investment and service delivery decisions. Profit share arrangements with commercial organisations and the commercialisation of some council services should also form part of strategic planning discussions.

R6 Councils should develop corporate wide policies on income generation.

It will be increasingly important that Council financial management systems, including budget setting and monitoring, are regularly tested. This is to ensure they continue to be effective and provide councils with assurance that their internal systems are fit for purpose.

R7 Councils should strengthen budget setting and monitoring arrangements to ensure financial resilience; and review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.

Any proposed reductions in finance team capacity should be carefully considered in light of the need for enhanced finance skills to manage the challenges councils face. These skills include commercial awareness and cash-flow management, as well as the ability to engage with councillors, service managers and the public. Recruitment, cover and succession planning arrangements need to be strengthened.

R8 Councils must review their finance teams and ensure that they have sufficient capacity and the right skills to meet future demands.

The effectiveness of financial overview and scrutiny will be increasingly tested as the financial pressures intensify. Councillors will have to become more skilled at addressing financial risks and understanding the financial implications of their decisions. Council officers will play an important role in helping to equip and support councillors to deliver these demanding expectations.

R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.

City of Cardiff Council Response

Members of the Audit Committee will be aware of the significant challenges that the Council faces in terms of budget reductions and an increasing demand for services. Financial resilience is a key area of activity and the Corporate Director Resources will provide a verbal update setting out this work at the meeting

The specific recommendations arising from the WAO Report will be reviewed to ensure that where appropriate the current processes are revised.

To ensure that the Council has had due regard to recommendations arising from regulatory and audit reports in the future the Council is introducing a 'tracker' which will log all activity and recommendations. This will set out the programme of regulators work with the indicative timeframes for reports, the reports received, recommendations/proposals for improvement, allocate a responsible lead officer (dependent on the subject matter), and evidence of the actions being taken. The 'Tracker' will also provide key information to inform Service Improvement Board meetings and Star Chamber Sessions as well as providing Audit Committee with the visibility not only of the WAO work but the work which officers are delivering in connection with the issues raised.

Reports will be brought forward in relation to progress against these plans which will provide at a minimum an assurance statement that progress is being made and where Audit Committee requests an update a fuller report or update from the relevant Director regarding progress, issues and challenges.

Reason for Report

To present the Auditor General's findings and set out the process for providing assurance that the Council is having due regard to the output of regulatory activity

Legal Implications

There are no legal implications directly arising from this report

Financial Implications

There are no financial implications directly arising from this report

RECOMMENDATIONS

To note the work of the Auditor General and identify any issues which the Audit Committee consider relevant to their work programme.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
3 September 2015

The following appendix is attached

Appendix 1: Wales Audit Office (WAO) Report on the financial resilience of councils in Wales

This page is intentionally left blank

2 April 2014

Archwilydd Cyffredinol Cymru
Auditor General for Wales

The financial resilience of councils in Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Grant Thornton

I have prepared and published this report in accordance
with the Public Audit Wales Act 2004.

The Wales Audit Office study team was project managed by Nick Selwyn and Huw Rees and comprised Martin Gibson, Jackie Joyce, Terry Lewis, Deryck Evans and John Dwight as well as colleagues from PwC, KPMG and Grant Thornton UK LLP under the direction of Alan Morris.

Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General, together with appointed auditors, also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

For further information please write to the Auditor General at the address above, telephone 029 2032 0500, email: info@wao.gov.uk, or see website www.wao.gov.uk.

If you require any of our publications in an alternative format and/or language please contact us using the following details: Telephone 029 2032 0500, or email info@wao.gov.uk

Contents

Summary Report

Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and councils will need to further improve strategic financial planning in order to effect transformation and protect their financial resilience

Summary

1 Councils in Wales are experiencing significant reductions in the level of funding they receive from the Welsh Government. So far, most councils have managed these cuts successfully but the scale of annual reductions is set to increase in the period leading up to 2015-16 and beyond. Overall, councils in Wales had a £155 million (3.8 per cent) real-terms reduction in their revenue funding from the Welsh Government in 2011-12. Funding levels are continuing to decline where revenue funding from the Welsh Government was approximately £283 million (seven per cent) lower in 2013-14 than 2010-11. In October 2013, the Welsh Government announced reductions in core funding of £175 million for 2014-15 and a further £65 million in 2015-16. By the end of 2016 the Welsh Local Government Association expects the local government shortfall will be in the region of £460 million.

2 In England, councils have already faced dramatic cuts in their government funding over the five year period of the Comprehensive Spending Review from 2011-12 to 2015-16. The Local Government Association in England calculates that this will represent a reduction of 40 per cent of core funding for local government in real terms by 2015-16, requiring total savings of £20 billion over this period. Whilst the level of reductions to grant income appear low compared to those seen in England, it should be noted that there is a greater predominance of councils that are highly grant dependent in Wales so the cuts have been deeper than they at first appear.

3 Welsh Councils are still allocated specific grants, whereas this ring-fencing has been largely eliminated in England. Councils and the Welsh Local Government Association are of the view that this grant funding should be un-hypothecated and included as part of the revenue settlement. At the timing of the annual funding settlement, the details of the allocations for a number of specific grants can still be subject to finalisation, creating further uncertainty for councils in their financial planning and budget setting.

4 To manage the impact of these budget decreases will require significant changes in the way that local council finances are managed and governed, as approaches to financial management that were once good enough, are now unlikely to be fit for purpose to continue to deliver strong financial outcomes in the future.

5 The Welsh Local Government Association has continued to raise concern over the stability of funding allocations and the annual incremental budget setting by Welsh Government. Annual budget setting, together will late changes to budget settlements and in-year reductions to grant funding, impacts upon councils' ability to effectively plan and agree their own budgets.

6 We reviewed the robustness of management and planning arrangements to support financial resilience at each council, focusing on how councils plan and then deliver their budget commitments. These reviews involved external audit teams undertaking fieldwork of each council's financial planning arrangements.

7 As we undertake further work on the financial resilience of councils we intend to develop a 'traffic light' reporting system covering financial and workforce performance and identify where further improvements are required. This approach to assessing financial resilience is similar to that taken by Grant Thornton in England[1] and will enable useful comparisons to be made. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders in coming months.

8 The third and final element of this study draws comparisons with the experience of English councils, based on similar analysis conducted in 2013-14 by Grant Thornton. By making these comparisons, the report identifies some key lessons to support Welsh councils in becoming financially resilient in the future. Councils in England have faced significant financial challenges earlier than councils in Wales. There is therefore an opportunity for Welsh councils to learn from and draw upon the experience of councils in England.

9 This work was undertaken by staff of the Wales Audit Office and Grant Thornton on behalf of the Auditor General. The focus of the review is the 2014-15 financial planning period and the delivery of 2013-14 financial plans. We have also analysed the financial performance track-record of councils in 2011-12 and 2012-13. There were three main elements to our work.

10 Based on the findings of this audit, the Auditor General has concluded that **Councils in Wales are under significant financial stress and have been active in meeting the challenge. However, the next few years will see increasing financial pressures and councils will need to improve strategic financial planning in order to effect transformation and protect their financial resilience.**

1 *Rising to the challenge - The evolution of local government*, Grant Thornton, November 2014.

Most councils demonstrate clarity of vision and set coherent corporate objectives but need to ensure their medium term financial plans and operational plans are sufficiently aligned to deliver their objectives

11 Robust strategic planning is crucial to the future financial resilience of councils. Effective planning requires a focus on a suitably long-range financial horizon, an understanding of financial risks and the development of contingencies within medium term financial plans. Our analysis found areas for improvement in most of the key areas we reviewed, and without improvements, planning arrangements will become increasingly unable to deal with and address the growing financial pressures on councils.

12 Arrangements will need to evolve to reflect changing patterns of delivery and proficiency in financial management will need to improve significantly to ensure financial resilience in future years. If financial arrangements do not evolve and improve, councils will increasingly 'have to run to stand still' each year and their financial positions may see a corresponding decline.

13 Across Wales, a greater number of councils failed to accurately forecast the budget shortfalls they would need to bridge by the end of the 2013-14 financial year than for 2012-13. However, the difference between the anticipated levels of savings required at the time of setting the budget and those actually required during the year were relatively small in most cases, limiting their exposure to financial risk.

14 The majority of councils were able to identify specific savings measures to address budget shortfalls. However, an increasing number of councils had not fully identified savings proposals to manage their funding gaps and were still developing their detailed savings plans at the time their budgets were approved.

15 Whilst most councils identified the funding gap to be met by savings plans for 2014-15 and beyond, a significant number have not identified plans to fully meet the shortfall. There are also a few councils where poor performance on delivering savings plans would have a significant impact on financial resilience if not mitigated by some other means. The assumptions and arrangements that underpin savings plans, when judged against SMART[2] principles, are not sufficiently robust and significant development is needed in all areas. Further work on assumptions will be a key area of focus for councils in Wales over the next few years. In England, this area of financial planning has required the most improvement but, encouragingly, has also seen the highest level of evolution and innovation.

16 A general pattern of increases in reserve balances suggests that councils in Wales are managing to deliver surpluses in spite of the financial challenges they face. These surpluses offer the opportunity to build up a financial buffer and to invest in service transformation as well as supporting delivery of local priorities. However, there are concerns that without a clear strategy for utilisation of reserves as part of the medium term financial plan, some councils may be criticised for hoarding funds without a clear and agreed purpose.

2 SMART stands for specific, measurable, achievable, relevant and time bound.

17 Our analysis shows that the majority of councils in Wales are deemed to hold adequate levels of reserves. There were a very small number of councils identified where the ratio of reserves to Gross Revenue Expenditure (GRE) is declining, indicating that reserves are being drawn down to support revenue expenditure, a significant indicator of financial stress. For those councils holding low levels of useable reserves, there is a risk that they will not be able to maintain a balanced budget if savings plans fall short or if there is significant slippage on the budget due to cost pressures.

Financial management and controls are sound in most councils, although many need to improve budget setting and monitoring and ensure there is sufficient capacity and capability in the finance team to meet the challenges ahead

18 Overall arrangements for financial management and control were sound at the majority of councils and should provide a good foundation that councils can build on to address future pressures. However, we found that performance is mixed and noted significant risks in all key areas we reviewed. Few councils are fully exploiting the potential to generate income. Importantly, the effectiveness of budget setting and control and the capacity and capability of finance managers are both issues of concern in many councils.

Whilst financial governance arrangements are comparatively robust, the quality of performance and cost information being used and the level of scrutiny and challenge in Welsh councils varies significantly, which can undermine the effectiveness of decision making

19 Councils current performance on financial governance is better than in other areas of financial management we reviewed. However, areas of weakness included oversight and accountability for ensuring savings plans are delivered. Major failings in governance are rare, but where they do occur, they can have far-reaching financial and other negative consequences. The report from the Commission on Public Service Governance and Delivery (January 2014) highlights some of the changes that will be required to support good and effective governance in order to meet the challenges of future local government reforms and deliver the expected reductions in funding.

Councils are under significant stress and financial management arrangements that were once good enough will not remain fit for purpose in the face of increasing financial pressures

20 The financial management arrangements at Welsh councils are under significant stress, and are not consistently delivering strong financial outcomes. Experience of funding reductions suggests that management arrangements that were once good enough will not remain fit for purpose without significant evolution.

The experience of English councils shows that it is possible to deal effectively with significant reductions in funding through redesigned service delivery models supported by sophisticated financial planning

21 Whilst some councils in England are potentially facing a financial tipping point, it is encouraging that the majority continue to deliver a sustainable financial position. To maintain a stable financial position has required a fundamental re-think about what services should be delivered; who should receive them, and the models by which they should be delivered to reduce cost and improve efficiency. This service re-design has, in turn, required the development of highly sophisticated financial management arrangements that, four years ago, were not imagined. Given the response of councils to the step change in England, it is imperative that Welsh Councils focus on developing their future model of delivery and revise their service delivery structures to reflect this model. Failure to do so will increase the risk of councils being unable to deliver their statutory responsibilities and remain financially viable.

Recommendations

Recommendation
Councils need to make informed assumptions about the future trajectory of central funding in the absence of definitive guidance and identify the desired role of the council within a chosen delivery model for the future. [Section 1] **R1 Councils should ensure that their corporate plan:** • **is the core driver for the service plans and other supporting strategies including workforce, information technology and capital expenditure;** • **maintains at least a three to five year forward view and is aligned with the medium term financial plan and other supporting strategies; and** • **should clearly articulate the desired role of the council in five years - the model for delivering priority services and the infrastructure and resources needed to deliver future priorities within available finances.**
Adverse financial scenarios should be anticipated and mitigated against in the medium term financial plan, with built-in flexibility to deal with risks using reserves and other contingencies. [Section 1] **R2 Councils should ensure that their medium term financial plan identify the major financial risks and key assumptions and senior officers and councillors should subject them to effective scrutiny and challenge before adopting the plan.**
Annual savings requirements must be realistic and achievable and avoid 'back-loading' towards the latter years of the medium term financial plan. Savings in the latter years of the medium term financial plan should focus on service transformation projects that need to be developed well in advance of any projected financial benefit. [Section 1] **R3 Councils need to ensure that funding deficits are accurately projected and fully reconciled to detailed savings plans for each year over the life of the medium term financial plan.**
Failure to deliver planned savings will have a severe cumulative effect on a council's ability to continue to be financially resilient in the future. [Section 1] **R4 Councils should regularly review the adequacy of the financial assurance arrangements that underpin the delivery of annual savings plans, including the level of scrutiny and challenge provided by councillors.**

Recommendation
A reserves strategy should form part of the medium term financial plan and should clearly demonstrate the rationale for reserves in light of financial risks. The plan should include a policy on the use of revenue surpluses. [Section 1] **R5 Councils should ensure that they have a comprehensive reserves strategy that outlines the specific purpose of accumulated useable reserves as part of their Medium term Financial Plan.**
A better understanding of income for subsidised activities can help inform investment and service delivery decisions. Profit share arrangements with commercial organisations and the commercialisation of some council services should also form part of strategic planning discussions. [Section 2] **R6 Councils should develop corporate wide policies on income generation.**
It will be increasingly important that Council financial management systems, including budget setting and monitoring, are regularly tested. This is to ensure they continue to be effective and provide councils with assurance that their internal systems are fit for purpose. [Section 2] **R7 Councils should** • **strengthen budget setting and monitoring arrangements to ensure financial resilience; and** • **review the coverage and effectiveness of their internal and external assurance financial systems and controls to ensure they are fit for purpose and provide early warning of weaknesses in key systems.**
Any proposed reductions in finance team capacity should be carefully considered in light of the need for enhanced finance skills to manage the challenges councils face. These skills include commercial awareness and cash-flow management, as well as the ability to engage with councillors, service managers and the public. Recruitment, cover and succession planning arrangements need to be strengthened. [Section 2] **R8 Councils must review their finance teams and ensure that they have sufficient capacity and the right skills to meet future demands.**
The effectiveness of financial overview and scrutiny will be increasingly tested as the financial pressures intensify. Councillors will have to become more skilled at addressing financial risks and understanding the financial implications of their decisions. Council officers will play an important role in helping to equip and support councillors to deliver these demanding expectations. [Section 3] **R9 Council officers need to equip councillors with the knowledge and skills they need to deliver effective governance and challenge by extending training opportunities and producing high quality management information.**

Part 1

Most councils demonstrate clarity of vision and set coherent corporate objectives but need to ensure their medium term financial plans and operational plans are sufficiently aligned to deliver their objectives

1.1 In this section of the report, we focus on the effectiveness of councils strategic financial planning arrangements. For the purposes of our review, we have used the following as the key characteristics of effective strategic financial planning.

Characteristics of Effective Strategic Financial Planning

- Focus on achievement of corporate priorities is evident through the financial planning process.
- The medium term financial plan focuses resources on priorities.
- Service and financial planning processes are integrated.
- The medium term financial plan includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working.
- Annual financial plans follow the longer-term financial strategy of the Council.
- There is regular review of the medium term financial plan and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed sensitivity analysis on its financial model using a range of economic assumptions including the impact of funding guidance from central government.
- The medium term financial plan is linked to and is consistent with other key strategies, including workforce KPIs can be derived for future periods from the information included within the medium term financial plan.
- Zero-based budgeting is used to improve strategic prioritisation during the financial planning cycle.
- Effective treasury management arrangements are in place.

Most councils translated their corporate vision into a coherent set of improvement objectives but did not ensure the corporate planning framework adequately supported their delivery

1.2 In addition to setting out the priorities for residents and the local area, a council's corporate strategy should also articulate its medium-to-long term vision. This vision should cover what services will be delivered, the model for delivering these services, how the Council will work with partners and what infrastructure and resources will be needed to support delivery of priorities. This clarity of vision can help to avoid piecemeal strategic development, which can lead to inefficiencies.

1.3 Many Welsh councils have clearly revisited their vision and aims in light of the impact of austerity and reductions in funding. A number of common themes were noted across all councils in developing their vision and strategic aims, including:

- a a stronger focus on community engagement;
- b a focus on sustainable services;
- c a focus on alternative delivery models such as collaboration and shared service delivery; and
- d a need to restructure the organisation, and improve culture and behaviours across the council.

1.4 It was clear that councils see the period of austerity as an opportunity for strategic and operational change. This appetite for change should help drive improvement in financial management arrangements. Our review found that most councils had good strategic planning arrangements for developing robust improvement objectives within their improvement plans. However, some common themes were identified across a number of councils, where these arrangements can be strengthened. In particular, improvement objectives were not always SMART; clear on what they are meant to achieve; or prioritised in the context of the Council's corporate priorities and reducing resources.

1.5 It is important that corporate aims are translated into SMART objectives. Without clear objectives it is difficult to measure how well councils are performing and whether risks are being addressed. Failure to develop SMART objectives also reduces the effectiveness of operational service plans and limits elected members' ability to hold those responsible for delivery to account. Where it is difficult to establish SMART objectives for a particular aim this can often be a good test of how robust the corporate aim actually is.

1.6 The corporate planning framework supports the development of the corporate plan and all supporting plans including the medium term financial plan. Therefore, the framework needs to be robust in order to ensure that the corporate plan is fit for purpose. A significant minority of councils had weaknesses in their planning arrangements, because the corporate plan objectives and the corporate planning framework were not effectively inter-linked and the planning framework did not clearly set out how objectives were to be achieved.

1.7 We reviewed how effectively councils link their corporate improvement objectives to service delivery and financial plans. Approximately a third of councils showed a need for further improvement. A number of common themes were identified, including:

a a lack of clarity of how corporate and service objectives aligned to the medium term financial plan;

b links between corporate and service objectives were under-developed and it was unclear how the objectives were aligned to support each other; and

c improvement objectives were not adequately linked to financial savings plans.

1.8 The extent to which corporate improvement objectives are fully reflected in service and financial plans needs to be improved at many councils in Wales. The corporate planning framework should demonstrate a clear 'golden thread' setting out how achievement of corporate objectives is underpinned by service plans, the medium term financial plan and other supporting strategies. Without such a coherent and robust framework, there is a risk that supporting plans are developed in silos, do not support the overall strategic aims and could even inhibit their achievement. The corporate planning framework should be used to make sure the links between strategic and operational planning are explicit, even where the documents are drafted in different parts of the organisation.

1.9 The experience in England has shown how difficult it can be to translate the corporate vision and aims into coherent operational objectives that can be delivered. This challenge should not be underestimated. The link between the corporate plan and other supporting strategies has been an area of gradual improvement over the four years of review work undertaken by Grant Thornton in England. Councils have increasingly demonstrated effective and mutually supportive links between strategic plans, the medium term financial plan and service plans; and links to supporting strategies such as treasury management, capital programmes, housing, workforce and other areas. A key issue was the need to ensure that individual supporting strategies were regularly reviewed and kept up to date ensuring that supporting plans are updated in line with revisions to the corporate objectives and the medium term financial plan.

While a number of Welsh councils have effective financial planning frameworks, they need to ensure that they remain fit for purpose and are fully aligned to medium term strategic priorities

1.10 Robust strategic planning is crucial to the future financial resilience of councils. Our analysis identified significant issues in most of the key areas we reviewed. Unless planning arrangements are strengthened, councils will increasingly be unable to deal with future financial pressures. In England, Grant Thornton has seen financial arrangements evolve significantly in response to these pressures. However, we have also noted that the minimum standard required to ensure financial resilience has also risen each year. This means that a failure to evolve leads to a decline in the effectiveness of their financial arrangements and a corresponding decline in the financial position.

1.11 Our work identified that approximately half of Welsh Councils had effective financial planning frameworks that were clearly linked to savings plans and set out across a reasonable timeframe. It is important to emphasise that even those whose current planning frameworks are considered effective, will need to evolve to respond to future financial challenges. We identified a number of areas in which strategic financial planning arrangements need to be improved. In particular, councils should ensure that the planning framework makes explicit links between its corporate plan objectives and financial planning requirements; and financial plans set out clear, forward-looking solutions to the medium term challenges the Council expects to face.

1.12 The experience of councils in England has highlighted the importance of establishing a robust financial planning framework that actively supports the delivery of a council's corporate objectives. Without this clarity, financial plans will often fail to support the achievement of these corporate priorities. Grant Thornton's work in England has also highlighted the importance of establishing a medium-to-long term financial planning horizon, with increasing numbers of councils in England creating a three to five year financial planning horizon in their financial models, with some looking up to 10 years ahead. One of the perceived barriers to this in England has been a reluctance to plan in the face of uncertainty about future funding settlements or even the future policy of the government.

1.13 Whilst there is a balance to be struck in regard to the financial resources that have to be committed, in general, those English councils that have made good assumptions about future cuts have been well placed to deliver service transformation projects where the financial benefit will often only be realised in later years. English councils that do not have a sufficiently long planning horizon have found themselves under pressure to deliver the financial benefits of transformation in enough time to cover projected deficits.

Whilst all councils had a medium term financial plan in place, the quality and robustness of the plans was mixed

1.14 The medium term financial plan is a key component of an effective corporate planning framework. Our review also considered whether the Council's annual budget flows from and influences the longer-term financial strategy. Councils performed better in this area, with almost two thirds of councils adequately linking annual budgets and the medium term financial plan. Those councils that are developing medium term financial plans for the first time tended to showed greater risk as they are still developing clear links with annual budgets. Where divergence between the annual budget and the medium term financial plan occurs, it is often because of weaknesses in medium term financial plan assumptions or a failure to review and update the medium term financial plan to better reflect the Council's circumstances and operating environment.

1.15 Whilst all councils had a medium term financial plan in place, the quality and strength of the plans varied. Common weaknesses included assumptions within the medium term financial plan that were overly optimistic and not adequately challenged by council committees, and medium term financial plans not being fully integrated with corporate plans, the performance reporting framework and improvement objectives. The medium term financial plan should act as the link between the corporate strategy and the budget setting process. This linking should ensure that any decisions on budget amendments, reductions and investments are aligned to corporate improvement objectives. Where this does not occur, it is a strong indication of weaknesses in the corporate planning framework and the robustness of the medium term financial plan. Only a third of Welsh councils were considered to have adequate arrangements in place that fully aligned budget setting with the delivery of the corporate vision, aims and improvement objectives.

Area of good practice noted - Conwy County Borough Council

To support their prioritisation of services Conwy County Borough Council, undertook a service prioritisation exercise involving councillors in 2010. This exercise allowed the Council to check the proportion of its budget allocated to delivery of each of the Council's priorities. This exercise has been built on in subsequent years to ensure additional resources are only deployed based on robust business cases, and are directed to the priority service areas, which are in turn linked to the efficiency/saving areas the Council has identified each year.

The use of financial Key Performance Indicators within Medium Term Financial Plans to monitor and manage performance is under developed and poor

1.16 The use of KPIs within the medium term financial plan can be useful to measure progress and financial resilience, particularly for important issues such as liquidity, return on investments and borrowing levels. Our analysis shows that the development and use of appropriate KPIs within medium term financial plans is one of the areas where councils need to improve, and the majority have struggled.

1.17 Our review found that some councils had not developed any KPIs and have not reached a stage of maturity where performance information is being used to underpin decision-making. These weaknesses stop members from scrutinising performance, and even where councils have KPIs in place for service delivery and financial performance, these are not explicitly set out as such within the medium term financial plan. The use of KPIs within medium term financial plans is variable in England as well as Wales and tends to work best when the KPIs are set with reference to external benchmarking information.

1.18 As we undertake further work on the financial resilience of councils we intend to develop with councils key financial and workforce performance measures akin to that taken by Grant Thornton in England. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders in coming months.

Medium Term Financial Plans are subject to regular review, but some weaknesses remain in the use of scenarios and assumptions

1.19 All councils had their medium term financial plan reviewed at least once during the financial year by a Scrutiny Committee and/or by Cabinet. However, we identified a number of weaknesses with these arrangements across many councils, including:

a. the medium term financial plan was not tested under different financial scenarios to assess the impact of variances in the assumptions making it difficult to determine the robustness of the plan; and

b. recommendations made by Cabinet and/or Scrutiny Committee following their review of the medium term financial plan were still being addressed at the time of our review which created a heightened level of risk particularly around the achievement of savings.

1.20 Over the last four years, one of the key areas of improvement made by English councils has been the medium term financial plan's capacity to absorb financial risks. Adverse financial scenarios have increasingly been anticipated, and mitigated against, and the flexibility of the medium term financial plan to deal with as yet unforeseen scenarios has improved. The best medium term financial plans now include a discussion of financial risks and the impact of differing financial scenarios and sensitivities in the narrative commentary, often in the context of justifying the assumptions used in agreeing the medium term financial plan.

1.21 The advantage of this approach has been a greater awareness of the need for mitigation strategies. Many councils have set aside significant reserves to provide this flexibility and often have built further contingencies into their annual budget. A number of English councils have benefitted from their policy of delivering savings in advance of need and then stripping the savings from the start of the new financial year. This means that savings plans delivered early provide additional monies that can be held in reserve or used to tackle other budget pressures. Others have benefitted from budgeting investment returns, and other income, based on worst-case scenario returns and in the expectation that income will exceed the levels that were assumed or planned. As long as the use of additional income to fund overspends is reported transparently (both corporately and by services) this can add resilience to Council plans.

While most councils have a good track record of forecasting budget shortfalls and recognise the importance of a fully defined savings plan, an increasing number underestimated the level of savings required by 31 March 2014

1.22 Across Wales, a greater number of councils struggled to accurately forecast the budget shortfalls they would need to bridge by the end of the 2013-14 financial year. However, the difference between the anticipated levels of savings required at the time of setting the budget and those actually required during the year were relatively small in most cases, limiting these councils exposure to financial risk.

1.23 An increasing number of councils were able to ensure that budgeted shortfalls were covered by planned savings delivered during the financial year. Where shortfalls were not covered by planned savings, councils funded any additional shortfalls through further ad-hoc savings. Overall, these unplanned additional shortfalls were not of a significant value in any instances.

1.24 The majority of councils continue to accurately predict budget shortfalls in their financial planning. There was an improvement in identifying budget shortfalls between 2011-12 and 2012-13, although in 2013-14 the number of councils accurately predicting shortfalls fell slightly. This decline is primarily due to increased pressure on councils to deliver the previous year's approved savings whilst also identifying further additional savings in future years. There may be pressure to predict higher levels of savings, which are becoming increasingly difficult to realise as the easiest savings options have already been utilised.

1.25 In England, Grant Thornton's work found that most councils have been relatively successful in predicting budget shortfalls. There has been a general trend to use worse case financial scenarios as the basis for the medium term financial plan assumptions, which has contributed to the frequency of unplanned surpluses and therefore the increase in reserve levels in England. While this 'prudent' approach is preferable to over optimistic financial scenarios, councils do have an obligation to council tax payers to forecast financial outcomes as accurately as possible to limit potential council tax increases.

1.26 We also looked at whether Welsh councils had any budget deficits that could not be addressed and still needed detailed savings plans to be developed to show how these would be addressed at the time the budget was approved. Across the period 2011-12 to 2013-14 the majority of Welsh councils demonstrated good performance in this area, and the source of savings was generally identified at the time the budget was set. However, in 2013-14 a growing number of councils were still developing detailed savings plans at the time the budget was approved.

1.27 In 2013-14, councils with gaps in their savings plans tended to be restricted to those that had not accurately predicted the budget shortfall they would face at the year end. This was not necessarily the case in prior years. For example, in 2012-13 a number of councils successfully identified a budget shortfall but were not able to define savings plans to the full value of that shortfall. This suggests that by 2013-14 more councils were recognising the need to start the financial year with a fully populated savings plan.

1.28 In England in 2013-14, Grant Thornton found that the majority of councils had fully developed savings plans, covering the full value of the predicted budget shortfall for that year. Increasing numbers of councils, have also developed savings plans that cover all or part of the predicted funding gap for future years of the medium term financial plan. Council predicting future funding gaps is a significant improvement over the last four years, where it was common for some councils to start the financial year without a full understanding of how the budget shortfall would be met. Many English councils continue to struggle with developing detailed savings schemes beyond the current year, particularly beyond year two. Where this is achieved, it tends to be related to longer-term transformational projects where the financial benefit is phased in over several years.

Most councils have forecast the savings gap for 2014-15 and beyond but in many cases savings plan assumptions and arrangements are not robust and need significant development

1.29 Whilst most councils identified the projected funding gap to be met by their savings plans for 2014-15 and beyond, a significant number did not identify sufficient savings to fill this gap. We also identified a small number of councils where poor performance in delivering previous years savings plans were having a significant impact on their financial resilience and needed to fill the financial gap by other means, for example from their reserves.

1.30 The robustness of savings plans assumptions and planning actions is weak, when judged against SMART principles, and all councils need to develop their arrangements significantly if they are to improve their financial performance. We found that whilst almost two thirds of councils had adequate arrangements for identifying potential funding shortfalls, over a third were considered to have weaknesses in the accuracy and deliverability of their savings plans. In particular, we found that some councils were still reacting to the government announcement regarding a decrease in Revenue Support Grant (RSG) levels for 2014-15 and were late in identifying shortfalls beyond the next financial year. Their plans for addressing the savings gap for 2015-16 and beyond were unclear and they continued to struggle to achieve their savings targets. There are serious concerns about the capability and capacity of these councils to deliver future savings.

1.31 A quarter of councils were thought to carry a risk of not being able to mitigate saving shortfalls without falling below the useable reserves threshold agreed by the council, which could lead to a significant impact on operations. Generally, this was because councils did not have sufficient reserves to meet future saving shortfalls as the reserves have been used in the past to address funding gaps. In addition, council tax increases had already been included in future saving plans to increase council income and so any further council tax increases were deemed to be unacceptable to bridge any saving shortfalls. In addition, savings plans had weaknesses and the plans did not "bring forward" sufficient early savings to offset budget deficits.

1.32 In England, Grant Thornton found that the most notable financial planning risk in 2013-14 was the sheer scale of savings that needed to be achieved over the life of the medium term financial plan, particularly where it is unclear how these will be achieved. In most cases, some or all of the in-year savings required in 2015-16 and beyond are yet to be defined. In other cases, the short timescale for delivering savings is a major concern. In addition, some councils continue to rely too much on top-slicing of budgets rather than transformational schemes and for a small number of councils, 2015-16 will mark a financial tipping point unless radical improvements are made in how savings are planned and delivered.

1.33 For councils in Wales, the key lesson from England's experience is the importance of developing robust savings plans and service transformation schemes in as much detail as possible that will be delivered in full in a realistic time period. As a small number of English councils are now finding, if projected deficits are not accurately identified and addressed, there is a real risk that the cumulative deficit carried forward may lead to financial failure.

In general, the financial assumptions in council saving plans have been subject to some challenge and scrutiny from councillors, but weaknesses in the information used to monitor performance undermines accountability arrangements

1.34 The financial assumptions adopted by councils as part of their current saving plans have generally been subject to challenge and scrutiny by senior managers and councillors. However, we identified a number of key themes where improvements are needed. For example, plans often have:

- a an optimistic outlook on the national pay award, with councils taking their best estimate of a national pay increase;
- b a lack of detail behind assumptions;
- c limited benchmarking of assumptions against other councils, in particular fees and charges;
- d a lack of consistency in the way officers applied assumptions across directorates; and
- e savings plans focused on cost rather than cost effectiveness and value for money.

1.35 These weaknesses make it difficult for members to scrutinise and challenge performance and hold the executive and senior officers to account. The issue of poor scrutiny is particularly salient because Grant Thornton found that in England, some councils have overestimated the contribution of savings (and income generation) in delivering a balanced budget. This has been a significant area of improvement and by 2013-14 most English councils were making more robust estimates in this regard, although a significant minority still have weaknesses in their arrangements for delivering savings.

Councils in Wales demonstrate mixed performance in developing savings plans that follow SMART principles

1.36 Whilst just over half of councils in Wales had adopted SMART savings plans, our review identified that many councils had not set realistic and specific measures to deliver savings within the timeframes set. This raises concerns about the ability of some councils to deliver large transformational projects.

1.37 One of the major weaknesses in councils' savings plans is their achievability. Our review found that only a third of councils have saving plans that we consider to be achievable in terms of value and less than a quarter have plans where we consider the majority of savings are likely to be delivered on time.

1.38 The majority of councils continue to struggle to deliver all of their identified savings plans in full. We identified a number of common weaknesses in this area relating to:

a Limited information on individual savings plans and how they will be achieved in the set time scales.

b Proposals lacking contingencies for slippage, including impact analysis on the savings gap and how councils will fund any short term slippages.

c Poor sensitivity analysis, in particular with regard to worst case scenarios should the savings not be met in 2014-15 and what options for corrective action are available to the Council.

d Significant service demand pressures (most commonly adult services) which are identified within a number of council saving plans but often lack detail and fail to make clear how these pressures will be mitigated by end of the financial year.

e Deficiencies in oversight and challenge on savings. For example, individual savings plans not being separately reported and analysed in finance management reports, which makes it difficult to scrutinise performance when planned schemes do not deliver expected savings.

1.39 We consider these weaknesses in savings plans to be the most crucial challenge facing councils in the next few years in both England and Wales.

1.40 In comparison, Grant Thornton found that many councils in England have now established comparatively robust arrangements to support delivery of their savings plans. The most common trigger for heightened risk at English councils is the failure to develop specified savings schemes beyond a one-year horizon. In England, this is particularly acute, as the relatively easy savings have been delivered and councils need to look to longer-term transformational schemes to address the significant budget pressures they face. Grant Thornton reported that service and back office transformation takes time to develop, often several years. Those that do not yet have these plans in motion will be at risk.

1.41 Close management of savings plans has become a pre-requisite of successful financial management. A corporate wide programme or project management approach to delivering large-scale plans is a feature of those councils that have had success in delivering large-scale savings to date. Sophisticated risk-based reporting on progress and the development of contingency plans are also increasingly important features.

1.42 Some of the key developments seen at English councils over the past four years that enable effective savings delivery include:

a A rise in formalised transformation or change programmes that look at the full range of council operations and establish work-streams to develop detailed schemes under a number of theme headings.

b Detailed service reviews to evaluate opportunities to deliver services more efficiently, including consideration of alternative delivery models.

c Use of a Project Management Officer to manage major schemes – typically including a separate governance structure, clear accountability, project management experts and cross service involvement.

d Use of standardised business cases and other supporting materials.

e Cultural change that promotes financial awareness at all staff management levels across council services, often accompanied by strengthening financial accountability and management skills in individual services.

f Strong councillor led governance arrangements to oversee delivery of savings, which reports delivery of savings plan separately from budget reporting and identifies what the shortfall is and sets out how the savings gap will be closed.

g Delivering enhanced levels of savings to maximise the potential surplus which can be invested or used to build up reserves. (Contrasting with the current practice prevalent amongst Welsh councils of phasing savings during the year in order to deliver the planned outturn, which leaves little scope for slippage).

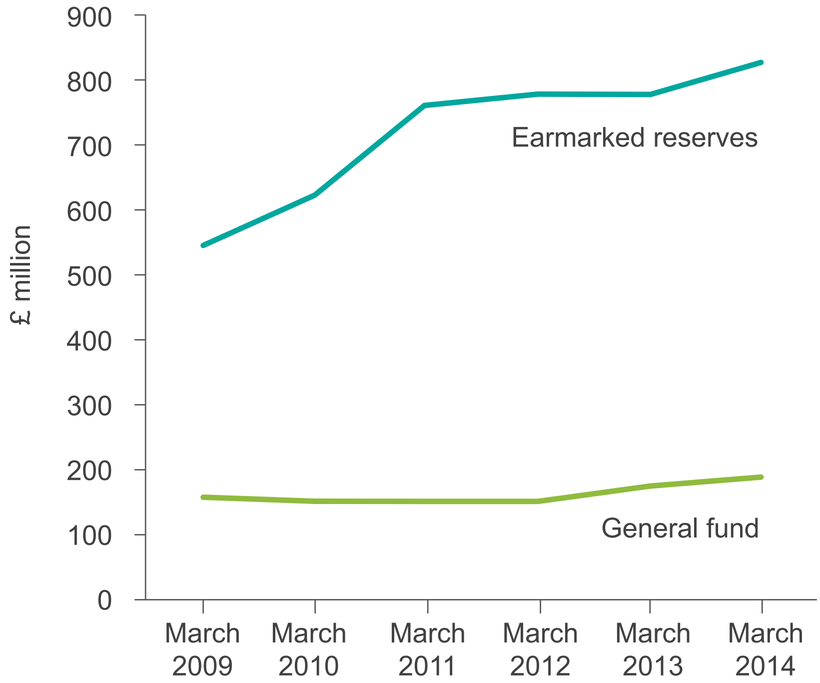
Despite the significant financial pressures all councils face, reserves continue to increase and councils need to ensure they have clear strategies on the creation and use of reserves when setting their medium term financial plans

1.43 On the surface, a continuing trend of increases in councils' average reserve balances suggests that it is one of the strongest performing criteria of financial resilience in Wales. However, whilst it has been presumed for the purposes of this analysis that high levels of reserves are considered to reflect strong financial resilience, this is a more complicated and complex picture. Building up reserves with no clear purpose is not an effective use of resources.

1.44 Councils are required to hold various types of reserves, some of which are useable to support spending and others which are unusable, merely being held for technical accounting purposes. Those that are useable and cash backed are either held in relation to specific commitments or cost pressures (earmarked reserves) or as security against unforeseen expenditure or events (council fund or general reserves).

1.45 As can be seen from Figure 1, over recent years the overall level of reserves held by Welsh councils increased. In 2013-14, general reserves increased by £15.2 million and earmarked reserves increased by £49.0 million. This increase is somewhat surprising as councils indicated two years ago that they expected reserves to fall significantly in 2013-14. However, this may be due to a combination of issues including the timing of budget reductions, delivery of financial savings or deliberate plans to build up reserves to manage future risks.

Figure 1 – General fund and earmarked reserves: Welsh unitary authorities at the end of each financial year



Source: Wales Audit Office review of published accounts

1.46 Earmarked reserves make up the largest element of total reserves and include balances and amounts set aside for, amongst other items, equal pay or single status costs, insurance, PFI payments, funding for capital schemes or repairs and renewals. The amount of general and earmarked reserves as a percentage of GRE varies significantly between audited bodies.

1.47 Councils must determine the extent of the reserves they hold based on their assessment of need, risks and future commitments. They also need to ensure that they are used in a sustainable way that supports on-going service change and transformation rather than simply supporting annual revenue expenditure on an on going basis. The appropriate level of reserves for any council will depend upon a number of factors and each council should set a reserves target based on clear and agreed criteria.

1.48 The extent to which budget underspends are driving the increased levels of reserves needs to be further explored. Many councils are continuing to report year-on-year underspends against their revenue budget. Whilst logically underspends are preferable to overspends, consistent high levels of variances against revenue budgets indicate that a greater accuracy in the budget setting and monitoring process is needed. Underspends should not be relied upon in the medium term to bolster reserves or to mask other areas of overspend within the budget.

1.49 If a council is holding low levels of useable reserves, it may be unable to maintain a balanced budget if savings plans fall short or if there is significant slippage on the budget. A reducing reserve level is also a strong indicator that a Council might struggle to maintain financial resilience in the coming years. Despite the challenges, most councils have maintained or increased their reserve levels - often by delivering budget surpluses - to insure against financial difficulty. The general trend of increasing reserves is common to both Wales and England.

1.50 Grant Thornton reported that in England in 2013-14, the level of risk relating to inadequate reserve levels has reduced, in line with the longer-term trend, although a small number of councils did have notably low levels of reserves. In these cases, the ability to absorb unexpected financial problems, to maintain services during transformation, or to invest in schemes and services, is severely limited. Low levels of reserves can also force councils to borrow to fund capital programmes or to forgo capital investment opportunities.

1.51 In both Wales and England, there has been a significant commentary on the growth in council reserve levels, especially the perceived contradiction of generating surpluses and transferring these to reserves at a time of significant cuts in council budgets. The conclusion often drawn is that council tax payers are footing the bill for the accumulation of cash that is not being used for maintain and/or improve services.

1.52 However, in both countries the underlying issues are complex. Many surpluses are specifically planned for in order to build up earmarked reserves for specific future purposes – such as house building or support for regeneration work. Councils are also prudently setting aside reserves to enable them to cope with risk – such as the failure of a savings programme to deliver benefits on schedule.

1.53 It has to be recognised that once reserves are used they are gone for good. Pressure to use reserves to fund revenue expenditure, for example to avoid council tax rises, reflects a very short term view as this is not sustainable and eventually the money will have to be found elsewhere. Reserves are better used to help fund capital projects and service transformation, while providing security against financial risks. As long as a council is using reserves in a planned and strategic manner, it can refute charges of 'hoarding'.

1.54 In England Grant Thornton found that there has been increased use of more sophisticated treasury management policies, which ensure that reserves are made to work for the Council while retaining the liquidity needed to mitigate financial risks. There is a strong argument that the accumulation of reserves in times of economic hardship can actually reflect good management and mitigation of financial risks.

Part 2

Financial management and controls are sound in most councils although many need to improve budget setting and monitoring and ensure there is sufficient capacity and capability in the finance team to meet the challenges ahead

2.1 In this section of the report, we focus on the councils financial management and control arrangements. For the purposes of our review, we have used the following as the key characteristics of good financial management and control, reviewing current standards of performance against these.

Characteristics of good financial control
Financial control • Budgets are robust and prepared in a timely fashion and the Council has a good track record of operating within its budget • Budgets are monitored at an officer, member and cabinet level and officers are held accountable for budgetary performance • Financial forecasting is well-developed and forecasts are subject to regular review, including trend analysis, benchmarking of unit costs, risk and sensitivity analysis • Budget profiles are accurate and regularly monitored • There is particular focus on monitoring income-related budgets • Savings programme reporting includes effective management information on countervailing savings and the use of RAG ratings • The capacity and capability of the finance department and service departments are fit for purpose for effective financial planning and financial management • Key financial systems have received satisfactory reports from internal and external audit • Financial systems are adequate for future needs, for example, commitment accounting functionality is available • Strength of internal control arrangements – there is an effective internal audit, which has the proper profile within the organisation. Agreed internal audit recommendations are implemented routinely and in a timely manner • There is an assurance framework in place, which is used effectively by the Council. This is how business risks are managed and controlled • The annual governance statement gives a true reflection of the organisation

2.2 The framework for financial management and control at most councils is generally adequate for current needs, but we noted risk areas in all areas of performance we reviewed. The level of risk across some aspects of financial management and control illustrates the need to strengthen arrangements in these areas. The specific aspects that we looked at are discussed in the following sections.

No council has a corporate policy on income generation, which is an area that will become more important as councils increasing look for alternative sources of revenue

2.3 Although the majority of councils had adequate and up to date policies and financial management arrangements for income generation, we considered that a significant minority face some risk because their arrangements need to be updated. Whilst most Welsh councils have recognised the need for an explicit policy on income generation and charging, the vast majority delegated decision making on fees and charges to directorate and individual service teams. The lack of an explicit policy document on income generation does not necessarily pose a significant financial control risk – such policy documents are not a common feature of English councils approaches to charging and income generation. However, as has been the case in England the development of corporate wide policies on income generation is likely to increase among councils in Wales as they seek to address the predicted funding deficits.

2.4 In England, councils are increasingly developing their strategic approaches to income generation, including an identification of the maximum level of charging and its potential negative impact on services and citizens. The work of Grant Thornton in England found that in areas such as car parking and green waste collections, increased charging has resulted in increased revenue streams. In other areas of operation, it has resulted in a better understanding of income for subsidised activities, particularly for non-statutory services such as leisure, and this has often led to increased investment in sports centres, theatres, golf courses and other facilities. Increasingly, profit share arrangements with private sector organisations have formed part of the strategic planning discussion. Finally, the commercialisation of some council services is also an area that some councils in England have been exploiting – for example, waste disposal and recycling services sold to the commercial sector.

Systems for budget setting and monitoring were adequate or carried only minor risks at most councils in Wales, although there was scope for improvement

2.5 We found that the majority of councils have robust budget setting and budget monitoring procedures and processes, including timely reviews, well-developed forecasts and effective financial target setting. This demonstrates that budget setting and monitoring processes are well embedded and effective. Some of the weaknesses we identified included: the need to improve the quality of demand forecasting by individual services during the budget setting process; a tendency for budgets to be based on optimistic assumptions and poor scrutiny and challenge of the performance of directorate and service budgets especially on unexpected over and underspends.

2.6 Systems for budget setting and monitoring have been a key area of development for councils in England over the past four years, driven by increasing demands on these systems to ensure continued financial resilience. Key features of effective and robust arrangements that we have seen develop include:

a establishing a well embedded and effective budget setting processes;

b strong engagement from services in financial planning;

c increased focus on developing the budget on a zero base and on a bottom-up basis;

d traditional top-down emphasis for budget setting becoming much less common;

e increasingly, service managers taking responsibility for managing the budget, freeing the corporate finance team to develop as a business advisory function, and;

f monitoring the budget on a monthly basis and reporting this to the senior management team, with councillors reviewing at least quarterly.

The majority of councils in Wales are considered to have effective financial controls

2.7 Many councils can take assurance of the robustness of current financial controls, in particular, the work of their internal audit departments. However, where councils fared less well key factors were major system changes causing disruption during the year and the council failing to act on the findings and recommendations made by internal or external auditors and regulators.

2.8 Clearly, the establishment and maintenance of effective financial controls is a pre-requisite to ensure financial resilience, and prevent material errors and fraud that could undermine the financial position. Failure to address identified weaknesses of this kind could result in a major failure of financial governance.

2.9 Grant Thornton reported that in England, one of the notable areas of improvement has been in the way that internal audit and other external reviewers have been used to support the financial control framework and provide early warning of weaknesses before they develop into major problems. The historic problems were not just about the capability and effectiveness of internal audit functions, but also about the impact they had in their organisations and the support they received from audit committees and senior management in driving improvement.

The effectiveness of finance managers, in terms of capacity and capability, was a cause for concern at more than half of councils in Wales

2.10 Just under half of councils in Wales were considered to have a full complement of finance managers. In other councils, there is some risk that finance team capacity and/or capability is not adequate to meet the enhanced financial risks all councils face. Common themes underpinning the heightened risk we identified include: councils having to rely on interim arrangements and short term agency staff to fill key finance positions within the finance teams; a loss of knowledge and experience of the Council when temporary staff leave; and difficulties embedding effective controls because staff turnover is high.

2.11 The experience of councils in England has shown that reductions in finance team capacity were a feature of many savings plans in the early years of austerity. Counter-intuitively, this also coincided with a need for higher finance skills to manage the financial challenge, compounding the level of risk. At the start of the austerity programme many councils in England reduced their finance teams in order to make savings in back office support costs. The loss of finance capacity would be compensated (in theory) by the increased devolution of financial responsibilities to managers within the Council service departments. Although these managers were not finance professionals, they were re-trained or recruited to fulfil this role by their organisations. Initially, this created a lot of uncertainty about whether these new arrangements would work effectively and would be able to adequately respond to the increasing financial challenge.

2.12 By 2012-13, Grant Thornton noted that these concerns had started to recede as the arrangements proved to be effective in many cases. In 2013-14, over 92 per cent of councils were assessed as having adequate or strong finance capability and capacity. This gave assurance that the new arrangements have been successful in most cases, and have even benefitted organisations by creating wider financial accountability outside of the finance department. In regard to other risks related to finance team capacity, an over reliance on key individuals, with limited options for cover or succession, remains a vulnerability at many English councils.

2.13 For councils in Wales that are considering options to reduce finance team capacity, it is important that they fully understand their future changing financial management needs and implement a managed process to replace lost central finance team capacity through greater devolution of financial responsibilities to individual services. A poorly managed reduction in finance team capacity can have serious implications for financial resilience in the future. The upside is that, if executed well, a planned and managed reduction in staff has proven to be highly successful in reducing costs and increasing the effectiveness of financial management. Cover and succession planning for financial managers in councils in Wales needs to develop at an early stage as the demand for highly skilled and experienced finance managers will continue at a high level in the current climate.

Part 3

Whilst financial governance arrangements are comparatively robust, the quality of performance and cost information being used and the level of scrutiny and challenge in Welsh councils varies significantly, which can undermine the effectiveness of decision making

3.1 In this section of the report, we focus on councils financial governance and accountability arrangements. For the purposes of our review, we have used the following as the key characteristics of good financial governance and have reviewed current practice and performance against these.

Characteristics of good financial governance arrangements
Financial governance • There is a clear understanding of the financial environment the council is operating within. • Regular and transparent reporting to members. Reports include detail of action planning and variance analysis. • Actions have been taken to address key risk areas. • The Chief Finance Officer is a key member of the leadership team. • Officers and managers across the council understand the financial implications of current and alternative policies, programmes and activities. • The leadership ensure appropriate financial skills are in place across all levels of the organisation – for example, a good understanding of unit costs and cost drivers. • The leadership foster an open environment of challenge to financial assumptions and performance. • There is an effective scheme of delegation, ensuring clarity of financial responsibilities and accountabilities. • There is engagement with stakeholders including budget consultations. • There are comprehensive policies and procedures in place for members, officers and budget holders, which clearly outline responsibilities. • Internal and external audit recommendations are implemented promptly. • Committees and cabinet regularly review performance and it is subject to appropriate levels of scrutiny. • There are effective recovery plans in place.

3.2 Councils performed better on financial governance than in other areas considered in our review, although some weaknesses remain, particularly in regard to ensuring the delivery of savings plans. Although the general frequency of financial governance risks was relatively low compared to other areas, our findings still highlight a need to strengthen arrangements in the face of increasing levels of risk due to financial pressures. A report from the Commission on Public Service Governance and Delivery[3] (January 2014) highlights some of the changes that will be required in governance in order to meet the challenges of significant reductions in local government funding.

3.3 Experiences in England indicate that major failings in governance are rare, but where they do occur, they can have far-reaching financial and other consequences – as recent examples such as the cases of Mid Staffordshire NHS Foundation Trust and Rotherham Metropolitan Borough Council have shown. It is the nature of major governance issues that they can arise from weaknesses in arrangements that may previously have seemed relatively minor, highlighting the need for vigilance and effective action when weaknesses are identified.

3.4 It also follows, from the experiences in England, that improvements in governance arrangements can sometimes lag behind improvements that take place in other areas of financial management, as it is harder to measure the effectiveness of governance until something goes wrong. However, councils in Wales should make sure they identify and apply emerging best practice, to mitigate this risk.

3.5 Our review found that approximately half of Welsh councils faced some risk in one or more of these areas. The key areas where there is scope for improvement relate to the following:

a failure to ensure separate analysis of the delivery and progress of saving plans routinely monitored by councillors as part of the Council's overall financial monitoring arrangements;

b limited or no performance indicators in place or presented at the relevant committee;

c a lack of accountability for budget underspends/overspends and delivery of savings from the directors and service heads;

d limited monthly reporting to senior officers such as the section 151 officer or Chief Executive, on the performance of savings plans and related teams;

e a lack of transparency in the way the savings plans are shown to have been delivered, for example, the extent to which failed schemes have been substituted by other recurrent and non-recurrent savings or unplanned income; and

f ineffective challenge by councillors and senior officers of financial and savings plan performance.

3 Report of the *Commission on Public Service Governance and Delivery*, Welsh Government, January 2014.

3.6 Councils should regularly report individual savings to identify over and under achievement and to ensure appropriate and timely action is taken to deliver agreed savings plans. If councils do not monitor specific areas of savings their ability to evaluate and scrutinise saving plans is compromised. As councils have to set more difficult and challenging savings targets, it is increasingly important that effective scrutiny and monitoring takes place on individual saving plans.

3.7 Grant Thornton found that in England in recent years, councillors have increasingly had to make difficult decisions about the delivery of services as has also been the case in Wales. In the process, councillors have developed a better understanding of the underlying financial conditions, helping to build mutual confidence with the management team and to extend the organisations' risk appetite. This is particularly apparent in the increasing levels of innovation, for example, with joint working between councils and other partners, and developing alternative delivery models for services.

3.8 There are still cases at individual councils in England and Wales where councillors have been resistant or slow to appreciate the need for a more radical outlook in regard to the sustainability of services. These councils are often focussing too much on reducing back office or on piecemeal efficiency measures to provide the savings they require. Many do not see a strong culture of financial efficiency as a priority, irrespective of the council's financial position.

3.9 In these cases, the onus is on officers to take a stronger role in helping councillors to understand the financial environment and the longer-term outlook. Councils in Wales will benefit greatly from developing training and development programmes for councillors delivered in a timely way to support them in their roles.

3.10 However, our analysis reveals that in some cases councillors and senior management may not be challenging enough during the budget setting process leading to higher than anticipated variances at year end. The need to improve scrutiny and challenge has been an area of significant development in England, and needs to be addressed urgently in Wales if councils are to meet the financial challenges they face.

3.11 Likewise, Grant Thornton's work shows that training and development for councillors in financial matters and on their role in governance remains a weak point at many English councils. This weakness is particularly acute in a year that has seen many new councillors created following local government elections. The frequency of reporting to councillors was a concern at some councils in England. In some cases, this was less than quarterly. This lack of regular reporting can be especially problematic where the Council faces significant financial pressures and consequently requires more regular reporting and review than has been standard in the past.

3.12 In England, the accuracy of forecasting budget outturn remains an area where further improvements are required. Too often, there are significant variances between monthly or quarterly reports, and frequent amendments to forecast outturn stemming from weaknesses in the systems for managing and reconciling budget and savings plans performance. Financial information provided to councillors, where the underlying performance issues are not adequately drawn out, remains a significant barrier to effective councillor engagement and robust scrutiny of delivery.

3.13 Our review found that many councils in Wales do not have a strong track-record of delivering savings plans. The governance risks we identified are primarily associated with the lack of formal monitoring of the delivery of individual savings targets against planned performance by councillors, and the resulting lack of challenge and/or holding of responsible senior officers to account.

3.14 In England, in 2011-12 and 2012-13, when many councils were starting to deliver large-scale savings, we saw an increase in governance risks related to savings plan delivery. This was because in preceding years, savings were usually small scale and delivery could be adequately monitored through the budget. The impact of a failure to deliver savings did not therefore pose a strategic risk to council operations and the light touch scrutiny arrangements were adequate for the council's needs. However, as the scale of savings increased together with the associated strategic risks, governance arrangements were slow to be adapted. Hence, resulting in councillors received poor quality or incomplete information on progress in delivering agreed savings plans - which were now becoming of critical importance to future financial resilience.

3.15 We found that a number of Welsh councils are still not reporting savings plan progress separately and this approach undermines the ability of councillors to scrutinise and challenge delivery of in-year savings and whether they are on track. It also makes it difficult to clearly identify the distinction between recurrent savings delivered to plan, and short-term fixes – for example, from income windfalls – that will not be available in future years. This understanding is vital in being able to challenge the performance of officers, particularly where large-scale savings are required over a number of years.

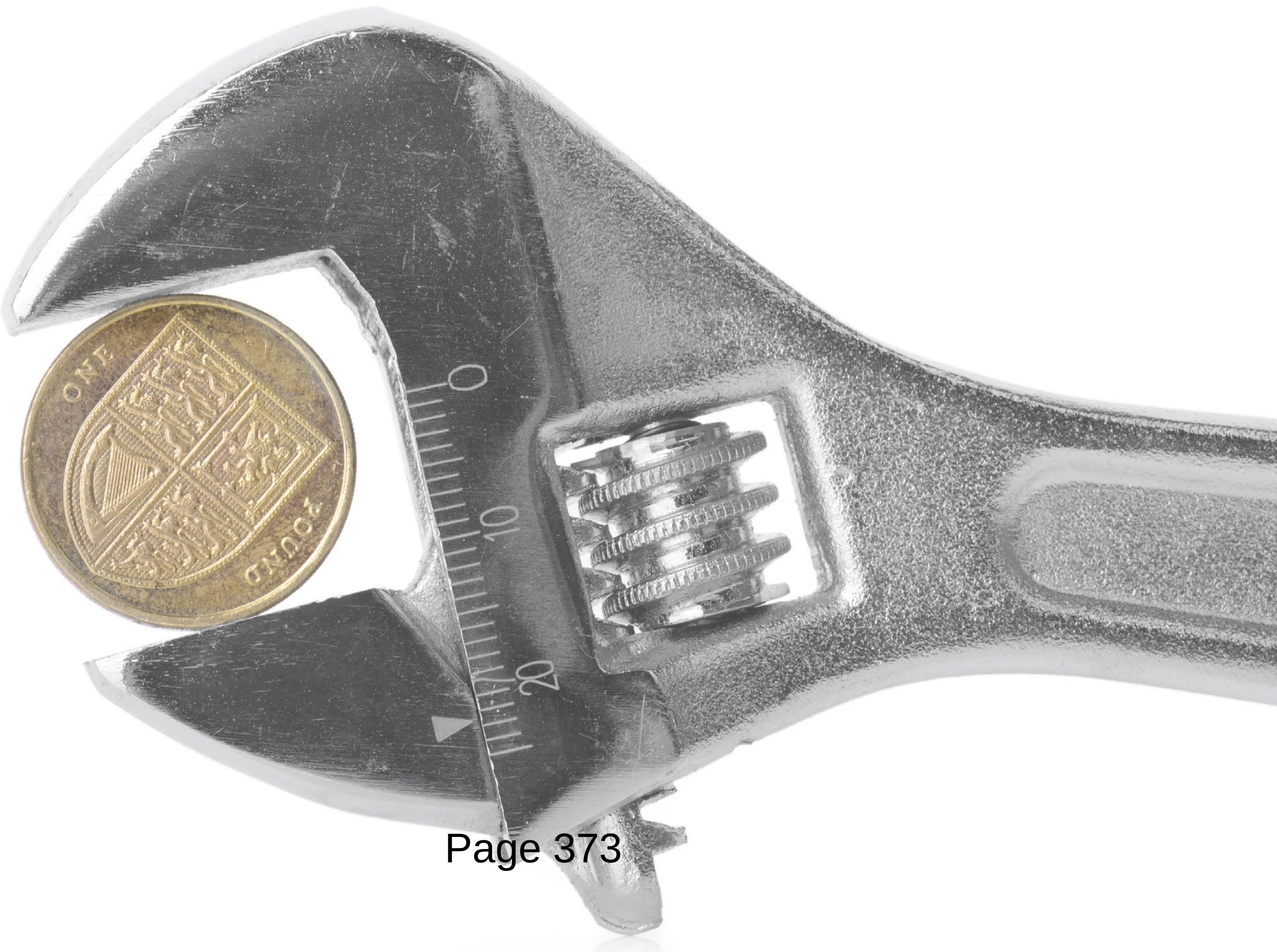
3.16 One important recent development in England is the increasing use of an integrated balanced scorecard. The use of scorecards enables financial pressures to be viewed in the context of service performance, workforce and other operational aspects. English councils are increasingly moving away from the traditional approach of reviewing financial performance in isolation and this is an option for councils in Wales.

Area of good practice noted - Powys County Council

Powys County Council has taken proactive steps to strengthen their financial governance process by taking part in a peer review and identifying key areas of improvement. The Council has taken a collaborative approach, working with the Centre for Public Scrutiny (CfPS), Grant Thornton UK LLP and CIPFA Wales to enhance their financial governance processes.

Part 4

Councils are under significant stress and financial management arrangements that were once good enough will not remain fit for purpose in the face of increasing financial pressures



4.1 In this section of the report, we focus on councils use of performance measures and management of performance. For the purposes of our review, we have used the following as the key characteristics of good financial performance management and have reviewed current practice and performance against these.

Characteristics of good financial performance management
Key indicators of financial performance • There is regular monitoring of key indicators of financial performance • The council operates within a locally determined appropriate level of reserves and balances • The general fund balance is maintained at or above the locally agreed minimum level • Working capital is at or above a ratio set by the section 151 officer • Levels of long-term borrowing are manageable and within prudential borrowing limits • Targets have been set for future periods in respect of key indicators, such as reserve balances and prudential indicators • There is a track record of spending to budget and proactively managing forecast overspends in-year • There is a robust organisational approach and focus on absence management to improve productivity, reduce costs and enhance customer service

4.2 As we undertake further work on the financial resilience of councils we intend to develop a ‘traffic light’ reporting system covering financial and workforce performance and identify where further improvements are required. The traffic light approach is similar to that taken by Grant Thornton in England and enables useful comparisons to be made. We intend to develop this approach to report more fully on financial resilience and will discuss the methodology we intend to use with councils and other stakeholders. Our analysis of financial KPIs indicates that financial arrangements at many councils are under significant stress. Furthermore, the experience of funding reductions in England reported by Grant Thornton has seen arrangements that were once good enough no longer fit for purpose and requiring significant and rapid evolution to enable councils to deliver the savings they need to make.

4.3 The information used in our analysis is taken from each council’s statutory accounts. The analysis is based on an aggregate of KPIs relating to budget delivery, liquidity, borrowing, and reserve levels. Our analysis of councils’ performance on these measures shows that 15 of 22 councils have an improving risk position. Whilst there are no councils that are classed as being high risk with a declining position, there are four councils, which are facing increasing risk because performance against these measures is declining. Below we summarise the performance of Welsh councils against the three key financial performance indicators – budget delivery, liquidity and borrowing.

There is a high degree of risk for councils in delivering a balanced budget but the direction of travel indicates that budget performance is improving as improvements to financial planning and control take hold

4.4 This performance indicator looks at the Council’s history of under or overspends against revenue budgets, performance on the outturn of net revenue expenditure, which helps validate both the strength of planning arrangements and the effectiveness of financial control. A good track-record of delivering to budget is a strong indicator of whether future financial plans, including large savings, can be delivered.

4.5 Our analysis is determined by councils’ budget performance and whether there have been significant revenue budget overspends and consistent and/or substantial budget deficits. These often relate to demand led services such as adult and children’s social care. These services will remain a key risk area over the coming years as grant funding continues to reduce but demand remains steady, even increasing in some areas. Councils that continue to deliver revenue budget overspends in demand led services such as these are likely to face financial difficulties in the future. We consider councils to be performing well when they have delivered consistent underspends against their revenue budget or where they have minimised net budget deficit (or achieved a surplus) and delivered a favourable net out-turn position.

4.6 Grant Thornton reported that the experience in England shows that a good track-record of delivering to budget is a strong indicator of whether future financial plans, including large-scale savings, can be delivered. A significant minority of English councils (14 per cent) struggled to deliver their budget in 2013-14. The most common risk was a significant revenue budget overspend. This overspending often related to demand-led services such as adult or children's social care. Persistent under-budgeting in these services is a danger sign for future financial resilience. An authority with weaknesses in this area which has not made sufficient progress in transforming its services is likely to face significant financial difficulties in the immediate future. Our analysis for Welsh councils found that over a third (36 per cent) of councils have historically experienced some difficulties in delivering a balanced budget but the direction of travel indicates that budget performance is improving across all councils.

It is evident that there is a high degree of variation in the liquidity ratios of Welsh councils at a time when cash-flow management is becoming increasingly important for councils

4.7 The 'current ratio' of assets (assets that are readily convertible to cash) to liabilities (short-term liabilities that require prompt payment) gives an indication of liquidity within councils. The risk of running out of cash has traditionally been less acute for councils, compared to the NHS or private sector, because of the security of grant income receipts and the low-value, high volume nature of local taxation. However, the profile of council funding is changing from the traditional model with reduced reliance on grant funding and an increased reliance on income generation, increased financial risk from borrowing and cash investments. Because of these changes, the risk of running out of cash increases and robust cash flow management becomes increasingly more important to make sure that costs can be covered and employee salaries paid on time.

4.8 From our analysis, it is evident that there is a high degree of variation in the liquidity ratios of Welsh councils. Our review classed 55 per cent of councils as at low or low-to-medium risk and 45 per cent of councils as having an increasing level of risk. Overall, the direction of travel shows that in 2013-14, 14 of the 22 Welsh councils have reduced levels of liquidity in comparison to 2012-13, and only eight councils have seen improving liquidity. The reasons for this reduced level of liquidity include increased use of short–term borrowing to meet the council's working capital requirements and declining levels of short-term bank deposits, with low interest levels likely to be the cause for this.

Borrowing levels are not currently an area of major concern for the majority of councils in Wales and the general level of financial risk is low

4.9 A low gearing ratio indicates that a council is financially stable and can generally borrow more freely as it will be better placed to pay the interest than those with higher ratios. Gearing is therefore a useful measure of corporate financial health as it allows a comparison between council funds and borrowed 'debt'.

4.10 We have calculated the gearing position for each council and identified them as either having an improving gearing position, where the levels of borrowing and debt have remained stable or fallen, or a deteriorating gearing position, where the level of borrowing and debt is increasing. Based on this analysis, 10 councils have an improving gearing position and 12 councils a declining gearing position. The range of gearing percentages identified in councils in Wales varied from 14 per cent as the lowest to 32 per cent as the highest.

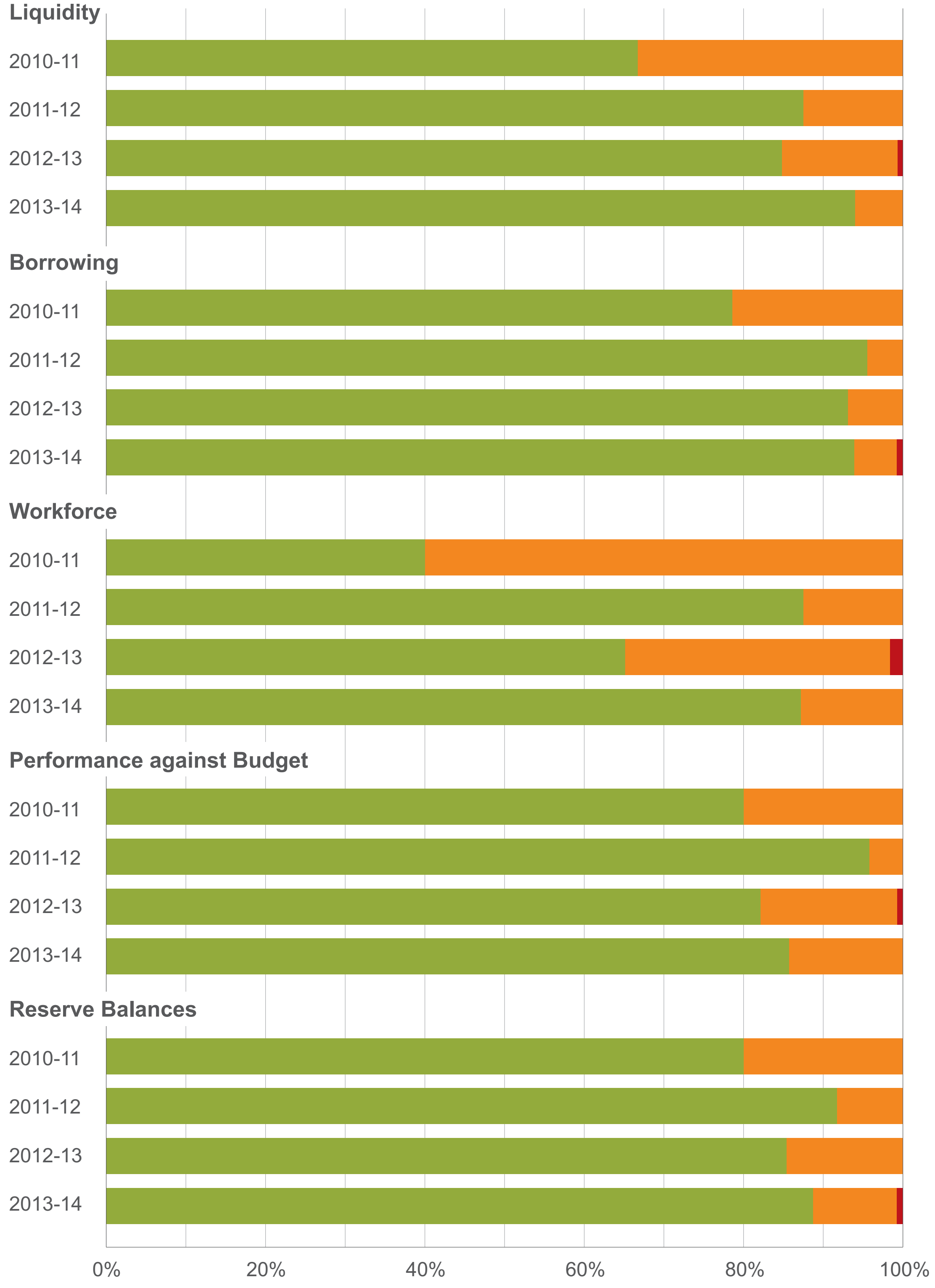
4.11 Grant Thornton's work in England found only a handful of councils where borrowing presented a risk to financial resilience, particularly with regard to a councils ability to service debt. The general level of risk was further mitigated by the fact that the majority of borrowing was from low risk lenders such as the Public Works Loan Board (PWLB). Very few councils were significantly out of step with their respective peer groups which was the primary means used to assess the level of risk for English Councils. As with liquidity, the increase in sophistication in Treasury management policies and the use of professional advisors is often reducing the risk for local authorities.

The equivalent English Key Performance Indicator ratings, tracked over time show the positive impact that improving financial planning, governance and control arrangements can have on financial outcomes, despite significant financial challenges

4.12 Figure 2 summarises the findings of Grant Thornton's review work of financial resilience of councils in England since 2010-11 and demonstrates a trend of improvement that reflects the positive evolution in financial management arrangements over the past four years. This development is consistent with the improving trajectory we have seen with the strength of financial planning, governance and control arrangements. We plan to use a similar risk rating analysis to that used by Grant Thornton in future reports on the financial resilience of councils in Wales.

Figure 2 – Summary of Grant Thornton's analysis of English councils financial management performance 2010-11 to 2013-14

English councils are continuing to manage the financial risks they face



Source: Rising to the challenge - The evolution of local government, Grant Thornton, November 2014

Part 5

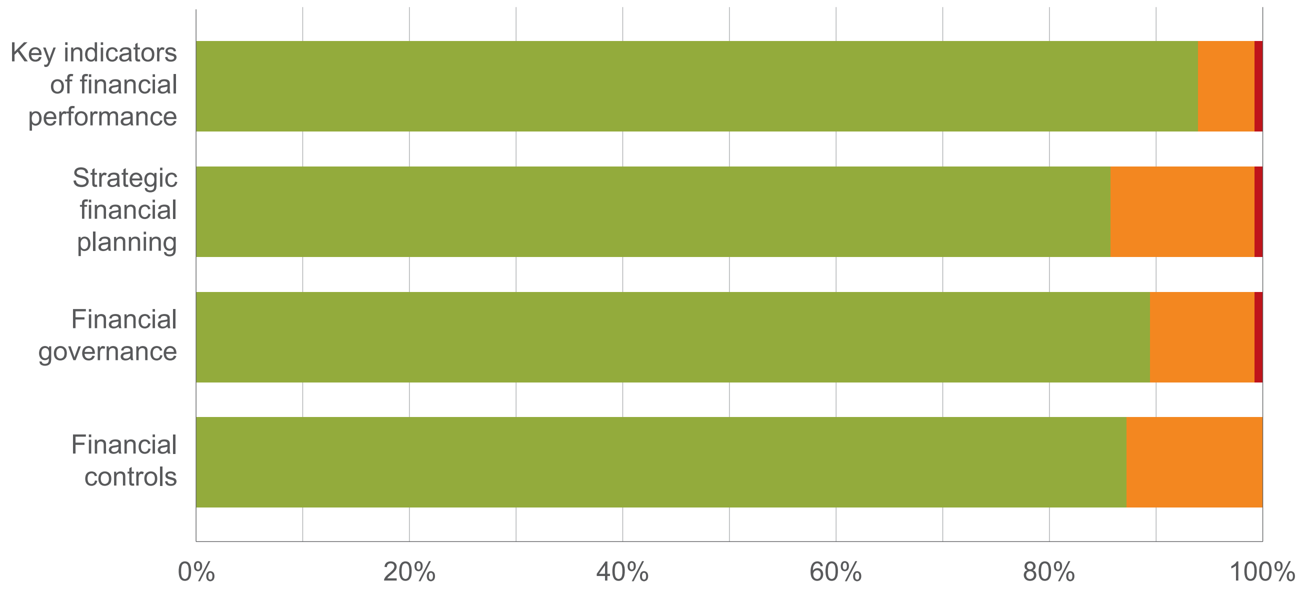
The experience of English councils shows that it is possible to tackle significant reductions in funding but to be successful requires a step change in strategic and operational financial planning

5.1 Grant Thornton's work in England found a trend of improvement in councils that reflects the positive evolution in financial management arrangements over the past four years. This development is consistent with the improving trajectory we have seen with financial planning, governance and control arrangements.

5.2 While some English councils are facing a financial tipping point, the positive lesson for Welsh councils is that the majority continue to deliver a sustainable financial position and are likely to do so as long as they can continue to develop and deliver effective responses to changing conditions. However, in most cases in England this has required a fundamental re-think about what services can be delivered, to whom and what levels of service are affordable. This in turn has required the development of highly sophisticated financial management arrangements that were not imagined four years ago.

5.3 Figure 3 shows that most councils in England are managing the financial challenges they face and the current level of financial risk is relatively low.

Figure 3 – Summary of Grant Thornton Financial Risk Indicators for English Councils 2013-14
Most councils in England are managing the financial challenges they face and the current level of financial risk is relatively low



Source: Rising to the challenge - The evolution of local government, Grant Thornton, November 2014

5.4 Grant Thornton found that:

a Strategic financial planning standards in England are also improving. This is a strong indication of significant evolution in planning processes, partly driven by necessity. Many councils still need to increase the range of their forward planning, ensure that planned outcomes are achievable and change focus from efficiency savings towards service transformation and income generation.

b Standards of financial governance in England continue to strengthen, particularly in the quality and access to information presented to councillors. While major weaknesses in governance are relatively rare, they tend to have serious and wide ranging financial consequences. Governance of key partnerships and group structures presents a risk for some councils.

c Financial control remains one of the themes with the highest concentration of issues in England, often concerning the delivery of savings plans. However, most councils continue to perform adequately and there has again been a trend of gradual improvement in financial control systems in the last few years.

5.5 Grant Thornton's review in England concluded that despite the challenges councils face in each of these three areas, the current level of financial risk is relatively low at the majority of councils.

The headline messages from the 2013-14 review of councils in England draw some useful parallels with the experience of councils in Wales

5.6 Most councils in England continue to rise to the challenge posed by government funding reductions, supported by an evolution in financial management arrangements over the past four years. Those who have struggled to establish effective financial arrangements to date are those most likely to face a tipping point. The challenges are set to increase as spending reductions continue over the next few years, and councils must continue to adapt. Those that do not transform their services face a financial tipping point in 2016-17.

5.7 Grant Thornton's research also found an increasing confidence that the majority of councils in England are finding ways to overcome the financial challenges they face, particularly transforming the way local services are delivered. Grant Thornton's review of councils in England concludes that inevitably, this continues to present councillors with some difficult decisions and has ultimately led to reduced service provision in some areas.

5.8 Proportionally, single tier and county councils face a greater challenge than districts, partly due to the former's responsibility for demand led services such as social care, which continue to present a particularly acute financial risk. However, many district councils have delivered significant savings and are often leading the development of new models of delivery including shared services and joint management arrangements.

5.9 The number of English councils with critical financial issues remains low, in comparison to the NHS in England, for example. What stands out is how councils have gradually improved their financial management arrangements, maintaining or even improving their financial performance, in the face of ever-increasing challenges. The same cannot be said of NHS bodies in England.

5.10 Most English councils have weaknesses or risks in their arrangements of one kind or another that could affect their ability to deliver financial plans in the medium term. However, our findings suggest that over the past four years risks can be mitigated and service performance maintained. Indeed, many councils are confidently predicting continued financial resilience in their medium term financial strategy. This is a major achievement and reflects an evolution in financial management that would have been difficult to envisage in 2010.

5.11 However, councils remain concerned about the funding structure for local government, and whether it allocates funding fairly in relation to local geographic, demographic and economic conditions. Reductions to grant funding disproportionately affect those councils where council tax provides a lower proportion of total income. Those councils who collect less income from council tax are often those with high levels of deprivation.

5.12 For single tier councils and counties, the ‘graph of doom’ scenarios around demand-driven services (such as adult social care) remain a key challenge. However, new ways of delivering services are now emerging to alleviate some of these risks. We have seen significant change in the culture of councils – financial responsibility has started to permeate throughout the whole management structure. A strong culture of continual improvement, efficiency and financial control, aligned with the council’s medium term strategy, will become a necessity over the next few years. There is significant work to be done here, particularly in regard to engaging front line specialists fully within the services. This should be an important area of focus for councils.

Appendices

Appendix 1 - Methodology

Appendix 2 - Selected case studies from England

Appendix 3 - The differences in the way local government is funded in Wales and England

Appendix 1 – Methodology

Review of literature, data and statistics

We have reviewed a wide range of documents and media, including:

- Welsh Government and Department of Communities and Local Government policy and guidance documents;
- reports and briefings from the Welsh Local Government Association and Local Government Association in England; and
- relevant research and guidance from CIPFA.

Local authority fieldwork

We visited all 22 local authorities in Wales, between June 2014 and November 2014. During the visits, we interviewed a range local authority staff, elected members, and produced local reports for each council summarising our key findings on each authority's financial resilience.

Appendix 2 – Selected case studies from England

These good practice case studies are taken from Grant Thornton's financial assessment work in England and have been included in this report as good practice examples for councils in Wales to consider.

Sheffield City Council: outcome-based financial planning

Sheffield introduced outcome-based financial planning when developing its 2013-14 budgets. This supported the new strategic outcome plan for the city, which has a 12-year horizon (2013 to 2025). The plan:

- sets the strategic direction for delivering the outcomes over this period
- provides the framework for decisions about where to allocate resources
- defines the performance measures to help track progress towards delivery.

The Council introduced a strategic outcomes board to oversee the development and delivery of the plan and associated governance arrangements, with directors accountable to the board for realising the benefits of the plan. The business model for delivery against the strategic outcome plan is built around:

- outcome-led investment, to achieve the outcomes for the city and to make a difference to Sheffield and its people
- outcome-led commissioning of projects that will contribute directly to achieving a step change to the outcomes for local people and businesses. This approach has improved long-term decision making, prioritised the use of resources, and identified where new sources of funding or income need to be pursued.

The Council is using a robust and transparent lessons learned process when reviewing the first year of outcome-based financial planning, to ensure this new approach becomes fully embedded across the organisation.

London Borough of Barnet: commissioning focused delivery model

The Council is at the forefront of the move by local government bodies to a more commissioning-focused model of governance and service provision. From April 2013, the Council moved to its new commissioning council structure. This includes an assurance group responsible for providing independent oversight to the strategic commissioning board and to members, so that the Council's decision making is effective and appropriate risk management arrangements are in place and being used effectively by the Council's lead commissioners and its delivery units. While the effectiveness of the new arrangements will require testing over time, initial indications from officers show they are working well and are helping to focus the Council's senior team on how resources can best be used in a joined-up way across all services rather than a silo based approach.

Solihull Metropolitan Borough Council: aligning our resources to our priorities

Decision making is based on clear business cases for investment and lean reviews provide detailed analysis for cost reduction initiatives. The main reporting vehicle is Aligning our Resources to our Priorities (ARTOP). ARTOP meets monthly, is chaired by the director of resources, and its role is to monitor progress against the delivery of all of the savings in the current three year medium-term financial strategy (MTFS) 2013-14 to 2015-16. ARTOP is a sub group of the corporate leadership team (CLT) and reports the outcomes of each of its meetings to CLT as part of a monthly financial report. Savings are identified three years in advance, and for the current financial year 85 per cent of all savings have been delivered, with progress well under way for the two subsequent years.

Gloucestershire County Council: monitoring system linked to support services

The Council uses Verto, a project management package, to record and monitor the delivery of individual savings plans that make up the total ‘Meeting the Challenge’ savings programme for the Council. This system facilitates accountability, ownership and supports delivery through input from a wide cross section of the Council. Specifically, each savings programme goes through a number of gateways that ensure plans are robust and deliverable. To facilitate deliverability, each savings plan uses Verto to identify and secure the support services it needs to succeed. The support services include finance, needs analysis, HR, risk and asset management colleagues ensuring corporate ownership.

Wigan Metropolitan Borough Council: use of reserves to support transformation

At Wigan Council, early delivery of the 2013-14 savings plans has allowed funds to be released for the creation of a number of new reserves which will offset some of the risks around the delivery of the Council’s transformation programme. The opportunity has also been taken to re-prioritise and re-package a number of existing reserves to assist in the delivery of the transformation agenda. Wigan consider the key to its success in delivering savings to be close monitoring and regular progress reporting, and building required efficiencies to be built into base budgets, and reviews of specific service area budgets, to maintain provision of high-quality, responsive and cost-effective service.

Surrey County Council: five year budgets

The Council has not completed stand-alone annual budgets for a number of years, but produces five year budgets from which annual budgets are set. This means future years' budgets are more detailed, reliable, and allow changes between years to be more readily identified (i.e. capital projects spanning a number of years. This results in greater transparency, efficiency and more achievable in-year budgets. It allows senior managers to plan longer-term with a greater degree of certainty. As part of the budget setting process the Council considers a number of scenarios and applies the most suitable. It completes a number of draft budgets throughout financial planning cycle, and engages with the business and voluntary sector, communities, trades unions, all members, and residents at each stage.

Elected members and senior managers are supported in their strategic financial management by revenue and capital budget monitoring reported in month, a quarterly 'hard closure' of the accounts (including all the primary statements) and an early close and publication of the statement of accounts. This provides the base information and confidence in the Council's financial systems and financial management arrangements to be able to make long-term decisions.

Surrey County Council has also introduced regular all member seminars as part of the medium term financial planning process, to keep members informed and engaged in financial monitoring. The seminars are jointly led by the Director of Finance and the Chief Executive, and allow for detailed discussion of the main financial risks facing the Council in the medium term. As a result, the interested parties within the Council have a sound understanding of these risks – which at present mainly relate to the erosion of major sources of funding, delivery of the major change programmes and associated efficiencies, delivery of the waste infrastructure and changes to health commissioning.

Surrey is also progressing a cultural shift so that all budget holding managers have clear ownership of their financial responsibilities and understand how the wider financial environment impacts upon their service. All relevant managers are being trained to use the finance system in order to develop self-service reporting. The overarching aim of the project is proactive financial management and excellent financial decision making. As with any initiative requiring behavioural change, the Council is aware that the project will take time to embed and may be subject to challenge from some staff. The Council is mitigating this by regularly reviewing progress made and identifying actions for improvement. This has been partially achieved to date by implementing a phased roll-out of the dashboard to the directorates. Going forward the Council is considering widening the use of the financial dashboard to include capital monitoring and budget setting.

Surrey is aiming to make further improvements to financial understanding through its new network leadership groups. These groups involve senior managers and experts for each area of Council activity, who meet at least monthly to discuss corporate issues such as budget and performance monitoring, productivity and service improvement. Data is reviewed and 'deep-dives' are made into selected areas, with recommendations being made where appropriate.

St Helens Metropolitan Borough Council: fully integrated financial and service planning

At St Helens Metropolitan Borough Council (MBC), fully integrated financial and service planning together with joint financial and performance reporting help to ensure that it can concentrate resources on achieving priority outcomes. Departmental directors and the assistant chief executive for finance hold monthly meetings to discuss budgets, progress against key performance measures, issues relating to service delivery and actions required to address any identified concerns. The result is that clear, consolidated reports, covering both budget and service performance monitoring, are presented to cabinet on a monthly basis.

St Helens MBC also believes that gathering the views of local people and key stakeholders should be an integral part of the budget setting process. Through its budget consultation and budget simulator initiatives, the Council allows interested parties to advise on the most valued areas of its spend. The Council makes the budget consultation available annually, and publishes a summary report on its website. At the same time, work continues in the form of zero-based reviews of portfolio budgets, and reviews of specific service area budgets, to maintain provision of high-quality, responsive and cost-effective service.

Bexley, Stockport and Tewkesbury: back office cost reduction

Councils across England have developed initiatives to make savings in back office expenditure, without depleting resources. The London Borough of Bexley has reduced the number of physical offices used by Council staff and reported savings in annual running costs of £1 million at the start of 2014/15, rising to £1.5 million in future years, as a direct result of this process. In addition, the surplus capital receipts generated from the disposal of former office sites will also reduce the need for borrowing to fund the Council's capital programme.

At Stockport Metropolitan Borough Council, the roles of staff have changed to create greater efficiency, with roles becoming more generic to allow for greater flexibility in the back office.

Tewkesbury Borough Council has redeveloped their property and rationalised the space utilised by their own employees, allowing them to let out space to other entities, such as the county council's adult and children social care services, the police, the DWP, the fire service and the Citizens Advice Bureau, creating a 'public sector hub' to give local people a centralised location to access a range of services. The annual rent benefit to the Council is currently £160k with £235k expected in 2015/16.

London Borough of Sutton: integrated reporting

London Borough of Sutton has demonstrated how integrated reporting can improve members' understanding of the whole picture of delivery. Their Strategy & Resources Committee reviews the financial performance report with integrated KPIs including customer service and workforce information on a quarterly basis. Members therefore review service performance in the context of the financial envelope and the progress of the major change programmes, including savings delivery against targets. The balanced scorecard includes customer feedback and workforce KPIs in a summarised accessible format.

By developing a detailed MTFS with a planning horizon to March 2019, in line with their new Council Corporate Plan, London Borough of Sutton has also been able to identify savings requirements on a long-range basis and put mitigating planning arrangements in place to ensure that they are met. When the MTFS was revised in July 2014, it was determined that the projected funding gap over the period of the plan would be £38 million, due to cost pressures and significant forecast reductions to the RSG. By formulating this projection in advance, Sutton now have scope to develop and deliver efficiency plans phased over a significant period of time, easing the burden on staff and the impact on service users.

Bath and North East Somerset Council: zero-based budgeting

Bath and North East Somerset Council has moved towards zero-based budgeting to challenge the allocation of resources and focus on resourcing priority services. It reports progress with the budget to senior management and cabinet on a monthly basis. This enables the Council to act quickly in response to developing spending pressures. It also scrutinises performance of key savings plans closely. Detailed savings plans, broken down into specific activities and years, are built into medium-term service resource plans. These feed into the overall budget report and MTFS. Scrutiny panels, cabinet and the full council then scrutinise plans. A detailed monitor of progress is made against savings achieved by directorate.

London Borough of Haringey: top 100 approach

The London Borough of Haringey has reorganised their senior management structure. This has improved clarity of roles and responsibilities which include full accountability for budget setting, monitoring and achievement. A new strategic layer of assistant directors has been introduced whose accountabilities include managing and monitoring budgets in their areas and holding budget-holders to account for performance. In addition, a new corporate management group (top 100 managers) and a corporate leadership group (assistant directors) have been formed who work collaboratively to find solutions to strategic issues and who have been responsible for developing the Council's three-year savings and investment plans. It is important during times where budgets are tight to ensure that the whole council works together to achieve the required outcomes – the new structures and governance help to break down silos.

Appendix 3 – The differences in the way local government is funded in Wales and England

Most local government-related policies and responsibilities, from education to planning, or social services to housing, are devolved to the Welsh Government. The Welsh Government sets the national priorities, strategic context and overall level of funding for services. It is then the responsibility of the 22 councils in Wales to deliver these services on a local level within the national context. Approximately a third of the Welsh Government's budget is spent through local authorities reflecting the importance of local services.

In England, council funding is primarily administered by the Department for Communities and Local Government (DCLG). In Wales Schools funding goes through the RSG whilst in England the education funding comes from the Department for Education and is administered by the Educational Funding Agency.

In Wales and England, council income is derived from a range of sources, the key ones being RSG from Welsh Government; Council Tax; Non-Domestic (business) rates; and other income/grants.

Local government budget protection in Wales differs considerably from the situation in England, where local government experienced significantly deeper cuts – a reduction in revenue support from central government of around 9.8 per cent between 2010-11 and 2013-14. An important factor behind the difference is the degree of protection afforded to the NHS. In England, the UK government has sought to protect spending on health in real terms. In Wales, by contrast, revenue spending on health has been cut by about 5.5 per cent in real terms.

The Welsh Government originally produced an indicative settlement for 2014-15, which showed a small real-term reduction of one per cent compared to 2013-14. However, its subsequent budget includes more funding for the NHS and other priorities within its Programme for Government than set out in indicative budget plans and a larger-than-anticipated reduction for local authorities. Local government in Wales faced a nominal revenue reduction of 3.2 per cent for 2014-15 (five per cent in real terms); indicative budget proposals for 2015-16 show a further revenue reduction of over three per cent in real terms. Councils faced the challenging task of incorporating these unanticipated reductions into their medium-term financial plans; ongoing uncertainties about the level of funding available to deliver services means that councils cannot be sure about the level of savings they will need to make.

In addition, in Wales, the RSG is not ring fenced or hypothecated and councils are responsible for deciding how they spend their allocation on the services for which they are responsible. Councils in Wales are also still allocated specific grants, where this ring-fencing has been largely eliminated in England. Welsh councils and the WLGA are of the view that there should be a de-hypothecation of grants and these monies included as part of the revenue settlement. At the timing of settlement, the details of the allocations for a number of specific grants can still be subject to finalisation, creating further uncertainty for councils in its financial planning and budget setting.

The structure of local government in Wales is relatively consistent as all councils are set up on a single tier (unitary) structure – with a single body responsible for all local council services. In England, there are significant structural differences with the two tier system or County and District Councils, alongside single tier (unitary) councils of various types. This makes it very difficult to measure the relative cost efficiency of these differing configurations.

A key area of current debate in England is around the fact that cuts to government grants disproportionately affect less affluent areas, where council tax and business rates takings are a lower proportion of total income. This issue has a similar impact in Wales.

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: info@wao.gov.uk

Website: www.wao.gov.uk

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

E-bost: info@wao.gov.uk

Gwefan: www.wao.gov.uk

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 16 SEPTEMBER 2015

TITLE: Wales Audit Office Audit of the City of Cardiff Council's 2015-16 Improvement Plan

REPORT OF CORPORATE DIRECTOR RESOURCES
AGENDA ITEM: 6.3

Reason for this Report

To present the Certificates of Compliance issued to the Council as part of the Local Government (Wales) Measure 2009 (the Measure).

Background

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions
- make arrangements to secure achievement of its improvement objectives
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

Under sections 17 and 19 of the Measure the Auditor General carries out an audit of the Improvement Plan, and has to certify that he has done so, and to report whether he believes that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Wales Audit Office Findings

The Auditor General has set out that he believes that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Reason for Report

To provide assurance to the Audit Committee that the Council has discharged its obligations under the Local Government (Wales) Measure 2009

Legal Implications

There are no legal implications directly arising from this report.

Financial Implications

There are no financial implications directly arising from this report.

RECOMMENDATIONS

The Audit Committee is asked to note that the Council has received the WAO Certificates of Compliance

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
3 September 2015

The following appendix is attached
Appendix 1 Wales Audit Office Audit of the City of Cardiff Council's 2015-16 Improvement Plan

Certificate of Compliance

Audit of the City of Cardiff Council’s 2015-16 Improvement Plan

Certificate

I certify that I have audited The City of Cardiff Council’s (the Council) Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council’s auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.

Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.

HUW VAUGHAN THOMAS

AUDITOR GENERAL FOR WALES

CC: Leighton Andrews, Minister for Public Services

Non Jenkins, Manager

Chris Pugh, Performance Audit Lead

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 16 SEPTEMBER 2015

TREASURY PERFORMANCE REPORT AS AT 31 AUGUST 2015

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.1

Appendix 1 of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

Reason for this Report

1. To provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 August 2015 and highlight key changes from the previous report received as at 31 May 2015.

Background

2. The report attached at Appendix 1 provides the Committee with a snapshot of treasury performance, position statements on investments and borrowing. The report shows little change from the previous position.

Performance

3. At 31 August 2015, investments total £48.9 million. Interest income on investments is forecast as per budget, however external interest payable is, as at Month 4 budget monitoring, forecast to be £700,000 underspent. This is due to deferring the timing of external borrowing and utilising internal borrowing in the short term. Whilst subject to progress on expenditure on the capital schemes during the year, a forecast for internal borrowing at 31 March 2016 is £45 million. This assumes £15 million of borrowing will be undertaken by the end of the year. This forecast will be updated for the next monitoring report.

Investments

4. Pages 2 and 3 of the Performance Report consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.

5. The current investments list details each investment, the interest rate, the start date and maturity date. It also links this back to the credit criteria approved by Council in February 2015 by a colour coding which indicates the perceived strength of the organisation.

6. The level of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.

7. The charts that surround this table provide additional information and the key areas to highlight are shown below.

- **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
- **Remaining Maturity Profile of Investments**. Maturities of investments have been spread to achieve a balanced profile.
- **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
- **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
- **Investments by Financial Sector.** The majority of investments are with banks.

Borrowing

8. Apart from the £187 million borrowing, to undertake the HRA Settlement payment on 2 April 2015, no further borrowing has been undertaken during the year to date. £5.8 million of loans will mature in the year and options will also be considered in the remainder of the year to take up to £15 million of new loans to mitigate the risk of rising rates and to benefit from preferential rates (Project Rate) available for investment related to 21st Century School projects. Deferring the timing and quantum of external borrowing will increase the level of internal borrowing and result in further short term revenue budget savings.

Reason for Report

9. To provide Audit Committee Members with an update on the treasury management position as at 31 August 2015.

Legal Implications

10. No direct legal implications arise from this report.

Financial Implications

11. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

RECOMMENDATIONS

12. That the Treasury Performance Report for 31 August 2015 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
3 September 2015

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 16 September 2015

TREASURY MANAGEMENT ANNUAL REPORT 2014/15

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 7.2

Annexes B & C to this Appendix 1 of this report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972

Reason for this Report

1. To provide Audit Committee Members with the Treasury Management Annual Report before submission to Council in September in accordance with the Council's Treasury Management Policy.

Background

2. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee due to the technical nature of the documents. The report attached at Appendix 1 provides the Committee with the Treasury Management Annual Report for 2014/15. Audit Committee has already been appraised of the main contents of this report, from previous Treasury Management and performance reports.

Issues

3. In accordance with requirements, reports were submitted to Council in February 2014 indicating the Treasury Management Strategy for 2014/15 and a mid year report in December 2014. The following paragraphs cover the main highlights of the annual report for 2014/15.

4. The bank base rate remained unchanged at 0.5%. At 31 March 2015, investments stood at £54.9 million. The annual report includes charts indicating who the investments are placed with and for how long. All investments are deemed recoverable and so no losses are required to be recognised in the Council's Statement of Accounts for 2014/15. Interest receivable from treasury investments totalled £0.5 million during the year.

5. At 31 March 2015, the Council had £470.5 million of external borrowing, with £5 million of new borrowing and £7.8m of scheduled repayments during 2014/15. Interest payable during the year from its revenue budget on this debt

was £24.7 million of which £4.8 million was paid for by the Housing Revenue Account in accordance with statutory formulas.

6. The level of internal borrowing was £25 million at 31 March 2015. Lender Option Borrower Option Loans terms were not changed by the lender during the year, so these were not required to be repaid early, but remain a re-financing risk. Due to restrictive penalty costs, no debt rescheduling was undertaken during the year.

7. At the start of the financial year, the Council is required to set a number of prudential indicators for capital and revenue expenditure. During 2014/15, there was no breach of indicators requiring a separate report to Council. Local affordability indicators are also produced highlighting the percentage of the Council's budgets committed to capital financing costs.

8. For 2015/16, the Treasury Management Strategy was approved in February 2015 as part of the Budget Report. A significant change in 2015/16 is the settlement payment made for housing finance reform. Audit committee has already received details of the changes and that report will be used in informing Council of the outcome when submitting the Mid Year 2015/16 Treasury Management Report.

Reason for Recommendations

9. To allow Audit Committee to undertake the scrutiny of Treasury Management in accordance with Council's Treasury Management Policies.

Legal Implications

10. No direct legal implications arise from this report.

Financial Implications

11. This report provides a summary of the Council's Treasury Management activities during 2014/15. The report is required to be submitted to Council to discharge its reporting duties under the Treasury Management Policy adopted by the Council. This requires a report on treasury management at the start of the year, a mid year report and an annual report at the end of the year. The report is to note the activities and position of the prior financial year but highlights the level of investments, borrowing, risks and revenue impact of treasury management decisions.

RECOMMENDATIONS

12. That the Treasury Management Annual Report for 2014/15 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
01 September 2015

The following appendix is attached:
Appendix 1 – City of Cardiff Council Treasury Management Annual Report 2014/15

7.2 Appendix 1

Annexes B & C to this Appendix are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Treasury Management Annual Report 2014/2015

City of Cardiff Council

CARDIFF
CAERDYDD

Introduction

1. Treasury management activities are the management of an organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The Council carries out its treasury management activities in accordance with a code developed for public services in 2011 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. On 25th February 2010, Council approved policies and adopted the four clauses of the treasury management code which are replicated in **Annexe A** for information. Council received a report in February 2014 on the Council's Treasury Management Strategy for 2014/15 and a mid year review in December 2014.

4. This report provides members with an annual report for the Council's Treasury Management activities for 2014/15. It covers:-

   - the economic background to treasury activities
   - investment strategy and outturn for 2014/15
   - borrowing strategy and outturn for 2014/15
   - debt rescheduling
   - compliance with treasury limits and prudential indicators
   - treasury management issues for 2015/16

5. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and practices to be undertaken by the Council's Audit Committee. A number of reports were submitted to the Committee to note and review during the year, with each committee receiving a report on the position and performance of treasury investments and borrowing. Reports included the treasury management implications of housing finance reform as well as benchmarking of treasury management performance.

Economic Background

6. Interest rates for investment balances remained depressed during the year as expectations for an interest rate rise continued to recede. Cheap credit being made available to banks for the Funding for Lending Scheme, a significant reduction in the oil price; Euro uncertainty as a result of the Greek debt crisis and inflation heading towards zero in the UK resulted in uncertainty and depressed interest rates for borrowing and investments. The Bank Rate remained unchanged at 0.5% and the Bank of England maintained its policy on the level of quantitative easing.

Investments and Outturn

7. The management of the day-to-day cash requirements of the Council is undertaken in-house with credit advice from Capita Asset Services, the Council's Treasury Management Advisors. This may involve temporary borrowing pending receipt of income/long-term funds or the temporary lending of surplus funds. These temporary surplus funds fluctuate daily and arise from a number of sources including differences in timing of revenue and capital cash flows, reserves, provisions and other balances held for future use.

8. The Council invests with institutions listed on the Council's approved lending list and in accordance with investment guidelines established by the Welsh Government as reflected in the Council's investment strategy. Lending to these institutions is subject to the time and size limits laid down on that list. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Section 151 Officer under delegated powers and are monitored closely in conjunction with the Council's treasury advisors.

9. An extract from the investment strategy approved by Council in February 2014 is shown below.

> *Given the likelihood of internal borrowing and the interest rate forecasts identified above, longer term investments above one year will be unlikely. The Debt Management Agency Deposit Facility will be used only as a last resort.*

10. At 31 March 2015, investments stood at £54.9 million, with a short term investment strategy employed for most of the year. **Annexe B** shows with whom these investments were held.

11. A selection of performance indicators and benchmarking charts in relation to investments is included in **Annexe C.** The main areas to highlight at 31 March 2015 are as follows:-

    - Counterparty exposure against the maximum allowed directly with an organisation. This shows that at 31 March 2015 no exposure limits set were breached. This was also the case during the course of the year.
    - In accordance with recommended accounting requirements in Wales, the total for investments includes a five year £1 million cash backed indemnity with Lloyds Banking Group for the provision of mortgages under the Local Authority Mortgage Scheme.
    - Investments held with different institutions as a percentage of the total shows that investments are diversified over a number of organisations and this was a strategy applied where possible during the course of the year.
    - The geographic spread of investments as determined by the country of origin of relevant organisations. All investments are in sterling and countries are rated AA and above as per our approved criteria.

12. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2015, the probability of any default is low at circa 0.045% of the investments outstanding, £24,920.

13. All investments held at 31 March 2015 are deemed recoverable. Accordingly no impairment losses are reflected in the Council's 2014/15 Statement of Accounts arising from the Council's treasury management activities during 2014/15 or prior periods.

14. The overall level of interest receivable from treasury investments totalled £0.5 million in 2014/15. The returns achieved compared to industry benchmarks are shown in the table below.

	Return on Investment 2013/14		**Return on Investment 2014/15**	
	Benchmark 7day / 3month (%)	**Achieved (%)**	**Benchmark 7day / 3month (%)**	**Achieved (%)**
In-house	0.35 / 0.39	0.67	0.35 / 0.43	0.61

15. The benchmarks are the average of the 7 day London Interbank Bid Rate (LIBID) and 3 month LIBID respectively. These represent the average rate during the course of the year for investments for those periods. Performance exceeded benchmarks, due to availability of notice accounts offering higher deposit rates, however low rates are attributed primarily to bank rate remaining low.

Borrowing and Outturn

16. Long term borrowing is undertaken to finance the Council's capital programme. The main sources of borrowing are currently the Public Works Loan Board (PWLB) and the Money Markets.

17. At 31 March 2015, the Council had £470.5 million of external borrowing. This was predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity.

31 March 2014			**31 March 2015**	
£m	**Rate (%)**		**£m**	**Rate (%)**
420.7		Public Works Loan Board (PWLB)	418.1	
52.0		Market	52.0	
0.6		Other	0.4	
473.3	**5.22**	**Total External Debt**	**470.5**	**5.19**

Extracts from the borrowing strategy approved by Council in February 2014 are shown below.

The Council will aim to manage its debt portfolio on a long-term basis with a high regard to the effects on current and future Council Tax and Rent Payers.
The Council's borrowing strategy for 2014/15 and the capital financing revenue budgets included in the MTFP will consider all options to meet the long-term aims of:

- *Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.*
- *Reduction over time in the average rate of interest on Council borrowing.*
- *Ensuring a balanced maturity profile to ensure any refinancing risk is manageable each financial year, using opportunities to re-profile borrowing where cost effective to do so both in the short and long term.*
- *Ensuring borrowing plans are aligned to known capital expenditure spending plans, the useful life of assets created and consistent with the prudent provision for the repayment of any such expenditure paid for by borrowing.*

External verses internal borrowing
Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the 'cost of carry'), it makes financial sense to use any internal cash balances in the short-term to minimise costs (Internal Borrowing). However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future. From a high level balance sheet review undertaken for future years, this suggests that a maximum level of internal borrowing is circa £70 million, however this is also dependant on the commitments arising from revenue savings targets and pressures on the MTFP.

Whilst investment rates remain lower than long term borrowing rates internal borrowing will be used to minimise short-term costs where possible. The forecast level of internal borrowing as a percentage of the CFR is deemed manageable. However, based on the forecasts of future capital expenditure plans and high level analysis of the Council's balance sheet position for future years, internal temporary cash balances will be insufficient to meet the totality of cash requirements, thus external borrowing will be required to be undertaken in 2014/15.

18. During 2014/15 with borrowing rates below trigger rates determined by external treasury management advisors and in order to mitigate the risk of rising future rates, borrowing of £5 million was undertaken from PWLB at a rate of 3.52%. Together with the natural maturity of £7.8 million of primarily PWLB loans the overall effect was to reduce the average rate on the Council's borrowing to 5.19% at the 31 March 2015.

19. Total interest payable on external debt during 2014/15 was £24.7million of which £4.8 million was payable by the Housing Revenue Account (HRA). In total £26.2 million was set aside from General Fund and HRA revenue budgets in line with the Council's approved policy on provision for debt repayment.

20. Lender Option Borrower Option (LOBO) products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan.

21. The Council has six such loans totalling £51 million. And apart from the option to increase rates these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.

22. Interest rates on the Council's loans range between 3.81% and 4.35% which are not unreasonable and are below the Council's average rate of interest payable. Details of the loans are shown in the table below

23. None of the Council's Market Loans, which are Lender Option Borrower Option Loans (LOBOs) had to be repaid during 2014/15. However £24 million of the LOBOs are subject to the lender potentially requesting a change in the rate of interest payable every six months, which could trigger early repayment. There is a manageable refinancing risk as LOBOs form a relatively low proportion of the Council's overall borrowing at 10.8%.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.08%	01/09/2015	6 months	23/05/2067
6	4.28%	21/05/2015	6 months	21/11/2041
6	4.35%	21/05/2015	6 months	21/11/2041
6	4.06%	21/05/2015	6 months	23/05/2067
22	3.81%	21/11/2015	5 years	23/11/2065
5	4.10%	05/01/2018	5 years	17/01/2078

24. In accordance with the strategy, the Council has been undertaking internal borrowing which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. This is confirmed by a comparison of the Council's external level of debt and Capital Financing Requirement at 31 March 2015 as shown later in this report.

Debt Rescheduling

25. No debt rescheduling or early repayment of debt was undertaken during the year. The Council has undertaken restructuring previously; however the main obstacle currently is the level of premium (penalty) that would be chargeable on early repayment by the PWLB.

26. Excluding the new loans undertaken and value of Market loans, the premium payable on the balance of PWLB loans at 31 March 2015 eligible for early repayment (£407 million) is £278 million. This premium is payable primarily because:-

- Interest rates on loans of equivalent maturities compared to those held are currently lower
- A penalty rate or lower early repayment rate was introduced by HM Treasury in November 2007, which increased the cost of premiums and reduced flexibility of Local Authorities to make savings. This has been a significant thorn in the ability of local authorities to manage debt more effectively.

27. Whilst the cost of Premiums can be spread over future years, options for restructuring that have been considered result in an adverse Net Present Value (NPV). Whilst there may have been short terms savings, these were outweighed by potentially longer term costs. In addition and more significantly, the capital programme and investment requirements set by the Council, has a need to undertake additional external borrowing in future years. This is potentially when interest rates are higher, based on current forecasts. Were this not the case and the Council were to have surplus cash balances for a long period of time, then paying such premiums would be cost effective.

28. Opportunities for restructuring will continue to be considered in conjunction with our Treasury advisors and reported to Audit Committee periodically as part of standard Treasury Management updates which Cabinet and Council receive.

Compliance with treasury limits and prudential indicators

29. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the annual Treasury Management Strategy. The actual outturn for 2014/15 Prudential Indicators is set out in the following paragraphs and compared to the original estimates contained in the 2014/15 Budget Report. Future year's figures are taken from the Budget Report for 2015/16 and will be updated in the Budget Report for 2016/17.

30. An internal Audit review during 2014/15 provided satisfactory assurance in relation to controls in place to manage the Council's treasury activities.

Capital Expenditure

31. The "Prudential Code" requires the Council to estimate the capital expenditure that it plans to incur over the Medium Term. The actual capital expenditure incurred in 2014/15 and reported in the Outturn Report to Cabinet in July 2015 and estimates of capital expenditure for the current and future years as set out in the Budget Report of February 2015 are as follows:-

Capital Expenditure

	2014/15 Actual	**2014/15 Original Estimate**	**2015/16 Estimate Month 4**	**2016/17 Estimate**	**2017/18 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund	63	117	88	102	70

HRA	20	17	209	26	23
Total	**83**	**134**	**297**	**128**	**93**

Capital Financing Requirement (CFR) – The Borrowing Requirement (Excluding Landfill Provision)

32. The CFR is the Council's underlying need to borrow for a capital purpose. It represents the amount of capital expenditure incurred but not yet paid for through capital receipts, grants and charges to the revenue account via a prudent provision for repayment of capital expenditure. It is capital expenditure incurred historically and ultimately paid for by borrowing money. It should be noted that the CFR figures quoted below exclude non cash backed provisions in relation to Landfill after care provision. This relates to future expenditure obligations over a 60 year period.

33. The CFR as at 01 April 2014 was £485 million. The actual CFR as at 31 March 2015 and estimates for current and future years (estimated in the February 2015 budget) are shown in the table below:-

Capital Financing Requirement (Excludes landfill provision)

	31.03.2015 Actual £m	**31.03.2015 Original Estimate £m**	**31.03.2016 Estimate £m**	**31.03.2017 Estimate £m**	**31.03.2018 Estimate £m**
General Fund	400	440	432	453	454
HRA	95	93	282	289	302
Total CFR	**495**	**533**	**714**	**742**	**756**
External Debt	**470**				
Over / (Under) Borrowing	**(25)**				

34. Receipt of grant funding in advance, slippage and review of schemes proposed in the Capital Programme are contributory factors to the CFR being lower than originally estimated. By comparing the CFR at 31 March 2015 (£495 million) and the level of external debt at the same point in time (£470 million), it can be seen that the Council is temporarily using circa £25 million of internal cash balances to finance the Capital Programme at 31 March 2015.

35. As set out in the February 2015 Budget Report, the CFR for the General Fund is forecast to increase over the next three years due to increasing investment in the current Capital Programme which includes increasing levels of additional borrowing for invest to save schemes. These forecasts will be updated in the 2016/17 Budget Report.

Actual External Debt

36. The Code requires the Council to indicate its actual external debt at 31 March 2015 for information purposes. This was £470 million as shown in the earlier paragraphs.

Affordable Borrowing Limit

37. The Council has a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations to determine and keep under review how much it can afford to borrow and to enter into credit arrangements (the “Affordable Borrowing Limit”). This cannot be breached without Council approval. Council must have regard to the Prudential Code when setting this limit which is intended to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax/rent levels is affordable.

38. During 2014/15 the Council remained within the authorised limit of £593 million set for that year.

Operational Boundary

39. The operational boundary is the estimated level of external borrowing and is subject to the timing of borrowing decisions. The boundary was originally estimated at £532 million to match the forecast for the CFR, but the actual level of external debt equalled £470 million as less new borrowing was undertaken during the year than originally planned.

Maturity Structure of Fixed Rate Borrowing

40. The maturity structure remains within the limits below approved as part of the 2014/15 strategy. These limits were set to avoid having large amounts of debt maturing in a short space of time, thus being exposed to significant liquidity risk and interest rate risk.

	31-Mar-14		Upper limit	31-Mar-15			
				Loans to Maturity		Loans if LOBO's Paid Early	
	%	£m	%	%	£m	%	£m
Under 12 months	1.6	7.8	10.0	1.2	5.8	11.0	51.8
12 months and within 24 months	1.2	5.7	10.0	1.4	6.7	1.4	6.7
24 months and within 5 years	3.3	15.6	15.0	2.3	10.9	3.4	15.9
5 years and within 10 years	3.0	14.1	15.0	3.2	15.1	3.2	15.1
10 years and within 20 years	17.0	80.3	30.0	18.4	86.3	18.3	86.3
20 years and within 30 years	16.2	76.6	35.0	17.1	80.6	14.6	68.6
30 years and within 40 years	26.6	126.1	35.0	28.3	133.1	28.3	133.1
40 years and within 50 years	22.8	108.1	35.0	19.8	93.0	19.8	93.0
50 years and within 60 years	7.2	34.0	15.0	7.2	34.0	0.0	0.0
60 years and within 70 years	1.1	5.0	5.0	1.1	5.0	0.0	0.0

41. The maturity profile of the Council’s borrowing as at 31 March 2015 is shown in **Annexe D**. Unless the Council’s LOBO loans are repaid early, very little debt matures

within the next 10 years. In the medium to long term, efforts will be made to restructure loans maturing in 2056/57 and to review LOBO maturities in order to reduce refinancing risk.

Ratio of financing costs to net revenue stream

42. This indicator shows the proportion of the Council's net revenue stream (its core budget) that is subsumed each year in servicing debt financing costs. Financing costs include, interest payable and receivable on treasury management activities, premiums or discounts on debt restructuring and prudent revenue budget provision for repayment of borrowing.

43. For the General Fund, net revenue stream refers to the aggregate of the Revenue Support Grant, redistributed Non-Domestic Rates and the Council Tax precept. For the HRA, it is the total of Housing Subsidy and HRA revenue.

Ratio of Capital Financing Costs to Net Revenue Stream

	2014/15	**2014/15**	**2015/16**	**2016/17**	**2017/18**
	Original Estimate %	Actual %	Estimate %	Estimate %	Estimate %
General Fund	6.24	6.15	6.30	6.46	6.77
HRA	15.51	15.86	35.01	34.42	34.48

44. As reported in the 2014/15 Outturn report to Cabinet in July 2015, an underspend in the capital financing budget is the main reason for the reduction in the General Fund ratio from the original estimate for 2014/15 coupled with an increase in Net Revenue Stream. The ratio will increase if there is lower interest receivable on investments, additional loan repayment costs from unfunded increases in capital expenditure and if future revenue settlements from Welsh Government decrease.

The increase in the HRA ratio in 2014/15 reflects an increased share of Council's overall external interest payable, as well as additional contribution for prudent repayment of debt.

45. Whilst the indicator above is a required ratio, it has a number of limitations. The indicator:

- Does not take into account the fact that some of the Council's budget is non-controllable, delegated or protected.
- Is impacted by transfers in and out of the settlement.
- Includes investment income which is highly unpredictable, particularly in future years.
- Does not reflect gross capital financing costs for schemes that are undertaken by initial borrowing ultimately to be repaid from within service area budgets.

46. Although there may be short term implications, approved invest to save schemes such as the School Organisation Plan are intended to be net neutral on the capital financing

budget. There are however risks that the level of income, savings or capital receipts anticipated from such schemes will not materialise, having a detrimental long term consequence on the Revenue budget. This requires careful monitoring when considering future levels of additional borrowing.

47. Accordingly additional local indicators were developed and are shown in the table below for the period up to 2019/20. These indicators, which will be updated in the budget proposals report for 2016/17, show the capital financing costs of the Council as a percentage of its controllable budget and excludes treasury investment income on temporary cash balances:-

Capital Financing Costs as percentage of Controllable Budget									
	2011/12 Actual %	2014/15 Original Estimate %	2014/15 Actual %	2015/16 Estimate %	2016/17 Estimate %	2017/18 Estimate %	2018/19 Estimate %	2019/20 Estimate %	Difference 11/12-19/20 %
Net	13.47	15.46	15.67	16.65	18.41	20.63	21.95	22.61	67.85
Gross	15.17	19.16	18.76	20.77	22.94	26.56	28.83	29.54	94.73

48. Whilst the method on which the above indicator is based continues to be refined, it is a useful measure of risk to affordability. An increasing ratio indicates that a greater percentage of the budget that is controllable is required for capital financing costs which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. Careful monitoring of these indicators will be required over the life of the Capital Programme and the Medium Term Financial Plan.

As the Council realigns itself strategically to lower funding levels it will need to consider the level of debt and potential financial resilience issues that may be a consequence of increasing borrowing.

Principal Invested for over 364 days

49. An upper limit for principal invested over 364 days was originally set at £60 million and this was not breached, primarily due to the strategy adopted of minimising the period for which investments are made during 2014/5.

Treasury Management issues for 2015/16

50. Whilst this report is primarily in relation to Treasury Activities for 2014/15, some key issues for 2015/16 are below, with further information to be included in the Mid Year Treasury Management Report to Council.

51. Following the final outcome of the Housing Revenue Account Subsidy settlement agreed by the Council, borrowing of £187.4 million was undertaken and payment made on 2 April 2015 to WG. Overall Council borrowing totalled £657.9 million

following the settlement payment, with the average rate on the Council's borrowing reducing to 4.97%. General fund and HRA borrowing continues to be part of a single pool as it is all deemed to be Council borrowing and a limit to indebtedness was introduced for the Housing Revenue Account as part of the agreement. Further information on the settlement payment will be included in the Mid Year Treasury Management Report to Council.

52. Internal borrowing at 31 March 2015 was £25 million, whilst interest rates for investments remain low, the timing of undertaking external borrowing is likely to be deferred in order to maximise savings. However consideration will be given to taking an element of the Council's borrowing requirement in 2015/16 in order to mitigate against the risk of increasing long term interest rates.

Christine Salter
Corporate Director Resources
01 September 2015

The following Annexes are attached:-
Annexe A – Treasury Management Policy and Four Clauses of Treasury Management
Annexe B – Investments at 31 March 2015
Annexe C – Investments Charts at 31 March 2015
Annexe D – Maturity Analysis of Debt as at 31 March 2015

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010

Council's treasury management Policy / Activities

- This Council defines its treasury management activities as: the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks
- This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications
- This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management

Four Clauses of Treasury Management

1. In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:-

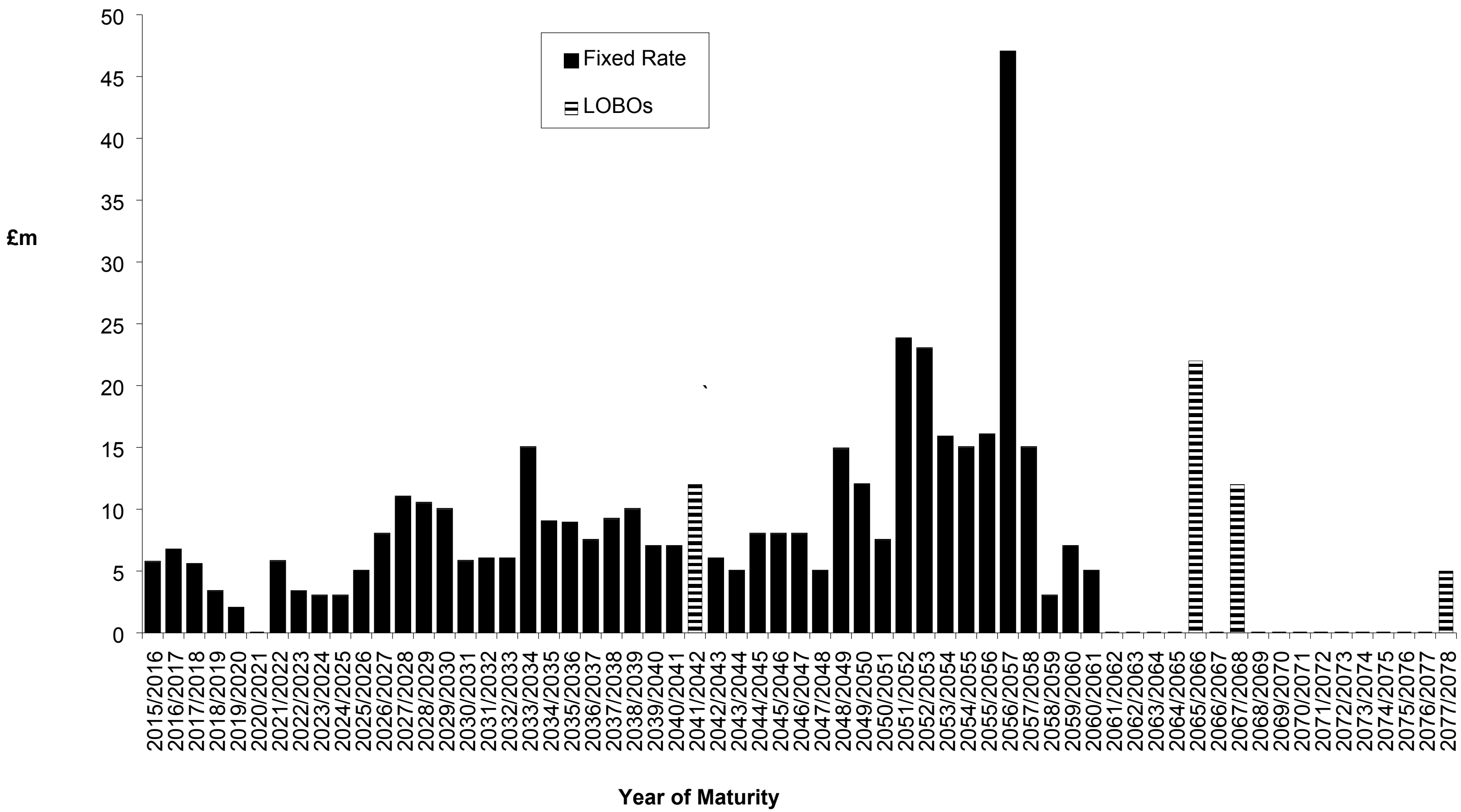
    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
    - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

2. In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.

3. In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Panel due to the technical nature of the documents.

Annexe D – Maturity Profile of Debt at 31 March 2015



By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

Audit Committee – Action Plan

Item 9.0

(Updated following meeting held on 22nd June 2015)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance			
AN4.1 23.03.15	**Budget Update** Audit Committee to receive a report highlighting how the Committee can add value, on behalf of the Council, in setting the Budget.		CS
AN5.2 22.06.15	**Draft Statement of Accounts 2014-15 (including AGS)** Paragraph 149 of the AGS to be amended to reflect the Committee's concerns about the ability of Internal Audit to provide effective assurance, if resources fall below an acceptable level.	Completed	DJK
22.06.15	Audit Committee to be sent the July Cabinet report on the Budget Strategy 2016-17.	Completed 23.07.15	DJK
Governance & Risk Management			
MN59 23.03.15	**Senior Management Assurance Statement 2015/16** That Section 9 of the SMAS is to be reviewed to clarify the role of Directors in relation to having controls in place to reduce the incidence of fraud.	16.09.15	DJK
AN6.3 22.06.15	Audit Committee requested a SMAS be completed and outcome reported back to Committee.	December 15	DJK
AN6.3 22.06.15	That the Committee be provided with a report on the responses to the question on PPDRs contained in the Employee Survey and on the outcome of the survey.	December 15	DJK
22.06.15	**Audit Committee Annual Report 2014/15** The Audit & Risk Manager to contact Ian Arundale to request his attendance at the Full Council meeting to present the Committee's Annual Report.	24.09.15 Completed	Chair
AN6.5 22.06.15	**Procurement & Contracting Sub Group** That relevant officers should attend the Audit Committee meeting in September to discuss Member concerns on the Building Maintenance Framework, and the progress of the action group in implementing the recommendations from the Constructing Excellence review.	16.09.15	Chair/DJK
Items of Interest for Members			
AN6.1 22.06.15	**Items of Interest for Members** That a Value for Money audit be considered in respect of the way in which schools employ supply teachers.	Ongoing	DJK
AN6.1 22.06.15	That Committee members should receive a copy of the July Cabinet report, titled, Alternative Delivery Models (ADM).	Completed 23.07.15	DJK
Wales Audit Office (WAO)			
MN37 08.12.14	**Organisational Development Plan / WAO Assessment** Wales Audit Office to report updates in relation to the ongoing Improvement work at each meeting and advise on when the follow-up to the Corporate Assessment exercise will be undertaken.	Quarterly / ongoing	WAO

Minute No. /Agenda No.	Actions	Timeline	Action Owner
22.06.15	The Committee receive a full update in September 2015, and this will include an officer view on progress made.	16.09.15	CS
AN6.7 22.06.15	Audit Committee to receive a copy of the July Cabinet report "An Update on the Organisational Development Programme" by the CEO.	Completed 23.07.15	DJK
22.06.15	WAO to provide updates on progress made on their work relating to their original Corporate Assessment at each Audit Committee meeting and present their final report once prepared.	On-going	WAO
22.06.15	WAO to provide an executive summary of their reports and be circulated as part of the Agenda papers.	On-going	WAO
AN6.1 23.03.15	**Annual Financial Audit Outline** All 'Value for Money' reports published by the WAO to be reported to Audit Committee. The outcome of National Studies, with key messages, to be relayed to the Committee.	When available	WAO/DJK
	The Committee be provided with further information / intelligence on how the fee of the WAO's work is formulated e.g. benchmarking / comparisons with other local authorities.	March '16	WAO
Treasury Management			
Internal Audit			
AN8.2 19.01.15	**Value for Money** Committee requested a further briefing on Agency Spend to identify further potential savings. This report should also consider further savings in relation to stand-by allowances where spend was considered high.	January 2016	DJK
MN09 22.06.15	**Core Cities** The Committee be provided with a report on the Core Cities Group.	December 15	DJK
MN09 22.06.15	**Assurance Mapping** Further information to be provided later in the year.	December 15	DJK
Outstanding Actions			
AN10.2 22.06.15	**Education – Governance** The Director of Education to provide a further briefing on school balances.	March '16	NB
AN10.2 22.06.15	**Director Strategic Planning & Highways – Response to Internal Audit Report** That the Committee receives a further progress report in six months.	January 2016	DJK

DRAFT Audit Committee Work Programme 2015-16

Key: One-off Items

Topic	Wednesday 16.09.15 at 2pm (CR4)	Monday 30.11.15 at 2pm (CR4)	Monday 01.02.16 at 2pm (CR4)	Tuesday 22.03.16 at 2pm (CR4)	Wednesday 22.06.16 at 2pm (CR4)	September '16
Wales Audit Office	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update
	Annual Improvement Report (deferred from June)			Annual Financial Audit Outline *(to include revised statement of responsibilities)*	Annual Improvement Report	
	Audit of Financial Statement Report (ISA260)			Cardiff & Vale Pension Fund Audit Plan	Regulatory Prog. Update & Fee information 2016-17	Audit of Financial Statement Report (ISA260)
	Report progress updates and Value for Money studies	Report progress updates and Value for Money studies	Report progress updates and Value for Money studies	Report progress updates and Value for Money studies	Report progress updates and Value for Money studies	Report progress updates and Value for Money studies
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
	Annual Report	Half Year Report	Strategy 2016-17	Treasury Management Practices		Annual Report
Finance	Budget Strategy	Budget Update	Budget Update	Budget Update	Budget Update	Budget Strategy
				Draft Statement of Accounts/AGS (report any changes in accounting policy)	Draft Statement of Accounts 2015-16 (including the AGS)	
	Annual Report Statement of Accounts& Audit of Statements Report					Annual Report Statement of Accounts& Audit of Statements Report
	Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund					Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund
Internal Audit		Half Yearly Progress Report	Progress Update	Progress Update	Progress Update	Progress Update
		Measuring Effectiveness of Internal Audit	Assurance Mapping	Audit Strategy 2016-17	Internal Audit Annual Report 2015-16	
Governance and Risk Management	Organisational Development Plan Update (CS)		Audit Committee Annual Report Discussion	Audit Committee Draft Annual Report 2015-16	Audit Committee Annual Report 2015-16	
			Audit Committee Annual Self Assessment Review 2014-15			Self Assessment Workshop (pre Committee meeting exercise)
		Corporate Risk Register (Mid Year)			Corporate Risk Register (Year End)	
		AGS 2014-15 Action Plan (Mid Year)		Draft Annual Governance Statement '15/16		
Operational matters / Key risks	Bldg. Maintenance Disabled Facilities Services Contracts (S McGill, J Thomas, L Ironfield, S Bartlett)		Education – Briefing on Schools in Deficit			

This page is intentionally left blank