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## AGENDA

**Committee**                   AUDIT COMMITTEE

**Date and Time of Meeting**       MONDAY, 22 JUNE 2015, 2.00 PM

**Venue**                         COMMITTEE ROOM 4 - COUNTY HALL

**Membership**               Independent Members: Sir Jon Shortridge (Chair), Ian Arundale, Professor Maurice Pendlebury and Hugh Thomas

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

*Time approx.*

- |          |  |         |
|----------|--|---------|
| <b>1</b> | <b>Apologies for Absence</b>   | 2.00 pm |
|          | To receive apologies for absence.  |         |
| <b>2</b> | <b>Appointment of Chairperson</b>  | 2.00 pm |
|          | To appoint a Chairperson and Deputy Chairperson for the Audit Committee for the Municipal Year 2015/16.  |         |
| <b>3</b> | <b>Declarations of Interest</b>  | 2.00 pm |
|          | To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.   |         |
| <b>4</b> | <b>Minutes</b> ( <i>Pages 1 - 12</i> )   | 2.10 pm |
|          | To approve as a correct record the Minutes of the Meeting held on 23 March 2015  |         |
| <b>5</b> | <b>Finance</b> ( <i>Pages 13 - 212</i> )   | 2.15 pm |
|          | 5.1 Budget - verbal update (to include any comments arising from the presentation on Council financial resilience & the Medium Term emailed to Audit Committee members on 19 May together with progress towards the Budget Strategy for 2016/17) |         |

Receiving this report pack electronically will save the local authority £26.71 in printing costs.

5.2	Draft Statement of Accounts 2014-15 (including AGS)	
<b>6</b>	<b>Governance &amp; Risk Management</b> ( <i>Pages 213 - 266</i> )	<b>2.50 pm</b>
6.1	Items of Interest for Members	
6.2	Annual Governance Statement 2014-15	
6.3	Senior Management Assurance Statements – Summary	
6.4	Audit Committee Annual Report 2014-15	
6.5	Procurement and Contracting Sub-Group – update	
6.6	Corporate Risk Register Year End 2014-15	
6.7	Organisational Development Programme – Comments on PRAP Report	
<b>7</b>	<b>Wales Audit Office</b>	<b>3.40 pm</b>
8.1	Report progress updates and Value for Money studies	
8.2	Corporate Assessment Update	
8.3	Regulatory Programme Update & Fee Information (Benchmarking Comparisons) 2015-16	
8.4	Cardiff & Vale Pension Fund Audit Plan	
<b>8</b>	<b>Treasury Management</b> ( <i>Pages 267 - 296</i> )	<b>4.10 pm</b>
	<b>Appendix 2 and Appendix 3 to the report for agenda item 8.1 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</b>	
8.1	Performance Report	
	<b>Appendix 1 and Appendix 2 to the report for agenda item 8.2 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</b>	
8.2	Benchmarking Statistics	
<b>9</b>	<b>Internal Audit</b> ( <i>Pages 297 - 332</i> )	<b>4.25 pm</b>
	<b>Appendix C to Annex 1 of the report for agenda item 9.1 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</b>	

- 9.1 Internal Audit Annual Report 2014-15
- 9.2 Quarter 1 Progress Report 2015-16
- 10 Outstanding Actions** (*Pages 333 - 362*) 4.40 pm
- 10.1 **Audit Related**
- Internal Audit - Audit Plan – further detail
  - Assurance Mapping
- 10.2 **Other**
- Director Strategic Planning & Highways – Response to Internal Audit Report
  - Director of Education Annual Report on School Governance and Deficits (**report to follow**)
- 11 Work Programme** (*Pages 363 - 368*) 4.55 pm
- 12 Any Other Business** (*Pages 369 - 370*)
- Appointment of Committee and Terms of Reference
- 13 Date of next meeting**
- To be confirmed at this meeting.

**Christine Salter**  
**Corporate Director (Resources)**

Date: Thursday, 16 June 2015  
Contact: Paul Burke,  
029 2087 2412, PaBurke@cardiff.gov.uk

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**These minutes are draft and are subject to approval as an  
accurate record at the next meeting of  
the Audit Committee to be held on 22 June 2015**

## AUDIT COMMITTEE

23 MARCH 2015

Present: Sir Jon Shortridge (Chairperson), Professor Maurice Pendlebury, Ian Arundale and Hugh Thomas

County Councillors McGarry, Murphy, Robson, Walker and Weaver

55: APOLOGIES: Apologies were received from Councillor Howells

56: DECLARATIONS OF INTEREST

The 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.

57: MINUTES AND ACTION PLAN

RESOLVED –

- 1) That the minutes of the meeting of the Audit Committee of 19 January 2015 be agreed as a correct record of the meeting and signed by the Chairperson.
- 2) When the Corporate Risk Register is next reported to Audit Committee, the Audit & Risk Manager to include within the report a response to the query relating to Hostile Vehicle Mitigation and the potential risk of extremist behaviour.

58: FINANCE

Budget Update

The Committee was given an update by the Section 151 Officer. The Committee noted that after some amendment and debate the Council's budget had been agreed at the full Council meeting on 26 February 2015. In the budget report the financial implications carried some serious messages that the financial resilience of the Council was a cause of concern looking into the medium term and this would be brought to the attention of decision-makers on a more regular basis. In the medium term there was likely to be a budget gap of £120 million over three years and the Council must look at finding different ways of delivering services. In respect of the current year at a Directorate level it is projected that there may be an overspend of £4.8 million net and enhanced controls had been put in place from January 2015. Overall, however, the Council was now projecting a balanced position which was an improvement on the previous projection which would have required the withdrawal of £725,000 from reserves.

The Chairperson invited questions from the Committee.

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The Committee requested a future discussion on the Budget Strategy encompassing the policies, budget assumptions and tools which underpin the Strategy, and the Section 151 Officer agreed that this would be useful for the committee.

The Committee suggested that the Budget 2015/16 – Quick Q&A document that formed part of the Budget Update report was an ideal summary and would be valuable to all Members and not just those who sit on the Committee.

The Committee noted that the £35 million budget to support capital financing obligations is being retained and asked where the decision to build the Eastern Leisure Centre fits in to this. The Committee was advised that the decision to build was taken in February 2014, although the programme was reviewed as part of the 2015/16 budget preparation. Once a project is included in the capital programme then the funding has to be put in place.

The Committee asked for clarification on the capitalisation direction and was advised that last December the Council applied to the Welsh Government (WG) for funding that it could use during 2015/16 towards the costs of certain types of day to day running costs, including voluntary severance (VS) and organisational change. However this expenditure would need to be funded from new capital receipts. WG has decided to authorise £7.2 million over two years and the Council has received a capitalisation direction of £4.821 million for 2015/16. The Council will consider making further bids for the funding for 2016/17 at the appropriate time.

The Committee noted that the Council will have to make further cuts but can only direct cuts at approximately 40% of its overall budget. The Committee enquired how its members might get a feel for which areas of service provision are likely to be subject to the most intense budget pressure. The Committee was advised that some areas of provision are protected and others, whilst desirable in that they make the city a better place to live, are not. Even with statutory provision such as Children's Services, the Council has to identify where further savings can be made. There is a need to look at what will be the Council's redesigned final state, and at what it will look like in three years time.

The Committee enquired about current performance management arrangements, which will play a part in the redesign of the Council. The Committee was advised that attitude and compliance in relation to performance management is much improved now and that the Wales Audit Office (WAO) should see this improvement when they revisit the Corporate Assessment work.

With regard to statutory services, the Committee asked the Section 151 Officer what she would like to see in terms of savings proposals coming from those service areas and what she would expect in terms of timescales for delivering those savings. The Committee was advised that some good proposals are being made and that it is important to keep driving these through. A major proposal in Children's Services is the Payment by Results (PBR) initiative, which will achieve savings by reducing the use of expensive out-of-county placements for Looked After Children. A provider has been secured and it is thought that over several years PBR will save several million pounds.

Regarding WG protection for schools budgets, the Committee was advised that WG instructed that schools budgets should be increased by 0.6% but Cardiff actually approved an increase of £2.5 million more than that due to the financial pressures that were evidenced. A further £3

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million increase was made due to the increase in pupil numbers resulting from demographic pressures. About half of the secondary schools in Cardiff are running deficit budgets and they are being supported by the local financial management of schools team, as well as by advisors from the Central South Consortium Joint Education Service and from Education.

The Chairperson suggested that consideration be given to what implications the outcome of the 2015/16 budget has for the Committee's work programme, to whether there are particular things that the Committee should monitor and what the Committee could do to inform the budget setting process for next year. The Chairperson requested that the Section 151 Officer produce a short paper on how the Committee can add value to the Council.

RESOLVED –

- 1) That the report be noted.
- 2) That the Audit Committee is to receive a report on the Budget Strategy encompassing the policies, budget assumptions and tools which underpin the Strategy.
- 3) When available, the Committee is to receive the finance 'bubble charts' showing the budget position for 2015/16.
- 4) That the Audit Committee is to receive a report highlighting how the Committee can add value, on behalf of the Council, in setting the Budget. Recommendation would suggest future items to be added to the Committee's Work Programme.

#### Accounting Policy

The purpose of this report was to provide Audit Committee Members with an update on changes to accounting policies included in the 2014/15 CIPFA Code of Practice and potential impact for the Councils statement of accounts. The report also highlighted future Code updates that are likely to have a significant impact on the accounts.

RESOLVED – That the report be noted.

#### 59: GOVERNANCE AND RISK MANAGEMENT

##### Senior Management Review

This report gave the Committee an opportunity to give feedback on the Senior Management Review, the detail of which was contained in a Cabinet report that had been circulated by the Audit and Risk Manager. The number of senior management posts is being reduced by combining some posts. Recruitment to the new posts has started and it is hoped that the process will be completed by the end of May.

The Committee felt that merging the post of County Solicitor with that of the County Clerk and Monitoring Officer will create some issues regarding governance and is something that the Committee will need to monitor. The Committee also noted that reviewing these posts so soon after the creation of the current senior management structure could create a reputational risk for the Council. The Committee felt some disquiet about the review as it was felt that reviews of this kind can be counter-productive in terms of savings and reputation. However, the Committee was advised that the Chief Executive had discussed the proposals with the

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Council's external regulators who understood the need to rationalise in order to focus on priority areas.

RESOLVED – That the report be noted.

Audit Committee Self-Assessment 2015 – Feedback/Action Plan

On 19 January 2015 the Audit Committee undertook a Self Assessment Workshop. As a result of the workshop seventeen proposed actions for improvement were identified and these were included in the report for the Committee to consider and comment on.

It was suggested that Independent Members of this and other committees could become more involved in the work of the Council, and that agendas for Audit Committee meetings could include a standing item to allow Elected Members to draw issues to the attention of Independent Members of the Committee.

It was noted that one proposed improvement involved circulating the documents for 'information only' items to the Committee rather than including them as items on the agendas for meetings. This would allow more time at meetings to be devoted to items of importance. The Chairperson welcomed the introduction of an "Outstanding Actions" Agenda item to report back on items, rather than have individual reports for information, but felt that there was still some way to go in distilling out the issues that are of real importance to the Committee and reducing the volume of information received by Members. The Committee was advised that in the Corporate Assessment the WAO raised this issue in relation to all committees.

RESOLVED –

- 1) That the report be noted.
- 2) That a standard item should be added to every agenda, 'Items of interest for Independent Members' delivered by the Elected Members.

Draft Annual Governance Statement (AGS) 2014/15, including the Senior Management Assurance Statements (SMAS).

The Committee had requested that at this meeting it be given an overview of the process for preparing the Annual Governance Statement and be given the opportunity to consider and contribute to a draft.

The Audit and Risk Manager presented the draft Statement and informed the Committee that an Assurance Mapping exercise had begun to inform work in this area over time. Directorates have been asked for a list of any regulatory, inspection or auditing regimes, with which they engage. This will enable an Assurance Map to be prepared which should provide an overview of the work of others and provide greater assurance in relation to governance, risk and internal control matters. Significant issues that arise from the SMAS will be discussed with the Senior Management Team (SMT) in May.

The Chairperson invited questions and comments from the Committee.

The Committee noted that section 9 of the SMAS states that 'All suspected cases of fraud or financial impropriety are referred promptly to Internal Audit.' and suggested that more was



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needed on the responsibility of Directors to act to deter fraud through having robust controls in place.

The Committee enquired how it could be sure that the responses given by Directors in the SMAS had been acted on. The Committee was advised that Internal Audit has built in independent challenge and requires evidence to support the views expressed. Responses to the SMAS questions will be reported to the Committee and to Senior Management Team for consideration of which issues should feature in the Annual Governance Statement

Regarding external audit and inspection (particularly para. 119 of the AGS), the Committee asked how it would get feedback, either from the WAO or internally, on progress made in addressing the issues raised in the WAO Corporate Assessment - issues that are fundamental to the work of the Council and its efforts to re-organise and make savings. The Committee was advised that in June 2015 officers will consider an update on the implementation of the Corporate Assessment update. The Policy Review and Performance Scrutiny Committee (PRAP) is also monitoring the response to the Corporate Assessment.

The Committee noted that a number of proposals for improvement have been instigated through 2014/15 (para. 32 of the AGS) and suggested that the Committee needs to understand the effect of these measures since this would be useful to the Committee in its future work.

In summary, the Chairperson made the following points:

- Section 9 of the SMAS should be clarified regarding the matter of fraud.
- Consideration should be given both to the way in which the Audit Committee engages with all the work that is being carried out in response to the WAO Corporate Assessment and to the way this response is reflected in the AGS.
- In order to inform the work of the Audit Committee and to avoid duplication of work, a letter will be sent to the Chairperson of PRAP to establish what work that committee is doing regarding the response to the Corporate Assessment.

RESOLVED –

- 1) That the report be noted.
- 2) That the Audit Committee is to be provided with a summary of the Senior Management Assurance Statements (SMAS) when the draft Annual Governance Statement 2014/15 is presented.
- 3) 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.
- 4) That a letter is to be sent to the Chairperson of the Policy Review and Performance Scrutiny Committee requesting information on its work regarding the Corporate Assessment.
- 5) Policy Performance and Review Report to be shared with Committee members and any comments and views on the way forward to be discussed at the next meeting.

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Audit Committee Annual Report

The Audit and Risk Manager gave the Committee a verbal update on progress being made on the Committee's Annual Report.

RESOLVED –

- 1) That the report be noted.
- 2) That the views of the Committee be taken into account in the Draft Annual Audit Committee Report 2014-15.

Procurement & Contracting Sub-Group

The sub-group has met. The Audit and Risk Manager would like clear direction on what the group is seeking to achieve. The Audit Committee has a particular role within the Council and the terms of reference of the sub-group should fit in with that.

RESOLVED –

- 1) That the report be noted.
- 2) That the Terms of Reference be formed for the Sub Group with guidance from the County Clerk & Monitoring Officer, and reported back to Committee.

WG White Paper – 'Power to Local People'

The Audit and Risk Manager is to circulate a White Paper that is of particular relevance to the Committee. On behalf of the Committee he has put forward a response to the White Paper and invited Members to comment on any feedback they would like to give on this consultation document.

RESOLVED –

- 1) That the report be noted.
- 2) That the Welsh Government's consultation 'Reforming Local Government White Paper' be circulated to Members of the Committee.

60: WALES AUDIT OFFICE (WAO)

Annual Financial Audit Outline

The Chairperson welcomed Non Jenkins, WAO Local Government Manager (South East) Wales region and Ann-Marie Harkin, Financial Audit Director.

The Committee received the WAO audit plan for 2015, which included financial and performance audits. The WAO's fee will be 2.5% lower than it was last year and the WAO hopes to be able to continue to reduce its fee in future years. The aim is to finish the financial

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audit by the end of September 2015. The WAO are in discussion with other regulators and later in the year will be in a better position to say when it will carry out the review of the Corporate Assessment. Most of the work will be follow-up work.

On fees, the Committee enquired to what extent the WAO benchmarks itself against Audit Scotland and the Northern Ireland Audit Office. The Committee was advised that the WAO does benchmark against WAO Scotland and could provide the Committee with more information on this, including information on the median fee.

In summary the Chairperson made the following points:

- The Committee would like more information on the WAO fee and how the fee charged to the Council compares with fees charged to other local authorities.
- On Value for Money (VFM) audits, it would be helpful if at each meeting of the Committee WAO officers advised on issues of relevance to the council which have emerged from their latest VFM audits.
- On follow-up audits, it would be useful if WAO officers advised the Committee of any particular findings, so that the Committee could engage with those issues.

RESOLVED –

- 1) That a joint training session should be held by Finance Staff and the Wales Audit Office to inform Members of the Committee of the questions to be considered when challenging the Draft Financial Statements 2014/15. At this meeting, consideration would also be given to whether separate meetings with WAO should be established.
- 2) That all 'Value for Money' reports published by the WAO are to be reported to Audit Committee. The outcome of National Studies, with key messages, are to be relayed to the Committee.
- 3) That 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.

## 61: TREASURY MANAGEMENT

### Performance Report

The Operational Manager, Capital & Treasury, presented this report and advised the Committee that little has changed since his last report. There has been an internal audit review of Treasury activities that has revealed only a minor area to be addressed. In respect of borrowing, it was indicated that there would be no further borrowing in the rest of 2014/15, but in 2015/16 borrowing in respect of 21<sup>st</sup> Century schools schemes will be considered at the project rate. Where available, benchmarking information was to be supplied as part of the performance report in June 2015.

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At the Committee's meeting in June 2015, a report will be provided on the outcome of changes in relation to Housing Reform Subsidy. The Committee asked whether there is still confidence that there will be a financial benefit to the Council as a result of these changes. The Committee was advised that this has been discussed with WG and it is expected that the Council will benefit to the sum of about £3 million per year.

RESOLVED – That the report be noted.

Treasury Management Practices 2015/16

Appendix 1 to the report for agenda item 7.2 (Treasury Management Practices 2015/16) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, 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 inform the Committee of the proposed Treasury Management Practices (TMPs) to apply from April 2015, and to give the Committee the opportunity to comment. The Committee was advised that the code of practice adopted by the Council covers controls, processes and practices in areas such as assessment of risk, training and performance management. There has been little change in the practices since it was last received by the Committee.

The Committee discussed aspects of the report and confirmed with Internal Audit that the controls within it were reasonable.

RESOLVED – That the report be noted.

62: INTERNAL AUDIT

Executive Summary Report - Quarter 4

Appendix A to the report for agenda item 8.1 (Executive Summary Report – Quarter 4) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, 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.

A copy of Executive Summaries for audits where there is a 'Limited' or 'No Assurance' audit opinion are reported to Audit Committee throughout the year. The reports provide Members of the Audit Committee with an overview of areas of concern and where it is considered that the internal control environment merits improvement.

The Audit and Risk Manager went through the key points of the Executive Summary, attached to the report.

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The Audit and Risk Manager advised the Committee that following discussion with the Section 151 Officer it has been decided to introduce another stage into the process for reporting Executive Summaries. It is proposed that the Chief Executive will be copied in to any audit outcomes where a 'Limited Assurance' audits opinion. This should ensure that recommended actions are taken with appropriate urgency.

The Chairperson invited questions and comments from the Committee.

The Committee suggested that if an audit reveals an issue that concerns the welfare of people, then more immediate action should be taken, rather than notifying the CE and allowing six months for improvements to be made. The Committee was advised that it would still receive a list of Executive Summaries at each of its meetings.

**RESOLVED –**

- 1) That the report be noted.
- 2) A revised process was agreed for reporting internal audit reports of 'Limited or No Assurance':
  - The Committee will continue to be made aware of all audit reports with 'Limited or No Assurance' through the Audit and Risk Manager's Quarterly Progress Report.
  - All reports with 'Limited or No Assurance' to be copied to the Chief Executive.
  - Audit reports with no significant impact on service users or risk of fraud will not be presented to Audit Committee in the first instance. Officers will be given 6 months to implement the recommendations with the awareness of the Chief Executive.
  - Once a follow up Audit has been undertaken and should no improvement have been made then Audit Committee will then be presented with an Executive Summary Report.
  - In line with current arrangements the Audit Committee is to receive all Executive Summary Reports where the audit findings could have a significant impact on a service user or there is a potential risk of fraud.

Audit Strategy 2015-16

The Audit and Risk Manager advised the Committee that the strategy is the culmination of a number of key documents setting out the direction of travel for Internal Audit for 2015-16. It contains a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats), an updated Audit Charter and Protocol, a list of Challenges for the year ahead and an updated Risk register, together with background on resources, some trend analysis and assessment of effectiveness. A detailed Service Plan setting out some key objectives and performance measures was also included. Finally, it provided an outline Plan with indications of how the Plan had been drawn up, but it was pointed out that meetings with Directors were ongoing, to shape some of the detail.

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The Chairperson invited comments and questions.

The Committee was concerned that Internal Audit's staff resources have reduced from last year and that this presents a challenge to Internal Audit in terms of delivering effective audit coverage. The Committee was advised that there will be some natural shrinkage as the Council reduces in size. Directorates will deliver some services differently and where that occurs there may be less of a role or no role for Internal Audit. This may allow resource cuts to be sustained, but if cuts continue it may then be difficult for the Audit and Risk Manager to give in the annual report an audit opinion on the control environment.

The Committee suggested that if the Council develops new ways of delivering services that could mean a greater role for Internal Audit, as expected outcomes have to be properly specified and monitored.

In summary the Chairperson made the following points:

- The Committee values the work of Internal Audit and is concerned that its resources are reducing. The Strategy was comprehensive, well constructed and provided a useful informative document for Committee to consider. The Audit Committee Annual report should state 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.
- Internal Audit should consider within its current Audit Plan giving priority to work on contracts management, ensuring that within the Council there are the required skills to manage contracts and projects.
- Along with information on planned future audits, it would be helpful for the Committee to receive a brief report on audits that have been carried out over the previous two or three years to provide context.

RESOLVED –

- 1) That the report be welcomed and noted
- 2) That the Audit Committee's Annual Report is to include an item on the concern over reducing resources within the Internal Audit Section.
- 3) That consideration is to be given to prioritising Contract Management Audits in 2015/16 – given the proposed alternative delivery models.
- 4) That the Audit Committee is to receive updated information on the Internal Audit's Plan 2015/16 and, if possible, this should include an overview of audits undertaken in previous years.

Fraud, Bribery and Corruption - Draft Policy

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The Committee was advised that the policy has been re-drafted but is not radically different. It is about compliance and awareness, and it stresses that there will be zero tolerance of fraud. It sets out those messages and indicates what will follow if fraud does occur.

RESOLVED – That the report be noted.

### Fraud Related Matters

The purpose of this report was to provide Members with an update on fraud related items reported previously to Audit Committee - namely, the National Fraud Initiative (NFI) Data Matching Exercise, Housing Fraud, and a summary of fraud referrals for the last quarter of 2014/15.

The report provided an updated position regarding the NFI Initiative with an analysis of referral types. Included were those relating to potential housing matches. The NFI referrals show a high level of potential matches, around 20,000, of which 6,849 are worthy of prioritisation. The Committee was advised that these are simply leads but they may result in the discovery of fraud. It is questionable whether the Council will benefit from this exercise given the past record of outcomes compared to resources required to devote to this mandatory exercise.

RESOLVED – That the report be noted.

### 63: OUTSTANDING ACTIONS

#### Audit Related & Others

Annex 1 to the report for agenda item 9.1 (Outstanding Actions – Audit-related and Others) contained exempt information as defined in Section 100 (1) (1A) of, and paragraphs 14 and 21 of Schedule 12A to, 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 Committee noted that some schools have been operating deficit budgets for four or five years and that for some of these schools there seems to be no evidence that they are planning to bring their budgets back into a positive balance. The Committee was advised that there should be a four year period over which a school's budget balance is brought back into line. For the local authority it is a matter of achieving a balance between supporting schools while they reach a positive budget balance or taking measures which are more fundamental to address issues that are contributing to the deficit.

The Chairperson asked that it be noted that in relation to the Executive Summary concerning Children's Services contained in this report, he has met with the Chairperson of the Children and Young People Scrutiny Committee and has written to Councillor Sue Lent, Deputy Leader of the Council and Cabinet Member for Early Years, Children and Families and is awaiting her reply.

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RESOLVED –

- 1) That the report be noted.
- 2) That when the Director of Education next attends the Audit Committee, further detail to be provided on the plans in place by schools in deficit.

64: WORK PROGRAMME UPDATE

The Chairperson suggested that it would be very useful for the Committee to have a meeting with WAO officers, particularly as the composition of the Committee may be different from the start of the new municipal year.

The Chairperson expressed his thanks to Elected Members for their work on the Committee and his hope that they would continue to sit on it in the new municipal year.

The Chairperson advised Members that he has notified the Section 151 Officer of his intention to leave the Committee in September 2015 and advised that the Committee will need to elect a new Chairperson at its meeting in June 2015.

RESOLVED –

- 1) That the report be noted.
- 2) That officers circulate proposed dates for 2015-16 meetings of the Committee.

65: DATE OF NEXT MEETING

The next meeting will be held on 22 June 2015 at 2.00pm in Committee Room 4, County Hall

The meeting closed at 5.00pm

Signed \_\_\_\_\_  
Chairperson

Date \_\_\_\_\_



**AUDIT COMMITTEE:****22 JUNE 2015**

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**DRAFT STATEMENT OF ACCOUNTS 2014/15****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5.2**

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**PORTFOLIO: CORPORATE AFFAIRS****Reason for this Report**

1. To provide Audit Committee Members with an opportunity to review and provide comments on the draft 2014/15 Statement of Accounts prior to them being signed by the Responsible Finance Officer and subsequently submitted for external audit and public inspection.

**Background**

2. The Statement of Accounts in Appendix 1 presents the draft accounts for Cardiff Council for the financial year 2014/15. Regulations require that the Responsible Finance Officer sign the accounts by 30 June, and that the audited accounts are approved by Council by 30 September. The next steps are to present the Accounts to Wales Audit Office (WAO) ahead of the statutory deadline of the 30 June 2015, when the accounts will be put on display to the public for inspection.
3. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.
4. The Statement of Accounts includes a foreword which provides a general explanation of the Council's overall financial position together with a guide to the financial statements included with the accounts. These financial statements are accompanied by notes which provide further detail on the accounts. The Group Accounts for the Council are also presented which consolidates the position to include the financial position of Cardiff Bus. The Accounts include an Annual Governance Statement which details the Council's governance arrangements. Lastly the accounts also include statements in respect of the Housing Revenue Account (HRA), Pension Funds, Trust Funds and Cardiff Port Health Authority. It should be noted that improvements have been made to the layout and format of the Statement of Accounts for 2014/15 to improve the reader's understanding and navigation of key sections of the accounts.
5. The Council's core financial statements and their purpose are as follows:

- The Movement in Reserves Statement which shows the movements in the year on different reserves. Usable reserves are those that can be used to fund expenditure or reduce local taxation for example general and earmarked reserves. Unusable reserves are those used for accounting entries, so cannot be used to fund expenditure or effect taxation levels.
  - The Comprehensive Income and Expenditure Account which accounts for the cost in the year of providing services in accordance with accounting practices.
  - The Council's Balance Sheet which provides a value at the balance sheet date of the assets and liabilities of the Council.
  - A Cash Flow Statement which identifies the movement in cash during the year classified into categories.
6. The Audit Committee's role is to review the Statement of Accounts. The remainder of this report provides a summary of the main points evident in the Draft 2014/15 Statement of Accounts:

### **General and Useable Reserves**

7. The Council Fund balance has increased by £1.741 million from £11.413 million to £13.154 million as at 31 March 2015. Within this increase an amount of £595,000 was anticipated in February as being available to support the 2015/16 Budget. This sum was identified as a result of improvements to processes in council tax collection which generated a reduction in the amounts set aside within the council tax bad debt provision. The additional increase to the Council Fund balance of £1.146 million was over and above the balanced position that was projected at Month 9 and is in part due to the additional financial controls that were put in place during the financial year to mitigate against directorate overspends. The detailed position in relation to this Outturn Report will be presented to the July Cabinet meeting.
8. The Council Fund balance of £13.154 million is 2.3% of the net expenditure budget of the Council. After using £595,000 to support the budget for 2015/16 this amount reduces to 2.2% and compares to 1.92% in 2013/14. The Budget Strategy Report for 2016/17 and the Medium Term will consider the level of Council Fund balance against the financial challenge ahead to set a balanced budget whilst retaining financial resilience.
9. Taking into account the £314,000 surplus for the Housing Revenue Account (HRA) the HRA reserve balance increased to £8.438 million as at 31 March 2015. This total sum is available for spending on HRA matters only.
10. Council Fund Earmarked Reserves have increased by £2.758 million from £30.559 million as at 31 March 2014 to £33.317 million as at 31 March 2015. Earmarked reserves are amounts set aside to provide financing for future expenditure plans. Within this increase there was a net reduction of £1.182 million in respect of schools balances with an overall net deficit of £472,000 as at 31 March 2015. This includes an amount in respect of severance and exit costs of £1.9 million paid out in 2014/15 to be repaid back by schools over the next 5 years.
11. Within Council Fund Earmarked Reserves there was a net increase in respect of Other Earmarked Reserves of £4.323 million. Within this increase the material

increases are a £1.404 million increase in the Central Enterprise Zone earmarked reserve, £1.034 million in relation to the Insurance reserve and £2.020 million in relation to Waste Management/Prosiect Gwyrdd. In respect of the Waste Management Prosiect Gwyrdd earmarked reserve this figure is £808,000 higher than initially envisaged following the late notification by Welsh Government on the 2 June 2015 that no further financial action would be taken in respect of the 2013/14 missed targets on recycling and landfill allowances. Further detail in respect of reserves is included in Appendix 2.

12. HRA earmarked reserves have decreased by £446,000 to £238,000 as at 31 March 2015.
13. As with the Council Fund balance the level of earmarked reserves will be considered as part of the Budget Strategy Report 2016/17 and the Medium Term which is due to go to both Cabinet and Council in July.

### **Comprehensive Income & Expenditure Account**

14. There is a significant increase in the Net Cost of Services between 2014/15 (£572 million) and 2013/14 (£737 million). This is largely due to the £134 million revaluation downwards for other land & buildings and surplus assets mainly affecting schools in the 2013/14 accounts. Note that these are in most cases accounting entries that have no impact on the council tax and rent payable.
15. In 2013/14 exceptional items included the impairment of the Glamorgan Cricket Club loan. The loan has subsequently been the subject of a Cabinet discussion in March 2015 which agreed, subject to a number of outstanding matters being resolved, to write down the debt outstanding by circa 70%. A delegation to the Corporate Director Resources to take forward the Council's engagement in respect of this proposal is in place. The loan will remain fully impaired given the outstanding risks as set out in the Cabinet Report and the Council continues to adopt a prudent approach in relation to outstanding amounts due in respect of principal and interest.

### **Balance Sheet**

16. The net assets shown on the balance sheet have not changed significantly between 2014/15 (£881 million) and 2013/14 (£878 million), however within these figures are some significant movements which are highlighted in further detail below.
17. Property, Plant and Equipment - In respect of fixed assets of the Council, and as a result of a number of inconsistencies of approach between councils, CIPFA has recently clarified its approach in respect of voluntary aided and foundation schools. The approach being that legal ownership is likely to be the key factor determining balance sheet recognition. A review of the legal titles in respect of the 30 relevant schools has identified a mixed picture which resulted in schools building values of £47.2 million being recognised under the Modern Equivalent Asset approach, £17.8 million of schools land value being recognised including existing schools land assets being merged into new asset records and £14,000 of land derecognised. The Welsh Audit Office have been advised of this approach and their consideration of it will form part of their audit. In addition investment properties were revalued during 2014/15 as part of the Council's rolling programme of revaluations.

18. Net Pensions Liability – there has been a increase in the net pensions liability of £66.759 million. This followed a significant decrease in the reported pensions liability of £234 million in the previous year. This increase is due to change in the actuarial gains based on assumptions made by the Council’s Actuary including financial, demographic and changes in experience assumptions.
19. Provisions – the level of provisions has decreased by £2.061 million of which £1.095 million is as a result of a utilisation in respect of the landfill sites provision. In 2013/14 the Council established a landfill site provision to address the 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. This provision is then reduced by the in year costs of meeting the Council’s obligations identified in the Aftercare Management Plan for each landfill site. The calculation of the provision includes a number of significant assumptions and the approach adopted impacts on other areas of the statement of accounts such as the Calculation of the Capital Financing Requirement.
20. Other provisions include £495,614 in respect of the early termination fee for the automated public conveniences contract, also included is a provision of £430,234 for the Council’s Carbon Reduction Commitment.
21. The accounts (Note 21) reflect a £1 million three year loan provided to Cardiff Bus and repayable in June 2016 as well as reflecting a net decrease in overall Council external borrowing of £2.771 million. The Available for Sale Financial Instruments Reserve contains the gains/losses made by the Council in respect of its investments. During 2014/15 there was a downward revaluation of £2.211 million to £13.563 million in respect of the Council’s shareholding in Cardiff Bus. This value is determined by applying a multiplier to the Company’s Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA).
22. Capital receipts - Income meeting the definition of Capital receipts during the year totalled £6.064 million, which included sale of land identified in Note 29. This included the £1.7 million in respect of the Right to Buy Scheme and £2.4 million in respect of the various freeholds and retained equities. These amounts are classed as Public Housing capital receipts and are therefore not available for use within the General Fund. As stated in the Council’s Budget Report in order to minimise capital financing costs action is required to accelerate the Council’s asset base.
23. During the year capital receipts were generated from the sale of industrial units at Oxford Street, land at Oxford Street and Caxton Place. In addition further land appropriations took place in respect of sites to be considered for inclusion in the Housing Partnering scheme being developed to increase the level of affordable housing in the city. The total value of the appropriation from the General Fund to the Housing Revenue Account during 2014/15 was £1.1 million.
24. The Statement of Accounts also includes a note in respect of contingent assets and liabilities. There is little change to the inclusion compared to 2013/14, however the contingent liabilities in respect of missing the 2013/14 recycling target has been removed.
25. In respect of Financial Instruments details of both borrowing and investments are included in the Statement of Accounts at Note 21. This information will be familiar to

Audit Committee given their role in scrutinising the Council's Treasury Management Strategy and Practices.

26. The Statement of Accounts includes critical judgements that have been used in applying accounting policies. This includes judgements that the Council has made in respect of complex transactions or those involving uncertainty about future events. Examples include judgements on the prudent level of reserves, materiality, and calculation of provisions and impairment of financial instruments.

### **Pension Fund**

27. The Cardiff & Vale of Glamorgan Pension fund grew by 12.5% during 2014/15 from £1.49 billion to £1.68 billion as at 31 March 2015. The continuing low interest rates remain a concern while Pension Fund liabilities are also estimated to have increased since the 2013 valuation. The next triennial actuarial valuation of the Fund is due to take place in 2016 and the assumptions adopted within it will affect future year's Pension Fund accounts.
28. The Statement of Accounts includes the Annual Governance Statement for the year 2014/15. Audit Committee's review should seek to satisfy itself that the Annual Governance Statement reflects the body's governance arrangements and the risk environment. This Statement acknowledges the unprecedented financial challenges that the Council is facing and notes the impact of reducing staff on the capacity of the organisation and the increased pressure on staff. Audit Committee has previously considered the draft Annual Governance Statement and that comments made at that meeting have been incorporated into the attached final document.

### **Legal Implications**

29. No direct legal implications arise from this report.

### **Financial Implications**

- 30 This report provides Audit Committee Members with a summary of the details included within the 2014/15 Statement of Accounts and provides an opportunity for review and comment prior to the external audit of the Accounts.

### **RECOMMENDATIONS**

That Audit Committee:

- I. Subject to any comments in respect of the 2014/15 draft Statement of Accounts, note that these Accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.
- II. Note that the audited Statement of Accounts for 2014/15 will, prior to being presented to Council, be reviewed by this Committee in September.

### **CHRISTINE SALTER**

Corporate Director Resources  
11 June 2015

The following appendix is attached:

Appendix 1 – Unaudited Statement of Accounts 2014/15

Appendix 2 – Summary of Useable Reserves

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**STATEMENT OF ACCOUNTS**

**2014/15**

**OF**

**THE CITY OF CARDIFF COUNCIL**



# Foreword

## 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 161 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.

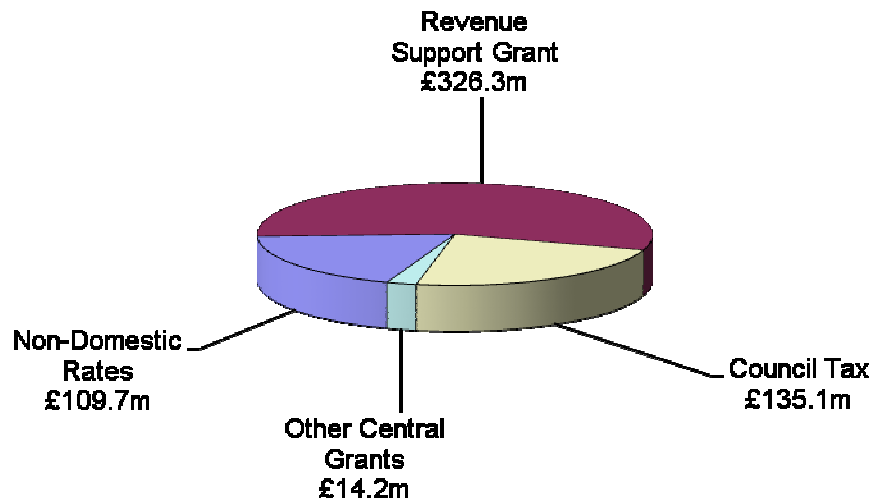
### Review of the financial year 2014/15

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 budget is made up of the following funding sources:

## Foreword



### 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)
<b>Total as per Outturn report</b>	<b>585,288</b>	<b>583,547</b>	<b>(1,741)</b>

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.

## Foreword

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	Outturn	Variance
	£000	£000	£000
<i>Financing:</i>			
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)
<b>Total Funding</b>	<b>(585,288)</b>	<b>(589,043)</b>	<b>(3,755)</b>

## Foreword

	Budget	Outturn	Variance
	£000	£000	£000
<i>Net Expenditure</i>			
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
<b>Total Expenditure</b>	<b>585,288</b>	<b>587,302</b>	<b>2,014</b>
<b>Net (surplus)/deficit for year transferred to Council Fund Balance</b>			<b>(1,741)</b>

## Foreword

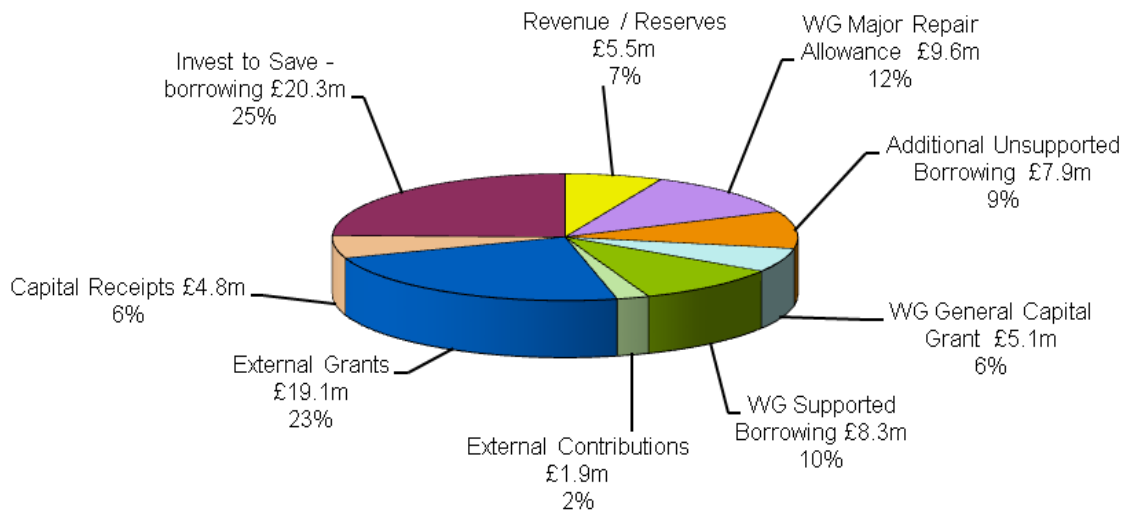
### Capital Programme

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:-

## Funding of Capital Expenditure



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 21<sup>st</sup> 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

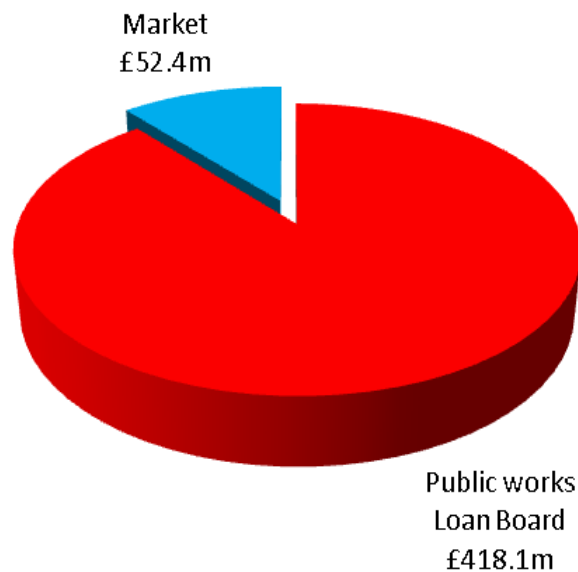


## Foreword

### 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.

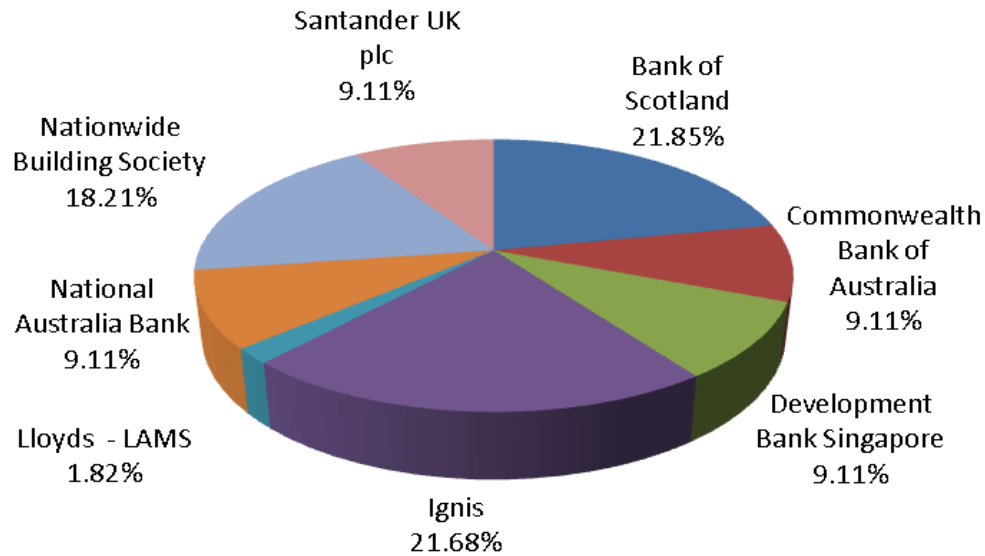
### Amounts of fixed rate debt



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.

# Foreword

## 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. At the 31 March 2014 balance sheet date, loans of £5.056 million owed by Glamorgan County Cricket Club for the redevelopment of the stadium and shown within long term debtors were impaired. Subsequently 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. The Council agreed to this request following independent financial advice. As the loan has been provided from capital resources, the loss on impairment was neutralised against capital reserves, with a net nil impact in that year. 100% provision for any interest due to the Council since the loan was granted had been made and would be utilised to meet the costs of the write off. The Council continues to adopt a prudent approach in its revenue budget to the repayment of both the principal and interest amounts due.

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.

## Foreword

### 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
<b>Usable Reserves at 1 April 2014</b>		<b>52,179</b>
<b>Council Fund Earmarked Reserves</b>		
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)	
		<b>2,758</b>
Other movements to/(from) other useable reserves:		
<b>Council Fund Balance</b>	1,741	
<b>HRA Balance</b>	314	
<b>HRA Earmarked Reserves</b>	(446)	
<b>Usable Capital Receipts</b>	(63)	
		<b>1,546</b>
<b>Total Usable Reserves at 31 March 2015</b>		<b>56,483</b>

### Provisions

During 2014/15, total provisions decreased by **£1.253 million** to **£41.648 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 Council is resisting liability;
- The Municipal Mutual Insurance (MMI) run off claims;

# Foreword

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 Council; and potential claims that may be due from the HMRC to the Council 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

## 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

## Foreword

strategic risks facing the Council. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 164 to 184.

### **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 44)**

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 114)**

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 119)**

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 140)**

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 162)**

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.

# Statement of Responsibilities for the Financial Statements

## 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 161

**Councillor David Walker**  
**Lord Mayor**

**Date:**

### 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**  
**Corporate Director Resources**

**Date:**



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# Accounting Policies, critical judgements and estimations

## 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.

## Accounting Policies, critical judgements and estimations

- 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

## Accounting Policies, critical judgements and estimations

**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).

## Accounting Policies, critical judgements and estimations

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

## Accounting Policies, critical judgements and estimations

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 Council's 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

## Accounting Policies, critical judgements and estimations

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 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). 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.



## Accounting Policies, critical judgements and estimations

### 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 not 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.

## Accounting Policies, critical judgements and estimations

### 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	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.

## Accounting Policies, critical judgements and estimations

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	life are subject to a high level of 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.

## Movement in Reserves Statement

	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
<b>Balance at 31 March 2013 carried forward</b>	<b>11,548</b>	<b>40,319</b>	<b>7,295</b>	<b>1,312</b>	<b>1,605</b>	<b>62,079</b>	<b>822,797</b>	<b>884,876</b>
<u>Movement in Reserves during 2013/14</u>								
Surplus or (deficit) on the provision of Services	(169,776)	0	4,435	0	0	(165,341)	0	(165,341)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	158,174	158,174
<b>Total Comprehensive Income and Expenditure</b>	<b>(169,776)</b>	<b>0</b>	<b>4,435</b>	<b>0</b>	<b>0</b>	<b>(165,341)</b>	<b>158,174</b>	<b>(7,167)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	159,881	0	(4,234)	0	(206)	155,441	(155,441)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(9,895)</b>	<b>0</b>	<b>201</b>	<b>0</b>	<b>(206)</b>	<b>(9,900)</b>	<b>2,733</b>	<b>(7,167)</b>
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
<b>Increase/(Decrease) in 2013/14</b>	<b>(135)</b>	<b>(9,760)</b>	<b>829</b>	<b>(628)</b>	<b>(206)</b>	<b>(9,900)</b>	<b>2,733</b>	<b>(7,167)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>11,413</b>	<b>30,559</b>	<b>8,124</b>	<b>684</b>	<b>1,399</b>	<b>52,179</b>	<b>825,530</b>	<b>877,709</b>
<u>Movement in Reserves during 2014/15</u>								
Surplus or (deficit) on the provision of Services	(7,358)	0	4,696	0	0	(2,662)	0	(2,662)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(56,465)	(56,465)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,358)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(2,662)</b>	<b>(56,465)</b>	<b>(59,127)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	11,857	0	(4,828)	0	(63)	6,966	(6,966)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>4,499</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,304</b>	<b>(63,431)</b>	<b>(59,127)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(2,758)	2,758	446	(446)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	63,050	63,050
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>2,758</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,304</b>	<b>(381)</b>	<b>3,923</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>13,154</b>	<b>33,317</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,483</b>	<b>825,149</b>	<b>881,632</b>

# Comprehensive Income and Expenditure Account

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

2013/14				Note	2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000			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
514,598	(84,664)	429,934	Children's and Education Services		400,525	(98,708)	301,817
76,127	(18,719)	57,408	Highways & Transport Services		64,252	(19,143)	45,109
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
<b>1,183,940</b>	<b>(446,895)</b>	<b>737,045</b>	<b>Net Cost of Services</b>	<b>4</b>	<b>1,047,413</b>	<b>(475,823)</b>	<b>571,590</b>
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)
<b>44,806</b>	<b>(2,821)</b>	<b>41,985</b>	<b>Other Operating Expenditure</b>		<b>45,237</b>	<b>(5,774)</b>	<b>39,463</b>
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)
<b>54,090</b>	<b>(1,199)</b>	<b>52,891</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>47,570</b>	<b>(13,482)</b>	<b>34,088</b>

## Comprehensive Income and Expenditure Account

2013/14				Note	2014/15		
Gross Expenditure £000	Gross Income £000	2013/14 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000
0	(45,350)	(45,350)	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)
<b>948</b>	<b>(667,528)</b>	<b>(666,580)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>
		<b>165,341</b>	<b>(Surplus)/Deficit on Provision of Services</b>				<b>2,662</b>
		(19,902)	Revaluation Gains	30			(937)
		127,299	Revaluation Losses	30			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 & Expenditure Statement				0
		488	(Surplus)/Deficit on revaluation of available for sale financial assets	30			2,211
		(266,411)	Actuarial (gains)/losses on pension assets/liabilities	19			51,492
		<b>(158,174)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>56,465</b>
		<b>7,167</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>59,127</b>

\* 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 £000		Note	31 March 2015 £000
	<u>Property Plant &amp; Equipment:</u>	20	
566,393	Council Dwellings		569,012
703,964	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
4,315	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		51,709
	<u>Heritage Assets</u>		
50,789	Heritage Assets		50,884
	<u>Investment Property:</u>		
75,625	Investment Properties	20	86,102
	<u>Intangible Assets</u>		
4,748	Intangible assets including AUC	20	4,346
20,743	Long-term Investments		18,672
2,935	Long-term Debtors		2,561
<b>1,833,908</b>	<b>Total Long Term Assets</b>		<b>1,907,894</b>
28,895	Short-term Investments		42,322
380	Assets held for Sale	22	3,040
2,697	Inventories		2,109
70,911	Short-term Debtors	23	89,592
41,761	Cash and Cash Equivalents	24	23,000
<b>144,644</b>	<b>Total Current Assets</b>		<b>160,063</b>
(14,457)	Short Term Borrowing	21	(12,964)
(75,827)	Short Term Creditors	25	(94,371)
(2,486)	Pension Strain	27	(2,830)
(9,806)	Provisions	27	(9,441)
(1,210)	Deferred Liabilities	28	(1,024)
<b>(103,786)</b>	<b>Total Current Liabilities</b>		<b>(120,630)</b>
(465,486)	Long Term Borrowing	21	(464,808)
(33,095)	Provisions	27	(31,399)
(7,290)	Deferred Liabilities	28	(7,217)
(9,724)	Capital Contributions Receipts in Advance	31	(10,095)
(2,363)	Revenue Grants Receipts in Advance	31	(3,734)
(306)	Capital Grants Receipts in Advance	31	(2,404)
(5,766)	Pensions Strain	27	(6,252)



## Balance Sheet

31 March 2014 £000		Note	31 March 2015 £000
(473,027)	Net Pensions Liability		(539,786)
<b>(997,057)</b>	<b>Total Long Term Liabilities</b>		<b>(1,065,695)</b>
<b>877,709</b>	<b>NET ASSETS</b>		<b>881,632</b>
	<b>Financed by:</b>		
11,413	Council Fund Balance		13,154
30,559	Council Fund Earmarked Reserves		33,317
8,124	Housing Revenue Account Balance		8,438
684	HRA Earmarked Reserves		238
1,399	Capital Receipts Reserve		1,336
<b>52,179</b>	<b>Usable Reserves</b>	29	<b>56,483</b>
206,879	Revaluation Reserve		200,928
1,093,549	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)
<b>825,530</b>	<b>Unusable Reserves</b>	30	<b>825,149</b>
<b>877,709</b>	<b>TOTAL RESERVES</b>		<b>881,632</b>

## Cash Flow Statement

2013/14 £000		Note	2014/15 £000
165,341	Net (Surplus) /Deficit on the provision of services		2,662
(243,313)	Adjust net surplus or deficit on the provision of services for non-cash movements	33	(84,979)
40,429	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	33	22,431
<b>(37,543)</b>	<b>Net cash flows from operating activities</b>		<b>(59,886)</b>
(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		(83,502)
<b>56,743</b>	<b>Investing activities</b>		<b>67,755</b>
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		29,184
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
<b>(26,014)</b>	<b>Financing activities</b>		<b>14,018</b>
(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
<b>(6,815)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(18,761)</b>
34,946	<b>Cash and cash equivalents at the beginning of the reporting period</b>		41,761
<b>41,761</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>23,000</b>
323	Cash held e.g. Imprest Accounts		182
9,219	Cash and Bank		10,914
32,219	Short-term deposits with financial institutions		11,904

## Notes to the Core Financial Statements

### 3.6 INDEX OF NOTES TO THE CORE STATEMENTS

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## Notes to the Core Financial 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	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
Adjustment for the voluntary aided/foundation school recognition	0	0	0	63,049
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
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
<b>Adjustments involving the Revaluation Reserve</b>				
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)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
<b>Adjustments involving the Pensions Reserve:</b>				
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)

## Notes to the Core Financial Statements

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
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)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	17	(17)
<b>Total Adjustments</b>	<b>11,857</b>	<b>(4,828)</b>	<b>(63)</b>	<b>(6,966)</b>

### Comparative Movements in 2013/14

2013/14	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	185,718	13,113	0	(198,831)
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	(35,102)	(10,248)		45,350
Revenue expenditure funded from capital under statute	5,685	55	0	(5,740)
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)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
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

## Notes to the Core Financial Statements

2013/14	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserves £000	
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
<b>Adjustments involving the Pensions Reserve:</b>				
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)
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
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)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	747	(747)
<b>Total Adjustments</b>	<b>159,881</b>	<b>(4,234)</b>	<b>(206)</b>	<b>(155,441)</b>

## Notes to the Core Financial Statements

### 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		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
<b>SCHOOLS BALANCES</b>				
Schools Reserves incl. 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
	<b>710</b>	<b>3,601</b>	<b>(4,783)</b>	<b>(472)</b>
<b>SCHOOLS RESERVES</b>				
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
	<b>6,886</b>	<b>7,823</b>	<b>(8,279)</b>	<b>6,430</b>
<b>OTHER EARMARKED RESERVES</b>				
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	36	(74)	453

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £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
	<b>22,472</b>	<b>20,142</b>	<b>(15,319)</b>	<b>27,295</b>
<b>CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES</b>				
Central South Consortium	240	0	(333)	(93)
Glamorgan Archives	173	0	(75)	98



## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
Prosiect Gwyrdd	53	0	(16)	37
Welsh Purchasing Consortium	25	0	(3)	22
	491	0	(427)	64
<b>Total General Fund Reserves</b>	<b>30,559</b>	<b>31,566</b>	<b>(28,808)</b>	<b>33,317</b>
<b>HRA RESERVES</b>				
Dilapidation Reserve	385	0	(385)	0
HRA / Housing IT Reserve	299	0	(61)	238
<b>Total HRA Reserves</b>	<b>684</b>	<b>0</b>	<b>(446)</b>	<b>238</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>31,243</b>	<b>31,566</b>	<b>(29,254)</b>	<b>33,555</b>

\* 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 21<sup>st</sup> 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.

## Notes to the Core Financial Statements

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.

## Notes to the Core Financial Statements

### Schools Balances

The individual balances of each school are as follows:

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
<b>Primary Schools</b>				
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
Moorland Primary School	16	3	0	19

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
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
Tredegaville 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
Whitchurch Primary School	58	79	0	137

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
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
<b>Total Primary Schools (net)</b>	<b>2,453</b>	<b>1,607</b>	<b>(1,054)</b>	<b>3,006</b>
<b>Secondary Schools</b>				
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)
<b>Total Secondary Schools (net)</b>	<b>(2,671)</b>	<b>1,448</b>	<b>(1,040)</b>	<b>(2,263)</b>
<b>Special Schools</b>				
Greenhill School	125	0	(29)	96

## Notes to the Core Financial Statements

	Balance 31 March 2014 £000	Contributions		Balance 31 March 2015 £000
		From Revenue £000	To Revenue £000	
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
<b>Total Special Schools (net)</b>	<b>552</b>	<b>124</b>	<b>(132)</b>	<b>544</b>
Amount in respect of schools voluntary severance	0	0	(1,900)	(1,900)
<b>Total Schools Balances (net)</b>	<b>334</b>	<b>3,179</b>	<b>(4,126)</b>	<b>(613)</b>

## Notes to the Core Financial Statements

### 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 Management 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
	<b>Income</b>	
(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)
<b>(6,599)</b>	<b>Total Income</b>	<b>(7,817)</b>
	<b>Expenditure</b>	
947	Operational costs and Traffic Regulation Orders	1,341
2,775	Enforcement service	2,602
<b>3,722</b>	<b>Total Expenditure</b>	<b>3,943</b>
<b>(2,877)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(3,874)</b>
	Movements to/(from) Parking Reserve:	
<b>681</b>	<b>Balance 1 April 2014</b>	<b>121</b>
2,877	Contributions from CPE	3,874
(3,437)	Contributions to revenue*	(3,926)
<b>121</b>	<b>Balance 31 March 2015</b>	<b>69</b>

\* 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

## Notes to the Core Financial Statements

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.



## Notes to the Core Financial Statements

### 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 £000		2014/15 £000
593,007	Net expenditure in Service Area Analysis	582,215
(964)	Services not included in Service Area Analysis (HRA and Harbour)	(314)
(527,641)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(18,531)
672,643	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	8,220
0	Amounts in respect of presentation of internal recharges	0
<b>737,045</b>	<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>571,590</b>

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

	Health & Social Care £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas £000	Total £000
Fees, charges and other service income	(6,128)	(28,655)	(32,692)	(10,950)	(15,632)	(19,840)	(24,883)	<b>(138,780)</b>
Government grants	(10,058)	(50,225)	(2,672)	(9,171)	(191,614)	(2,399)	(19,405)	<b>(285,544)</b>
<b>Total Income</b>	<b>(16,186)</b>	<b>(78,880)</b>	<b>(35,364)</b>	<b>(20,121)</b>	<b>(207,246)</b>	<b>(22,239)</b>	<b>(44,288)</b>	<b>(424,324)</b>
Employee expenses	24,997	237,401	27,061	24,077	24,583	14,699	60,403	<b>413,221</b>
Other service expenses	89,081	66,569	23,007	16,363	224,326	32,615	140,184	<b>592,145</b>
Support service recharges	2,483	5,701	1,304	5,290	584	1,814	(16,003)	<b>1,173</b>
<b>Total Expenditure</b>	<b>116,561</b>	<b>309,671</b>	<b>51,372</b>	<b>45,730</b>	<b>249,493</b>	<b>49,128</b>	<b>184,584</b>	<b>1,006,539</b>
<b>Net Expenditure</b>	<b>100,375</b>	<b>230,791</b>	<b>16,008</b>	<b>25,609</b>	<b>42,247</b>	<b>26,889</b>	<b>140,296</b>	<b>582,215</b>

## Notes to the Core Financial Statements

Comparative data for 2013/14 is as follows:

	Health & Social Care £000	Education £000	Sports, Leisure & Culture £000	Environment £000	Communities, Housing & Customer Services £000	Strategic Planning, Highways and T&T £000	Other Service Areas £000	Total £000
Fees, charges and other service income	(6,669)	(27,579)	(31,309)	(8,753)	(15,222)	(17,285)	(29,853)	(136,670)
Government grants	(10,171)	(47,442)	(2,591)	(8,856)	(187,302)	(1,975)	(7,163)	(265,500)
<b>Total Income</b>	<b>(16,840)</b>	<b>(75,021)</b>	<b>(33,900)</b>	<b>(17,609)</b>	<b>(202,524)</b>	<b>(19,260)</b>	<b>(37,016)</b>	<b>(402,170)</b>
Employee expenses	27,878	234,214	29,442	27,210	24,497	16,742	62,530	422,513
Other service expenses	83,504	69,180	22,942	14,882	220,270	36,129	123,079	569,986
Support service recharges	2,634	5,157	1,248	4,669	716	2,199	(13,945)	2,678
<b>Total Expenditure</b>	<b>114,016</b>	<b>308,551</b>	<b>53,632</b>	<b>46,761</b>	<b>245,483</b>	<b>55,070</b>	<b>171,664</b>	<b>995,177</b>
<b>Net Expenditure</b>	<b>97,176</b>	<b>233,530</b>	<b>19,732</b>	<b>29,152</b>	<b>42,959</b>	<b>35,810</b>	<b>134,648</b>	<b>593,007</b>

## Notes to the Core Financial Statements

### 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 in 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	(109,269)	(64,674)	2,097	168,892	(183,591)	(186,545)	0	(186,545)
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	(15,247)	(289,278)	(477,759)	(767,037)
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)
<b>Total Income</b>	<b>(424,324)</b>	<b>(65,968)</b>	<b>33,382</b>	<b>168,892</b>	<b>(187,805)</b>	<b>(475,823)</b>	<b>(656,611)</b>	<b>(1,132,434)</b>
Employee expenses	413,219	10,487	0	(14,723)	15,255	424,238	0	424,238
Other service expenses	497,667	37,910	(538)	(96,608)	122,023	560,454	0	560,454
Support service recharges	1,172	5,789	(2,111)	(56,611)	51,761	0	0	0
Depreciation, amortisation, impairment & REFUS	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	0
<b>Total expenditure</b>	<b>1,006,539</b>	<b>65,654</b>	<b>(25,162)</b>	<b>(168,892)</b>	<b>169,274</b>	<b>1,047,413</b>	<b>87,683</b>	<b>1,135,096</b>
<b>(Surplus)/deficit on provision of services</b>	<b>582,215</b>	<b>(314)</b>	<b>8,220</b>	<b>0</b>	<b>(18,531)</b>	<b>571,590</b>	<b>(568,928)</b>	<b>2,662</b>

## Notes to the Core Financial Statements

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	(101,918)	(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	(265,501)	(659)	746		(17,287)	(290,470)	(509,322)	(799,792)
Capital Financing reversals (Net)	(33,622)	(645)	60,592	0	(25,910)	0	0	0
Gain/loss on disposal of fixed assets	0	0	0	0	0	0	(671)	(671)
<b>Total Income</b>	<b>(401,900)</b>	<b>(63,865)</b>	<b>785,585</b>	<b>186,532</b>	<b>(944,187)</b>	<b>(446,895)</b>	<b>(668,450)</b>	<b>(1,115,345)</b>
Employee expenses	421,862	10,139	(43,360)	(14,235)	67,475	445,077		445,077
Other service expenses	488,561	36,058	(1,515)	(100,110)	119,697	547,213		547,213
Support service recharges	3,941	5,674	(1,723)	(57,256)	49,194	757		757
Depreciation, amortisation, impairment & REFCUS	0	0	0	(14,931)	205,824	190,893		190,893
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	0	0	0	0	162	162
Capital financing	44,111	6,274	(44,167)	0	(6,633)	0		0
<b>Total expenditure</b>	<b>994,907</b>	<b>62,901</b>	<b>(112,942)</b>	<b>(186,532)</b>	<b>416,546</b>	<b>1,183,940</b>	<b>96,746</b>	<b>1,280,686</b>
<b>(Surplus)/deficit on provision of services</b>	<b>593,007</b>	<b>(964)</b>	<b>672,643</b>	<b>0</b>	<b>(527,641)</b>	<b>737,045</b>	<b>(571,704)</b>	<b>165,341</b>

## Notes to the Core Financial Statements

### 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.

2013/14 £000	Harbour Authority Income & Expenditure Statement	2014/15 £000
	Income	
(8,659)	Government Grants	(6,080)
(898)	Fees and Charges	(884)
(227)	Capital Grants Applied	(324)
<b>(9,784)</b>	<b>Total Income</b>	<b>(7,288)</b>
	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
<b>13,217</b>	<b>Total Expenditure</b>	<b>9,904</b>
	<b>Net Expenditure for the year</b>	<b>2,616</b>
	<b>Appropriations from reserves:</b>	
	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	36
<b>0</b>	<b>(Surplus)/Deficit for the year</b>	<b>0</b>

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.

## Notes to the Core Financial Statements

31 March 2014 £000	Harbour Authority Balance Sheet	31 March 2015 £000
	<b>Property, plant and equipment</b>	
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
<b>175,554</b>	<b>Long-term assets</b>	<b>172,850</b>
1,113	Stocks and Work in Progress	485
951	Debtors	293
910	Cash	1,601
<b>2,974</b>	<b>Current assets</b>	<b>2,379</b>
(2,591)	Creditors	(2,039)
<b>(2,591)</b>	<b>Current liabilities</b>	<b>(2,039)</b>
<b>175,937</b>	<b>Net assets</b>	<b>173,190</b>
	<b>Financed by:</b>	
170,616	Capital Adjustment Account	167,946
4,863	Revaluation Reserve	4,828
491	Project & Contingency Fund	453
(33)	Accumulated absences account	(37)
<b>175,937</b>	<b>Total Reserves</b>	<b>173,190</b>

## Notes to the Core Financial Statements

### 6. Precepts and Levies

	2013/14 £000	2014/15 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	25,012	26,411
<b>Community Councils:</b>		
Lisvane	31	34
Pentyrch	80	80
Radyr	79	79
St Fagans	18	18
Old St Mellons	26	26
Tongwynlais	18	19
	<b>25,264</b>	<b>26,667</b>
<b>Levies &amp; Contributions</b>		
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
	<b>17,392</b>	<b>16,984</b>

### 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 Gwyrd** 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 Gwyrd £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 2014/15).

## Notes to the Core Financial Statements

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
<b>TOTAL</b>	<b>1,118</b>	<b>1,164</b>

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
<b>Multiplier</b>	6/9	7/9	8/9	1	11/9	13/9	15/9	18/9	21/9

Analysis of the net proceeds from council tax:

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

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 (46.4p in 2014/15 and 45.2p 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	2014/15
	£000	£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
<b>Redistribution from national pool</b>	<b>(107,229)</b>	<b>(109,695)</b>



## Notes to the Core Financial Statements

### 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**.

**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.

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
135,000-139,999	1	1
140,000-144,999	0	1
145,000-149,999	0	0
150,000-154,999	0	1

## Notes to the Core Financial Statements

Remuneration band £	Number of Employees	
	2013/14	2014/15
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**

Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment		Employers pension contribution (23.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £		
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	29,234	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	9	0	0	26,985	145,001
Director Environment	117,962	43	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

## Notes to the Core Financial Statements

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:

Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment		Employers pension contribution (23.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £		
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)	88,347	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
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

## Notes to the Core Financial Statements

Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment		Employers pension contribution (23.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £		
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.

## Notes to the Core Financial Statements

- 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 2013/14, Therefore to maintain consistency of treatment it is also disclosed for 2014/15.
- 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 2013/14. Therefore to maintain consistency of treatment it is also disclosed for 2014/15. 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 is disclosed for 2014/15.
- z) In 2014/15 payments of £13,300 (£156,100 in 2013/14) 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
<b>Total</b>	<b>62</b>	<b>590</b>	<b>652</b>	<b>14,996,611</b>

## Notes to the Core Financial Statements

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
<b>Total</b>	<b>34</b>	<b>512</b>	<b>546</b>	<b>13,588,407</b>

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
	<b>Expenditure</b>	
1,673	Equipment	1,639
102	Contribution to Overheads	124
<b>1,775</b>	<b>Total Expenditure</b>	<b>1,763</b>
	<b>Funding</b>	
1,148	Cardiff and Vale UHB	1,194
426	Cardiff Council	418
201	Vale of Glamorgan Council	277
<b>1,775</b>	<b>Total Funding</b>	<b>1,889</b>
<b>0</b>	<b>Surplus transferred to JES Partnership Reserve</b>	<b>126</b>

### 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

## Notes to the Core Financial Statements

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	30,848	(5,431)
31	(206)	Cardiff City Transport Services Ltd	29	(117)
339	(13)	Cardiff Medicentre/CBTC/Cardiff & Co.	231	(43)
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)

## Notes to the Core Financial Statements

### 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
<b>Total</b>	<b>578</b>	<b>539</b>

### 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 Trading (Surplus) /Deficit (Restated) £000	2014/15			
		Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
Bereavement & Registration Services	437	(3,294)	0	3,536	242
Cardiff Castle	95	(3,337)	0	2,986	(351)
Commercial Catering	297	(2,381)	0	2,349	(32)
Education Cleaning	415	(4,231)	0	4,389	158
Housing Community Maintenance Services	0	(8,203)	0	8,166	(37)
Land & Buildings & Workshops	5,944	(6,021)	0	2,939	(3,082)
Leisure Centres	6,072	(5,971)	0	13,286	7,315
New Theatre	1,068	(4,607)	0	5,639	1,032
Non Housing Building Maintenance	65	(11,473)	0	11,225	(248)
Non Schools Cleaning	(35)	(1,607)	0	1,621	14
Other trading accounts *	1,670	(12,535)	0	18,406	5,871
Schools Catering	821	(8,330)	0	8,923	593
St. David's Hall	2,693	(5,397)	0	7,739	2,342
<b>Total</b>	<b>19,542</b>	<b>(77,387)</b>	<b>0</b>	<b>91,204</b>	<b>13,817</b>

\* 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.



## Notes to the Core Financial Statements

### 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.

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 (£5.481 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.

## Notes to the Core Financial Statements

### 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
<b>Net (gain) / loss</b>	<b>(2,556)</b>	<b>(3,255)</b>

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
<b>Prudent revenue provision</b>	<b>25,651</b>	<b>26,273</b>

### 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

## Notes to the Core Financial Statements

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

## Notes to the Core Financial Statements

\*\* 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 2015

Local Government Scheme - **employer's regular contributions** to the Fund for the accounting period ending 31 March 2015 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 2015 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.

## Notes to the Core Financial Statements

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
<b>Average long-term expected rate of return</b>	<b>100</b>	<b>94.7</b>	<b>5.3</b>	<b>100</b>

\*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)
<b>Net pension asset/(liability)</b>	<b>(434,577)</b>	<b>(38,450)</b>	<b>(473,027)</b>	<b>(501,536)</b>	<b>(38,250)</b>	<b>(539,786)</b>

### 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 £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,485,030)	(42,890)	(1,525,779)	(1,344,170)	(38,450)	(1,382,620)
Current service cost	(43,145)	0	(42,948)	(34,858)	0	(34,858)
Interest cost	(64,585)	(1,690)	(66,165)	(56,995)	(1,540)	(58,535)
Contributions by participants	(9,991)		(9,906)	(9,882)	0	(9,882)
Re-measurements in Other Comprehensive Income (OCI)	215,584	2,760	218,461	(128,181)	(1,640)	(129,821)

## Notes to the Core Financial Statements

	31 March 2014 (Restated)			31 March 2015		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Net benefits paid out **	45,400	3,450	49,180	48,276	3,500	51,776
Past service cost	(2,403)	(80)	(2,480)	(2,778)	(120)	(2,898)
<b>Closing present value of liabilities</b>	<b>(1,344,170)</b>	<b>(38,450)</b>	<b>(1,382,620)</b>	<b>(1,528,588)</b>	<b>(38,250)</b>	<b>(1,566,838)</b>

\* 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)
<b>Closing fair value of assets</b>	<b>909,593</b>	<b>1,027,052</b>

\*\* 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
<b>Total amount recognised in OCI</b>	<b>(263,651)</b>	<b>(2,760)</b>	<b>49,851</b>	<b>1,640</b>

## Notes to the Core Financial Statements

### 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
<b>Actual return on assets</b>	<b>84,060</b>	<b>117,449</b>

### 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
<b>Total Actuarial Gain/(Loss)</b>	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)
<b>Cumulative gain/(loss)</b>	<b>(380.44)</b>	<b>(516.25)</b>	<b>(566.00)</b>	<b>(299.54)</b>	<b>(351.03)</b>

### 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)
<b>Surplus/(deficit)</b>	<b>(494,370)</b>	<b>(634,000)</b>	<b>(707,314)</b>	<b>(473,027)</b>	<b>(539,786)</b>

### 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)

## Notes to the Core Financial Statements

### 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



## Notes to the Core Financial Statements

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
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	729,265	44,172	557,909	18,734	55,403	4,315	<b>1,999,552</b>
VA/VC Transfer*	0	63,404	0	0	0	0	0	<b>63,404</b>
Revised at 1 April 2014	589,754	792,669	44,172	557,909	18,734	55,403	4,315	<b>2,062,956</b>
Additions	17,777	24,410	3,966	16,785	472	785	8,795	<b>72,990</b>
Impairment losses/reversals to RR *	0	0	0	0	0	0	0	<b>0</b>
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(649)	0	<b>(4,097)</b>
Derecognition - disposals	(1,335)	(214)	(6,753)	0	0	(25)	0	<b>(8,327)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications	0	(4,234)	19	480	0	4,070	(1,353)	<b>(1,018)</b>
Revaluation increases /(decreases) to RR*	0	183	0	0	0	(2,238)	0	<b>(2,055)</b>
Revaluation increases /(decreases) to SDPS**	0	34	0	0	0	(3,427)	0	<b>(3,393)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>809,892</b>	<b>41,388</b>	<b>575,174</b>	<b>19,206</b>	<b>51,709</b>	<b>11,757</b>	<b>2,113,552</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,301	28,779	243,043	0	0	0	<b>320,484</b>
VA/VC Transfer*	0	355	0	0	0	0	0	<b>355</b>
Revised at 1 April 2014	23,361	25,656	28,779	243,043	0	0	0	<b>320,839</b>
Depreciation charge	12,106	14,656	4,373	23,465	0	0	0	<b>54,600</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
Derecognition - disposals	(53)	(67)	(6,753)	0	0	0	0	<b>(6,873)</b>
Depreciation written out to SDPS **	0	(176)	0	0	0	0	0	<b>(176)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(132)	0	0	0	0	0	<b>(132)</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,902</b>	<b>26,399</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368,223</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>769,990</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>51,709</b>	<b>11,757</b>	<b>1,745,329</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>703,964</b>	<b>15,393</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>1,679,068</b>

\*Further detail can be found in the narrative below.

## Notes to the Core Financial Statements

### Comparative Movements in 2013/14

2013/14	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
<b>Cost or Valuation</b>								
At 1 April 2013	0	0	0	0	0	0	0	0
VA/VC Transfer	0	63,404	0	0	0	0	0	63,404
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	0	0	0
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(649)	0	(4,097)
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		(4,234)	19	480	0	4,070	(1,353)	(1,018)
Revaluation increases /(decreases) to RR*	0	183	0	0	0	(2,238)	0	(2,055)
Revaluation increases /(decreases) to SDPS**	0	34	0	0	0	(3,427)	0	(3,393)
<b>At 31 March 2014</b>	<b>589,754</b>	<b>729,265</b>	<b>44,172</b>	<b>557,909</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>1,999,552</b>
<b>Depreciation</b>								
At 1 April 2014	11,569	34,149	24,621	217,036	0	0	0	287,375
Depreciation charge	11,800	13,392	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)
<b>At 31 March 2014</b>	<b>23,361</b>	<b>25,301</b>	<b>28,779</b>	<b>243,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>320,484</b>
<b>Net Book Value:</b>								
<b>At 31 March 2014</b>	<b>566,393</b>	<b>703,964</b>	<b>15,393</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>1,679,068</b>
<b>At 31 March 2013</b>	<b>566,861</b>	<b>929,612</b>	<b>11,975</b>	<b>327,511</b>	<b>16,715</b>	<b>51,424</b>	<b>7,079</b>	<b>1,911,177</b>

\*\* RR = Revaluation Reserve

\*\*\* SDPS = Surplus or deficit on Provision of Services

## Notes to the Core Financial Statements

### Intangible Assets

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

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

Comparative Movements in 2013/14:

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

### Non-Current Assets

The non-current assets of the Council include the following:

Allotment Gardens (28)	Mental Health Day Centres (1)
Caravan Park	New Theatre
Cardiff Bay Barrage	Parks & Public Open Spaces (Approx 1500 ha)

## Notes to the Core Financial Statements

Cardiff Castle	Play Centres (8)
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 (7)	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 (6)	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 (21)
Road Safety Centre & Cycle Track	

### Voluntary Aided/Voluntary Controlled/Foundation Schools Recognition changes 2014/15

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. This includes a file on each highlighting legal title.

Based on whether VA / VC / Foundation schools land and property assets are legally owned by the Council, the output is as follows:-

- 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.

## Notes to the Core Financial Statements

Building valuation to be recognised using Modern Equivalent Asset Valuation approach £47.2 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 recognised £17.8 million (Including existing land assets to be merged into new asset records)

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:-

- Unless revaluation is for a new school operational in 2014/15, all assets are deemed to be brought onto the balance sheet at 1 April 2014 with one years accumulated depreciation to be consistent with other schools assets.
- Recognition to be 'deemed cost' in accordance with CIPFA requirements i.e. opposite entry to the Capital Adjustment Account rather than Re-valuation reserve. This is with a view to CIPFA making recognition easier, supporting their approach to allowing a simple process for local Authorities in making required changes.
- REFCUS expenditure in previous years is deemed to remain REFCUS and is not reversed.
- Any assets to be derecognised would be done so at 1 April 2014 as a loss on disposal.

## Notes to the Core Financial Statements

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	63,049	<b>767,013</b>
Long Term Assets	1,833,908	63,049	<b>1,896,957</b>
<b>Total Net Assets</b>	<b>877,709</b>	<b>63,049</b>	<b>940,758</b>
Capital Adjustment Account	1,093,549	63,049	<b>1,156,598</b>
Unusable Reserves	825,530	63,049	<b>888,579</b>
<b>Total Reserves</b>	<b>877,709</b>	<b>63,049</b>	<b>940,758</b>

### Heritage Assets

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

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](http://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

## Notes to the Core Financial Statements

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 Council's 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

## Notes to the Core Financial Statements

Heritage Category	Item	Nature / Type	Identified separately in Balance Sheet (Yes/No)	Valuation Basis of any asset or expenditure incurred
	Sea Wall Rumney	Sea Defences – Post Medieval	No	n/a
	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	<b>Balance at 1 April</b>	75,625
18,233	Additions	726
0	Impairment Losses / reversals to SDPS	(1,153)
(455)	Disposals	(121)
200	Other Reclassifications	1,018
0	Revaluation increases /(decreases) to RR*	(117)
(162)	Revaluation increases /(decreases) to SDPS**	10,124
<b>75,625</b>	<b>Balance at 31 March</b>	<b>86,102</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services



## Notes to the Core Financial Statements

### 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 £000		CFR exc. landfill 2014/15 £000	Landfill CFR 2014/15 £000	Total CFR 2014/15 £000
<b>503,702</b>	<b>Opening Capital Financing Requirement</b>	<b>486,169</b>	<b>26,899</b>	<b>513,068</b>
	<b>Capital Expenditure:</b>			
62,226	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
22,803	Expenditure on REFCUS	8,208	0	8,208
	<b>Sources of Finance:</b>			
(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)
<b>513,068</b>	<b>Closing Capital Financing Requirement</b>	<b>496,301</b>	<b>25,689</b>	<b>521,990</b>
	<b>Explanation of movements in year:</b>			
(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
<b>9,366</b>	<b>Increase in Capital Financing Requirement</b>	<b>10,132</b>	<b>(1,210)</b>	<b>8,922</b>

## Notes to the Core Financial Statements

### 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
<i>Movements in Year:</i>		
Housing Improvement grants	4,315	5,219
Buildings not owned by The City of Cardiff Council	16,035	533
Grants awarded (not Housing grants)	2453	2,103
Charged to Income and Expenditure Account	<b>22,803</b>	<b>7,855</b>
<i>Funded by:</i>		
Grants and Contributions	(17,063)	(7,460)
Borrowing, receipts and other capital resources	(5,740)	(395)
	<b>(22,803)</b>	<b>(7,855)</b>

### 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 land at Leckwith
- Sale of Unit 2 Caxton Place
- 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	5,866
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	9,000
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:-

## Notes to the Core Financial Statements

	31 March 2014			31 March 2015		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments/Financial Assets</b>						
Loans & Receivables at amortised cost	4,247	72,174	<b>76,421</b>	2,803	67,157	<b>69,960</b>
Investments at Fair Value	17,160	0	<b>17,160</b>	14,998	0	<b>14,998</b>
<b>Total</b>	<b>21,407</b>	<b>72,174</b>	<b>93,581</b>	<b>17,801</b>	<b>67,157</b>	<b>84,958</b>
<b>Borrowings/Financial Liabilities</b>						
Financial Liabilities at Amortised Cost	<b>(465,486)</b>	<b>(14,457)</b>	<b>(479,943)</b>	<b>(464,808)</b>	<b>(12,964)</b>	<b>(477,772)</b>

### 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. Interest receivable from Glamorgan County Cricket Club of £1.356 million, for which a 100% provision for bad debt has been created within the accounts. The Council's Cabinet considered and approved a request from the Club to write off 70% of sums due including interest. 30% of the balance due to the Council is to be restructured. The Council continues to recognise impairment on any loan principal balances outstanding at 100%.

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

	31 March 2014		31 March 2015	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	41,761	41,761	23,000	23,000
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	1,343	1,343	1,930	1,930
<b>Financial assets</b>	<b>76,421</b>	<b>76,504</b>	<b>69,960</b>	<b>70,047</b>

#### 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

## Notes to the Core Financial Statements

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)	(423,182)	(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
<b>Financial liabilities</b>	<b>(479,940)</b>	<b>(551,279)</b>	<b>(477,773)</b>	<b>(663,918)</b>

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 £702.95 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:

## Notes to the Core Financial Statements

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	23,871	24,678	0	0	0	0	23,871	24,678
Impairment Losses	0	0	5,056	0	0	0	5,056	0
<b>Interest Payable &amp; Similar Charges</b>	<b>23,871</b>	<b>24,678</b>	<b>5,056</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,927</b>	<b>24,678</b>
Interest/Dividend Income	0	0	(872)	(832)	0	0	(872)	(832)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(872)</b>	<b>(832)</b>	<b>0</b>	<b>0</b>	<b>(872)</b>	<b>(832)</b>
Losses on Revaluation	0	0	0	0	488	2,211	488	2,211
<b>(Surplus) / Loss arising on revaluation of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>488</b>	<b>2,211</b>	<b>488</b>	<b>2,211</b>
<b>Net (gain) / loss for the year</b>	<b>23,871</b>	<b>24,678</b>	<b>4,184</b>	<b>(832)</b>	<b>488</b>	<b>2,211</b>	<b>28,543</b>	<b>26,057</b>

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](http://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.

## Notes to the Core Financial Statements

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.

Credit Risk	Likelihood of Default	31 March 2014 £000	31 March 2015 £000
Deposits – banks, buildings societies	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.	71,399	65,142
Local Authority Mortgage Scheme	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.	1,000	1,000
Car Loans	Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	1,235	900
Loans to External Bodies	Includes primarily Glamorgan Cricket Club interest due £1.36m, 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 considered.	2,706	2,736
Customers	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.	12,912	12,599

## Notes to the Core Financial Statements

Credit Risk	Likelihood of Default		31 March 2014 £000	31 March 2015 £000
		2013/14 £000	2014/15 £000	
	Less than 1 year	11,211	10,708	
	1 – 2 years	788	734	
	2 – 3 years	225	553	
	3 – 4 years	198	133	
	4 – 5 years	128	153	
	Over 5 years	291	298	
	<b>Total</b>	12,841	12,579	
	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.			
<b>Total</b>				<b>84,454</b>
				<b>89,252</b>

### 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
<b>Total</b>			<b>54,900</b>

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

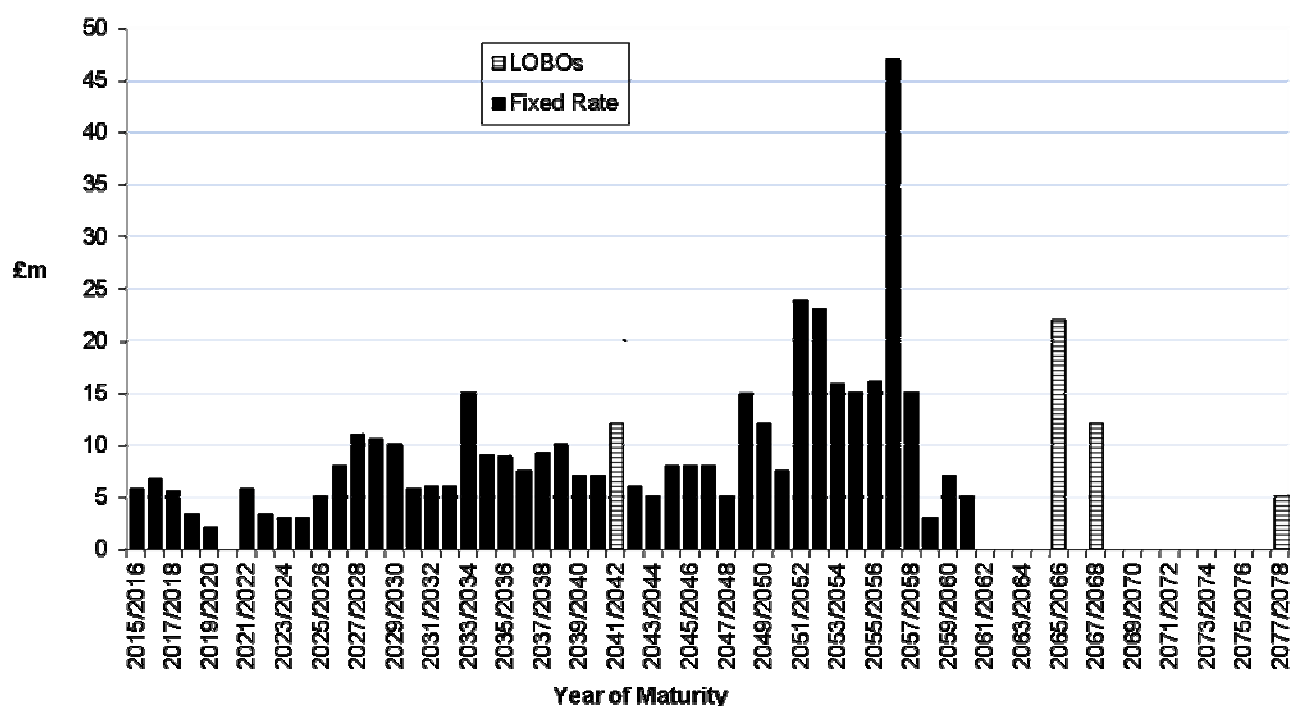
This is the possibility that the Authority may not have funds available to meet its commitments to make payments or have to renew a financial instrument on maturity at disadvantageous interest rates or terms. The Council manages its daily liquidity position by undertaking cash flow modelling. The Council 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:-

## Notes to the Core Financial Statements

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
<b>473,316</b>	<b>Total</b>	<b>470,545</b>
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
<b>473,316</b>	<b>Total</b>	<b>470,545</b>

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.





## Notes to the Core Financial Statements

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.	<ul style="list-style-type: none"> <li>Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.</li> </ul>
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.	<ul style="list-style-type: none"> <li>Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.</li> </ul>
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.	<ul style="list-style-type: none"> <li>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.</li> </ul>
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.

## Notes to the Core Financial Statements

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(192)
Interest in interest receivable on investments	363
<b>Impact on Income and Expenditure Account</b>	<b>171</b>
Increase in interest transferred to HRA	(45)
Increase in interest transferred to other balances and accounts	(59)
<b>Net Income / (Expenditure)</b>	<b>67</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	99
Decrease in Fair Value of Fixed Rate Borrowings	74,045

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	<b>Balance at 1 April</b>	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)
<b>380</b>	<b>Balance at 31 March</b>	<b>3,040</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## Notes to the Core Financial Statements

### 23. Debtors

31 March 2014 £000		31 March 2015 £000
37,636	Central Government Bodies	53,691
3,283	Other Local Authorities	6,860
5,149	NHS Bodies	4,351
17	Public Corporations & Trading Funds	34
24,826	Other Entities and Individuals	24,656
<b>70,911</b>	<b>Total Debtors Net of Impairments</b>	<b>89,592</b>

### 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)	10,914
32,219	Short-term deposit with banks and building societies	11,904
<b>41,761</b>	<b>Total Cash and Cash Equivalents</b>	<b>23,000</b>

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	(10,822)
(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)
<b>(75,827)</b>	<b>Total Creditors</b>	<b>(94,371)</b>

### 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 140 to 161. 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.

## Notes to the Core Financial Statements

### 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
<b>Net (Profit) / Loss before Taxation</b>	<b>(1,560)</b>	<b>(2,659)</b>
Less: Taxation	345	0
<b>(Profit) / Loss after Taxation</b>	<b>(1,215)</b>	<b>(2,659)</b>

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)
<b>Total Assets less liabilities</b>	<b>11,710</b>	<b>11,597</b>
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
<b>Net Worth</b>	<b>11,710</b>	<b>11,597</b>

In 2014/15 the Council made payments totalling **£10.004 million** to Cardiff Bus (£11.068 million in 2013/14) and 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:

## Notes to the Core Financial Statements

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

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)
<b>Total Assets less liabilities</b>	<b>909</b>	<b>943</b>
Represented by:		
Retained Profit	189	223
Revaluation Reserve	720	720
<b>Net Worth</b>	<b>909</b>	<b>943</b>

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)	58
Taxation	0	0
<b>(Profit)/Loss for year after taxation</b>	<b>(197)</b>	<b>58</b>

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	138
<b>Total assets less liabilities</b>	<b>197</b>	<b>138</b>
Represented by		
Retained Profit	(197)	(138)
<b>Balance</b>	<b>(197)</b>	<b>(138)</b>

## Notes to the Core Financial Statements

During the year The City of Cardiff Council made core funding payments totalling **£486,000** 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 **£nil** (£73,130 at 31 March 2014) and was owed **£32,000** (£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 (£4,750 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	(1,770)	(2,654)
<b>Total Provisions</b>	<b>(42,901)</b>	<b>9,308</b>	<b>(7,247)</b>	<b>(40,840)</b>

	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	(2,299)	(355)	(2,654)
<b>Total Provisions</b>	<b>(9,441)</b>	<b>(31,399)</b>	<b>(40,840)</b>

## Notes to the Core Financial Statements

**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 employees 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. Also included is an amount of **£430,234** provision for the Authority's Carbon Reduction Commitment.

### 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
<b>Total Pension Strain</b>	<b>8,252</b>	<b>9,082</b>

## Notes to the Core Financial Statements

### 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)	<b>(8,241)</b>
<b>Total Deferred Liabilities</b>	<b>(8,500)</b>	<b>1,078</b>	<b>(819)</b>	<b>(8,241)</b>

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

### 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
<b>1,605</b>	<b>Balance as at 1 April</b>	<b>1,399</b>
	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
<b>3,696</b>		<b>6,064</b>
(3,354)	Finance Capital Expenditure	(4,753)
(545)	Provide for Repayment of External Loans	(1,361)
<b>(3,899)</b>		<b>(6,114)</b>
(3)	Additional set aside from Private Mortgage Repayments	(13)
<b>1,399</b>	<b>Balance as at 31 March</b>	<b>1,336</b>

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:



## Notes to the Core Financial Statements

2013/14 £000		2014/15 £000
<b>317,680</b>	<b>Balance as at 1 April</b>	<b>206,879</b>
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)
<b>(107,749)</b>	<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>(2,761)</b>
(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)
<b>(3,052)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,190)</b>
<b>206,879</b>	<b>Balance as at 31 March</b>	<b>200,928</b>

### 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 £000		2014/15 £000
<b>1,210,481</b>	<b>Balance as at 1 April 2014</b>	<b>1,093,549</b>
	Adjustment for the Voluntary Aided/Voluntary Controlled/Foundation School recognition*	63,049
	<b>Revised balance as at 1 April 2014</b>	<b>1,156,598</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(56,370)	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)
(5,740)	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)
<b>(192,552)</b>		<b>(64,377)</b>
2,909	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	3,017
<b>(189,643)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(61,360)</b>
	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

## Notes to the Core Financial Statements

2013/14 £000		2014/15 £000
45,134	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
(141)	Reduction in loan debtors	(243)
13	Leased vehicles	0
<b>73,906</b>		<b>65,889</b>
(162)	Movements in the market value of Investment Properties	8,853
(1,033)	Movement in the value of Held for Sale assets	(504)
<b>1,093,549</b>	<b>Balance as at 31 March</b>	<b>1,169,476</b>

\*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
<b>851</b>	<b>Balance as at 1 April</b>	<b>104</b>
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)
<b>104</b>	<b>Balance as at 31 March</b>	<b>87</b>

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
<b>16,262</b>	<b>Balance as at 1 April</b>	<b>15,774</b>
(488)	Downwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(2,211)
<b>15,774</b>	<b>Balance as at 31 March</b>	<b>13,563</b>

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

## Notes to the Core Financial Statements

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
<b>(3,051)</b>	<b>Balance as at 1 April</b>	<b>(2,709)</b>
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
<b>(2,709)</b>	<b>Balance as at 31 March</b>	<b>(2,367)</b>

### 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
<b>(713,470)</b>	<b>Balance as at 1 April</b>	<b>(481,278)</b>
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
<b>(481,278)</b>	<b>Balance as at 31 March</b>	<b>(548,868)</b>

### 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.

## Notes to the Core Financial Statements

2013/14 £000		2014/15 £000
(5,956)	<b>Balance as at 1 April</b>	(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)	<b>Balance as at 31 March</b>	(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
<b>Credited to Taxation and Non Specific Grant Income</b>		
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)
<b>Total</b>	<b>(509,322)</b>	<b>(477,759)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
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)
<b>Total</b>	<b>(290,470)</b>	<b>(289,278)</b>

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 £000		31 March 2015 £000
	<b>Capital Grants Receipts in Advance</b>	
0	Central Government Bodies	(2,160)
(306)	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(306)	<b>Total</b>	<b>(2,160)</b>

## Notes to the Core Financial Statements

### Capital expenditure and other Contributions Receipts in Advance:

2013/14 £000		2014/15 £000
(25,404)	<b>Balance as at 1 April</b>	(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)	<b>Balance as at 31 March</b>	(10,095)

This represent amounts received from developers in the main and from 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 is reflected primarily by 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
	<b>Revenue Grants and Contributions Receipts in Advance</b>	
(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)	<b>Total</b>	(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**.

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.

## Notes to the Core Financial Statements

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	(191,055)	(53,867)
Charges made for retirement benefits (IAS19) less employers contributions	(35,052)	(20,238)
Contributions (to)/from provisions	3,273	4,345
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)	(226)
(Increase)/decrease in creditors (exc capital creditors) & super fund	(12,641)	(16,753)
	<b>(243,313)</b>	<b>(88,913)</b>

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

	2013/14 £000	2014/15 £000
REFCUS	(5,740)	(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	45,350	28,165
Other cash items which effect investing or financing activities	(2,016)	(10,759)
	<b>40,429</b>	<b>22,431</b>

### 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**

There are no events to be recorded after the reporting period.

**36. Date of Authorisation of the Accounts for Issue**

## Housing Revenue Account

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
	<b>Expenditure</b>		
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
<b>64,628</b>	<b>Total Expenditure</b>		<b>69,971</b>
	<b>Income</b>	2	
(56,398)	Dwelling rents		(58,586)
(81)	Non-dwelling rents		(67)
(6,508)	Charges for services and facilities		(6,578)
<b>(62,987)</b>	<b>Total Income</b>		<b>(65,231)</b>
1,641	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		4,740
42	HRA Services' share of Corporate and Democratic Core		42
<b>1,683</b>	<b>Net Cost for HRA Services</b>		<b>4,782</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(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)
<b>(4,435)</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>(4,696)</b>



## Notes to Housing Revenue Account

### MOVEMENT ON HRA STATEMENT

2013/14 £000		Note	2014/15 £000
(7,295)	<b>Balance on the HRA at the end of the previous year</b>		(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
<b>(201)</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>132</b>
(628)	Transfers to/(from) reserves		(446)
(829)	Increase or decrease in the year on the HRA		(314)
<b>(8,124)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(8,438)</b>

#### 1. Adjustments between Accounting Basis and Funding Basis Under Regulations

2013/14 £000		Note	2014/15 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	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)
	<b>Adjustments involving the Pensions Reserve:</b>		
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)
	<b>Adjustments involving the Capital Receipts Reserve:</b>		
(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
	<b>Adjustments involving the Revaluation Reserve:</b>		
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		137
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
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 requirements		(3)
	<b>Adjustments involving the Financial Instruments Adjustment Account:</b>		
(2)	Amortisation of premiums and discounts		(2)
<b>(4,234)</b>	<b>Total Adjustments</b>		<b>(4,828)</b>

## Notes to Housing Revenue Account

### 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	Bad debt provision	Rent arrears	Bad debt provision
	£000	£000	£000	£000
Ordinary HRA	2,140	1,697	2,459	1,929
Leasehold properties	52	52	44	44
Hostels	89	89	121	121
<b>Total</b>	<b>2,281</b>	<b>1,838</b>	<b>2,624</b>	<b>2,094</b>

In addition the following sums were also due from tenants:

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

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
<b>Net transfer to Pensions Reserve</b>	<b>342</b>	<b>231</b>

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

## Notes to Housing Revenue Account

### 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
<b>Total</b>	<b>13,672</b>	<b>13,600</b>

The Council also had:

	31 March 2014	31 March 2015
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

### 7. Capital Expenditure and Capital Financing

2013/14		2014/15
£000		£000
<b>93,898</b>	<b>Opening Capital Financing Requirement</b>	<b>96,360</b>
	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)
<b>96,360</b>	<b>Closing Capital Financing Requirement</b>	<b>94,518</b>
	<b>Explanation of Movements in Year:</b>	
(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
<b>2,462</b>	<b>Movement in capital financing requirement</b>	<b>(1,842)</b>

## Notes to Housing Revenue Account

\*£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
<b>Total depreciation, impairment and revaluation</b>	<b>13,113</b>	<b>15,901</b>

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
<b><i>Movements in Year:</i></b>		
Buildings not owned by The City of Cardiff Council	55	353
Charged to Income and Expenditure Account*	<b>55</b>	<b>353</b>
<b><i>Funded by:</i></b>		
Borrowing, receipts and other capital resources	55	353
	<b>55</b>	<b>353</b>

## 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**

# Cardiff and Vale of Glamorgan Pension Fund

## 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	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	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.

## Cardiff and Vale of Glamorgan Pension Fund

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**

# Cardiff and Vale of Glamorgan Pension Fund

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2015

2013/14 £000		2014/15 £000
	<b>CONTRIBUTIONS AND BENEFITS</b>	
	<b>Contributions receivable</b>	
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
<b>106,510</b>		<b>82,609</b>
	<b>Benefits Payable</b>	
(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)
(951)	Admin & Other expenses (note 8)	(789)
<b>(74,734)</b>		<b>(79,491)</b>
	Net Additions/(Withdrawals) from dealings with Members of the Fund	
<b>31,776</b>		<b>3,118</b>
	<b>RETURNS ON INVESTMENT</b>	
12,746	Investment Income (note 9)	17,339
104,275	Change in market value of investments (note 10)	171,155
(4,097)	Investment management expenses (note 8)	(4,970)
<b>112,924</b>	Net Returns on Investments	<b>183,524</b>
<b>144,700</b>	Net Increase/(Decrease) in the Fund During Year	<b>186,642</b>
1,347,803	Opening Net Assets of the Scheme	1,492,503
<b>1,492,503</b>	<b>Closing Net Assets of the Scheme</b>	<b>1,679,145</b>



# Cardiff and Vale of Glamorgan Pension Fund

## NET ASSET STATEMENT AS AT 31 MARCH 2015

2013/14 £000		2014/15 £000
1,442,289	Investments at market value (note 10)	1,615,767
23,836	Cash & investment proceeds due (note 10)	37,012
<b>1,466,125</b>		<b>1,652,779</b>
	<b>Current assets</b>	
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
<b>7,469</b>		<b>8,480</b>
	<b>Non current assets</b>	
18,022	Deficit funding (former employers)	15,618
4,857	Pension strain costs due after one year	6,253
<b>22,879</b>		<b>21,871</b>
	<b>Current liabilities</b>	
(2,811)	Unpaid Benefits	(3,055)
(1,159)	Sundry Creditors (note 14)	(930)
<b>(3,970)</b>		<b>(3,985)</b>
<b>1,492,503</b>	<b>Net Assets of the Scheme</b>	<b>1,679,145</b>

## 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 120 and 121. 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

## Cardiff and Vale of Glamorgan Pension Fund

calculation are summarised in the actuary's statement on page 120 and 121. 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
<b>Actual present value of promised retirement benefits</b>	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.
<b>Private Equity Valuations</b>	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 £93 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.

# Cardiff and Vale of Glamorgan Pension Fund

## 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
<b>SCHEDULED BODIES:</b>						
Barry Town Council	13	27.0%	0	74	18	92
Cardiff and Vale College	335	13.6%	259	1,254	464	1,718
Cardiff City Transport	30	25.4%	480	729	65	794
City of The City of Cardiff Council	8,465	22.9%	0	35,608	9,791	45,399
Cardiff Metropolitan University	762	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%	1	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	13	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	32	13.6%	14	114	47	161
Stanwell School	75	16.4%	13	167	55	222
Vale Of Glamorgan Council	3,134	22.7%	0	12,037	3,332	15,369
Wenvoe Community Council	1	27.0%	0	2	0	2
<b>Sub-total</b>	<b>12,875</b>			<b>53,507</b>	<b>15,096</b>	<b>68,603</b>
<b>ADMITTED BODIES:</b>						
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

## Cardiff and Vale of Glamorgan Pension Fund

	No. of contributors at 31.03.15	Contribution rates (% of pensionable pay)	Additional lump sum (memo)	Employers	Employees	Total
Design Commission for Wales	3	20.3%	0	30	12	42
Memorial Hall	5	17.8%	0	17	6	23
Mirus Wales	6	23.4%	0	56	20	76
National Trust	13	20.7%	0	43	13	56
One Voice	2	19.4%	3	19	8	27
Play Wales	8	24.0%	4	57	17	74
Royal National Eisteddfod	12	25.5%	32	142	33	175
Sport Wales	132	20.2%	500	1,323	286	1,609
Wales & West Housing	1	20.6%	102	139	16	155
Welsh Council For Voluntary Action	75	21.4%	43	500	149	649
Workers Education Association	45	22.3%	5	256	75	331
<b>Sub-total</b>	<b>477</b>			<b>4,964</b>	<b>930</b>	<b>5,894</b>
<b>Total</b>	<b>13,352</b>			<b>58,471</b>	<b>16,026</b>	<b>74,497</b>

### 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
<b>SCHEDULED BODIES:</b>				
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

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Royal Welsh College of Music & Drama	76	0	0	0
S Wales Magistrates Courts	316	348	0	34
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
<b>Sub-total</b>	<b>52,047</b>	<b>16,614</b>	<b>1,474</b>	<b>485</b>
<b>ADMITTED BODIES:</b>				
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

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Welsh Council for Voluntary Action	164	27	7	0
Workers Education Association	14	0	0	0
<b>Sub-total</b>	<b>3,936</b>	<b>779</b>	<b>71</b>	<b>16</b>
<b>TOTAL</b>	<b>55,983</b>	<b>17,393</b>	<b>1,545</b>	<b>501</b>

### 7. Membership of the Fund

Fund membership at 31 March 2015 is as follows:

	2013/14	2014/15
Contributing Employers	33	36
Contributors	13,546	13,352
Pensioners	9,886	10,236
Deferred pensioners	11,534	11,640
<b>Total membership</b>	<b>34,966</b>	<b>35,228</b>

### 8. Investment and Administration Expenses

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

	2013/14 £000	2014/15 £000
Management fees	3,980	4,846
Custody fees	117	124
<b>Sub-total</b>	<b>4,097</b>	<b>4,970</b>
Support Service Charges	171	218
Other Administration Expenses	780	571
<b>Sub-total</b>	<b>951</b>	<b>789</b>
<b>TOTAL</b>	<b>5,048</b>	<b>5,759</b>

### 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	26
Securities Lending	11	97
<b>TOTAL</b>	<b>12,746</b>	<b>17,339</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 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
<b>161,942</b>		<b>183,177</b>
	Overseas Fixed Interest:	
0	Public Sector (Pooled)	0
58,120	Other	61,913
<b>58,120</b>		<b>61,913</b>
77,425	UK quoted Equities & Convertibles	101,886
157,972	Foreign quoted Equities	174,772
79,897	UK & Global Property (Pooled)	98,589
<b>315,294</b>		<b>375,247</b>
92,925	Private Equity	87,433
	Pooled Funds	
446,157	UK	484,463
367,851	Overseas	423,534
<b>814,008</b>		<b>907,997</b>
884	Derivatives: Forward Currency contracts	(2,209)
	Cash:	
16,950	UK	24,061
5,190	Overseas	13,559
812	Net investment proceeds due	1,601
<b>22,952</b>		<b>39,221</b>
<b>1,466,125</b>	<b>TOTAL</b>	<b>1,652,779</b>

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.



## Cardiff and Vale of Glamorgan Pension Fund

	Value at 31/03/14	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/15
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	220,062	65,699	(57,319)	16,648	245,090
Equities	235,397	66,497	(59,102)	33,866	276,658
Pooled Funds	814,008	784	0	93,205	907,997
Property unit trusts	79,897	5,779	0	12,913	98,589
Private equity	92,925	7,856	(24,878)	11,530	87,433
<b>Sub total</b>	<b>1,442,289</b>	<b>146,615</b>	<b>(141,299)</b>	<b>168,162</b>	<b>1,615,767</b>
Forward Currency	884	2,089,769	(2,098,490)	5,628	(2,209)
Futures	0	286,496	(286,496)	0	0
<b>Total Derivatives</b>	<b>884</b>	<b>2,376,265</b>	<b>(2,384,986)</b>	<b>5,628</b>	<b>-2,209</b>
Debtors	812				1,742
Creditors	0				(141)
Managers' Cash	9,049				7,700
Internal Cash	12,625				24,061
Currency Overlay	466				5,859
<b>Total Cash</b>	<b>22,952</b>			<b>(2,635)</b>	<b>39,221</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>23,836</b>			<b>2,993</b>	<b>37,012</b>
<b>Total</b>	<b>1,466,125</b>			<b>171,155</b>	<b>1,652,779</b>

Comparative Data for 2013/14	Value at 31/03/13	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/14
	£000's	£000's	£000's	£000's	£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
<b>Sub total</b>	<b>1,306,525</b>	<b>193,424</b>	<b>(152,498)</b>	<b>94,838</b>	<b>1,442,289</b>
Forward Currency	732	1,581,563	(1,592,067)	10,656	884
Futures	0	418,215	(418,215)	0	0
<b>Total Derivatives</b>	<b>732</b>	<b>1,999,778</b>	<b>(2,010,282)</b>	<b>10,656</b>	<b>884</b>
Debtors	1,754				812
Creditors	(9)				0
Managers' Cash	7,709				9,049
Internal Cash	16,288				12,625
Currency Overlay	6,929				466
<b>Total Cash</b>	<b>32,671</b>			<b>(1,219)</b>	<b>22,952</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>33,403</b>			<b>9,437</b>	<b>23,836</b>
<b>Total</b>	<b>1,339,928</b>			<b>104,275</b>	<b>1,466,125</b>

## Cardiff and Vale of Glamorgan Pension Fund

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	188,414	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	84,948	5.1
State Street Global Advisers	499,375	30.2
Property	98,588	6.0
Private Equity Managers	87,433	5.3
Mesirow currency overlay & cash with custodian	7,074	0.4
Internally managed (Cash)	24,062	1.5
<b>Total</b>	<b>1,652,779</b>	<b>100</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 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	276,658	0	0
814,008	0	0	Pooled Funds	907,997	0	0
79,897	0	0	Property Unit Trusts	98,589	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	37,620	0
812	0	0	Other investments	1,601	0	0
0	30,348	0	Debtors	0	30,351	0
<b>1,484,843</b>	<b>52,488</b>	<b>0</b>		<b>1,773,784</b>	<b>67,971</b>	<b>0</b>
			<b>Financial liabilities</b>			
(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
<b>(40,858)</b>	<b>0</b>	<b>(3,970)</b>		<b>(158,625)</b>	<b>0</b>	<b>(3,985)</b>
<b>1,443,985</b>	<b>52,488</b>	<b>(3,970)</b>		<b>1,615,159</b>	<b>67,971</b>	<b>(3,985)</b>

### 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	288,939
0	Loans and receivables	0
	<b>Financial liabilities</b>	
4,919	Fair value through profit and loss	(117,769)
5,315	Loans and receivables	(15)
<b>104,275</b>	<b>Total</b>	<b>171,155</b>

## Cardiff and Vale of Glamorgan Pension Fund

### c) Fair value of financial instruments and liabilities

31/03/2014			31/03/2015	
Carrying value £000	Fair value £000		Carrying value £000	Fair value £000
		<b>Financial assets</b>		
1,049,489	1,484,843	Fair value	1,069,969	1,773,784
52,488	52,488	Loans and receivables	67,971	67,971
<b>1,101,977</b>	<b>1,537,331</b>	<b>Total financial assets</b>	<b>1,137,940</b>	<b>1,841,755</b>
		<b>Financial liabilities</b>		
(40,858)	(40,858)	Fair value	(158,625)	(158,625)
(3,970)	(3,970)	Financial liabilities	(3,985)	(3,985)
<b>(44,828)</b>	<b>(44,828)</b>	<b>Total financial liabilities</b>	<b>(162,610)</b>	<b>(162,610)</b>

### 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	Using observable inputs	With significant unobservable inputs	Total
	Level 1 £000	Level 2 £000	Level 3 £000	£000
<b>Financial assets</b>				
Financial assets at fair value	700,008	729,737	344,039	1,773,784
Loans and receivables	67,971	0	0	67,971
<b>Total financial assets</b>	<b>767,979</b>	<b>729,737</b>	<b>344,039</b>	<b>1,841,755</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	0	0	(158,625)	(158,625)
Financial liabilities at amortised cost	(3,985)	0	0	(3,985)
<b>Total financial liabilities</b>	<b>(3,985)</b>	<b>0</b>	<b>(158,625)</b>	<b>(162,610)</b>
<b>Net financial assets</b>	<b>763,994</b>	<b>729,737</b>	<b>185,414</b>	<b>1,679,145</b>

## Cardiff and Vale of Glamorgan Pension Fund

### 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

Asset Type	Carrying amount as at 31.03.2015	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,012	370	(370)
Fixed interest securities	245,090	2,451	(2,451)
<b>Total</b>	<b>282,102</b>	<b>2,821</b>	<b>(2,821)</b>

## Cardiff and Vale of Glamorgan Pension Fund

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)
<b>Total</b>	<b>243,918</b>	<b>2,439</b>	<b>(2,439)</b>

**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:

Currency exposure – asset type	Asset value as at 31.03.2015	Change to net assets available to pay benefits	
		3.49%	-3.49%
	£000	£000	£000
Overseas quoted securities	617,078	638,590	595,566
<b>Total change in assets available</b>	<b>617,078</b>	<b>638,590</b>	<b>595,566</b>

Currency exposure – asset type	Asset value as at 31.03.2014	Change to net assets available to pay benefits	
		3.49%	-3.49%
	£000	£000	£000
Overseas quoted securities	526,232	542,513	509,951
Overseas corporate bonds (quoted)	58,120	59,918	56,322
<b>Total change in assets available</b>	<b>584,352</b>	<b>602,431</b>	<b>566,273</b>

**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.

## Cardiff and Vale of Glamorgan Pension Fund

Asset type	Value as at 31.03.2015 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	586,349	9.73%	643,401	529,297
Overseas Equities	598,306	9.68%	656,222	540,390
Total Bonds	245,090	3.78%	254,354	235,826
Cash	37,012	0.01%	37,016	37,008
Alternatives	87,433	2.25%	100,807	96,371
Property	98,589	3.35%	90,362	84,504
<b>Total Assets</b>	<b>1,652,779</b>	<b>6.65%</b>	<b>1,762,689</b>	<b>1,542,869</b>

Asset type	Value as at 31.03.2014 £000	Percentage change %	Value on increase £000	Value on Decrease £000
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
<b>Total Assets</b>	<b>1,466,125</b>	<b>8.04%</b>	<b>1,584,001</b>	<b>1,348,249</b>

### 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 £24.4 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
<b>Money market funds</b>			
Ignis	AAA	13,080	<b>11,964</b>
Deutsche	AAA	0	<b>11,989</b>
Blackrock	AAA	0	<b>648</b>
<b>Bank current account</b>			
Lloyds Bank	A	0	<b>(194)</b>
Co-operative	A-	131	<b>0</b>
<b>Total</b>		<b>13,211</b>	<b>24,407</b>

## 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
<b>Debtors</b>		
Pensions Administration	108	26
Miscellaneous	10	767
	<b>118</b>	<b>793</b>
<b>Creditors</b>		
Management & Custody Fees	(956)	(899)
Miscellaneous	(203)	(31)
	<b>(1,159)</b>	<b>(930)</b>
<b>Total</b>	<b>(1,041)</b>	<b>(137)</b>

## 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 £3.615 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 £156.42 million of purchases and £158.63 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;



## Cardiff and Vale of Glamorgan Pension Fund

- 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 Accounts

### 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
<b>Balance at 31 March 2013 carried forward</b>	11,548	40,319	7,295	1,312	1,605	54,353	813,989	876,068
<u>Movement in Reserves during 2013/14</u>								
Surplus or (deficit) on the provision of Services	(169,776)	0	4,435	0	0	<b>(165,341)</b>	1,215	<b>(164,126)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	160,925	<b>160,925</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(169,776)</b>	<b>0</b>	<b>4,435</b>	<b>0</b>	<b>0</b>	<b>(165,341)</b>	<b>162,140</b>	<b>(3,201)</b>
Adjustments between accounting basis & funding basis under regulations	159,881	0	(4,234)	0	(206)	<b>155,441</b>	(155,441)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>(9,895)</b>	<b>0</b>	<b>201</b>	<b>0</b>	<b>(206)</b>	<b>(9,900)</b>	<b>6,699</b>	<b>(3,201)</b>
Transfers to/(from) Earmarked Reserves	9,760	(9,760)	628	(628)	0	<b>0</b>	0	<b>0</b>
Other Movements in Reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2013/14</b>	<b>(135)</b>	<b>(9,760)</b>	<b>829</b>	<b>(628)</b>	<b>(206)</b>	<b>(9,900)</b>	<b>6,699</b>	<b>(3,201)</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>11,413</b>	<b>30,559</b>	<b>8,124</b>	<b>684</b>	<b>1,399</b>	<b>52,179</b>	<b>820,688</b>	<b>872,867</b>
<u>Movement in Reserves during 2014/15</u>								
Surplus or (deficit) on the provision of Services	(7,358)	0	4,696	0	0	<b>(2,662)</b>	2,659	<b>(3)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	(57,055)	<b>(57,055)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,358)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(2,662)</b>	<b>(54,396)</b>	<b>(57,058)</b>
Adjustments between accounting basis & funding basis under regulations	11,857	0	(4,828)	0	(63)	<b>6,966</b>	(6,966)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to</b>	<b>4,499</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,304</b>	<b>(61,362)</b>	<b>(57,058)</b>

## Group Accounts

	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
<b>Earmarked Reserves</b>								
Transfers to/(from) Earmarked Reserves	(2,758)	2,758	446	(446)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	63,049	<b>63,049</b>
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>2,758</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,304</b>	<b>1,687</b>	<b>5,991</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>13,154</b>	<b>33,317</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,483</b>	<b>822,375</b>	<b>878,858</b>

## Group Accounts

### THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2015

2013/14				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)	<b>34,034</b>	Central Services to the Public		51,243	(17,958)	<b>33,285</b>
58,897	(25,426)	<b>33,471</b>	Cultural & Related Services		58,205	(27,886)	<b>30,319</b>
56,113	(19,586)	<b>36,527</b>	Environmental & Regulatory Services		58,059	(23,779)	<b>34,280</b>
32,169	(17,017)	<b>15,152</b>	Planning Services		22,261	(19,905)	<b>2,356</b>
514,515	(84,520)	<b>429,995</b>	Children's and Education Services		400,445	(98,441)	<b>302,004</b>
98,458	(41,706)	<b>56,752</b>	Highways & Transport Services		85,101	(41,773)	<b>43,328</b>
63,765	(62,124)	<b>1,641</b>	Housing Revenue Account		69,971	(65,231)	<b>4,740</b>
182,254	(175,897)	<b>6,357</b>	Housing Services (General Fund)		181,640	(175,755)	<b>5,885</b>
125,423	(23,029)	<b>102,394</b>	Adult Social Care		127,857	(25,777)	<b>102,080</b>
11,980	246	<b>12,226</b>	Corporate & Democratic Core		9,982	(2,004)	<b>7,978</b>
2,837	0	<b>2,837</b>	Non-Distributed Costs		3,405	323	<b>3,728</b>
5,056	0	<b>5,056</b>	Exceptional Item	6	0	0	<b>0</b>
<b>1,206,181</b>	<b>(469,739)</b>	<b>736,442</b>	<b>Net Cost of Services</b>		<b>1,068,169</b>	<b>(498,186)</b>	<b>569,983</b>
25,012	0	<b>25,012</b>	South Wales Police Authority Precept		26,411	0	<b>26,411</b>
252	0	<b>252</b>	Community Council Precepts		256	0	<b>256</b>
17,392	0	<b>17,392</b>	Levies & Contributions		16,984	0	<b>16,984</b>
2,150	(2,854)	<b>(704)</b>	(Gain)/loss on sale of non-current assets		1,589	(5,774)	<b>(4,185)</b>
<b>44,806</b>	<b>(2,854)</b>	<b>41,952</b>	<b>Other Operating Expenditure</b>		<b>45,240</b>	<b>(5,774)</b>	<b>39,466</b>
23,884	0	<b>23,884</b>	Interest Payable on debt		24,734	0	<b>24,734</b>
64	0	<b>64</b>	Interest element of finance leases	4	16	0	<b>16</b>
32,626	(3,551)	<b>29,075</b>	Interest on net defined liability/(asset)		21,970	(3,728)	<b>18,242</b>
0	(1,218)	<b>(1,218)</b>	Interest & Investment Income		0	(1,106)	<b>(1,106)</b>
162	0	<b>162</b>	Change in fair value of Investment Properties		3,538	(12,391)	<b>(8,853)</b>
<b>56,736</b>	<b>(4,769)</b>	<b>51,967</b>	<b>Financing and Investment Income &amp;</b>		<b>50,258</b>	<b>(17,225)</b>	<b>33,033</b>

## Group Accounts

2013/14				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
			<b>Expenditure</b>				
0	(45,350)	<b>(45,350)</b>	Recognised Capital Grants & Contributions		0	(28,165)	<b>(28,165)</b>
0	(339,678)	<b>(339,678)</b>	Revenue Support Grant		0	(326,291)	<b>(326,291)</b>
0	(107,229)	<b>(107,229)</b>	Non-Domestic Rates		0	(109,695)	<b>(109,695)</b>
948	(158,206)	<b>(157,258)</b>	Council Tax Income		779	(165,499)	<b>(164,720)</b>
0	(17,065)	<b>(17,065)</b>	Other Central Grants		0	(13,608)	<b>(13,608)</b>
<b>948</b>	<b>(667,528)</b>	<b>(666,580)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>
345	0	<b>345</b>	Tax expenses - Corporation Tax payable			0	<b>0</b>
<b>1,309,016</b>	<b>(1,144,890)</b>	<b>164,126</b>	<b>(Surplus)/Deficit on Provision of Services</b>		<b>1,164,446</b>	<b>(1,164,443)</b>	<b>3</b>
		(19,902)	Revaluation Gains				<b>(937)</b>
		127,299	Revaluation Losses				<b>3,287</b>
		352	Impairment losses on non-current assets charged to the Revaluation Reserve				<b>412</b>
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				<b>0</b>
		(266,411)	Actuarial gains/losses on pension assets/liabilities				<b>51,491</b>
		0	Other gains/losses required to be included in the Comprehensive Income & Expenditure Statement				<b>0</b>
		(2,263)	Share of other comprehensive income & expenditure of subsidiaries				<b>2,802</b>
		<b>(160,925)</b>	<b>Other Comprehensive Income &amp; Expenditure</b>				<b>57,055</b>
		<b>3,201</b>	<b>Total Comprehensive Income &amp; Expenditure</b>				<b>57,058</b>

## Group Accounts

### GROUP BALANCE SHEET AS AT 31 MARCH 2015

31 March 2014 £000		Note	31 March 2015 £000
	<u>Property Plant &amp; Equipment:</u>	7	
566,393	Council Dwellings		569,012
709,432	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
4,315	Assets under construction (AUC)		11,757
55,403	Surplus assets not held for sale		51,709
50,789	Heritage Assets		50,884
75,625	Investment Properties		86,102
4,748	Intangible Fixed Assets including AUC	7	4,346
4,970	Long-term Investments		5,110
2,935	Long-term Debtors		2,561
728	Deferred tax asset		938
<b>1,838,917</b>	<b>Total Long Term Assets</b>		<b>1,915,209</b>
28,895	Short-term Investments		42,322
380	Assets held for Sale	7	3,040
2,961	Inventories		2,446
72,100	Short-term Debtors	9	90,520
45,542	Cash and Cash Equivalents		28,309
<b>149,878</b>	<b>Total Current Assets</b>		<b>166,637</b>
(14,457)	Short Term Borrowing		(12,964)
(77,779)	Short Term Creditors	11	(96,644)
(2,486)	Pension Strain		(2,830)
(11,400)	Provisions	12	(10,730)
(1,914)	Deferred Liabilities	13	(1,746)
(552)	Deferred tax liability		(397)
<b>(108,588)</b>	<b>Total Current Liabilities</b>		<b>(125,311)</b>
(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		(2,404)
(5,766)	Pensions Strain		(6,252)
(476,665)	Net Pensions Liability		(544,477)

## Group Accounts

(1,179)	Deferred tax liability	(1,422)
<b>(1,007,340)</b>	<b>Total Long Term Liabilities</b>	<b>(1,077,677)</b>
<b>872,867</b>	<b>NET ASSETS</b>	<b>878,858</b>
	<b>Financed by:</b>	
11,413	Council Fund Balance	13,154
30,559	Council Fund Earmarked Reserves	33,317
8,124	Housing Revenue Account Balance	8,438
684	HRA Earmarked Reserves	238
1,399	Capital Receipts Reserve	1,336
<b>52,179</b>	<b>Usable Reserves</b>	<b>56,483</b>
209,992	Revaluation Reserve	204,166
1,093,549	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
<b>820,688</b>	<b>Unusable Reserves</b>	<b>822,375</b>
<b>872,867</b>	<b>TOTAL RESERVES</b>	<b>878,858</b>



## Group Accounts

### GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2015

2013/14 £000		Note	2014/15 £000
<b>164,126</b>	<b>Net (Surplus) /Deficit on the provision of services</b>		<b>4</b>
(244,519)	Adjust net surplus or deficit on the provision of services for non-cash movements	14	(87,774)
35,242	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15	21,712
<b>(45,151)</b>	<b>Net cash flows from operating activities</b>		<b>(66,058)</b>
(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)
<b>63,155</b>	<b>Investing activities</b>		<b>69,584</b>
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		29,184
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)
<b>(25,434)</b>	<b>Financing activities</b>		<b>13,707</b>
(19,382)	Cash receipts from short-term and long-term borrowing		(6,902)
(7,752)	Other receipts from financing activities		0
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
<b>(7,430)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>17,233</b>
<b>38,112</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>45,542</b>
<b>45,542</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>28,309</b>
324	Cash held e.g. Imprest Accounts		182
10,513	Cash and Bank		13,705
34,705	Short-term deposits with financial institutions		14,422

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 45 to 113 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 (£8,177 in 2013/14) owed by PTI Cymru Ltd to Cardiff City Transport Services Ltd.

## Notes to Group Accounts

### 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
<b>Total</b>	<b>609</b>	<b>566</b>

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 2013/14	8	433
Leases expiring between 2014/15 and 2015/16	583	797
Leases expiring after 2016/17	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	118

## Notes to Group Accounts

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
<b>3,704</b>	<b>Total liabilities as at 31st March</b>	<b>4,014</b>

### 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
<i>Net Cost of Services</i>		
Current Service Cost	43,902	35,735
Past Service Costs	2,480	2,928
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	29,075	18,242
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>75,457</b>	<b>56,905</b>
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
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>45,061</b>	<b>43,509</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,910)	(38,403)
Payments in Respect of Unfunded Pensions Liabilities	(3,450)	(3,500)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,701)	(1,606)
	<b>(45,061)</b>	<b>(43,509)</b>

### 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 loss 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.

## Notes to Group Accounts

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
		<b>28,714</b>		<b>30,086</b>		

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)
<b>Net IAS19 Scheme Deficit</b>	<b>(546)</b>	<b>172</b>	<b>(1,481)</b>

	At 31 March 2013 £000	At 31 March 2014 £000	At 31 March 2015 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(711)	(644)	(588)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,707	1,941	2,018
Interest on pension scheme liabilities	(1,232)	(1,251)	(1,304)
<b>Net finance income/(charge)</b>	<b>475</b>	<b>690</b>	<b>718</b>

### 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
<b>At 1 April b/f</b>	(111)	(546)	172
Movement in year:			
Total operating charge	(711)	(644)	(588)
Contributions	1,097	901	846
<b>Net finance income/(charge)</b>	475	690	714
Actuarial gain/(loss) in the primary statements	(1,296)	(229)	(2,625)
<b>At 31 March c/f</b>	<b>(546)</b>	<b>172</b>	<b>(1,481)</b>

### 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	

## Notes to Group Accounts

### 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	
	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
The assets in the fund and expected rates of return were:						
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)
<b>Net IAS19 Scheme Deficit</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>

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
<b>Total Operating Charge</b>	<b>(340)</b>	<b>(310)</b>	<b>(420)</b>

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)
<b>Net Finance Income/(Charge)</b>	<b>90</b>	<b>290</b>	<b>460</b>



## Notes to Group Accounts

### 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
<b>At 1 April</b>	<b>(8,240)</b>	<b>(7,670)</b>	<b>(3,810)</b>
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)
<b>At 31 March</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>

The total net pension liability measured under IAS19 for both schemes is as follows:

	31 March 2014 £000	31 March 2015 £000
The Group and the Company		
Cardiff City Transport Scheme	(172)	1,481
Cardiff & Vale of Glamorgan Pension Scheme	3,810	3,210
Deferred Tax Asset	(728)	(938)
<b>Total</b>	<b>2,910</b>	<b>3,753</b>

### 6. Exceptional Item

There are no exceptional items reported in the 2014/15 Cardiff Bus Accounts.

## Notes to Group 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
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	734,870	80,926	557,909	18,734	55,403	4,315	<b>2,041,911</b>
VA/VC Transfer*	0	63,404	0	0	0	0	0	<b>63,404</b>
Revised at 1 April 2014	589,754	798,274	80,926	557,909	18,734	55,403	4,315	<b>2,105,315</b>
Additions	17,777	24,410	5,849	16,785	472	785	8,795	<b>74,873</b>
Impairment losses/reversals to RR *	0	0	0	0	0	0	0	<b>0</b>
Impairment losses / reversals to SDPS **	(1,770)	(1,662)	(16)	0	0	(649)	0	<b>(4,097)</b>
De-recognition - disposals	(1,335)	(214)	(8,965)	0	0	(25)	0	<b>(10,539)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications		(4,234)	19	480	0	4,070	(1,353)	<b>(1,018)</b>
Revaluation increases /(decreases) to RR*	0	138	0	0	0	(2,238)	0	<b>(2,100)</b>
Revaluation increases /(decreases) to SDPS**	0	34	0	0	0	(3,427)	0	<b>(3,393)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>815,452</b>	<b>77,813</b>	<b>575,174</b>	<b>19,206</b>	<b>51,709</b>	<b>11,757</b>	<b>2,155,537</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,438	50,947	243,043	0	0	0	<b>342,789</b>
VA/VC Transfer*	0	355	0	0	0	0	0	<b>355</b>
Revised at 1 April 2014	23,361	25,793	50,947	243,043	0	0	0	<b>343,144</b>
Depreciation charge	12,106	14,656	6,392	23,465	0	0	0	<b>56,619</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
De-recognition - disposals	(53)	(67)	(8,924)	0	0	0	0	<b>(9,044)</b>
Depreciation written out to SDPS **	0	(176)	0	0	0	0	0	<b>(176)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(239)	0	0	0	0	0	<b>(239)</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,932</b>	<b>48,415</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,269</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>775,520</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>51,709</b>	<b>11,757</b>	<b>1,765,268</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>709,432</b>	<b>29,979</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>1,699,122</b>

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

## Notes to Group Accounts

### Comparative Movements in 2013/14:

2013/14	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
<b>Cost or Valuation</b>								
At 1 April 2013	578,430	969,366	71,601	544,547	16,715	51,424	7,079	<b>2,239,162</b>
VA/VC Transfer	0		0	0	0	0	0	<b>0</b>
Additions	12,155	20,130	8,867	11,550	425	428	13,661	<b>67,216</b>
Impairment losses/reversals to RR *	0	(145)	0	0	0	(218)	0	<b>(363)</b>
Impairment losses / reversals to SDPS **	(432)	(329)	0	0	0	(571)	0	<b>(1,332)</b>
De-recognition - disposals	(399)	(447)	(3,289)	0	0	(914)	0	<b>(5,049)</b>
Reclassified (to)/from Held for Sale	0	(1,526)	0	0	0	1,013	0	<b>(513)</b>
Other reclassifications	0	(408)	3,747	1,812	1,594	9,087	(16,425)	<b>(593)</b>
Revaluation increases /(decreases) to RR*	0	(122,001)	0	0	0	384	0	<b>(121,617)</b>
Revaluation increases /(decreases) to SDPS**	0	(129,770)	0	0	0	(5,230)	0	<b>(135,000)</b>
<b>At 31 March 2014</b>	<b>589,754</b>	<b>734,870</b>	<b>80,926</b>	<b>557,909</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>2,041,911</b>
<b>Depreciation</b>								
At 1 April 2013	11,569	34,179	48,114	217,036	0	0	0	<b>310,898</b>
Depreciation charge	11,800	13,499	6,103	26,007	0	0	0	<b>57,409</b>
Depreciation written out on impairment	0	(11)	0	0	0	0	0	<b>(11)</b>
De-recognition - disposals	(8)	(56)	(3,270)	0	0	0	0	<b>(3,334)</b>
Depreciation written out to SDPS **	0	(368)	0	0	0	0	0	<b>(368)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(21,805)	0	0	0	0	0	<b>(21,805)</b>
<b>At 31 March 2014</b>	<b>23,361</b>	<b>25,438</b>	<b>50,947</b>	<b>243,043</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>342,789</b>
<b>Net Book Value:</b>								
<b>At 31 March 2014</b>	<b>566,393</b>	<b>709,432</b>	<b>29,979</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>4,315</b>	<b>1,699,122</b>
<b>At 31 March 2013</b>	<b>566,861</b>	<b>935,187</b>	<b>23,487</b>	<b>327,511</b>	<b>16,715</b>	<b>51,424</b>	<b>7,079</b>	<b>1,928,264</b>

## Notes to Group Accounts

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

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

Comparative Movements in 2013/14:

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

### 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.

## Notes to Group Accounts

### 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 £000		31 March 2015 £000
37,768	Central Government Bodies	52,955
3,424	Other Local Authorities	7,020
5,149	NHS Bodies	4,351
17	Public Corporations & Trading Funds	34
25,742	Other Entities and Individuals	25,194
<b>72,100</b>	<b>Total Debtors Net of Impairments</b>	<b>89,554</b>

### 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	(11,219)
(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)
<b>(77,779)</b>	<b>Total Creditors</b>	<b>(96,644)</b>

### 12. 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)
Cardiff Bus Insurance Provision	(2,666)	2,080	(2,279)	(2,865)
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	(1,770)	(2,654)
<b>Total Provisions</b>	<b>(45,567)</b>	<b>11,388</b>	<b>(9,526)</b>	<b>(43,705)</b>

## Notes to Group Accounts

	Not later than one year	Later than one year	Balance 31 March 2015
	£000	£000	£000
Cardiff Insurance Provisions	(4,924)	(6,410)	<b>(11,334)</b>
MMI Scheme of Arrangement Levy	(50)	(654)	<b>(704)</b>
Cardiff Bus Insurance Provision	(1,289)	(1,576)	<b>(2,865)</b>
Termination Benefits Provision	(59)	0	<b>(59)</b>
Ferry Rd Landfill Provision	(45)	(9,051)	<b>(9,096)</b>
Lamby Way Landfill Provision	(2,064)	(14,929)	<b>(16,993)</b>
Other Provisions	(2,299)	(355)	<b>(2,654)</b>
<b>Total Provisions</b>	<b>(10,730)</b>	<b>(32,975)</b>	<b>(43,705)</b>

### 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)
<b>Total Deferred Liabilities</b>	<b>(12,204)</b>	1,969	(2,021)	<b>(12,256)</b>

	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)
<b>Total Deferred Liabilities</b>	<b>(1,746)</b>	<b>(10,510)</b>	<b>(12,256)</b>

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

	2013/14 (Restated)	2014/15
	£000	£000
Depreciation and impairment	(191,864)	(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 (excl. capital)	(4,320)	392
(Increase)/decrease in creditors (excl. capital creditors) & super fund	(12,744)	(14,688)
	<b>(244,519)</b>	<b>(87,774)</b>

**15. Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities**

	2013/14	2014/15
	£000	£000
REFCUS	(5,740)	(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	45,351	28,165
Other cash items which effect investing or financing activities	(5,087)	(11,478)
	<b>35,242</b>	<b>21,712</b>

**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** – 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** - 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



## Trust Funds

	Balance as at 31 March 2014 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2015 £
<b>General Funds</b>					
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)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	17,763,733	790,497	2,947,550	316,387	21,185,393
<b>Total funds for which the council is sole trustee</b>	<b>17,843,109</b>	<b>859,077</b>	<b>2,947,550</b>	<b>384,910</b>	<b>21,264,826</b>
<b>Other funds administered by the Council</b>					
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
<b>Total other funds which are administered by the Council</b>	<b>86,285</b>	<b>3,065</b>	<b>6,936</b>	<b>3,243</b>	<b>93,043</b>
<b>Total</b>	<b>17,929,394</b>	<b>862,142</b>	<b>2,954,486</b>	<b>388,153</b>	<b>21,357,869</b>

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 2005.

## The Purpose of the Governance Framework

5. The Governance Framework comprises the systems, processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with, and leads the community. It enables the Authority 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 Authority'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 Authority to discharge his requirements under the Local Government (Wales) Measure 2009. The Authority 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 Authority'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 objectives of the proposed budget saving 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 proposed restructure looks to reduce the number of posts from eleven to seven. The Chief Executive has discussed the proposals with each of the affected individuals who were invited to provide comments in response. He has also briefed relevant audit and inspection bodies on the proposals. The Chief Executive has 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 roles are considered new roles and, therefore, will need to be advertised externally: 1) Director of City Operations, 2) Director of Social Services and 3) Director of Governance & Legal Services (reporting to Corporate Director Resources).

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 Authority'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 Authority'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 has 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

## Annual Governance Statement

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 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 out 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.uk/budget](http://www.cardiff.gov.uk/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 Authority 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 Authority 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 2005 requires Authorities to carry out an annual review of the effectiveness of the system of internal control which 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 an improvement Authority's capacity and capability to deliver continuous improvement. Cabinet in September 2014 considered the Wales Audit Office Corporate Assessment. Within the report issues were raised regarding:

- Comparatively poor performance in a number of key services, with a failure of Performance Management arrangements to effect improvement;

- Governance issues relating to member support, agenda management, efficiency and transparency of decision making.
- Uncertain prospects for achieving proposed savings from 2014-15, and responding to future funding levels;
- Inconsistent application of core processes such as Personal Performance & Development Reviews and Sickness Absence management, and an associated lack of holding employees to account for these issues;
- Weak management of land and property assets.

127. The majority of the issues raised in the Wales Audit Office report had been 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 in June 2015 will consider a report with an updated position against the Organisational Development Programme. The report will provide further detail on the work streams and associated milestones and project benefits over the medium term. 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 being actioned.

130. 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'.

131. 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**

132. 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.

133. 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).

134. 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.

135. 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 and it highlights some issues around compliance and



pressures on Directorates which is beginning to impact on the internal control environment. This will require close monitoring as budgetary pressures increase and resources are reduced in coming months.

### **Audit Committee**

136. 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

137. 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.

138. Linked to the WAO Corporate Assessment and Organisational Development Plan, the Committee raised concerns around a further senior management restructure. The Committee were informed of a report to be presented to Cabinet the following month (January 2015) setting out the rationale for the restructure e.g. to provide capacity of strategic leadership balanced with effective operational management.

139. 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

140. 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.

141. 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.

142. Looking ahead, Members of the Committee will be seeking further information in relation to the Budget Strategy Assumptions, in order to support their role in challenging and scrutinising the draft Statement of Accounts and given the unprecedented savings to be found in future years.

#### Contract and Procurement Matters

143. The Committee has been informed, through the work of the Internal Audit team, of the compliance issues identified in relation to 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.

144. 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

145. Historically the Audit Committee have 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.

146. Given the 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.

147. 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

148. 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.

149. 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 will be kept informed of the issues facing the Internal Audit team and closely monitor resource implications and the associated risks, through the Audit & Risk Manager's quarterly progress reports.

### Reducing Resources and Maintaining Fundamental Controls

150. 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 huge 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**

151. 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**

152. Included in the Senior Management Assurance statements returned from Directors were 12 issues, which were discussed at the Senior Management meeting in May. At that meeting, having considered each, it was decided that none of these should feature in the Annual Governance Statement, as some

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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.

153. 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
<p><u>Capacity &amp; Decision Making</u></p> <p>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.</p> <p><u>Action at year end position 2013/14</u></p> <p>Prioritisation of work to make best use of internal expertise.</p>	<p><u>Capacity and Decision Making</u></p> <p>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.</p> <p>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.</p> <p>Decision making has improved through prioritising work and restructuring teams to make the best use of internal expertise.</p> <p>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.</p>	<p>Senior Management Team</p>
<p><u>Organisational Development (OD) Plan</u></p> <p>The Cabinet acknowledges the range of critical challenges facing the Council. In order to respond to</p>	<p><u>Organisational Development (OD) Programme</u></p> <p>The OD programme has been revised and divided into two Portfolios: “Enabling and Commissioning” and “Reshaping</p>	<p>Senior Management Team</p>

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Significant issue	Year End Position 2014/15	Responsible Officer
<p>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.</p> <p><u>Action at year end position 2013/14</u></p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>The OD programme should also continue to identify and address skills gaps to enable effective delivery of the projects.</p>	
<p><u>Commissioning Capability and Capacity</u></p> <p>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 and capacity in place e.g. Health &amp; Social Care transformation.</p> <p><u>Action at year end position 2013/14</u></p> <p>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.</p>	<p><u>Commissioning Capability and Capacity</u></p> <p>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 developed commissioning models for residential and nursing care, domiciliary care and supported living.</p> <p>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.</p> <p>As the Commissioning Framework progresses it has been identified that contract management skills in the Council need to be developed.</p>	Senior Management Team

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Significant issue	Year End Position 2014/15	Responsible Officer
<p><u>Transparency of Internal Market Costing</u></p> <p>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.</p> <p><u>Action at year end position 2013/14</u></p> <p>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.</p>	<p><u>Transparency of Internal Market Costing</u></p> <p>Where possible Directorates have used in-house support and advice teams and have challenged some costs. It has been noted that Directorates would like increased transparency of charging by CTS.</p> <p>For 2015/16 a new system will be introduced to enable full transparency of internal charging arrangements.</p>	<p>Senior Management Team</p>

### Significant Issues - The Cardiff and Vale of Glamorgan Pension Fund

154. During 2013/14, 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
<p><u>Welsh Local Government Pension Funds Working Together</u></p> <p>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.</p> <p>During 2014/15 Mercers commenced 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.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to contribute to the Project and Project Board.</p> <p>Developments are regularly reported to the Pension Fund's Investment Advisory Panel.</p>	<p>Corporate Director Resources</p>

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<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
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### **Cardiff Port Health Authority (CPHA)**

155. During 2014/15, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

### **Monitoring**

156. 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**

157. 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.

158. 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.

159. 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:**

## Glossary of Local Government Accountancy Terms

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

### Agency Services

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

### Asset Under Construction

An Asset Under Construction represents an asset that is not yet complete.

### Borrowing

Loans 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.

**STATEMENT OF ACCOUNTS**

**2014/15**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

## FOREWORD

The Cardiff Port Health Authority's accounts for the year 2014/15 are set out on page 190. They comprise an Income and Expenditure Statement and Balance Sheet.

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.

# Cardiff Port Health Authority

## PORT HEALTH AUTHORITY COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2015

2013/14 £		2014/15 £
	<b>Expenditure</b>	
113,215	Employees	108,011
0	Premises	0
1,294	Transport	276
10,636	Supplies	7,473
24,292	Support Costs	21,960
<b>149,437</b>		<b>137,720</b>
	<b>Income</b>	
(2,478)	Fees and Charges	(1,837)
(143,580)	Levies : The City of Cardiff Council	(158,230)
(15,756)	The Vale of Glamorgan Council	(17,595)
<b>(161,814)</b>		<b>(177,662)</b>
<b>(12,377)</b>	<b>Net Expenditure (Income)</b>	<b>(39,942)</b>
340	Appropriations from Reserves	282
(82,851)	Revenue Balance brought forward	(94,888)
<b>(94,888)</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>(134,548)</b>

## BALANCE SHEET AS AT 31 MARCH 2015

31 March 2014 £		31 March 2015 £
	<b>Current Assets</b>	
101,477	Cash in Hand	143,916
0	Debtors	72
<b>101,477</b>		<b>143,988</b>
	<b>Current Liabilities</b>	
(8,209)	Creditors	(10,778)
<b>93,268</b>	<b>Total Assets Less Current Liabilities</b>	<b>133,210</b>
		.
	Funded by:	
(1,620)	Accumulated Absence Ac (unusable reserve)	(1,338)
94,888	Income and Expenditure Reserve	134,548
<b>93,268</b>		<b>133,210</b>

## **Certificate of the Corporate Director Resources**

I certify that the Statement of Accounts summarised on page 190 presents fairly the financial position of the Cardiff Port Health Authority at 31 March 2015 and its Income and Expenditure for the year ended 31 March 2015.

**Christine Salter**  
**Corporate Director Resources**

**Date:**

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## Appendix 2 – Useable Reserves

	£000	£000
<b>Usable Reserves at 1 April 2014</b>		<b>52,179</b>
<b>Council Fund Earmarked Reserves</b>		
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)	
		<b>2,758</b>
Other movements to/(from) other useable reserves:		
<b>Council Fund Balance</b>	1,741	
<b>HRA Balance</b>	314	
<b>HRA Earmarked Reserves</b>	(446)	
<b>Usable Capital Receipts</b>	(63)	
		<b>1,546</b>
<b>Total Usable Reserves at 31 March 2015</b>		<b>56,483</b>

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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**DRAFT ANNUAL GOVERNANCE STATEMENT 2014/15**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 6.2**

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**Reason for Report**

1. The Council is required to produce an Annual Governance Statement (AGS), to accompany the Statement of Accounts, as required under Regulation 5 of the Accounts and Audit (Wales) Regulations 2014.

**Background**

2. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements, including the system of internal control. Primarily, input is sought from senior management who are accountable for effective governance arrangements, particularly the Statutory Officers.
3. Good governance leads to effective management, improving performance, stewardship of public money, successful public engagement and ultimately, the desired outcomes for citizens and service users. Sound governance enables the Council to pursue its vision effectively, as well as underpinning the mechanisms for control and the management of risk.
4. The Council has approved and adopted the Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.
5. The Committee acknowledges the importance of the AGS and requested to receive an overview of the process in January and a draft of the AGS at their meeting in March, which they have received and commented upon.
6. The Audit Committee at their meeting in January also received a report in relation to the Senior Management Assurance Statement 2014/15 (SMAS), which were to be completed by management. The Committee approved the SMAS to be used in collating evidence to inform the Annual Governance Statement 2014/15 and these have now been returned by management for the year end. A summary of the returns will be reported separately to Committee under item 7.3.

## **Issues**

7. The AGS has been drawn up to set out its position in relation to the core principles of the Council's Governance Framework. This has been prepared through a corporate exercise, gathering information and assurances from a wide range of sources across the Council, in relation to governance, risk management and internal control. Appendix A, attached to this report, shows a flowchart of the process and the range of sources of assurance used to complete the Statement.
8. The final draft of the AGS, which deals with each principle in turn, is shown as an Annex to the Statement of Accounts, included in the meeting papers under Agenda Item 6.2. The Statement comments on the effectiveness of the systems of internal control, as required by the Regulations, and provides a list of significant governance issues arising from a variety of sources, including the Senior Management Assurance exercise and importantly a review of any issues as reported in the AGS for 2013-14.

## **Legal Implications**

9. There are no legal implications arising directly from the contents of this report.

## **Financial Implications**

10. There are no direct financial implications arising from this report.

## **Recommendation**

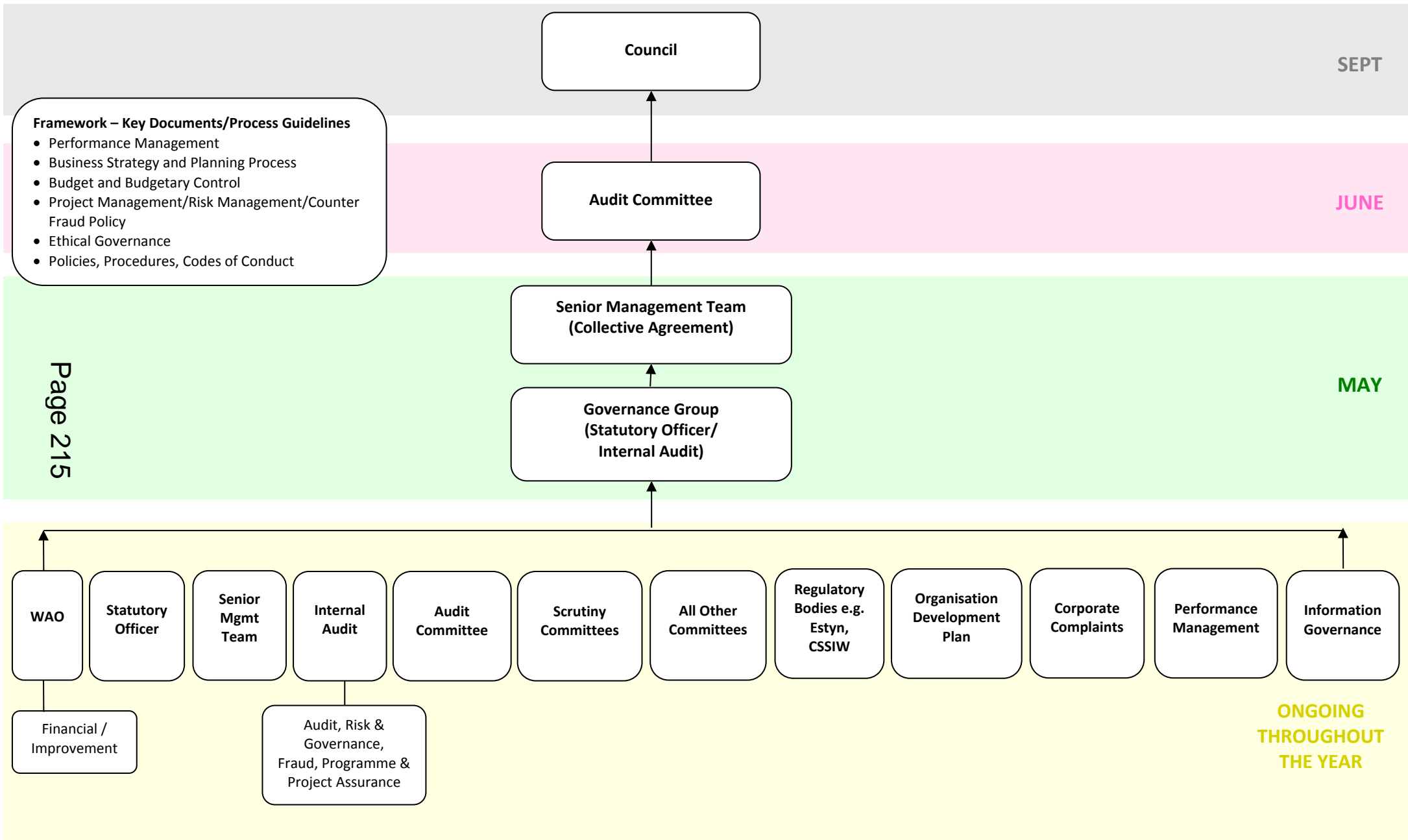
11. The Audit Committee consider the content of the draft Annual Governance Statement 2014/15 and provide any comments for consideration in drafting a final Statement which requires sign off by the Leader of the Council and Chief Executive.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**

The following Appendix is attached:

**Appendix A** – Sources of Assurance to inform the Annual Governance Statement

# CITY OF CARDIFF COUNCIL - ANNUAL GOVERNANCE STATEMENT 2014/15



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# **CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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## **SENIOR MANAGEMENT ASSURANCE STATEMENT SUMMARY 2014/15**

### **REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.3**

---

#### **Reason for Report**

1. At the Audit Committee meeting on the 23<sup>rd</sup> March, Members requested a summary of the returned Council's Senior Management Assurance Statements (SMASs) for the financial period 2014/15.

#### **Background**

2. For several years senior management have been asked to complete a Senior Management Assurance Statement (SMAS) which is produced and reviewed by the Audit & Risk Manager. The statement feeds into the Annual Governance Statement (AGS), which forms a part of the Council's Statement of Accounts.
3. Completion of the SMAS requires each Director to answer a number of questions with regards to the functions for which they have been responsible during the financial period. In addition, there is a requirement to declare if any significant governance issues have occurred during the period, which may merit inclusion in the Annual Governance Statement 2014/15.
4. The Audit Committee had an opportunity to input to the questions included in the SMASs used for this year's exercise.
5. At the end of the financial period, the Audit & Risk Manager met with Directors or their representatives, to discuss and challenge their responses to the questions contained within the Senior Management Assurance Statement. This exercise has proved beneficial.
6. The Audit & Risk Manager attended Senior Management Team on the 5<sup>th</sup> May 2015 to provide a summary outcome, and to discuss any significant issues submitted by Directors. Twelve issues were identified by Directors in their returned Statements and these were considered in turn, together with the significant issues identified at the end of 2013/14, included in last year's AGS. From this, those considered significant and strategic were included within the Annual Governance Statement, being considered as part of agenda item 7.2 at this meeting.
7. Ten SMASs were issued to Directors and all were returned. A summary of the outcome is attached at Appendix A.

## **Issues**

8. The purpose of the AGS, having regard to the Assurance Statements, is to provide a true reflection of the governance arrangements in place within the Council. Good governance ensures that as a Council we are open and transparent in our affairs and any areas which are of concern at a corporate level are highlighted in the statement with detail of how the issues will be managed.

## **Reason for Recommendation**

9. To inform the Audit Committee of the summary content of the returned Senior Management Assurance Statements, in order to inform the Annual Governance Statement 2014/15.

## **Legal Implications**

10. There are no direct legal implications arising from this report.

## **Financial Implications**

11. There are no direct financial implications arising from this report.

## **Recommendation**

12. The Audit Committee to note the summary of returned questionnaires.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
June 2015

The following Appendix is attached:

**Appendix A** – Summary of Senior Management Assurance Statements 2014/15

## Summary of Senior Management Assurance Statements 2014/15

		Yes	Partly	No
1.	<u>Corporate Risk Register</u> - The areas for which I am responsible make every effort to contribute to the mitigating actions contained within the Corporate Risk Register.	10	-	-
2.	<u>Directorate Risk Register</u> – I am satisfied with the risk management arrangements within my Directorate in that risks have been identified, assessed and the controls in place to manage the risks have been operating effectively throughout the period under review.	8	2	-
3.	<u>Partnerships / Collaboration Risk</u> - Appropriate consideration of the risks associated with any partnership or collaborative activity have been determined before any agreement has been entered into by the Council.	9	1	-
4.	<u>Compliance with Council Rules</u> - Staff within my Directorate involved with financial matters and contracts are familiar with and comply with Financial Procedure Rules and Contract Standing Orders & Procurement Rules. Management are fully aware of their responsibilities when authorising transactions and will be held accountable for their actions.	9	1	-
5.	<u>Project Quality Assurance (PQA)</u> - Proposed business change models impacting on service delivery take account of the associated risks and internal controls as a key element of the implementation of the change. Change models delivered through a project follow the Council's PQA process, reducing the Council's risk profile by having a clear scope, delivering within the constraints of time, cost and quality, enabling proactive assessment and management of risk.	8	2	-
6.	<u>Budget Monitoring</u> – The level of savings to be achieved is significantly higher than in previous years, consequently the Directorate has effective budget monitoring arrangements in place and all efforts have been made to balance spend against budget for the financial year.	9	1	-
7.	<u>Resource Savings</u> - Due consideration has been given to the risks and the need to protect basic financial controls when proposing savings e.g. any voluntary severance and any consequential restructuring.	10	-	-
8.	<u>Internal Control Environment</u> - The operation of the key controls within my Directorate are monitored on a regular basis to ensure risk is mitigated where possible and key controls within core business are maintained.	10	-	-
9.	<u>Fraud &amp; Financial Impropriety</u> - All suspected cases of fraud or financial impropriety are referred promptly to Internal Audit. Investigations are undertaken in a robust manner, with sanctions consistently applied, that recognise the seriousness of the matter under investigation.	10	-	-
10.	<u>Independent Assurance</u> - All reports received from Regulators, Inspectorates, External and Internal Audit are considered in a timely manner. Management actively monitor and ensure action is taken to implement agreed recommendations to enhance the internal control environment.	9	1	-
11.	<u>Service Delivery</u> – The impact of the severe budget pressures has had an impact on resources within Directorates. Do you consider your Directorate has the structure in place to maintain and deliver an appropriate standard of service for customers and stakeholders.	6	4	-
12.	<u>Personal Performance and Development Reviews (PPDR)</u> – Through the PPDR Scheme all staff within my Directorate are clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives.	6	4	-
	<b>Total</b>	<b>104</b>	<b>16</b>	<b>-</b>

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# CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

**AUDIT COMMITTEE: 22 JUNE 2015**

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## **DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15**

**AGENDA ITEM: 6.4**

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### **Reason for Report**

1. To consider and approve the Audit Committee's Annual Report for 2014/15.

### **Background**

2. The Local Government (Wales) Measure 2011 makes the provision for the Audit Committee to undertake the following functions:
  - Review, scrutinise and issue reports and recommendations in relation to the authority's financial affairs;
  - Review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements;
  - Oversee the authority's audit arrangements and review its financial statements.
3. The Council's Constitution requires that all Committees report annually to Council on their activities over the past year.

### **Issues**

4. Members of the Committee are requested to consider the Audit Committee's Annual Report 2014/15 to ensure the report captures the Members' views for the municipal year 2014/15. See attached at Appendix A. The report has been prepared based on the evidence presented to the Committee throughout the year.
5. On 19 January 2015 the Committee undertook a Self Assessment exercise, the result of which was reported to the Committee on 23 March; and the Committee agreed that the outcome of the exercise was to be used to inform the Committee's Annual Report.
6. The Annual Report details the attendance of members, which demonstrates the changes which have taken place throughout the municipal year. The Committee expressed a view to thank all those who have served on the Committee during 2014/15.

### **Legal Implications**

7. There are no legal implications arising directly from the contents of this report.

### **Financial Implications**

8. There are no direct financial implications arising from this report.

## **Recommendation**

9. Members of the Committee consider and agree the Audit Committee's Annual Report 2014/15 for consideration by Council.

## **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendix is attached:

**Appendix A** – Audit Committee Annual Report 2014/15



# **Audit Committee Annual Report 2014/15**

**The City of Cardiff Council**

## The Ten General Principles of Public Life

<p><b>Selflessness</b> Members should serve only the public interest and should never improperly confer an advantage or disadvantage on any person.</p>	<p><b>Personal Judgement</b> Members may take account of the views of others, including their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.</p>
<p><b>Honesty and Integrity</b> Members should not place themselves in situations where their honesty and integrity may be questioned, should not behave improperly, and should on all occasions avoid the appearance of such behaviour.</p>	<p><b>Respect for Others</b> Members should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers and its other employees.</p>
<p><b>Objectivity</b> Members should make decisions on merit, including when making appointments, awarding contracts, or recommending individuals for rewards or benefit.</p>	<p><b>Duty to Uphold the Law</b> Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.</p>
<p><b>Accountability</b> Members should be accountable to the public for their actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.</p>	<p><b>Stewardship</b> Members should do whatever they are able to do to ensure that their authorities use their resources prudently, and in accordance with the law.</p>
<p><b>Openness</b> Members should be as open as possible about their actions and those of their authority, and should be prepared to give reasons for those actions.</p>	<p><b>Leadership</b> Members should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence.</p>
<p><i>'Nolan Committee on Standards in Public Life'</i></p>	

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## Foreword by Sir Jon Shortridge, Chairperson of the Committee

I am pleased to present this report which provides an overview of the Audit Committee's work during the municipal year 2014/15.

I would firstly wish to record my thanks to the Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an extremely effective way to fulfil our role and support me as Chairperson of the Committee.

As outlined in the body of this report, the Committee has actively engaged with Senior Officers of the Council throughout 2014/15. The Committee has continued to receive the professional support of officers from Accountancy, External Audit (Wales Audit Office), Internal Audit and Treasury Management.

Over the past year we have met on five occasions (25 June 2014, 15 September 2014, 8 December 2014, 19 January 2015 and 23 March 2015), with each meeting having an agenda containing both standard and specific items.

Our Work Programme was drawn up to take full account of our terms of reference. This has been an extremely busy year with a wide range of issues brought before the Audit Committee, focusing on a number of key risks and challenges faced by the Authority over the past 12 months. The Organisational Development Plan is intrinsically linked to these risks and challenges, and in order to obtain assurances on its delivery the Committee in December was very pleased to receive a presentation by the Leader and the Chief Executive.

We have received a number of reports and updates on key items (e.g. budget, internal audits) and invited a number of officers to attend to provide assurance on specific key risks or to respond to concerns raised by Members or audit reports. At each meeting the work programme has been reviewed to include new matters identified by the Committee; and all Members have been encouraged to bring any concerns they have forward so that agendas could be set taking account of changing risks and priorities.

As a Committee we have acknowledged the broad remit of our role and balanced this against the requirement to receive a satisfactory level of assurance on specific matters in order to provide an opinion to inform the Council's Annual Governance Statement 2014/15. The Committee undertook a Self Assessment Exercise in January, the outcome of which is conveyed at the end of this report. As a relatively new Committee of the Council we are continually looking to improve and add value through our work to the Council. We will look to address the actions we identified through the assessment exercise during the course of 2015/16.

In looking forward to 2015/16 and beyond, and given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical. This particular point is emphasised in the Welsh Government's consultation 'Reforming Local Government: Power to Local People' (3 February 2015). The consultation highlights the need to strengthen the role of Council Audit Committees.

The municipal year 2014/15 will be the last full year that I serve as an Independent Lay Member of this Committee. Prior to the establishment of the Audit Committee I served as a Chair to the Council's former Audit Panel, the creation of which demonstrated the Council's willingness to challenge and scrutinise its own risk, governance and internal control arrangements prior to this becoming a legislative requirement. I will remain a member of the Committee until I have seen through the approval of the Council's Statement of Accounts for 2014/15.

I wish the Council every success during the demanding period of unprecedented financial pressures which lies ahead, and the forthcoming reform of Local Government.

## The Role of the Audit Committee

The Audit Committee is a key component of the City of Cardiff Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The Local Government (Wales) Measure 2011 requires a Local Authority to have a Committee which provides independent assurance to the Members of the Council with regard to governance, risk management and internal control frameworks; and oversees the financial reporting and annual governance statement processes. It also oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Measure requires an Audit Committee to be established that includes Independent Lay Members. The City of Cardiff Council determined that the membership of its Audit Committee would be twelve Members; eight Elected Members and four Independent Lay Members.

Specifically the terms of reference of the Committee embraces the following, which have been reviewed following the Committee's Self Assessment Exercise in January 2015:

### Governance, Risk & Control

- To consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the Annual Governance Statement.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council.
- To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register.
- To consider any Anti-Fraud strategies, policies or procedures.

### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to

the annual report is the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.

- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.

#### Financial Reporting

- To review the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

#### Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the five Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

#### Training & Development

- To attend relevant training sessions in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.



## Our Work in 2014/15

The Audit Committee's activities have been designed to provide assurance to the Council and to make a positive contribution towards improving the governance arrangements across the Council.

Effective Audit Committees can bring many benefits to Local Authorities including:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- providing additional assurance on the robustness of the Authority's arrangements through a process of independent and objective review;
- raising awareness of the need for internal control and the implementation of audit recommendations, thereby reinforcing the importance and independence of internal and external audit;
- being a platform for Elected Members to bring matters of financial, governance, risk and internal control for consideration and action as necessary.

The work of the Audit Committee can be split into two: the Committee receives regular reports in relation to the standard agenda themes, and also receives ad-hoc / non- standard reports based on risk, governance or internal control issues. Each of these aspects are reported on below.

## Standard Items

### Finance

The Corporate Director Resources (Section 151 Officer) has provided financial updates at every meeting outlining the budget strategy and the Council's overall financial position, to provide Committee Members with an overview of the financial standing of the Council. This allows for a regular opportunity to raise questions on the budget and general finance matters during a period of unprecedented financial pressures. [Monitoring the financial position with regards to achieving the necessary savings in some directorates has proved difficult, due to ongoing overspends and the year end out-turn report will be important to provide assurance on a "balanced" budget.](#)

On 25 June 2014, the Committee were given opportunity to review and provide comments on the 2013/14 draft Statement of Accounts, prior to them being signed by the Corporate Director Resources and subsequently submitted for external audit and public inspection. The Committee were informed at the following meeting on 15 September 2014 that the Wales Audit Office was to give an unqualified audit opinion, noting the quality of the report and accounts which were received ahead of the deadline. The Chair highlighted that in a period of severe financial challenges facing the Council the identification of all surplus assets should be prioritised.

### Governance, Risk Management & Internal Control

The Audit Committee have formed a view on the Council's governance, risk management and internal control arrangements taking into account the information presented to them by the Corporate Director Resources (Section 151 Officer), the External Auditor – Wales Audit Office (WAO) and the Audit & Risk Manager.

The Annual Governance Statement (AGS) is a fundamental governance document which the Audit Committee plays a key role in contributing to and challenging. During the municipal year 2014/15 the AGS was considered by the Committee in conjunction with the draft Statement of Accounts for 2013/14 in June and September.

The Committee has had early involvement with the draft AGS 2014/15 in that reports were presented both in January and March 2015, informing them of the Senior Management Assurance Statement to be issued to Directors and the process for compiling the AGS.

During 2014/15 the Committee have appraised the Corporate Risk Register twice (mid year and year end position) and are aware of the robust review process in place to keep this updated. The Committee have considered several of the corporate risks throughout the year, where Officers have been asked to attend and provide a more detailed overview of how their risks are being managed, examples include; Director of Education & Lifelong Learning, Director of Health & Social Care and Director of Strategic Planning, Highways, Traffic & Transport.

## **Treasury Management**

This is an area where Committee Members have a specific role to fulfil, as set out in the Treasury Management Strategy approved by the Council.

Over the past twelve months the Committee has received reports on the Treasury Management Strategy; Treasury Management Mid Year Report 2014/15; Treasury Performance Annual Report, and the Treasury Performance Report which was presented at each meeting. This has given Members the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, and the Committee believes that it has added value by probing and scrutinising policies and the data provided in conjunction with Officers.

The Committee is satisfied with the way in which the Council is currently undertaking its Treasury Management responsibilities, but has emphasised the need to ensure a spread of debt repayments. The Committee has expressed an interest in receiving further benchmarking data on treasury management activities with comparable Councils. Where there have been significant issues the Committee has asked for frequent updates e.g. housing finance reform borrowing.

## **External Audit (Wales Audit Office)**

The Committee places reliance on the work of the Wales Audit Office (WAO) as the Council's external auditors.

The Committee has received key documents through the year such as the Regulatory Programme; Audit of Financial Statements Report; Annual Audit Letter; Audit Plan; and more prominently in September 2014 the WAO's Annual Improvement Report including the Corporate Assessment 2014 of the City of Cardiff Council. This report was considered in detail by the Committee on 8 December 2014. Members of the WAO team have been present at each meeting of the Committee since the assessment was published in order to engage with Members on the future assessment process.

Members have requested more information on other reports and value for money studies that WAO have undertaken to provide them with assurances where possible and to help to shape their future work programme.

The WAO with the Council's Audit & Risk Manager facilitated the Audit Committee's Self Assessment in January 2015.

## **Internal Audit**

Similar to the External Audit arrangements, the Committee places reliance on the work of the Council's in-house Internal Audit Team. Through the year the Committee gained assurances from considering the following key documents:

- Internal Audit Strategy
- Internal Audit Charter
- Internal Audit Plans
- Internal Audit Quarterly Progress Reports
- Internal Audit Executive Summaries (Limited Assurance Reports)
- Internal Audit Annual Report
- Changes to key documents e.g. Fraud, Bribery & Corruption Policy.

The Committee welcomed the information presented by the Audit & Risk Manager to gain a level of assurance on the Council's internal control environment.

The Audit Committee Self Assessment Exercise, held in January, confirmed Members views that the information provided by Internal Audit to the Committee was sufficiently detailed, informative, and professionally prepared and presented.

The Committee have played a key role in supporting and promoting the Internal Audit function as well as engaging with officers; approving plans and policies; and helping to shape new and innovative processes.

Emphasis has been on those audits where limited assurance audit opinions have been reported and in seeking assurance around improvement, through implementing audit recommendations. The level of limited opinions is slightly down on last year and encouragingly the outcomes from follow up audits are much improved on previous years.

Further detail on some outcomes from the work of the Internal Audit Team is shown later in the section 'non-standard report items to the Committee' and the Committee will receive a full year overview of audit work done and key messages when the 'Internal Audit Annual Report' is presented to the June 2015 meeting of the Audit Committee. This report will provide the Audit & Risk Managers' opinion on the Council's overall position in relation to risk, governance and internal control, based on the work undertaken by the Internal Audit team.

## **Non-Standard Reports to the Audit Committee**

The Committee received a number of reports through 2014/15 which were not standard items, details of these reports are given below:

### **Education - Risks & Challenges**

Since the formation of the Audit Committee in 2012 Members of the Committee have expressed an interest in seeking assurances on the corporate risks of the Authority. The Committee have a role in challenging and scrutinising the Corporate Risk Register biannually, prior to the register being reported to Cabinet.

On 25 June 2014 the Director of Education & Lifelong Learning presented a report to the Committee, providing a presentation on the risks and challenges facing the Directorate. The report provided the Committee with information regarding the 21<sup>st</sup> Century Schools Programme, the Education Consortium, the Council's Estyn visit, School Governance and Procurement issues and action being taken to implement recommendations within Internal Audit Reports.

The Committee considered the role of a school governor and stressed the importance of their having a clear understanding of good governance in order to drive forward improvement - at the same time acknowledging the voluntary nature of the role and the level of responsibility placed on the individuals.

The Committee were satisfied with the assurances presented by the Director who gave a clear presentation of the issues and the actions in place to address the issues. In order to seek continued assurances the Committee have requested an Annual Report from the Director of Education & Lifelong Learning giving details of the Director's opinion, an update on relevant governance aspects of the Estyn Action Plan, and updated figures and opinions in relation to the Corporate Risk in respect of school balances.

## **Health & Social Care - Risks & Challenges**

On 25 June 2014 the Director of Health & Social Care presented a report to the Committee informing them of the risks and challenges facing the service. The presentation detailed the structure of the Health & Social Care (H&SC) Directorate, services provided by H&SC, priorities of the directorate and the approach to the management of risk at a corporate and directorate level.

The Director informed the Committee of the challenges facing the directorate with the main focus on managing demand at a time of unprecedented financial savings. In order to respond to the challenges the Directorate is undertaking a number of initiatives. Independent living is being promoted through partnership working with Health, Housing and the development of a new commissioning framework; a drive to increase the uptake of Direct Payments; a number of actions have been taken to bring together Safeguarding for Cardiff and the Vale of Glamorgan.

The Director emphasised that £70 million of the Directorate's budget is spent on commissioning external services, emphasising the need for the Council to have a strong skill set with the capabilities to commission services effectively.

The Corporate Risk Register details a shared risk between Health and Social Care and the Children's Services Directorate which looks to address the expectations of the Social Services & Wellbeing Act (Wales). The Committee appreciated the complexities of the Act and received a further report in December 2014 detailing the implications on the Council. The Committee enquired about the progress that has been made on Delayed Transfers of Care (DTC) and were advised that these have reduced, although there is still room for improvement. The Committee received a further report in December 2014 in order to keep the Committee informed of future progress.

## **HR People Services**

On 25 June 2014 the Committee received a report from the Chief HR Officer. The report covered a number of themes upon which the Committee have sought assurances previously - including Personal Performance and Development reviews of staff, the Attendance and Wellbeing Policy, and Job Evaluation.

Job Evaluation

Historically job evaluation has been a corporate risk, and the Committee has taken a particular interest in the implementation of the mitigating actions identified in the risk register. In particular the Committee sought to ascertain whether an impact assessment had been undertaken following the end of the job evaluation pay protection period at 31 March 2013. The Committee was informed that a full Equality Impact Assessment (EIA) was undertaken in September 2011; a follow up EIA was to be carried out later in the municipal year, and that the figures did not indicate an obvious increase in the number of leavers at the end of the pay protection period. The Committee's view was that Job Evaluation was successful and the Chairperson expressed the Committee's appreciation for the way it had been handled and with the outcomes achieved.

Attendance & Wellbeing Policy

The Committee received an Annual Report on Sickness Absence for 2013/14, by Directorate, reflecting short and long term sickness absence. The report showed that the final result for 2013/14 against a target of 10 days was 10.18 FTE days lost per employee. This is the lowest end of year result since 2005 when absence recording began. The new Attendance and Wellbeing Policy came into effect from 1st July 2013 and results have indicated that the new policy has had an impact on the reduced absence levels albeit at the margin, there has been a reduction in the overall cost of sickness absence although the target for 2014/15 of 9 days was not achieved with the outturn consequently being 10.11 fte days.

Personal Performance & Development Reviews (PPDR)

The Audit Committee had requested details of year end data by Directorate as at June 2014 and a comparison with the previous year. The key message within the report was the considerable improvements in the compliance levels. The Committee had also requested an analysis for the same period of the four overall ratings awarded to employees; ineffective, developing, effective and outstanding. This information showed that the vast majority of staff who completed the PPDR process were rated as effective. The Committee were informed that the process was to be simplified for 2014/15 and was to include fewer steps. The Chief Officer informed the Committee of the commitment to create an action plan to tackle ineffective performance. The task for the remainder of 2014/15 was to address the quality and consistency of PPDR outcomes.

Working with Policy Review and Performance (PRAP) Scrutiny Committee

The Committee acknowledged that the PRAP Scrutiny Committee have been considering these same HR issues over recent years and have raised similar questions. The Committee agreed that as a way forward the work of the PRAP Scrutiny Committee should be relied upon in challenging and scrutinising these areas. The Committee still wishes to be kept aware of annual reporting information regarding sickness absence.

**Finance Service Review**

On 15 September 2014 the Committee was informed that a service review of the Finance function was being carried out in order to ensure that the services it provides are fit for purpose, offer value for money and are suitable for meeting future demands. With reference to the Audit Committee's statutory functions as set out in the review, the Committee was asked to give feedback on the degree to which the Finance function supports the work of the Committee by providing information regarding accuracy, timeliness and format. Members of the Committee agreed to complete a questionnaire to inform the Finance Service Review. The Corporate Director Resources has kept the Committee informed of the review and the subsequent action being taken to continuously improve the in-house Finance Service.

## Information Governance

On 8 December 2014 the Operational Manager, Improvement and Information, presented the findings of the Information Commissioner's Audit Report. The Council was issued with an 'Undertaking' in August 2013 and consequently agreed to implement procedures to ensure it processed personal data in accordance with 'Principle 7' of the Data Protection Act. The purpose of the audit was to provide the Information Commissioner and the Council with an independent assurance and whether the City of Cardiff Council was complying with the Data Protection Act. The recommendations made were primarily around enhancing existing processes to facilitate compliance with the Act.

The overall opinion of the Audit was that there is a reasonable level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit had identified some scope for improvement in existing arrangements to reduce the risk of non compliance with the Act. An Action Plan has been drawn up to address the areas for improvement.

## Organisational Development Plan

On 8 December 2014 the Leader of the City of Cardiff Council and Chief Executive gave a presentation to the Committee on the Organisational Development Plan (ODP), in the context of the Wales Audit Office Corporate Assessment. The presentation set out the aims of the plan to improve performance in key areas and to take steps to address the rising demand for services, during a period of rapid budget reductions.

The Chief Executive informed the Committee of the new corporate planning framework which had been put in place to develop a revised Corporate Plan. The Council had set about broadening its networks, particularly with other core cities, and working more closely with other local authorities that are already involved in partnership working to a greater degree.

The Corporate Plan 2015-17 has a much sharper focus, which reflects the challenging budget situation within which the Council is now working, particularly focusing on outcomes for vulnerable people. There is also much greater focus on challenge within the corporate culture.

The Committee were informed that, whilst there have been some recent changes, performance management has failed to consistently secure improvement in the past. Fundamental to a shift in improved performance has been a step change in the way employees are engaged and consulted. There has been an impetus to see Personal Performance and Development Reviews undertaken in a more streamlined approach focusing on individual performance.

At the time of the presentation the Chief Executive informed the Committee that three year milestones for the ODP were being developed and, when completed, a report detailing delivery timelines and savings would be shared with the Committee.

## Strategic Planning, Highways, Traffic & Transport - Risks & Challenges

On 19 January 2015 the Director of Strategic Planning, Highways, Traffic and Transport delivered a presentation outlining the risks and challenges facing the Directorate. The presentation was split into three parts: Corporate Risk, an Internal Audit Report and an update on a previous issue identified within the Annual Governance Statement. It was agreed that an updated position on these matters, which are summarised below, would be reported to a future meeting of the Audit Committee in 2015/16.

### Corporate Risk

Members of the Committee were informed that the directorate oversees two corporate risks; 1) Preparation of the Local Development Plan (LDP), 2) Hostile Vehicle Mitigation. Progress against the LDP and the delivery of the associated transport infrastructure was considered. Secondly, the Committee was made aware of funding and technical issues which impact on the introduction of security measures across the City Centre. It was apparent to members of the Committee why the risks warrant inclusion in the Corporate Risk Register. The Committee agreed to monitor progress of these corporate risks through the biannual reporting of the register to the Committee.

### Internal Audit Report

The Committee considered an Executive Summary Report on Highways Street Operations. The report was highlighted in the Audit & Risk Manager's Progress Report. The audit had been a follow-up which retained an overall opinion of 'Limited Assurance'. There were also concerns about the speed at which the Directorate had responded to the report. The Director informed the Committee that a review had been ongoing within the Directorate which would pick up the issues raised within the internal audit report. The issues were subject to discussion with the Trade Unions. The Director acknowledged the issues raised but stressed the need to be given time to provide assurance based on clear evidence of what could change within the delivery of the service. The Committee agreed to receive a further report from the Director in 2015 noting the improvements against the Internal Audit Report.

### Bridges and Structures

On 20 May 2013 the Committee received a report on the implementation of the Principal Bridge Inspection Programme for Highway Bridges and Structures, which had been highlighted in previous years' Annual Governance Statements. The Committee had previously received assurances that the risks were being managed but felt it appropriate to receive an update after 12 months. Members were provided with an update on the implementation of the Inspection Programme - those structures that present the highest risk are dealt with at the start of the six year cycle, before those presenting moderate and low risk. At the time of the presentation the Directorate was bidding for capital project funding.

## **Fraud, Bribery & Corruption Policy**

On 23 March 2015 the Committee were presented with the Fraud, Bribery & Corruption Policy, formerly the 'Anti Fraud, Bribery & Anti Corruption Policy' which was last reviewed and updated in 2011. The Committee were informed that the main thrust of the policy had not changed significantly in recent years. Members were aware from regular reports received from the Audit & Risk Manager that the Council does deal 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.

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 that Internal Audit has to oversee and be content with how the investigation is undertaken and reported.

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.

## **Audit Committee Self Assessment**

On 19 January 2015 a workshop was held prior to the meeting of the Audit Committee to undertake a Self Assessment exercise. The Committee expressed appreciation for the support from the Wales Audit Office appointed Auditor and the Council's Audit & Risk Manager who together facilitated a workshop. On 23 March 2015 the outcomes were summarised and reported back to the Committee for approval.

The Committee first undertook a Self Assessment exercise in December 2013. This year's exercise considered the improvement actions already put in place and what further improvements were required. A revised action plan has been prepared, and Annex 1 of this report highlights the outcomes to be taken forward in 2015/16.

The Committee found the Self Assessment exercise very useful, and has decided that the exercise should be undertaken annually, prior to the completion of the Audit Committee's Annual report.

## **Audit Committee working with Scrutiny Committees**

The Audit Committee's first Self Assessment exercise in December 2013 flagged up synergies between Audit Committee and Policy Review and Performance (PRAP) Scrutiny Committee. In advance of setting the Audit Committee's Work Programme for 2014/15 an exercise was undertaken to compare the work programme of the Audit Committee to the PRAP Scrutiny work programme. The exercise proved useful in that very few areas of commonality and duplication were identified.

In order to support the lay members of the Committee in terms of local knowledge, five of the elected members of the Audit Committee also represent the five scrutiny committees. Following the Audit Committee's Self Assessment in January 2015 Members of the Committee identified greater opportunities to engage with the Scrutiny Committees e.g. an annual meeting to be held between the Audit Committee Chairperson and the five Scrutiny Chairs; wider circulation of the Audit Committee's work programme amongst elected members to raise the Committee's profile and remit; a joint protocol to be developed between the Audit Committee and the five Scrutiny Committees to consider matters such as referrals.

Audit Committees in the Welsh Public Sector, particularly in Local Government, are evolving following the Local Government Measure 2011 (which came into effect in April 2012). Prior to the Measure the Council had an Audit Panel which was unique in Wales, but the Panel was not a formal Committee. The Measure has raised the profile of the Audit Committee and more recently the Welsh Government Consultation on 'Reforming Local Government: Power to Local People' (February 2015) highlights the need to strengthen the role of a Council's Audit Committee.

## **Key Observations 2014/15**

With the support of the Wales Audit Office, Internal Audit and other Council officers, a Work Programme was developed setting out the priorities for the twelve months. This centred on the strategic risks and significant challenges facing the Council. The work of the Wales Audit Office and the Internal Audit Section has been helpful in providing assurance to the Committee on key areas.



The Committee have concentrated on areas considered to be high profile and / or high risk within the Council, and have met officers responsible for various aspects of service delivery. This has enhanced the Committee's understanding of the services they provide and the challenges that they face. In addition, the Committee has had the opportunity to challenge and discuss actions taken in response to both External and Internal Audit Reports.

It is recognised that the Council has continued to face severe financial challenges and strives to look for efficiencies and service delivery initiatives. It is therefore vital that good governance is maintained. The Committee will continue to support the Council as it responds to these challenges.

## **Opinion of the Audit Committee for 2014/15**

At the strategic level, 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**

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.

Linked to the WAO Corporate Assessment and Organisational Development Plan, the Committee raised concerns around a further senior management restructure. The Committee were informed of a report to be presented to Cabinet the following month (January 2015) setting out the rationale for the restructure e.g. to provide capacity of strategic leadership balanced with effective operational management.

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**

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.

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.

Looking ahead, Members of the Committee will be seeking further information in relation to the Budget Strategy Assumptions, in order to support their role in challenging and scrutinising the draft Statement of Accounts and given the unprecedented savings to be found in future years.

### **Contract and Procurement Matters**

The Committee has been informed, through the work of the Internal Audit team, of the frequent issues identified in relation to 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.

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**

Historically the Audit Committee have 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.

Given the 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.

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**

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.

Policy Review and Performance Scrutiny in reviewing the budget savings for 2014/15 highlighted reductions in Internal Audit resources. Members of the Audit Committee share this view which was considered at the March 2015 meeting of the Audit Committee, when consideration was given to the Internal Audit Strategy 2015/16. The Audit Committee will be

kept informed of the issues facing the Internal Audit team and closely monitor resource implications and the associated risks, through the Audit & Risk Manager's quarterly progress reports.

### **Reducing Resources and Maintaining Fundamental Controls**

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 huge 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.

### **Looking ahead to 2015/16**

During the forthcoming municipal year the Committee will continue to be guided by the Corporate Director Resources, External and Internal Audit teams; and seek to further develop the assurances it is able to provide, and its contribution to an effective control framework.

The Committee will monitor the issues highlighted in the 'Opinion of the Audit Committee 2014/15' contained within this report ensuring these are incorporated within the Committee's programme of work.

The Committee considers the Council's Corporate Risk Register twice a year at about the same time as the Register is submitted to Cabinet. The Committee have taken an interest in exploring how the corporate risks have been mitigated, and will continue to select key risks and invite risk owners to attend and provide assurance about how they are mitigating their risks. The majority of risks considered through 2014/15 have been linked to the Council's priorities in supporting vulnerable people and education and lifelong learning.

The Committee's Work Programme will continue to be reviewed to ensure the Committee maximise their contribution to the governance and control framework, at the same time managing agendas to ensure that all meetings are equally productive and focus on the key issues.

### **Audit Committee Membership 2014/15**

The Committee consists of four Independent Lay Members (sought by public advertisement) and eight Non Executive Councillors, elected by Council, see Annex 2 for details. Independent members are appointed for no more than two administrative terms with Council Members reappointed annually.

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer) and the Audit & Risk Manager. Representatives from the Wales Audit Office attend each meeting.

The Audit Committee met on 5 occasions throughout the municipal period 2014/15 on the following dates: 25 June 2014, 15 September 2014, 8 December 2014, 19 January 2015 and 23 March 2015.

Attendance 2014/15	Possible	Actual
<b>Independent Lay Members</b>		
Sir Jon Shortridge (Chairperson)	5	4
Professor Maurice Pendlebury (Deputy Chairperson)	5	5
Sir Richard Lloyd Jones	1	1
Ian Arundale	5	5
Hugh Thomas	4	4
<b>Non Executive Councillors</b>		
Councillor Jayne Cowan	2	2
Councillor Paul Mitchell	5	4
Councillor David Walker	5	5
Councillor Jim Murphy	5	5
Councillor Nigel Howells	5	4
Councillor Gretta Marshall	2	1
Councillor Mary McGarry	5	5
Councillor Christopher Weaver	5	5
Councillor Adrian Robson	3	3

During 2014/15 the Committee experienced a number of changes in membership; Sir Richard Lloyd Jones stepped down from the Committee following his extensive experience as a Member of the Audit Committee and former Audit Panel of Cardiff Council. The Committee appreciated the wealth of experience that Sir Richard Lloyd Jones brought to the Committee.

Councillor Cowan who had also been a member of the former Audit Panel through to the revised Committee format, moved on to other duties. Councillor Marshall also gave up her seat on the Committee. Councillor Adrian Robson took up one of the vacancies in 2014/15.

The municipal year saw two new Independent Lay Members join the Committee, Ian Arundale and Hugh Thomas, both of which have vast experience within the public sector. Given the changes that took place throughout the year, induction training was provided to all new members of the Committee on a one-to-one basis. The Audit & Risk Manager provided an overview of the Committee's remit in line with the Committee's Terms of Reference, governance, risk management and internal control. The Operational Manager, Capital & Treasury, provided specialist training around the Committee's role with regards to Treasury Management.

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## Annex 1 - Self Assessment: Proposed Improvement Actions (2015)

Ref.	Proposed Improvement Actions	Target Date	Action Owner
	<b>Roles &amp; Responsibilities</b>		
1.	<u>Audit Committee Terms of Reference</u> Officers to undertake a review of the Committee's Terms of Reference prior to Annual Council in May 2015, to ensure it is fit for purpose and in line with current best practice.	May 2015	Audit & Risk Manager
2.	<u>Volume of Meeting Papers</u> Members noted that although the agenda supports the Work Programme there are often large volumes of paper associated with each agenda item. It can be difficult for Members to digest prior to the meeting given other demands. Officers to be reminded that the information put in front of Members to be relevant and concise and not overly detailed. Where Members of the Committee have concerns over such matters to report to the Committee Chair.	Ongoing	Corporate Director Resources & Audit & Risk Manager
3.	<u>Information Items</u> Items for information to be taken off the Agenda and distributed for information only. Any ongoing actions to be reviewed and where appropriate to be reported, in brief, under Outstanding Actions (for information only.)	Ongoing	Secretariat
4.	<u>Assurance Summary</u> The Audit Committee annually are presented with an Assurance Summary of the key governance issues and corporate risks. Members of the Committee to continue to receive this summary annually to provide a level of assurance against the Committee's Work Programme.	Annually	Audit & Risk Manager
5.	<u>Circulation of Work Programme</u> The Committee's Work Programme is to be published more widely amongst elected Members similar to Scrutiny.	Ongoing	Democratic Services
6.	<u>Audit Committee &amp; Scrutiny Committees</u> In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee a protocol is to be developed by officers.  In order to support this notion the Audit Committee Chair would consider it beneficial to meet with the Scrutiny Chairs on an annual basis.  In future, Scrutiny work programmes to be shared with Audit Committee Members and used to inform Audit Committee work programme to avoid duplication.	Ongoing	Secretariat




Ref.	Proposed Improvement Actions	Target Date	Action Owner
7.	<u>Chairperson's Letters</u> There have been instances where issues have been reported to the Committee on more than one occasion, where action has not been taken. In order to escalate these matters the Chair will in future write to the Chief Executive, relevant Cabinet Member or relevant Scrutiny Chair if the Director cannot provide a resolution.	Ongoing	Audit & Risk Manager
8.	<u>Independent Members</u>  Engagement with Members - To benefit the independent Members an item to be included on each agenda which can be used for elected members to bring any matters of interest to the independent Members.  Members Newsletter - The newsletter circulated to elected Members to be distributed to the Independent Members.	Ongoing	Democratic Services
<b>Monitoring &amp; Oversight</b>			
9.	<u>Internal Audit Resource</u> The impact of reducing resources within the Internal Audit Team to be highlighted in the Audit Committee's Annual Report.	March 2015	Audit & Risk Manager
10.	<u>Chief Executive Attendance</u> The Committee would appreciate if the Chief Executive would attend the Audit Committee on an annual basis to provide an update on the progress of the Organisational Development Plan and the strategic direction of the Council.	December 2015	Corporate Director Resources, Secretariat & Chief Executive
11.	<u>Monitoring Officer</u> The Monitoring Officer to attend Audit Committee when the Annual Governance Statement is considered.	In accordance with the Work Programme	County Clerk
12.	<u>Audit Committee Self Assessment</u> The assessment exercise to be held on an annual basis.	January 2016	Secretariat & Audit & Risk Manager
<b>Internal &amp; External Audit Process</b>			
13.	<u>Meeting with Audit Manager</u> A formal arrangement will be offered to Members of the Committee to meet with the Internal Audit Manager and External Auditors on an individual basis.	Commencing June 2015	Secretariat & Audit & Risk Manager & Wales Audit Office





Ref.	Proposed Improvement Actions	Target Date	Action Owner
14.	<u>Wales Audit Office</u> External Auditors to be represented at all meetings.	Ongoing	Wales Audit Office
	<b>Membership</b>		
15.	<u>Vice Chair</u> It was agreed that a Vice Chair should be nominated by the Committee for the municipal year and to act in the absence of the Chair.	June 2015	Audit Committee
	<b>Meetings</b>		
16.	No matters to report		
	<b>Skills &amp; Training</b>		
17.	<u>Individual Self Assessment</u> The Committee Members may wish to undertake a personal self assessment in context with the role of an Audit Committee Member which may identify gaps in knowledge and areas where training can be arranged.  The suggested framework was presented to <u>Council in December 2013: The Wales Charter for Member Support and Development: An Introduction for Authorities</u> . Specifically the role of a Member of an Audit Committee.	-	Chairperson, Secretariat, Corporate Director Resources & Audit & Risk Manager







## Annex 2 - Audit Committee Member Profiles




### Current Membership

 <p><b>Sir Jon Shortridge (Chair)</b></p>	<p>Jon Shortridge has degrees in Philosophy, Politics and Economics from Oxford University, and in Urban Design and Regional Planning from Edinburgh University.</p> <p>He became Permanent Secretary of the Welsh Office in March 1999 and of the National Assembly on its creation in May 1999. In May 2007 he became Permanent Secretary of the Welsh Assembly Government. He retired in May 2008, but returned to Whitehall briefly as interim permanent secretary of DIUS (and subsequently BIS) in the summer of 2009.</p> <p>He is now Chair of Community Service Volunteers, Chancellor and Chair of Glyndwr University, a board member of the Parliamentary and Health Service Ombudsman and an advisory member of the Commission for Local Government in England. He chairs the audit committees of the Parliamentary and Health Service Ombudsman and of the Local Government Ombudsman, and is a member of the audit committees of Oxford University and the Royal Society.</p> <p>He is married to Diana, and has a daughter and a son. He was knighted in 2002.</p>
 <p><b>Professor Maurice Pendlebury</b></p>	<p>Maurice Pendlebury is a qualified accountant and until his retirement he was a professor of accounting at Cardiff Business School.</p> <p>He has wide experience of many areas of management in both the public and private sectors and is the author of numerous books and articles on accounting and financial management topics.</p> <p>He was a non-executive director of the Cardiff and Vale NHS Trust from April 2007 to September 2009 and he is currently a governor of a high school in Cardiff.</p> <p>He was appointed as an independent member of the Audit Panel in 2010 and remained a member when the panel changed and became the current Audit Committee.</p>
 <p><b>Hugh Thomas</b></p>	<p>Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.</p> <p>He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water.</p> <p>Currently, he is Chair of the Regulatory Board for Wales and one of fifteen trustees of The National Library of Wales.</p>

 <p><b>Ian Arundale</b></p>	<p>Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.</p> <p>Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.</p> <p>He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.</p> <p>Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.</p> <p>In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF)." He was awarded the Queens Police Medal (QPM) in 2011.</p>
 <p><b>Nigel Howells</b></p>	<p><i>Serving the <b>Adamsdown</b> Electoral Division, elected on 03 May 2012 Nigel was first elected on 06 May 1999.</i></p> <p><b>Serving on the following committees:</b></p> <p>Policy Review &amp; Performance Scrutiny Committee  Economy and Culture Scrutiny Committee  Public Protection Committee  Audit Committee</p>
 <p><b>Mary McGarry</b></p>	<p><i>Serving the <b>Plasnewydd</b> Electoral Division, Mary was elected on 03 May 2012 for the first time.</i></p> <p><b>Serving on the following committees:</b></p> <p>Licensing Committee  Public Protection Committee  Community &amp; Adult Services Scrutiny Committee  Audit Committee  Policy Review &amp; Performance Scrutiny Committee</p>
 <p><b>Paul Mitchell</b></p>	<p><i>Serving the <b>Fairwater</b> Electoral Division, Paul was elected on 03 May 2012. Paul was previously a Councillor for Riverside between 1999-2004, and Canton between 1991-1996.</i></p> <p><b>Serving on the following committees:</b></p> <p>Environmental Scrutiny  Audit Committee</p>

 <p><b>Jim Murphy</b></p>	<p><i>Serving the <b>Ely</b> Electoral Division, Jim was elected on 03 May 2012.</i></p> <p><b>Serving on the following committees:</b></p> <p>Licensing Committee  Council Appeals Committee  Children and Young People Scrutiny Committee  Policy Review &amp; Performance Scrutiny Committee  Public Protection Committee  Democratic Services Committee  Audit Committee</p>
 <p><b>Adrian Robson</b></p>	<p><i>Serving the <b>Rhiwbina</b> Electoral Division, elected on 03 May 2012. Adrian was first elected on 10 June 2004.</i></p> <p><b>Serving on the following committees:</b></p> <p>Planning Committee  Audit Committee</p>
 <p><b>David Walker</b></p>	<p><i>Serving the <b>Lisvane</b> Electoral Division, elected on 03 May 2012. David was first elected on 06 May 1999.</i></p> <p><b>Serving on the following committees:</b></p> <p><b>Portfolio:</b> Leader of the Conservative Group  Constitution Committee  Employment Conditions Committee  Council Appeals Committee  Policy Review &amp; Performance Scrutiny Committee  Audit Committee  Works Council</p>
 <p><b>Christopher Weaver</b></p>	<p><i>Serving the <b>Cathays</b> Electoral Division, Christopher was elected on 03 May 2012 for the first time</i></p> <p><b>Serving on the following committee(s):</b></p> <p>Democratic Services Committee  Economy and Culture Scrutiny Committee  Audit Committee</p>

## Past Membership 2014-15

 <p><b>Sir Richard Lloyd Jones</b></p>	<p>Richard Lloyd Jones was born 1933. Career civil servant who retired as Permanent Secretary and Accounting Officer of the Welsh Office in 1993.</p> <p>Chairman of the Local Government Staff Commission for Wales 1994-7 and Arts Council of Wales 1994-9.</p> <p>Chairman, Age Concern Cymru 1999-2005 and Vice Chairman of Age Concern England 2005-9.</p>
 <p><b>Jayne Cowan</b></p>	<p><i>Serving the <b>Rhiwbina</b> Electoral Division, elected on 03 May 2012. Jayne was first elected on 06 May 1999.</i></p> <p><b>Serving on the following committees:</b></p> <p><b>Portfolio:</b> Leader of the Independent Group  Constitution Committee  Democratic Services Committee  Policy Review &amp; Performance Scrutiny Committee  Audit Committee</p>
 <p><b>Gretta Marshall</b></p>	<p><i>Serving the <b>Splott</b> Electoral Division, Gretta was elected on 03 May 2012.</i></p> <p><b>Serving on the following committees:</b></p> <p>Constitution Committee  Environmental Scrutiny Committee  Audit Committee</p>

# **CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 June 2015**

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## **CORPORATE RISK REGISTER – YEAR END REVIEW 2014/15**

### **REPORT OF CORPORATE DIRECTOR RESOURCES    AGENDA ITEM: 6.6**

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#### **Reason for Report**

1. To bring the Corporate Risk Register (CRR) to the attention of the Audit Committee, in order to consider the strategic risks facing the Council.

#### **Background**

2. To support the arrangements for good corporate governance, it is necessary for the Council to have a clear statement of its overall position in relation to corporate risks which are reviewed on a regular basis.
3. Sections 81 to 87 of the Local Government (Wales) Measure 2011 sets out provisions for Audit Committees. One of the key roles of the Committee is to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
4. The CRR should identify the main risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind. The process followed is to identify the risk and then to address it through the control environment and mitigations in place or planned within the Council. This exercise results in a residual risk score which should demonstrate the effectiveness of the controls in place to manage the risk.
5. The Audit Committee last sighted the CRR on 08 December 2014, which reflected the mid year position 2014/15, containing 24 risks. The register continues to be updated quarterly and presented to the Senior Management Team to ensure their collective ownership and agreement of the strategic risks facing the Council. On this occasion the register has been updated to reflect the year end position 2014/15.
6. The CRR is a key governance document and the intention is to continue to bring the register to the attention of the Audit Committee on a biannual basis in line with reporting to Cabinet.

#### **Issues**

7. The CRR is currently made up of 25 risks, all of which are assigned to members of the Senior Management Team to ensure the most senior level of ownership and accountability by officers. This is one more than last reported as no risks have been removed, but one added around financial resilience, considered a strategic risk due to the concern over the medium term as a result of the scale of the financial challenges faced by the Council.

8. Each risk has been reviewed and updated by the respective risk owner to reflect the year end position, and the full register was shared with all Directors at the Senior Management Team meeting on 05 May 2015, to gain their collective agreement. It is felt that the updates have strengthened the mitigating actions against the risks currently identified.
9. At the meeting with Senior Management the opportunity was taken to discuss the possibility of expanding the Hostile Vehicle Mitigation risk to accommodate wider concerns expressed around radicalization and the view was that the risk captured in the register should remain as it is, as it is considered to be one where the Council can take ownership and actively look to mitigate the risk where possible. The wider risk was recognised as important, as was the responsibility Council officers had to work with others, across the community, to seek ways to mitigate the risk.
10. During the quarter only three residual risk ratings changed, relating to Education & Lifelong Learning risks, raised from C2 (Medium Priority) to B2 (High Priority).
11. It should be noted that there are some areas, such as Health & Social Care, Children's Services and Health & Safety, where there will always be an element of unpredictability which merits a high priority score irrespective of how well the service is managed. For these, the important aspect is to continue to be able to demonstrate sound management, a proactive approach to mitigating the risks and a robust monitoring process.
12. It is important to note that risks are liable to change as circumstances alter and the CRR presents the position at a point in time i.e. this report reflect the year end position. The register will continue to be refreshed quarterly and the identified risk owners have a responsibility to ensure the register remains focused and relevant.
13. In order to recognise the importance of monitoring and reviewing the CRR, the Audit Committee and Cabinet will continue to consider reports on a biannual basis. Councillor Hinchey's role, as Member Risk Champion, includes raising the profile of risk management and promoting the benefits to Members, as well as promoting the accountability and responsibility of all staff within the Council as set out in the Council's Risk Strategy. The Member Champion will bring forward ideas from the Members to the Risk Management Steering Group which they consider relevant for the Corporate Risk Register.
14. In order to recognise the fundamental importance of the CRR, in the governance of the Council, the Audit Committee will continue to consider reports on a biannual basis prior to Cabinet. On this occasion the register will be presented to Cabinet in July 2015.
15. In recent months the opportunity has been taken to raise awareness around the CRR, through the Cardiff Manager programme, which now includes a separate training session on risk management. An e-learning module for risk management is also being developed.
16. It is appreciated that there is considerable detail in the complete register and, therefore, two appendices are attached; Appendix A details the complete register, Appendix B is a summarised version.

## **Legal Implications**

17. There are no direct legal implications arising from this report. However, one of the benefits of identifying risk is that mitigation measures may be taken, if appropriate, and consequently successful claims against the Council may be avoided altogether, or reduced.

### **Financial Implications**

18. There are no direct financial implications arising from this report. The Corporate Risk register will be used to guide the Internal Audit Plan and the Council's resource planning processes and forms an important part of the governance arrangements for the Council.

### **Recommendation**

19. The Audit Committee is recommended to note the content of the Corporate Risk Register and to have regard to its content when considering its Work Programme.

### **CHRISTINE SALTER CORPORATE DIRECTOR RESOURCES**

The following Appendices are attached:

- Appendix A** – Corporate Risk Register (Detailed)
- Appendix B** – Corporate Risk Register (Summary)

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Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<b>EVENT DRIVEN RISKS</b>										
<p><b>Social Services and Wellbeing (Wales) Act</b></p> <p>The implementation of the Social Services and Wellbeing (Wales) Act will place new duties and responsibilities upon already pressured services.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal /Partnership/ Community</p> <ul style="list-style-type: none"> <li>Consequences arising from Bill are well documented and the subject of updates and progress reports from the WLGA and elsewhere</li> <li>WG in the lead up to the Act has presented this as a nil cost policy intervention. There are clear consequence for changed delivery models and processes across wide areas of delivery in adult social care and in some key areas of children's services. The major implications will not be realised until the medium to long term when the fuller effect of the concept of 'well being' which the Act introduces becomes clearer; there are potential risks however that this may open up opportunities for legal challenge around interpretation of 'duties' under the 'well being' concept.</li> </ul>	B	1	High Priority	<p>Agencies are required to prepare an assessment of readiness in relation to Act implementation and this is to be submitted as a single regional document set out on a consistent national template. This has been facilitated by a regional coordinator dedicated to the task of supporting Act implementation. In Cardiff both Directorates have assessed readiness in relation to those areas of the Act where guidance has been issued. This has enabled awareness raising across a wider section of managers and the workforce and has provided a degree of reassurance that we are moderately place in terms of readiness across most areas; the second tranche of guidance is not yet available.</p> <p>A new management structure has been agreed which will establish a single Social Services Directorate bringing together Children's and Adult social care. This will provide for singular and integrated professional direction, oversight and leadership, consistent with the new Act and will facilitate more effective direction of shared capacity.</p> <ul style="list-style-type: none"> <li>A Regional Adoption Manager has been appointed and the new regional service will commence on 1<sup>st</sup> June 2015, after which Cardiff Council will no longer directly provide adoption services</li> <li>The Cardiff hosted National Adoption Service (responsible for overall performance management, national strategy and governance) is now established and delivering an effective service.</li> <li>Integrated Health and Social Care work streams are being delivered through shared C&amp;V funding from the RCF, ICF and Transformation grants from Welsh Government</li> <li>Contract awarded to provide Payment by Results enhanced fostering scheme following from mandate to introduce a Social Impact Bond.</li> <li>New guidance setting out the terms of the Social Care Development Workforce Partnership Fund was issued in early March and requires agencies to establish new regional partnership governance arrangements and a delivery plan for 2015-7. Early anticipation of this has enabled preparatory work with the VoG but this now require urgent acceleration in to order to secure grant against very unrealistic WG expectations. Meetings to ensure delivery are arranged.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The Director of Social Services Annual Report for 2013/14 has been presented and accepted at full Council following consultation with the Joint CASSC and CS Scrutiny Committees. This has taken account of the CSSIW annual evaluation letter.</li> <li>Reference to delivery of the Act and continuing consultation programmes will be delivered within a joint 'Social Services Business Plan' to reflect the imminent new management structure for social care.</li> <li>Joint approaches to developing opportunities across Cardiff, the Vale of Glamorgan and UHB have been closely monitored through the H&amp;SC Service Development Programme Board and the IHSC Strategic Implementation Programme Board and the IHSC Strategic Implementation Group, Leadership Group &amp; Governance Group involving senior Directors, Chief Executives, Cabinet Members and Leaders of both Council's and the UHB. It is not anticipated that management restructure will substantially alter these arrangements.</li> </ul>	Tony Young & Siân Walker
<p><b>Hostile Vehicle Mitigation in Cardiff</b></p> <p>Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.</p>	<p>Service Delivery / Reputation / Legal / Financial / Health &amp; Safety / Financial / Partnership / Community &amp; Environment / Stakeholders</p> <p>Potential for:-</p> <ul style="list-style-type: none"> <li>Large no's of fatalities, injuries to public in crowded place.</li> <li>Extensive structural damage and/or collapse of surrounding buildings.</li> <li>Major fire.</li> <li>Damage/disruption to utilities (gas, electricity, water etc.)</li> <li>Immediate impact to businesses in the Cardiff area.</li> <li>Media coverage affecting public perception, leading to a loss of public confidence directly resulting in reduced business, retail and tourism revenues generated in the city.</li> <li>Area to be viewed as a risk for potential future business investment.</li> <li>Inability to attract major future national and international events (political, sporting etc.)</li> <li>Increase in demand for council services/support for all affected.</li> <li>Current economic climate to reduce the effectiveness of any recovery/regeneration of the area</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>All existing identified high risk; crowded places have been formally assessed.</li> <li>Most crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge.</li> <li>Most crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle.</li> <li>CONTEST Protect/Prepare Task &amp; Finish Group has developed a City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'.</li> <li>20 (40%) of the identified 'gateways' into the crowded places already benefit from PAS 68/69 mitigation in place, implemented as a direct result of Home Office (Crowded Places) and Olympic Legacy funding.</li> <li>Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services &amp; Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to incident occurring to help themselves manage and recover from its impacts.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>WECTU CTSA's, the Emergency Services &amp; Cardiff Council continue to promote and provide Project Argus and EVAC/Griffin training across the city. The revised products were launched nationally in November 2014 and are now being rolled out in South Wales.</li> <li>The CONTEST Protect/Prepare Group will continue to maintain the City Gateways Public Realm Enhancement Scheme to ensure that the proposed PAS 68/69 mitigation for the remaining gateways remains appropriate. This work also includes the estimated costs for the procurement and installation of the PAS 68/69 mitigation and ancillary services.</li> <li>Work is ongoing with Strategic, Planning, Highways, Traffic &amp; Transportation (SPHTT) to advise developers across the city in relation to appropriate mitigation required.</li> <li>The CONTEST Protect/Prepare Group will continue to monitor and review the scheme to ensure it is fit for purpose until it is fully installed.</li> <li>Additional funding must be secured to procure and install the PAS 68/69 mitigation at the remaining 30 gateways (currently).</li> <li>The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters.</li> <li>Further work has been undertaken to incorporate the car parking requirements of the Tabernacle, with an annex document being developed to better manage its 'users', covering their requirements whilst adhering to the existing Traffic Regulation Order. 'Sign-off' for this document is anticipated shortly.</li> <li>Two CT briefings were held in 15<sup>th</sup> &amp; 22<sup>nd</sup> January 2015 for Civil Parking Enforcement staff to raise awareness of in relation to the Access Control Protocol, the National Threat Level and the ways in which they can support the work of CONTEST.</li> <li>The CONTEST Protect/Prepare Group will continue to support SPHTT in the delivery of all outstanding and future works associated with this risk.</li> </ul>	Andrew Gregory

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p><b>Welfare Reform</b></p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform Bill 2011, Universal Tax Credit, localisation of Council Tax Benefits, Social Fund reform, Introduction of the Benefit Cap and size restrictions for social tenants. Lack of information, short timescales for implementation and the large number of citizens affected makes this a significant risk.</p>	<ul style="list-style-type: none"> <li>Private landlords stop renting to benefit claimants</li> <li>Increased homelessness and demand for temporary accommodation</li> <li>Increased rent arrears</li> <li>Redeployment / Severance for 140 staff</li> <li>Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties.</li> <li>Funding issues with Council Tax Reduction Scheme</li> <li>Emergency help not available to those in need if Discretionary Assistance Fund (replacement for Social fund does not operate effectively.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. To date this private landlords have not withdrawn from the benefits market but changes in the economy could influence this in the future so this will continue to be monitored closely.</li> <li>Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help private tenants to move accommodation where necessary.</li> <li>Timely information is being given to claimants to help them respond to the changes.</li> <li>Council Tax Reduction scheme worked well in 2014/15 and has been continued for 2015/16. Currently the reduction is based on 100% of liability so there has been no across the board cut to benefit. However funding issues could prevent this in the future.</li> <li>A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move. Unfortunately the DHP grant has decreased in 2015/16</li> <li>While arrears have increased this increase was much lower than anticipated due to effective management of the DHP fund and close monitoring of arrears. Many tenants remain affected and concern remains that arrears could rise further in the future</li> <li>The number of properties becoming vacant has increased as a result of Welfare reform and this combined with other issues has resulted in a significant increase in void rent loss. Work is being done to encourage exchanges rather than transfers as this will prevent properties becoming vacant as a result of the changes.</li> <li>The number of tenants in temporary accommodation has increased, however there are a number of factors contributing to this, this is being monitored carefully and has recently started to reduce.</li> <li>The benefit cap - the impact on rent arrears of this change is being monitored. Schemes have been put in place to protect those in Temporary accommodation and to encourage other tenants affected to return to work.</li> <li>The communication plan is working well Factsheets have been developed and are constantly being updated as more is understood about the changes. Briefings are sent to external stakeholders updating them of any changes.</li> <li>The Welfare Reform Task Group is working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected.</li> <li>Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate.</li> <li>The date of the commencement of the transition to Universal Credit is Autumn 2015 however this will initially affect only a small number of clients, planning for staff reductions is still not possible. The scheme has been changed to include more information sharing for landlords and this should offset some of the risk. Work on digital inclusion and banking project is going well and training is provided across the city.</li> <li>The Advice Hub in Marland House is working well, providing comprehensive advice services for those affected by Welfare Reform.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Workforce plans will be developed once the exact details of the Universal Credit changes become available, at present there is still no detailed migration plan. Officers are working with the DWP on the Local Services Support Framework which may result in an ongoing role for local authorities under Universal Credit, meetings will be taking place on this during the Spring / Summer.</li> <li>Digital inclusion training and banking support is ongoing and the success of this will be monitored during the year</li> <li>Additional resource has been agreed for supporting tenants with the Universal Credit changes and staff are being recruited to assist with this.</li> <li>Work has been undertaken to cost the potential risks of Universal Credit and this will continue to be updated as the more information is known.</li> <li>Size restriction for social tenants and the Benefit Cap remains a significant risk with potential increased arrears and homelessness, procedures are being kept under review to identify any further action that can be taken, including more support for those wishing to exchange. Regular meetings are held with social housing providers to monitor and improve processes. The DHP fund is reducing during 2015/16 and it will be necessary to review the support available to those affected by these changes during the year.</li> </ul>	Sarah McGill (Jane Thomas)
<p><b>Waste Management</b></p> <p>Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community</p> <ul style="list-style-type: none"> <li>Significant financial penalties for failure at up to £200/tonne.</li> <li>Procure landfill elsewhere with additional costs.</li> <li>Reputation damage</li> <li>Increased costs of landfill and alternative treatment markets</li> <li>Risk to grant funding currently £7.25m 2013/14</li> <li>No MTFP for future grant funds or capital confirmed by WG</li> </ul>	B	1	High Priority	<p><b>Policies / Strategy</b></p> <ul style="list-style-type: none"> <li>Previous updates contain the policy position improvements between 2008-2013.</li> <li>Waste Management Strategy 2011-2016 was approved on 13th Jan 2011 and remains current however is due for review.</li> <li>Several progress reports have been made to Cabinet and Environmental Scrutiny in that period.</li> <li>Monthly performance tracking of recycling has been established to help predict the end of year position.</li> <li>Steps taken to improve MRF processing rates in Qtr 3 means less waste to landfill.</li> <li>Commercial recycling centre opened march 2014.</li> <li>Focus on pre-sort on the HWRCs is showing improvements in site recycling.</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Several Contracts have been put in place for additional materials to be recycled from the HWRC's.</li> <li>Interim contract in place for disposal of biodegradable green/food waste</li> <li>A flexible Interim Disposal Contract in place with Biffa for 2-10 years; commenced April 2009.</li> <li>Aggregate recycling is now in place.</li> <li>Recycling litter bins are in place in the city centre.</li> <li>New initiatives such a charging for bulky waste, commercial recycling centre, sweepings, mattress and carpet recycling schemes are all underway.</li> <li>New HWRC delivery model has been implemented from November 13.</li> </ul>	B	2	High Priority	<p><b>Risk of Fines</b></p> <p>The minister still has yet to determine whether the council will be fined for the 13/14 failings. Therefore, the risk rating remains high.</p> <p><b>Policy / Strategy</b></p> <ul style="list-style-type: none"> <li>The outline waste strategy has been approved by Cabinet and work continues on the detailed planning. A future waste strategy options consultation was undertaken in 2013 and the next wave of consultation will be in Qtr 3. Future collection option modelling has begun and is being supported by WRAP.</li> <li>Flats Strategy to improve waste and recycling collections from flats is designed to enable greater recycling and food waste form hard to capture areas</li> <li>Stockpiling of sweepings until a suitable recycling contract can be procured.</li> <li>Exploring reuse partners.</li> <li>Working with other Local Authorities to explore TEEP business cases and/or exploring joint working options</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Progress the Organic procurement is to timescale to SCD of 01/04/16. Interim contracts remain valid.</li> <li>An interim Contract for residual treatment is in place for when the landfill closes and to ensure LAS targets are met and tax avoided wherever possible.</li> </ul>	Jane Forshaw

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<p>This year, placing the focus on pre sort high quality recycling and removing the reliance on post sorting of waste.</p> <p><b>Prosiect Gwyrdd</b> Financial Close occurred December 2013 Viridor are the appointed contractor which commences Sept 2015.</p> <p><b>Organic procurement</b> IAA drafted and reports have been completed to both Cardiff and the Vale of Glamorgan Cabinets who took a decision in October to continue with the current procurement process and governance arrangements, delegate to officers all aspects of the procurement up to preferred bidder stage, the decision to appoint will be a full Council decision and approved that the Council enters in to a Inter Authority Agreement with the Vale of Glamorgan Council.</p> <p><b>Household &amp; Commercial Waste Collections</b> Household Waste collections were changed further towards the WG recycling blueprint in 2011 by changing to: fortnightly black (with accompanying hygiene services and weekly food and dry recycling and fortnightly green. National government discussions on comingled recycling remain an issue.</p> <p><b>Collaboration work</b> Working and engaging with Welsh Government on legal and policy changes.</p>				<ul style="list-style-type: none"> <li>• <b>Project Gwyrdd</b> - Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Planning transitional management &amp; contractual commencement arrangements</li> <li>• <b>Collections</b> <ul style="list-style-type: none"> <li>• Commercial waste operations have refined the marketing package for recycling in the commercial sector to increase recycling from commercial waste collected by the Waste Collection Authority that is included in the total MSW (and therefore relevant to statutory targets).</li> <li>• Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting food collections and schools.</li> <li>• Risk remains high that recycling performance and weather impacts on green waste could lead to a status quo in recycling performance or at worse a drop in performance form below 52%.</li> </ul> </li> </ul>	
<p><b>Preparation of Local Development Plan</b></p> <p>Preparing a plan that is considered 'sound' by the Inspector, within the proposed timetable.</p>	<p>Service delivery / Reputation / Legal / Financial / Partnership / Community &amp; Environment &amp; Stakeholder</p> <ul style="list-style-type: none"> <li>• Preparing a plan which the independent Inspector considers 'unsound' and therefore cannot be adopted.</li> <li>• Reputational issues for the Council.</li> <li>• No adopted plan in place would mean the Council would not be in a position to effectively manage and control development- its ability would be significantly reduced.</li> <li>• Failure to achieve corporate priorities which the LDP would help deliver relating to economic, social and environmental objectives.</li> <li>• Possible breakdown of key strategic partnerships and with stakeholder groups.</li> <li>• Delays in preparation.</li> <li>• Possibility of planning applications being submitted in advance of plan adoption.</li> <li>• Possible negative publicity on delay.</li> <li>• Stakeholder concern at delay to timetable.</li> <li>• Potentially significant objections raised by objectors and / or legal challenge submitted against Council impacting on timetable and plan content.</li> <li>• Infraction proceedings against the Council resulting in significant financial penalties.</li> <li>• Insufficient resources.</li> <li>• Staff resource and monies required to undertake technical studies and other specialist advice considered necessary.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>• Use of project management techniques to effectively manage process and regular update meetings between Senior Officers and Members.</li> <li>• Monitor emerging legislation/guidance/evidence and respond early to changes.</li> <li>• Monitor budget spend and consider additional resources when required. A medium term financial bid has been agreed for 2013/14.</li> <li>• Undertake Scrutiny process together with wider Member Briefing to raise awareness.</li> <li>• Build in effective consultation and engagement into process to ensure stakeholders are informed at all stages.</li> <li>• Close liaison with the Welsh Government Planning Division and Planning Inspectorate to: <ul style="list-style-type: none"> <li>• Ensure early warning of any problems (e.g. Consultation on LDP)</li> <li>• Ensure LDP is sound, founded on a robust evidence base with sustainability appraisal and well audited community and stakeholder engagement. Undertake tests of soundness 'self assessment' at all stages of LDP preparation as recommended in national guidance</li> <li>• Ensure procedures, Act, Regulations etc, are complied with and no undue risks taken</li> </ul> </li> <li>• LDP Corporate Officers Working Group</li> <li>• A revised timetable for preparation of the LDP has been agreed by Executive and Council in November 2011. The revised timetable for the Delivery Agreement was agreed by WG in December 2011</li> <li>• Initiated schedule of meetings with Authorities within South East Wales and other stakeholders to discuss cross border and consistency issues to meet the tests of soundness</li> <li>• Meetings held with Authorities within South East Wales and other stakeholders to discuss cross border and consistency issues to meet the tests of soundness. Report of Findings agreed and forms a background paper to the Preferred Strategy.</li> <li>• A Flood Study Report to investigate fluvial food risk from reens in the Wentloog Levels has been completed and evidence presented in the report has informed the assessed candidate sites and inclusion of an additional strategic site.</li> <li>• The LDP Preferred Strategy was approved by Cabinet on 18<sup>th</sup> October 2012 and Council on 25<sup>th</sup> October 2012.</li> <li>• A consultation on the Preferred Strategy was completed on 14th December and over 1000 responses have been received.</li> <li>• Final report has been completed on population and household projections as part of the evidence base to support the Deposit Plan. Report recommends reducing the overall level of housing growth in the Plan by approximately 4,000 dwellings.</li> <li>• Final draft Gypsy and Traveller study investigating potential new sites has been completed and circulated for Member agreement.</li> <li>• Report on Masterplanning general principles was approved by Cabinet on 16th May. These principles inform the preparation of the schematic Masterplans.</li> <li>• Workshops held with officers to help inform the development of the strategic sites specific frameworks.</li> <li>• A Masterplanning Framework Document has been prepared as a background paper to the Deposit Plan.</li> <li>• The Deposit Plan was approved by Cabinet on 12<sup>th</sup> September 2013 and Council on 26<sup>th</sup> September 2013 for consultation purposes.</li> <li>• Consultation on the Deposit Plan was completed on 26th November 2013 and over 400 responses have been received.</li> <li>• Consultation on the Alternative Sites was undertaken between 11<sup>th</sup> February and 4<sup>th</sup> April 2014.</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• To ensure effective partnership with service areas across the Council and seek to respond to the 187 Action Points raised by the Inspectors at the LDP Hearing Sessions by the end of April 2015 to support the LDP at examination.</li> <li>• Additional funding over the financial year 2015/16 will be needed to meet statutory requirements and support the ongoing examination of the LDP and commitments made in the LDP Delivery Agreement, which sets out a timetable agreed with Welsh Government for preparation of the LDP. Main expenditure headings over this year include the cost of the ongoing examination including planning Inspectorate costs, legal costs and other independent advice costs and publicity and printing costs relating to the Matters Arising Changes Schedule and adoption of the final version of the LDP following the publication of the Inspectors Report.</li> <li>• Key dates remaining in the process are consultation on the Matters Arising Schedule, publication of the Inspectors Report in August 2015 and adoption of the Plan in October 2015.</li> </ul>	Andrew Gregory

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<ul style="list-style-type: none"> <li>Following approval by Council on 26<sup>th</sup> June, 2014 the Deposit Plan and supporting information was submitted to the Welsh Government and Planning Inspectorate for examination on 14<sup>th</sup> August 2014.</li> <li>Following commencement of the examination, the Council submitted Statements relating to the "Matters and Issues" raised by the Inspectors and the LDP Examination Hearing Sessions were held in January and February 2015. These Statements included Statements of Common Ground agreed with key stakeholders.</li> </ul>					
<p><b>Education – Schools - SOP</b></p> <p>Very ambitious timescales for project delivery, by a lean team, with restricted capital allocations to support reorganisation, improvement and expansion of school provision to meet growing pupil population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health &amp; safety.</p> <ul style="list-style-type: none"> <li>Insufficient primary places in some areas of the City.</li> <li>Further degeneration of school buildings</li> <li>Reducing educational standards.</li> <li>Project cost and time overruns</li> <li>Risk that Welsh Government do not support the revised strategy and associated capital bid incl agreement to the additional funds requested and/or withhold individual project funding if not satisfied with Business Cases.</li> <li>Difficulties associated with data source and production could undermine proposals and stakeholder trust in the SOP change process</li> </ul>	B	1	High Priority	<p>Proposals to balance supply and demand at primary level to reduce risk of insufficiency incl:</p> <ul style="list-style-type: none"> <li>Consultation in the autumn term included a proposal to establish a new build 2FE English-medium community primary school on the Howardian site from September 2015. A statutory notice was published on 24 February and objections have been received. The Cabinet at its meeting on 28 May will consider whether to implement the proposal for implementation in September 2015.</li> <li>Consultation in the spring term included the proposed consolidation of Gabalfa Primary school at 1FE from September 2017, the permanent establishment of Ysgol Glan Ceubal at 1FE from September 2016 with the establishment of nursery provision from January 2016 on its existing site and the transfer of Glyn Derw High School onto the Michaelston Community College from January 2016. Reports on the outcome of the consultations are due to go to the May Cabinet meeting.</li> <li>Consultation on the provision of additional Welsh-medium and English-medium primary school places in and around Butetown, Canton, Grangetown and Riverside and options which respond to the rising demand for English-medium and Welsh-medium primary school places in the Adamsdown and Splott wards will be undertaken in the Summer term.</li> <li>Realigned 21<sup>st</sup> Century Schools Programme of a greater value was approved by Cabinet on 19 March. Approval in principle of the realigned strategy the Welsh Government is required including the additional grant funding requested. Funds to target reduction of asset liabilities as part of the overall consideration in prioritisation of projects to go forward and options for resolving issues in place.</li> <li>Capital bid submitted to meet suitability and sufficiency issues - suitability and sufficiency was approved as £500k per year, 2015/16 to 2019/20.</li> <li>Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings.</li> <li>Alternative models of design, procurement and construction in the initial stages of implementation with a view to reducing likelihood of cost overruns and reduce time required to complete the whole process. For example the Eastern High two stage tender process and incorporation of standardised design approaches.</li> <li>Extensive work on the 21<sup>st</sup> Century Schools realignment undertaken in conjunction with the Welsh Assembly to ensure the bid is consistent with their aims and expectations prior to submission.</li> <li>All training specific to 5 case business training has been undertaken by several member so the team and close contact with the Welsh Government officers during preparation of bids is improving quality and resulting in good outcomes on detailed business case approvals.</li> <li>New member of SOP staff employed to support data refinement and processes</li> </ul>	B	2	High Priority	<p>All risks being monitored and reported to Schools Programme Board.</p> <ul style="list-style-type: none"> <li>Pursue 'Turn Key solution' i.e. one contract, single point of management and responsibility</li> <li>Two step procurement methods being trialled</li> <li>Standardised design methods being pursued</li> <li>Continued active dialogue with Welsh Government and other professional parties to support progress and development</li> <li>Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward</li> </ul>	Nick Batchelar (Janine Nightingale)
<p><b>Education Consortium &amp; Attainment</b></p> <p>The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Educational standards falling behind other LA's.</li> <li>Potential impact on Estyn judgement for LA.</li> <li>Intervention from WG</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The new Director of Education and Lifelong Learning continues to be part of the officer governance arrangements at CSC and the Cabinet Member for Education is part of the Joint Committee governance arrangement for the JES. The Director of Education and Lifelong Learning also continues to work alongside colleagues at ADEW and the WLGA to work through a consistent response from an All Wales perspective.</li> <li>A strengthened challenge and support framework is becoming embedded and the performance management of Challenge Advisors has been prioritised to provide consistency in the quality of service received.</li> <li>Officers from Education work with the Central South Consortium to provide challenge and support to Head teachers and Governing Bodies.</li> <li>Schools identified as requiring additional support are required to meet with the Cabinet Member for Education and Lifelong Learning and the Director of Education and Lifelong Learning.</li> <li>Council make full use, if necessary, of formal warnings and powers of intervention.</li> <li>Actions to improve challenge and support arrangements for schools and to raise standards are being closely monitored via the Estyn Action Plan by EMT and EIG, which includes the Chief Executive and Corporate Services.</li> <li>School performance is now being tracked In Year via the regular collection of currently secure results from schools.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Officers will continue to monitor risks and report to corporate management, EIG and the Cabinet.</li> <li>Establish a clearer commissioning relationship between the Council and CSC, to more robustly hold the consortium to account.</li> <li>Respond to Improvement actions identified by the Estyn March 2015 monitoring visit.</li> <li>Development of a refreshed directorate delivery plan with clear accountabilities and performance measures.</li> </ul>	Nick Batchelar (Angela Kent)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p><b>ICT Platforms Unsuitable/Outdated</b></p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.</p>	<ul style="list-style-type: none"> <li>Reputational / Financial / Stakeholder / Service delivery.</li> <li>Loss of PSN services.</li> <li>Service delivery impacts from unreliable/unavailable ICT systems.</li> <li>Cardiff seen as unable to deliver on aspirations.</li> <li>Poor morale from frustrations with inability to deliver services.</li> <li>Potential for income losses from revenue collection impacts.</li> <li>Unable to meet delivery deadlines on both business as usual and transformation projects.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>Measurements put in place to track impact.</li> <li>Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided in 2012-15 to address major issues, medium term financial plan investment programme in place for subsequent years.</li> <li>Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth.</li> <li>New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified.</li> <li>New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year).</li> <li>Active projects underway and the current aged file storage solution have been replaced and cloud based storage for additional resilience and flexibility is being assessed. Other projects underway to replace many of the core older back end servers.</li> <li>Corporate file storage systems replaced and new disk to disk backup option installed to improve performance and resilience.</li> <li>Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced to medium.</li> <li>Additional load balancers to be purchased for application resilience in key systems.</li> <li>All SAP hardware was replaced in 2014/15 and virtualised where possible</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Define a renewal programme for all desktop, software, network, servers, and telephones, appropriate to Cardiff's ambitions and resources.</li> <li>Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority.</li> <li>Refresh of existing SAP, thin client and virtual server farms.</li> <li>Development of lifecycle monitoring.</li> <li>Successful pilot leasing scheme within schools to be considered for corporate desktop estate.</li> </ul>	Christine Salter (Phil Bear)
<b>ONGOING RISKS</b>										
<p><b>Budget prioritisation</b></p> <p>The delivery of a balanced budget in February 2015 for 2015/16 remains a key concern alongside the deliverability of further significant savings over the life of the Medium Term Financial Plan.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Risk of failing to meet statutory budget setting deadlines</li> <li>Risk that service delivery impacted due to decreasing resources or failure to effectively prioritise spend inline with Corporate Plan Objectives</li> <li>Risk that savings identified as part of business as usual and efficiencies are not achieved as planned Risk that financial constraints lead to increased instances of non compliance and financial impropriety</li> <li>Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa</li> <li>Risk of unbalanced budget as savings required over the medium term become harder to achieve and their impact on service delivery more difficult to manage.</li> <li>Failure of financial organisations with whom the Council has invested money.</li> <li>Risk that organisational development does not align to the financial strategy in relation to budget reduction requirements.</li> </ul>	A	1	High Priority	<p><b>2015/16 Budget Setting</b> The 2015/16 Budget Report was set in February 2015 and included savings of £32.476M and savings from a capitalisation direction of £3.487M. The challenge now is in respect of delivery of these savings.</p> <p><b>2016/17 and Medium Term</b> The MTFP set out in the February 2015 Budget Report identifies a Budget Reduction Requirement of £51.1M for 2016/17 and a requirement over the 3 year period of £120.1M.</p>	A	1	High Priority	<p><b>2016/17 and Medium Term</b> Given the ongoing significant financial challenge the July Budget Strategy Report will include the updated Budget Reduction Requirement and a profile of savings targets over a 3 year period as well as consideration of a longer term funding outlook for the Council.</p> <ul style="list-style-type: none"> <li>Directorates will be asked to submitted savings, pressures and capital proposals.</li> <li>The Provisional Settlement for 2016/17 is due in early October.</li> </ul>	Christine Salter (Marcia Sinfield)
<p><b>Financial Resilience</b></p> <p>The financial resilience of the Council is likely to reduce over the medium term given the scale of the financial challenge ahead</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Risk that the financial position of the Council is not understood by key stakeholders</li> <li>Risk that relevant, timely action commensurate with the Council's financial challenges are not taken</li> <li>Risk that this leads to intervention and increasing issues in respect of financial resilience</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>The Council regularly reports in relation to its financial performance.</li> <li>The Budget Report brought together a number of key statements in respect of financial resilience and identified the further work that was to take place.</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>A financial snapshot is being developed in respect of the financial resilience of the Council at the point the budget was set.</li> <li>Key stakeholders will be briefed on this position.</li> <li>Financial triggers against this snapshot are being developed.</li> </ul>	Christine Salter (Marcia Sinfield)  PROPOSED RISK
<p><b>Budget Monitoring 2014/15</b></p> <p>The Council's 2014/15 Budget included budget savings of £48.6 million of which £43.8 million were identified by directorates with a further £4.8 million to be achieved via the imposition of a workforce package and other corporate savings. This level of in-year savings is significantly higher than in previous years and poses a significant risk to the budget monitoring and the achievement of a balanced spending position for</p>	<ul style="list-style-type: none"> <li>Inability to balance spend, against budget, for the financial year.</li> <li>Requirement to implement emergency measures to reduce spending during the financial year.</li> <li>Requirement to drawdown from General Reserves at the year end.</li> <li>Impact on the 2015/16 Budget where issues remain with achieving 2014/15 budget savings.</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Clear financial procedure rules setting out roles and responsibilities for budget management are in place.</li> <li>In recognition of the quantum of savings and the risks posed a £4 million General Contingency was allocated in the Budget.</li> <li>Full financial monitoring processes are in place for month 3 to 11 of the financial year including achievement of budget savings.</li> <li>Monthly meetings are held between service accountants, directors and Cabinet Members. An initial review of the budget savings took place in month 2 with full directorate / portfolio monitoring meetings having been undertaken for months 3 to 11.</li> <li>Availability of General Reserve should this be required.</li> <li>Full Council monitoring reports were presented to Cabinet in September, November and February. The February report was based on month 9 and projected a balanced position overall. Within the overall position</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The management actions implemented by the Chief Executive to reduce the level of spend across the Council will remain in place during the remainder of the year.</li> <li>The final outturn position will be reported to Cabinet in June.</li> <li>Any savings not achieved in-year during 2014/15 will be monitored during 2015/16 as part of the monitoring arrangements for that year.</li> </ul>	Christine Salter (Allan Evans)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
the financial year.  At the time the budget was set the achievability risk ratings for the directorate savings identified that of the £43.8 million only £12.5 million was rated green with a further £20.9 million rated amber green. The balance of £10.4 million was rated red amber or red. In addition, the planning status of the savings indicated that whilst £35.2 million were in the detailed planning stage or already realised, £8.6 million had a higher degree of risk as only general planning had been undertaken at that date.					however, directorate budgets reported a projected overspend of £8.8 million including a projected shortfall against savings targets of £7.175 million. <ul style="list-style-type: none"> <li>The final outturn position will be presented to Cabinet in June.</li> <li>The Chief Executive has implemented a range of management actions to reduce the level of spend across the Council with a view to improving the overall position as the year progresses.</li> <li>The Cabinet Member for Corporate Services &amp; Performance and the Corporate Director Resources have held challenge meetings with cabinet members and directors in those areas where significant overspends are reported.</li> </ul>					
<b>Health and Safety</b>  Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.	Reputational / Legal / Financial / Service delivery <ul style="list-style-type: none"> <li>Fatalities</li> <li>Serious injuries</li> <li>Prosecution – fines for body corporate and/ or fines/imprisonment for individual</li> <li>Claims</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Dedicated team of competent Health and Safety Advisers providing specialist advice and guidance (Christina Lloyd).</li> <li>Implementation of the 'Framework for Managing Health and Safety' based on the HSE model for successful health and safety management as detailed in the Council's Health and Safety Policy (revised 2014).</li> <li>The five key elements of the management system model for occupational health and safety are:-</li> <li>Policy 2. Organising - Control, Co-operation, Communication, Competence 3. Planning 4. Measuring Performance and 5. Audit and Review. (These elements encompass a wide range of actions including development and implementation of relevant policies and procedures, risk assessing, Annual Directorate Health and Safety Action Plans, corporate health and safety objectives, Directorate and Council Annual Health and Safety Reports, monitoring by Directorates, training, consultation with trade unions through corporate and Directorate meetings, accident reporting and investigation and auditing).</li> <li>Directorates carry out suitable and sufficient risk assessments as appropriate and ensure any necessary control measures are implemented and monitored.</li> <li>Health and Safety Advisers carry out a programme of health and safety audits, focussing on high risk activities, and undertake other inspections / investigations as necessary.</li> <li>Annual Business Objectives for Health and Safety Advisers.</li> <li>Code of Guidance on Leading Health and Safety for Senior Managers and Headteachers included on CIS – Spring 2012.</li> <li>Health and Safety Leadership Action Plan 2012/13 for all senior managers OM and above.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Update Directorate Health and Safety Policies using 2014 Policy template ensuring more detail and cross referencing of operational documentation (All Directors / Chief Officers / Heads of Service).</li> <li>H&amp;S awareness sessions to Members (Christina Lloyd – ongoing).</li> <li>Address corporate H&amp;S objectives for 2014/15 (Christina Lloyd and All Directors / Chief Officers - to be completed by April 2015).</li> <li>Business objectives in Team Plan for H&amp;S Advisers for 2014/15.</li> <li>Implementation of Directorate H&amp;S Action Plans by Directorates (All Directors / Chief Officers).</li> <li>Operational Manager – Health and Safety met all new senior managers except the Chief Executive - this will be arranged in 2014. New senior managers to complete revised Senior Leadership Action Plan in 2014.</li> </ul>	Christine Salter (Christina Lloyd)
<b>Climate Change &amp; Energy Security</b>  Unpreparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health & Safety  Flooding & increased frequency and severity of storm events: <ul style="list-style-type: none"> <li>Loss of life and personal injury</li> <li>Direct damage to property, infrastructure and utilities</li> <li>Contamination and disease from flood and sewer water and flood on contaminated land</li> <li>Increased costs of insurance</li> <li>Break up of community and social cohesion</li> <li>Blight of land and development</li> </ul> Increased summer temperatures: <ul style="list-style-type: none"> <li>An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services</li> <li>An increase in demand for limited water supplies</li> <li>Damage to temperature sensitive infrastructure (transport systems, electrical systems).</li> <li>Migration of biodiversity.</li> </ul> Inconsistent energy supply and cost: <ul style="list-style-type: none"> <li>Inability to deliver public services</li> <li>Decrease in economic output</li> <li>Disruption to the supply of utilities</li> <li>Increased transport costs</li> <li>Increased costs for heating / providing services to buildings</li> <li>Increased fuel poverty</li> </ul>	B	1	High Priority	<b>Emergency Management Unit</b> <ul style="list-style-type: none"> <li>Cardiff Council Emergency Management Unit is working with Utility (including Dwr Cymru) and Telecom companies to ensure planning is carried out with consideration of flood risk.</li> <li>Cardiff Area Community Risk Register is developed by the Cardiff Area Risk Group (ongoing with added impetus of Olympics preparation).</li> <li>Cardiff Area flood group meet regularly to exchange information, this group consists of EAW, Met Office, Emergency Services and Council Departments with a response to flooding.</li> <li>Cardiff Council Emergency Management Unit are carrying out a large and long term communication strategy in Cardiff in conjunction with partner agencies, mainly the Environment Agency, highlighting flood awareness alongside other emergency eventualities and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise.</li> <li>Emergency Management Unit maintain up to date flood warning information from the Environment Agency Wales on the Council C Maps and Map Info system.</li> <li>Climate change related issues are addressed in corporate and service area business plans.</li> </ul> <b>Energy Management Unit</b> <ul style="list-style-type: none"> <li>The Energy Management Team, in conjunction with Service Areas continues to promote initiatives to reduce energy consumption and carbon emissions, with the establishment of various loan funds, coupled with capital bids and allocations.</li> <li>The Council procures competitive energy contracts through the Welsh Purchasing Consortium.</li> <li>Key sites are fitted with back up generators for short term issues.</li> <li>Council Carbon Management Programme</li> <li>Renewables – October 2011 EBM considered Wind and Solar PV Opportunities in the Council Estate and approved the recommendations.</li> </ul> <b>Local Flood Risk Management Strategy</b> A Local Flood Risk Management Strategy was produced by the end of	B	1	High Priority	<ul style="list-style-type: none"> <li>A public and key stakeholder consultation exercise has been completed, and the Local Flood Risk Management Strategy drafted for cabinet approval.</li> <li>An officers flood working group has been established to improve internal and key stakeholder communications on flooding issues.</li> <li>The proposal to further progress Surface Water modelling further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government</li> <li>Identify where flood risk information is in place for key social and civil infrastructure and identify where there are gaps (i.e. contaminated land). The Flood Regulations 2009 require Flood Hazard &amp; Risk Maps to be produced showing impact and extent of future significant flood events (City Services by June 2015)</li> <li>To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas</li> <li>Strategic climate change resilience action plan approved by Cabinet on 11th July as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues.</li> <li>Corporate PI on climate change resilience developed to ensure that the authority and its services are prepared for a changing climate, and to enable robust reporting to WG on this work (in line with the potential reporting requirements of the Climate Change Act and Well-being of Future Generations Bill). To focus on different aspects of climate change resilience annually - to enable Directorates to consider impacts from climate change to their assets, infrastructure, service delivery, strategy and partnerships, and to identify actions for improvement from this process. Meetings held with Performance to embed within corporate</li> </ul>	Jane Forshaw

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<p>2012 based on WG's Flood &amp; Coastal Risk Strategy guidance. Which integrates; the PFRA, a coastal protection strategy, stakeholder communications and set a clear corporate approach to flood management and risk was presented to the Environmental Scrutiny on 2 Oct 2012. Public consultation was undertaken on the full strategy between January and March.</p> <p><b>Planning</b></p> <ul style="list-style-type: none"> <li>Flood Consequence Assessment to inform LDP process (ongoing).</li> <li>A Flood Study Report to investigate fluvial food risk from reens in the Wentloog Levels completed to inform the assessed candidate sites.</li> <li>Compliance with WAG TAN 15 (Development &amp; Flood Risk - 2004) is already part of the planning process.</li> </ul> <p><b>Sustainable Development Unit</b></p> <ul style="list-style-type: none"> <li>Carbon Lite Cardiff Vision Forum project - Carbon Lite Cardiff Action Plan</li> <li>Changing Climate, Changing Places pilot project.</li> <li>Further guidance to be disseminated to service areas on climate change issues as and when new information becomes available.</li> <li>Share learning experiences of climate change related risks with Integrated Strategy partners as and when information becomes available.</li> </ul>				<p>processes. Guidance and training for directorates developed and briefed to Sustainability Advocates and Improvement Officers. PI came into force 2014/15. Issue of compliance from Directorates.</p> <ul style="list-style-type: none"> <li>To consider the long term planning implications for coastal protection owned/managed by the Council (will be considered under the Local Flood Risk Management Strategy). An initial coastline survey has been completed and added to the strategy report, which indicates high levels of coastal erosion in south east Cardiff, further study is required into the high priority sites identified consideration of strategic defences is required alongside Welsh Government.</li> <li>A new energy policy and carbon reduction map has been developed which focuses on electricity and gas. This will be implemented from 2015/16 and run through until 2022 and will set an overall carbon target as well as site specific including a project programme.</li> <li>Progress has been made to establish up to date energy budgets. These budgets are currently paid centrally which provided little incentive for Directorates to reduce their consumption. These budgets are scheduled to be disaggregated to Directorate level by 2015/16 in order to put the onus of energy reduction on the energy consumer.</li> <li>Deliver development of local power generation within city boundaries and with neighbouring LAs by securing heat networks, deliver the fuel Poverty strategy through measures such as Cyd Cymru, ECO and Green Deal opportunities, provide supplementary planning guidance on passive and renewal heating systems to new build and retrofit schemes.</li> <li>Energy security related issues to inform corporate financial systems revised buying and power consumption monitoring arrangements to save money and reduce demand and provide corporate &amp; community planning for Energy City Wide to Business and public sector.</li> <li>Further guidance to be disseminated to service areas on energy security and energy savings opportunities such as implementation of Carbon Culture, delivering extensive energy invest to save programmes on the Council Estate.</li> <li>Delivering renewables within larger properties to lower dependency to grid supply.</li> <li>Energy Performance certificates undertaken to Council owned stock to improve understanding along with a variety of energy efficiency measures (cavity / loft / external wall insulation and boiler upgrades) funded via ARBED, ECO and Green Deal.</li> </ul>	
<p><b>Information Governance</b></p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Leads to the Information Commissioner issuing notices of non compliance and implementing financial penalties</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Information Security Forum held monthly, and Information Security Board chaired by the SIRO held quarterly.</li> <li>Suite of Information Governance Policies in place.</li> <li>Processes for Information Requests, Data Loss in place.</li> <li>The Information Governance Training Strategy in place.</li> <li>Information Requests and Training compliance monitoring reports provided and reported to Information Security Forum/Board, SIRO, SMT and Cabinet.</li> <li>The processing of CCTV requests (section 35 requests) has been centralised to ensure that these are dealt with appropriately</li> <li>ICO Consensual Audit has determined that the Council is considered to have a 'reasonable level of assurance' in place</li> <li>Education Directorate Delivery Plan includes an action to investigate delivery of an Information Governance Service by the Council's Improvement and Information Team via a Service Level Agreement</li> <li>Procurement contracts to include a clause regarding 3<sup>rd</sup> Parties processing personal data</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>The Internal Annual Review completed end March 2015 and a review of the Information Security Board/Forum will be undertaken and revised as appropriate</li> <li>The Council's CCTV Policy was approved by Cabinet during 2014/15 and is now operational.</li> <li>The Improvement and Information Team who are responsible for the Governance of CCTV have compiled a register of all CCCTV devices owned by the Council. A review of the use of these devices is being undertaken through the council's Information Security Board and the nominated Directorate Information Asset Owners.</li> </ul>	Christine Salter (Vivienne Pearson)
<p><b>Children's</b></p> <p>Potential for mismatch between children's needs and capacity to meet them if current trends continue, for example in children needing to be safeguarded, looked after and/or receive other services to support families and carers to care for them.</p>	<p>Reputational / Social / Legal / Financial / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> <li>Timeliness and quality of assessments and interventions to safeguard and promote children's welfare is compromised.</li> <li>Achievement of good outcomes for children is compromised.</li> <li>Shortage of appropriate services including placements.</li> <li>Inability to meet key objective and targets.</li> <li>Budget pressures.</li> <li>Increase in legal proceedings to safeguard children resulting in increased pressure on legal services.</li> <li>Statutory requirements not met (in relation to young</li> </ul>	B	1	High Priority	<p>Children's Services Improvement Board established chaired by CX with strong focus on performance improvement including the following:-</p> <ul style="list-style-type: none"> <li>A new 'Legal Surgery' based on national best practice established.</li> <li>Increased social worker capacity</li> <li>Workforce – recruitment and retention</li> <li>The development of a preventative strategy</li> <li>Identification of change capacity</li> <li>Remodelling of front door on integrated basis with police and health (MASH)</li> </ul> <p>Vulnerable Families Partnership Board - new board established and agreed priorities to ensure better alignment of commitments and capacity to deliver key changes</p>	B	2	High Priority	<ul style="list-style-type: none"> <li>Children's Services Improvement Plan and programme together with effective corporate governance arrangements in Q1.</li> <li>External expert review of the effectiveness of the current multi agency Strategy for Disabled Children and Young People commissioned and draft report produced. Next steps agreed and include joint funded Change Manager to deliver implementation of new model.</li> <li>New model under development (UHB led) to redesign services for children with early emotional, behavioural or mental health difficulties.</li> <li>Independent research commissioned to ascertain the factors driving the growth in the LAC population. New Placement Strategy to be developed in light of research evidence.</li> </ul>	Tony Young

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	<p>people remanded to custody).</p> <ul style="list-style-type: none"> <li>Representations from carers in receipt of Special Guardianship Order and Residence Order allowances.</li> </ul>				<ul style="list-style-type: none"> <li>Local Safeguarding Board Executive - now leading key areas of improvement and development to mitigate risks e.g MASH</li> </ul>				<ul style="list-style-type: none"> <li>Improving quality and range of family support interventions in collaboration with partners.</li> </ul>	
<p><b>Health &amp; Social Care</b></p> <p>Changing demographics and increasing expectations of vulnerable people put more pressure on services, increasing risk of budget overspend.</p>	<p>Reputational / Legal /Financial / Social / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> <li>Increased pressures from partners, especially Health – to reduce Delayed Transfers of Care (DTOC).</li> <li>Increased demand on future services including POVA referrals</li> <li>Increase in number of adults waiting for an assessment &amp; risk of individuals deteriorating whilst they are waiting.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Close scrutiny of budgetary information for all aspects of the service to ensure effective budgetary control and take mitigating actions.</li> <li>Proactive weekly and monthly monitoring of service performance key indicators.</li> <li>Continued progression on integration with Health, Partnership / Governance arrangements for Mental Health, Learning Disabilities and frail older people. Development of integrated complex hospital discharge team across Cardiff, The VOG and the UHB.</li> <li>Commissioning Strategies in place for Physical Disabilities and Sensory Impairment, Older People and Day Opportunities for people with Learning Disabilities.</li> <li>Progression of integrated delivery of MH Commissioning Plan. Market position statements across the service areas being drafted.</li> <li>Joint work with UHB and Housing/Communities to improve the gateway access to services and expand reablement/rehabilitation service to improve outcomes for citizens.</li> <li>Planned improvements show monthly increases in offer of Direct Payments to service users</li> <li>Brokerage support to reablement and Dom Care Providers, together with the new Dynamic Purchasing (Matrix) system on line for commissioning domiciliary care.</li> <li>Regular review meetings instituted with CSSIW to ensure open and robust framework for demonstrating service improvements within H&amp;SC.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Continued proactive engagement with Health for stronger collaborative working in relation to performance on DTOC with weekly monitoring and reporting to the Director H&amp;SC on DTOC.</li> <li>Creation of combined Health &amp; Social Care Locality Community Resource Teams to increase efficiency and effectiveness.</li> <li>Current case management system is being reviewed and case quality audit advanced.</li> <li>We are progressing a whole systems review and remodelling of services for disabled children and young adults and as part of that will review and improve our database.</li> <li>Internal Review team within Assessment &amp; Care management continues to focus on delivery of targeted reviews and “right-sizing” packages of domiciliary care for individuals tracking and achieving savings on a weekly basis</li> <li>Strategic feasibility exercise and report completed to assess the potential for a VoG, Cardiff Council and UHB integrated service for disabled children 0-25 years. Next steps to be managed through the OD work stream – Services to Vulnerable Children Board.</li> <li>Changes to Care First (social care records database) and business solution procured and to be implemented by April 2015 which will impact on ability to track demand and performance</li> <li>Assessment &amp; Case Management Business Process Review has commenced with corporate resources to deliver</li> <li>On-line procurement systems implemented for residential and nursing home placements for Domiciliary care</li> <li>Development of tender for external Supported Living Services for People with learning disabilities, will deliver on time (July 2015).</li> </ul>	Siân Walker
<p><b>Safeguarding - Health &amp; Social Care</b></p> <p>Failure to safeguard vulnerable people.</p>	<p>Reputational / Legal /Financial / Social / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> <li>Increased pressures from partners, especially Health – to reduce Delayed Transfers of Care (DTOC)</li> <li>increased demand on future services</li> <li>Risk of external intervention</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>POVA reviews are carried out to ensure compliance with national standards</li> <li>Senior management involvement at OM level in governance and quality audit as well as management involvement throughout the operational structure</li> <li>Good working relationships across other partners e.g. All Health Boards, Police, Probation, Fire Service and Providers.</li> <li>Good system of sharing learning across the department from safeguarding case management outcomes in partnership with Learning &amp; Development service (Training)</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Regional (Cardiff &amp; VoG) Safeguarding adults Board and Safeguarding Childrens Board have been constituted for Council wide safeguarding responsibility</li> <li>Case management systems have been reviewed and case quality audit advanced.</li> <li>Current revision of operational processes and procedures to ensure robust attention to detail throughout the safeguarding process</li> <li>Implementation of different levels of POVA training for different staff grades (appropriate to their responsibility within the process)</li> <li>Escalating Concerns Policy has been implemented across H&amp;SC to manage quality and Provider performance concerns in H&amp;SC.</li> <li>POVA team now working as part of the All Social Services Safeguarding Service (based in Children’s Services)</li> </ul>	Siân Walker
<p><b>Performance Management</b></p> <p>A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices.</li> <li>Council unable to accelerate performance improvement as planned/desired.</li> </ul> <p><u>Outcome Agreement 2013/16</u> Financial</p> <ul style="list-style-type: none"> <li>The WG guidance for the Outcome Agreement for 2013/16 means that there is a risk of not securing all or part of the £3.2m funding for 2013/14 and subsequent years</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Council’s Corporate Plan sets the priorities of the Council and was approved alongside the budget in February 2014</li> <li>The content of the Outcome Agreement with the Welsh Government agreed which provides a number of priorities that the Council is required to deliver and monitor</li> <li>The Performance Management framework for the Council has been revitalised, involving much greater corporate challenge and member engagement than was previously the case, with service and financial performance being discussed together on a monthly basis. In addition, specific arrangements have been developed for areas targeted for specific improvement, involving peer challenge and support.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The commissioned external review of the Performance Culture has been concluded. The findings regarding the opportunity to improve the scrutiny of performance reports and performance more generally across the Council is being taken forward during 2015/16.</li> <li>Improved alignment of financial monitoring and performance reporting in the quarterly Performance and Delivery Reports is in place. The Proposals for Improvement the recent National Study by WAO will be reviewed to establish where best practice exists and bring this learning into the Council’s approach.</li> <li>The restructure of the Improvement Team based in the Improvement and Information Section will be fully operational from May 2015</li> <li>A regular programme of meetings of the Performance Leads is in place to ensure that these key staff across the Council work to deliver what is required at the right time and in line with the Council’s requirements.</li> <li>A new Corporate Plan for 2015 -17 has been approved which focuses on the priorities of the Council and the</li> </ul>	Christine Salter (Martin Hamilton)



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
									<p>delivery of objectives. Balanced Scorecards are in draft and will be in place for Quarter 1 2015/16.</p> <ul style="list-style-type: none"> <li>Directorate Delivery Planning (second year) process will improve the connection with benchmarking and measurement. To supplement this process a draft Benchmarking Strategy which clearly sets out the Council's vision will be in place by the end of Quarter 1 2015/6</li> <li>Work continues to improve the alignment of objectives from the Corporate Plan / Service Plan into PPDRs of staff and a sampling exercise will be undertake post June 2015</li> </ul>	
<p><b>Organisation Development</b></p> <p>OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.</p>	<ul style="list-style-type: none"> <li>The Council's budget constraints are so severe that the consequence of not delivering large-scale change could have a major impact on customer services.</li> <li>Radical changes to service delivery models may impact on the Council's reputation if not planned, co-ordinated and governed effectively.</li> <li>If change is not delivered, there could be unplanned reduction in staffing to achieve savings, which would result in loss of business knowledge and resources to implement change.</li> <li>Reputational impact if services do not meet increasing customer expectations.</li> <li>If change is not effectively planned, managed and implemented it may be delayed and subsequently impact on the Council's ability to achieve necessary savings and service improvements.</li> <li>With the increased budget pressures, the Council may not have sufficient capital and revenue to invest in technology which would achieve medium and long-term improvements and savings.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Governance arrangements established, led by the Chief Executive and Programme Boards, chaired by Directors to ensure change is delivered</li> <li>Disciplined approach, where risk assessment forms an integral part of the approach to change</li> <li>Programmes initiated with dedicated resources</li> <li>Experienced gained by managing programmes and projects over a number of years, building on lessons learned</li> <li>Building capacity and capability across the organisation through development opportunities and skills transfer</li> <li>Appropriate engagement and stakeholder management, including Business Change Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit</li> <li>Improving compliance to project and programme management governance standards by streamlining core processes and enhancing reporting, increasing transparency across change initiatives.</li> <li>Implementation of Programme &amp; Project Management Database to enhance management information and reporting. The database has replaced spreadsheets and double-handling of information and will support the enforcement of a standardised approach to corporate policies; improving governance and ensuring that PQA Programme &amp; Project management processes are being used across the Council.</li> <li>Audit of BCM Decision Making has determined a list of actions to improve information and support rapid decision making and issue resolution.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Investment Review Board initiated in April 2014 to provide additional challenge of Business Cases and prioritisation of resources</li> <li>Standardised approval process for Business Cases being implemented,</li> <li>Business change responsibilities to be written into the Job Description and PP&amp;DRs of senior managers</li> <li>New Programmes &amp; projects being initiated as part of Organisational Development – driving change from within Directorates, but Corporately governed.</li> <li>Organisational Development Board approved in October 14 the prioritisation of infrastructure Services, Children's Services and Health &amp; Social Care with appropriate resources.</li> <li>Enabling technologies to be realigned as appropriate to the priority areas.</li> <li>Implementation of the LERC approved Lean Competency System to develop in-house change capabilities.</li> <li>People &amp; Organisational Development Programme being initiated to improve the Council's capacity to manage risk within a change environment. This programme will include workforce planning &amp; engagement; performance management and stakeholder engagement &amp; communication.</li> <li>Strengthened governance arrangements put in place in February 2015;</li> </ul>	Christine Salter (Martin Hamilton)
<p><b>Business Continuity</b></p> <p>Large scale incident/loss affecting the delivery of services.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service delivery / Health &amp; safety</p> <ul style="list-style-type: none"> <li>Inability to operate in a timely and efficient manner.</li> <li>Potential impact on health and safety.</li> <li>Impact on key services to the public.</li> <li>Inability to meet business obligations e.g. partnership arrangements.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme.</li> <li>We have an approved Business Continuity Policy which is aligned to ISO22301.</li> <li>BCM Intranet web page.</li> <li>BCM toolkit is now available on CIS allowing all service managers to develop an appropriate BCM response for their services allowing future effective maintenance and audit. BCM workshops are available from the BC Officer on request.</li> <li>The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor.</li> <li>The Council worked with Marsh to complete a corporate exercise to identify and prioritise all activities. Marsh conducted a follow up BCM session at CMB on the 24<sup>th</sup> May 2011 which concluded the work on prioritising and classifying all of the Councils activities. This work to prioritise activities continues to be reviewed annually by the senior leadership team to keep the work live.</li> <li>The Red and Amber activities were last reviewed in July 2014. The BCM Champion presented a report to the SLT on the position on all the Red and Amber activities. Directors, Assistant Directors and Chief Officers were tasked with ensuring that their Red and Amber activities had business continuity plans produced and audited by the end of 2014/2015.</li> <li>A partnership approach between the Emergency Management Unit and the Corporate Risk Steering Group is helping to raise awareness and drive forward the BCM programme.</li> <li>58 % of our most time critical activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement</li> <li>24 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement.</li> <li>The Council now has a 24 hour Incident Management structure for Gold and Silver Officers. This structure was exercised in a corporate exercise OTAN run by the Emergency Management Unit in 6<sup>th</sup> and 9<sup>th</sup> of June 2014. This exercise also gave BC plan owners the opportunity to exercise their own BC arrangements.</li> <li>The existing and well tested corporate emergency management structure was successfully and extensively used in the preparation for and over the NATO summit period. This structure was ready to manage</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>It was agreed by SLT in July 2014 that a target date for completion of effective up to date Red and Amber business continuity plans would be put in place and this would have a target date of the end of 2014/2015, individual Directorates are responsible for progressing this work.</li> <li>The BC Officer has started working with Directorates to start building business continuity plans for the Councils 62 Amber activities (activities that need to be recovered between 1 hour and 24 hours following business disruption</li> <li>The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301 this has been distributed to all Directorates.</li> <li>The BC Officer is working closely with Facilities Management to ensure they have effective plans in place to help manage possible business disruptions to our four core buildings.</li> <li>Continue to promote the need for the Office Rationalisation Project to incorporate a solution to manage the risk and impact of loss of work space effectively, to limit impact on the provision of council services should there be a business continuity incident. This would probably be best achieved through roll out of an effective mobile working solution. A solution has been identified and is available to staff. Internal services have been working to improve the resilience and capability of infrastructure to support the use of this solution.</li> <li>Work with ICT to ensure our core infrastructure is as resilient as practical to support a resilient and effective delivery of essential ICT services and the effective planning for recovery of critical IT services after an incident that affects our IT.</li> <li>Work with the teams involved with looking at the potential of using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services.</li> <li>Facilities Management have identified a vulnerability within one of our electrical emergency generator supplies which the BC Officer is working to support the closure of this</li> </ul>	Martin Hamilton

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<p>a corporate response to any incident.</p> <ul style="list-style-type: none"> <li>Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 4 years. This membership allows the sharing of best practice and joint initiatives between group members.</li> <li>The Business Continuity Officer has been working closely with the procurement section of Resources to ensure that the resilience of suppliers is considered carefully when procuring services which are important to our most time sensitive activities, our Red and Amber activities.</li> </ul>				<p>vulnerability.</p> <ul style="list-style-type: none"> <li>The BC Officer is actively supporting the development of an appropriate <i>Threat and Response Policy</i> to support council security arrangements.</li> </ul>	
<p><b>Education – Schools Delegated Budgets</b></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Reducing educational standards.</li> <li>Intervention from WG</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>2014/15 Budget allocations issued to schools in early March 2014 and monitoring arrangements put in place for those schools showing financial concern</li> <li>Officers from Education and Financial Services worked with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible. .</li> <li>The fall in pupil numbers for certain schools made it clear that a longer period than four years was needed in order to achieve a balanced medium term position</li> <li>2014/15 resulted in a significant number of redundancies which exceed budget by approximately £1.9 million. A combination of spreading the cost over five financial years and looking at alternative funding arrangements has ensured that the individual position for each secondary school was not disproportionately impacted.</li> <li>Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>The 2015/16 Budget process commenced in July 2014 and Budget Forum has been regularly updated with the difficult financial challenges facing the Council and the potential impact on schools. This has resulted in a school budget which exceeded WG protection levels albeit there was an acknowledgment that the financial pressures facing schools exceeded the additional funding.</li> <li>January 2015 letter written to all Chairs and Head Teachers providing a clear explanation of the financial challenges facing schools and the Council.</li> <li>Work ongoing with all schools but focussed targeting on specific secondary schools to continue to dampen the growth in deficits and ensure that those that do occur are recoverable.</li> <li>All Primary schools holding surplus over £50,000 were instructed to stay within WG levels but no surplus were reclaimed as there was a recognition by Council of difficult budget facing schools for 2014/15 and 2015/16. However, any sustained level of high surpluses will be recovered during 2015/16.</li> <li>2015/16 Budgets issued in early March 2015 with a focus on protecting or increasing the AWPU. This was an acknowledgment that schools with pupils needed some element of funding. The Grants are increasingly focussing on need thus the need to use any school funding formula for those with pupils.</li> <li>Medium term budgets have been produced for 2016/17 and 2017/18 at very cautious levels in the absence of any indicative budgets at WG level and the need to manage expectations of the Council budget in the absence of any decisions yet made for 2016/17 in respect of school budget. MTFP shows a potential £10 million financial pressure on school budgets but it is unclear whether this pressure can be relieved by additional funds. The pressures are both in terms of inflationary and demographic of nature.</li> <li>Officers from Education, HR, finance and legal looking at potential intervention strategies and developing a protocol for intervention.</li> <li>Reviewing closely with Education Management Team and SOP in particular as to the opportunities available to address short medium term fall in pupil numbers for certain secondary schools. Some schools are unviable in short term but the spaces will be required in the next five years so financial plans required to get over the next few years with low pupil numbers.</li> <li>For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school</li> <li>Individual school budget monitoring positions reported to Education Management Team on a quarterly basis</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Council make full use, if necessary, of formal warnings and powers of intervention.</li> <li>Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan, this may involve removing delegation from a Governing Body.</li> <li>Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula.</li> <li>School Budget Forum has agreed a revised protocol for responding to schools in deficit and this needs regular review with a tightening on the number of deficit budgets accepted. This has been reflected in the harder message contained within the 2015/16 school budget letters and the 2015/16 Budget Report.</li> <li>Finance Officers continue to meet with System Leaders to discuss individual schools in respect of their financial and school standard performance.</li> <li>Draft 2015/16 budgets have been drawn up and several schools have been identified as requiring meeting with S151 officer and senior education officers. These meetings need to take place in April and early May.</li> <li>Continue to work with Budget Forum and consortium to ensure that the formula funding mechanism is transparent and remains fit for purpose whilst considering any interaction or impact of any grant allocation decisions.</li> <li>Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards.</li> <li>Working with consortium to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2016/17 and beyond.</li> <li>Developing the budget strategy for 2016/17 and providing early notification to budget forum and individual schools of likely impact of said strategy</li> </ul>	<p><b>Nick Batchelar</b> <b>(Neil Hardee)</b></p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
<p><b>Legal Compliance</b></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> <li>- gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</li> <li>- inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</li> </ul> <p>in each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	<ul style="list-style-type: none"> <li>• Reputational / Legal / Financial / Service delivery</li> <li>• Increase in number of challenges with consequences in terms of already stretched resources and impact of adverse decisions</li> <li>• Implementation of decisions delayed due to challenges and potentially fatally disrupted.</li> <li>• Impact on projects if reputation for sound management and implementation of projects is damaged</li> <li>• Major incident.</li> <li>• Adverse press/media reaction</li> <li>• Involvement from Welsh Government in terms of performance standards or measures.</li> <li>• Increased costs on external legal support</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• Professional internal legal and financial advice provided to a high standard.</li> <li>• Legal Services repositioned in the senior management structure.</li> <li>• Maintaining robust decision making process with legal implications on all reports.</li> <li>• Appropriate use of South Wales Legal Consortium external legal services and external barristers through separate framework to increase resilience.</li> <li>• Dedicated teams in specialist areas e.g. equalities, FOI / DPA.</li> <li>• Sharing training/publications received</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Prioritisation of work to make best use of internal expertise (including programme of projects in accordance with SMT decision)</li> <li>• Continue efforts with exploration of collaboration with other legal services to see if there is the potential to increase resilience and / or efficiencies.</li> <li>• Development of toolkits (led by Corporate resources) for major projects to reduce repetitive work and standard precedents with guidance for use in case of low value/low risk matters</li> <li>• Increase training programme Council wide to cover legal, financial and regulatory matters but with sharing to develop knowledge within Directorates of specific statutory functions.</li> <li>• Ensuring reports are discussed at preliminary stage in development to ensure all legal, financial and regulatory issues are addressed early</li> </ul>	Christine Salter (Shaun Jamieson)
<p><b>Fraud</b></p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<ul style="list-style-type: none"> <li>• Reputational / Financial / Legal / Service delivery / Stakeholder</li> <li>• Increase in frauds and losses to the Council.</li> <li>• Reputational risk as more frauds are reported.</li> <li>• Increased time investigating suspected fraud cases.</li> <li>• Reduction in resources to combat fraud following transfer of 4 experienced, professionally trained investigators and 1 admin assistant to the Department for Work &amp; Pensions as part of the 'Single Fraud Investigation Service' (SFIS).</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• Financial Procedure Rules, Contract Procedure Rules for staff to follow.</li> <li>• Proactive work of the Internal Audit team</li> <li>• Professionally trained and experienced investigators to prevent, deter and detect fraud against the Council.</li> <li>• Following the transfer of staff to the Single Fraud Investigation Service a small investigation team was retained dedicated to combat fraud and financial impropriety.</li> <li>• Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority.</li> <li>• Wales Audit Office</li> <li>• Procurement team monitor spend and compliance with procedure rules</li> <li>• Management awareness as voluntary severance business cases are constructed and restructures considered.</li> <li>• Regular reports to the Audit Committee</li> <li>• Regular review of Anti Fraud policies and procedures e.g. the Anti-Money Laundering Policy; the Fraud, Corruption and Bribery Policy has recently been updated and presented on 23 March 2015 to Audit Committee.</li> <li>• Ongoing training sessions provided for Officers, Head Teachers and Governing Bodies on Financial Procedure Rules and Contract Standing Orders and Procurement Rules.</li> <li>• Senior Management Assurance Statements.</li> <li>• Increased role and awareness now that the Discipline module is live in DigiGov.</li> <li>• Compliance with Treasury Management practices and segregation of duties.</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Continued vigilance</li> <li>• Continue to provide the Chief Executive with regular briefing notes</li> <li>• Continue to produce regular reports for Audit Committee</li> <li>• Continual assessment of training needs for 'Rules'.</li> <li>• Considering forum for sharing investigation outcomes, raising profile of fraud work.</li> <li>• The revised Fraud, Corruption and Bribery Policy to be presented to Cabinet in May 2015 for approval.</li> <li>• Formalise a policy for Monitoring Employees at work to provide Managers with the tools to undertake effective investigations.</li> <li>• Development of training programme for Senior Management regarding Fraud Awareness targeting disciplinary chairs and HR to help with (employee) fraud prevention.</li> <li>• Review of induction material relating to Fraud.</li> <li>• An e-learning tool for fraud and money laundering to be developed.</li> <li>• Audit Committee have set up a sub Group to look at the robustness of the investigation process and seeking assurances on how investigations have followed proper processes.</li> <li>• Attendees of the Cardiff Manager Programme to receive specific training on the Council's Procedure Rules demonstrating the importance of compliance with the rules.</li> </ul>	Christine Salter (Derek King)
<p><b>Asset Management</b></p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	<ul style="list-style-type: none"> <li>• Reputational / Legal / Financial / Health &amp; Safety / Stakeholders</li> <li>• Poor use of assets / VFM.</li> <li>• Lost opportunity for capital receipts.</li> <li>• Increased maintenance.</li> <li>• Prosecutions / fines.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• Cabinet formally approved a new Property Strategy in November 2014.</li> <li>• Corporate Asset Management Board and supporting Working Group now set up to raise property profile and introduce more structured, disciplined approach to management of property and the Office Accommodation Rationalisation Programme.</li> <li>• Established rolling programme of 'Fitness for Purpose' reviews of all council properties providing high level assessment of the current performance and value of buildings.</li> <li>• Carbon Management / Energy Efficiency - Certificates / General Awareness / Introduction of Energy Renewables Strategy.</li> <li>• Established Implementation Plan for the new Property Strategy.</li> <li>• Determined governance and work programme updates for new Corporate Asset Management Board at meeting in January 2015.</li> </ul>	C	2	Medium Priority (Red/Amber)	<p>Review of Investment portfolio completed. Report on future strategy and direction of non-operational estate presented to PRAP in January 2015 for onward consideration by Cabinet in June 2015.</p>	Neil Hanratty
<p><b>Workforce Planning</b></p> <p>Importance of forecasting and planning to building capability and capacity is not recognised and is not fully embedded.</p>	<ul style="list-style-type: none"> <li>• Reputational / Financial / Stakeholder / Service delivery</li> <li>• Poor service delivery due to ineffective use of resources.</li> <li>• Loss of resources and recruitment problems.</li> <li>• Poor morale</li> <li>• Loss of experienced staff members including managers</li> <li>• Reduce the likelihood of attracting high calibre managers to Cardiff Council</li> <li>• Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care.</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Flexible retirement policy agreed and implemented</li> <li>• A Workforce Planning Project (PL04) forms one of the projects within the People and Leadership Programme:</li> <li>• Arrival of external expertise in mid-Feb 2011 to work with key stakeholders in the Authority to review, develop and implement the workforce planning project</li> <li>• Workforce planning Stage 1 Design is completed producing a number of key reports outlining required next steps for workforce planning in Cardiff</li> <li>• A number of required enablers have been outlined</li> <li>• Workforce planning Stage 2 Development and Implementation project brief and project plans have been developed to deliver the identified enablers</li> <li>• Spec• HRPS provided the Workforce Planning data (within the Resources/Staff section of Directorate Delivery Plan) and commenced work with Directorates/Service Areas on the Workforce Planning agenda</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Draft workforce strategy developed and consultation commenced which will have workforce planning as a key component.</li> <li>• Research and benchmarking planned with core cities during Q3 to review the effectiveness of current workforce planning approach and toolkit</li> <li>• Need to revisit options appraisal to deliver a workforce planning IT solution.</li> <li>• Workforce Strategy consultation completed with key stakeholders – strategy and accompanying employee charter to be considered by Cabinet on 2<sup>nd</sup> of April. Workforce planning identified as a key priority.</li> <li>• Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. The alignment of DDP's and</li> </ul>	Christine Salter (Philip Lenz)

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner
					<p>in March ific work packages have been identified outlining the key enablers for effective workforce planning and developments of some are underway.</p> <ul style="list-style-type: none"> <li>• After consultation the Workforce Planning Project has implemented a Behavioural Competence Framework. The framework has 12 behavioural competencies set out in 4 levels. All roles within the Council will be described using the framework. This will be the first step in gaining consistency in the way in which the Council describes its people and jobs.</li> <li>• The Workforce Planning project continues to introduce consistent ways of describing people and jobs in the Council. All new and redesigned jobs are being described and advertised through role profiles.</li> <li>• A Competency Assessment Toolkit is being used to develop individual profiles which can then be mapped against role profiles.</li> <li>• Work is being carried out on linking processes that can be used for the identification and development of potential e.g. Recruitment &amp; Selection, PPDR and Cardiff Academy and underpinning these with the Competency Frameworks. These processes will be used to determine the current knowledge and skills held within the Council and identify any areas where there are gaps. This will enable development opportunities to be prioritised in line with Corporate Objectives and the vision for the Council.</li> <li>• Development Opportunities within Cardiff Council Academy have been aligned with the Behavioural Competency Framework.</li> <li>• The Workforce Planning approach for 2014/15 commenced with the roll out of the new tool and managers guide in March 2014. Whilst awaiting an IT solution, a new tool has been developed to enable the organisation to take a snapshot of where they are currently and to start to consider the 'skills' requirements piece</li> <li>• Managers' guide to WFP developed and disseminated to Directorates March 2014.</li> <li>• The Behavioural Competency Framework has been piloted. Stakeholder feedback is being collated to inform the revised approach. Anticipated roll out – May / June 2014.</li> <li>• Additional research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event. LGA/ Skills for Local Government hosted COP event.</li> <li>• HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda.</li> <li>• Options around the roll out of role profiles and other process efficiencies are also being considered and will be taken forward as part of the HR Delivery Plan for 2014/15.</li> </ul>				<p>the Workforce Strategy has been piloted within Children's Services. To be reviewed before role out a version of which will be incorporated into the Delivery Plans, integrating Workforce planning and business planning.</p> <ul style="list-style-type: none"> <li>• VSA (value stream analysis) route identified as potential alternative engagement approach to understand directorate's needs relating to workforce planning, prioritising Vulnerable Adults and Vulnerable Children. Service Area Review Toolkit also provides opportunity for workforce planning questions to be incorporated – discussions with relevant stakeholders to be held in Qtr 1 – 15/16.</li> </ul>	

Risk Description	Inherent Risk	Residual Risk	Risk Owner
<b>EVENT DRIVEN RISKS</b>			
<b>Social Services and Wellbeing (Wales) Act</b> The implementation of the Social Services and Wellbeing (Wales) Act will place new duties and responsibilities upon already pressured services.	High Priority B1	High Priority B1	Tony Young & Siân Walker
<b>Hostile Vehicle Mitigation in Cardiff</b> Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.	High Priority B1	High Priority B1	Andrew Gregory
<b>Welfare Reform</b> That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform Bill 2011, Universal Tax Credit, localisation of Council Tax Benefits, Social Fund reform, Introduction of the Benefit Cap and size restrictions for social tenants. Lack of information, short timescales for implementation and the large number of citizens affected, makes this a significant risk.	High Priority A2	High Priority B2	Sarah McGill (Jane Thomas)
<b>Waste Management</b> Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment.	High Priority B1	High Priority B2	Jane Forshaw
<b>Preparation of Local Development Plan</b> Preparing a plan that is considered 'sound' by the Inspector, within the proposed timetable.	High Priority B1	Medium Priority (Red/Amber) C1	Andrew Gregory
<b>Education – Schools - SOP</b> Very ambitious timescales for project delivery, by a lean team, with restricted capital allocations to support reorganisation, improvement and expansion of school provision to meet growing pupil population.	High Priority B1	High Priority B2	Nick Batchelar (Janine Nightingale)
<b>Education Consortium &amp; Attainment</b> The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	High Priority B1	High Priority B2	Nick Batchelar (Angela Kent)
<b>ICT Platforms Unsuitable/ Outdated</b> The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	High Priority A2	Medium Priority (Red/Amber) C2	Christine Salter (Phil Bear)
<b>ONGOING RISKS</b>			
<b>Budget prioritisation</b> The delivery of a balanced budget in February 2015 for 2015/16 remains a key concern alongside the deliverability of further significant savings over the life of the Medium Term Financial Plan.	High Priority A1	High Priority A1	Christine Salter (Marcia Sinfield)
<b>Financial Resilience</b> The financial resilience of the Council is likely to reduce over the medium term given the scale of the financial challenge ahead (New Risk)			Christine Salter (Marcia Sinfield)
<b>Budget Monitoring 2014/15</b> At the time the budget was set the achievability risk ratings for the directorate savings identified that of the £43.8 million only £12.5 million was rated green with a further £20.9 million rated amber green. The balance of £10.4 million was rated red amber or red. In addition, the planning status of the savings indicated that whilst £35.2 million were in the detailed planning stage or already realised, £8.6 million had a higher degree of risk as only general planning had been undertaken at that date.	High Priority A1	High Priority B1	Christine Salter (Allan Evans)
<b>Health and Safety</b> Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.	High Priority A1	High Priority B1	Christine Salter (Christina Lloyd)
<b>Climate Change &amp; Energy Security</b> Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	High Priority B1	High Priority B1	Jane Forshaw
<b>Information Governance</b> Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools	High Priority A1	High Priority A2	Christine Salter (Vivienne Pearson)
<b>Children's</b> Potential for mismatch between children's needs and capacity to meet them if current trends continue, for example in children needing to be safeguarded, looked after and/or receive other services to support families and carers to care for them.	High Priority B1	High Priority B2	Tony Young
<b>Health &amp; Social Care</b> Changing demographics and increasing expectations of vulnerable people put more pressure on services, increasing risk of budget overspend.	High Priority B1	High Priority B2	Siân Walker
<b>Safeguarding - Health &amp; Social Care</b> Failure to safeguard vulnerable people.	High Priority B1	High Priority B2	Siân Walker
<b>Performance Management</b> A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements	High Priority B2	High Priority B2	Christine Salter (Martin Hamilton)
<b>Organisation Development</b> OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	High Priority B1	High Priority B2	Christine Salter (Martin Hamilton)
<b>Business Continuity</b> Large scale incident/loss affecting the delivery of services.	High Priority B1	Medium Priority (Red/Amber) C1	Martin Hamilton
<b>Education – Schools Delegated Budgets</b> Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	High Priority A2	High Priority B2	Nick Batchelar (Neil Hardee)
<b>Legal Compliance</b> Changes in services and staff roles across the Council resulting in: 1) Gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; 2) Inability to deliver the services in accordance with all duties and responsibilities due to lack of resource in each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	Christine Salter (Shaun Jamieson)
<b>Fraud</b> Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	High Priority B2	Medium Priority (Red/Amber) B3	Christine Salter (Derek King)
<b>Asset Management</b> Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	High Priority B2	Medium Priority (Red/Amber) C2	Neil Hanratty
<b>Workforce Planning</b> Importance of forecasting and planning to building capability and capacity is not recognised and is not fully embedded.	Medium Priority (Red/Amber) B3	Medium Priority (Red/Amber) B3	Christine Salter (Philip Lenz)

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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**TREASURY PERFORMANCE REPORT – POSITION AT 31  
MARCH 2015, 31 MAY 2015 AND HOUSING FINANCE REFORM  
IMPACT**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 8.1**

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**Appendix 2 and 3 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 performance information and a position statement on Treasury Management as at 31 March 2015 and 31 May 2015. To provide 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.

**Background**

2. Audit Committee has previously received details of the draft HRAS exit proposals in various reports, but the final details of the requirements were only negotiated by WG and HM Treasury at the end of March 2015. Appendix 1 provides details on the final outcome of the HRAS settlement agreed by the Council, with borrowing undertaken and the settlement payment made on 2 April 2015.
3. For completeness and for comparator purposes, Audit Committee is provided at Appendix 2 with a snapshot of treasury performance, position statements on investments and borrowing as at 31 March 2015, the end of financial year 2014/15.
4. Appendix 3 provides the Committee with position statements on investments and borrowing at 31 May 2015 which includes the main changes particularly in relation to borrowing. Any forecasts indicated for interest and internal borrowing are as per the 2015/16 Budget Report and will be updated following the first budget monitoring review of 2015/16.

## Performance

### 31 March 2015

5. At 31 March 2015, investments arising from temporary cash balances stood at £54.9 million. The overall level of interest receivable from treasury investments totalled £504,000 including interest on the £1 million Local Authority Mortgage Scheme indemnity. The average rate of interest on investments achieved for 2014/15 was 0.61% which compared favourably against the 7 day LIBID rate of 0.35% and the 3 Month LIBID rate of 0.43%. Whilst performance compared to industry benchmarks is positive, the historically low rate of return can be attributed to the Bank of England base rate which has remained at 0.5% during 2014/15.
6. Borrowing totalled £470.5 million, with the average rate on the Council's borrowing reducing from 5.22% at 31 March 2014 to 5.19% at the 31 March 2015. Total interest paid on external debt was £24.678 million, of which £4.806 million was charged to the Housing Revenue Account.
7. Whilst borrowing rates have remained higher than investment rates for most of 2014/15, the Council has undertaken internal borrowing which involves using temporary cash balances in the short term rather than undertaking external borrowing. The risk attached to internal borrowing is that the Council may have to borrow at higher rates in the future when borrowing becomes a necessity. The level of internal borrowing at 31 March 2015, subject to audit, is £25 million.
8. There were no breaches of any indicators or limits in 2014/15 and an Internal Audit review provided satisfactory assurance in relation to controls in place to manage treasury activities.

### 31 May 2015

9. At 31 March 2015, investments total £67.2 million. The overall level of interest receivable from treasury investments budgeted is £300,000 and the forecast for the year will be updated at Month 3 Budget Monitoring.
10. Borrowing totalled £657.9 million following the HRAS settlement payment, with the average rate on the Council's borrowing reducing to 4.9%. The total interest forecast to be payable is budgeted at £33.6 million. The estimated General Fund share of this will be determined at Month 3 Monitoring, with the projection updated to reflect assumptions in respect of any additional borrowing planned to be undertaken in 2015/16. If the planned additional borrowing is not undertaken or an Internal borrowing position is likely, then the value of interest expense will be less than budgeted.
11. There is assumed to be a nil level of internal borrowing at this stage, a position to be updated at Month 3 Monitoring.



## Investments

12. Pages 2 and 3 of both Performance Reports 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.
13. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2015 by a colour coding which indicates the perceived strength of the organisation.
14. The balance 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.
15. 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

31 March 2015

16. Borrowing of £5 million was taken during October at the rate and period set out in the Performance Report as appended and the Council repaid £7.818 million of maturing loans. Accordingly, the Council's total external borrowing at 31 March 2015 was £470.5 million, predominantly made up of fixed interest rate maturity loans from the Public Works Loan Board (PWLB).

31 May 2015

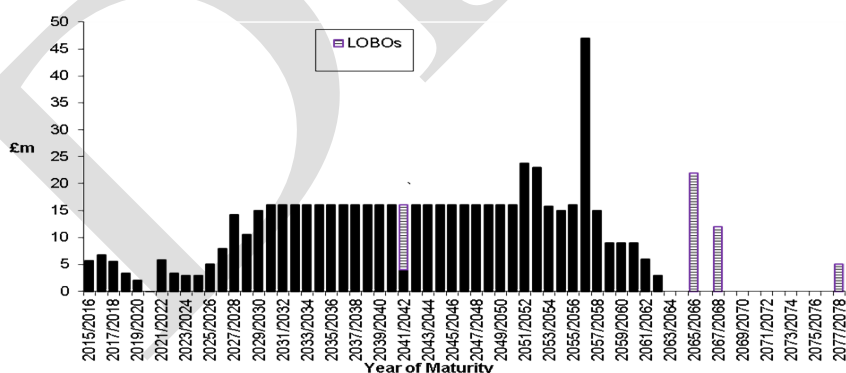
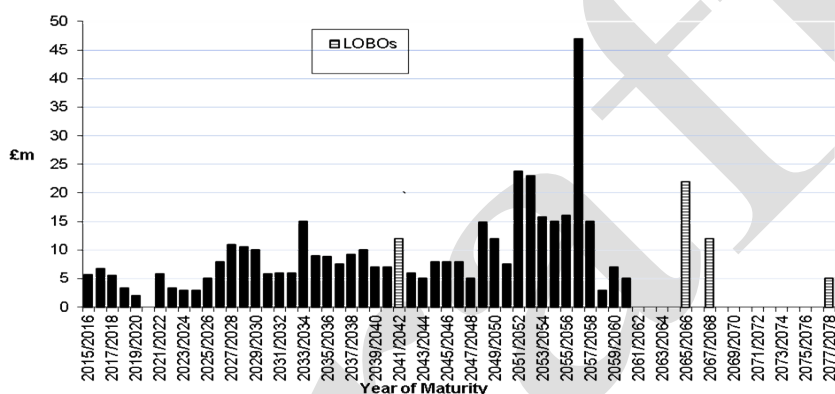
17. As indicated in Appendix 1, the Council made a settlement payment to WG on 2 April 2015 of £187 million in respect of exiting the HRAS system. In accordance with the requirements of the agreement, the level of borrowing had to generate a required level of interest payable in the first five years, be taken only from the PWLB and be at special rates of interest determined by the PWLB and HM Treasury.

18. The details of the loans undertaken are shown in Appendix 1, with the strategy adopted in determining the loans and periods being a balance of:-

- meeting the requirements of the settlement agreement
- minimising the length of loans
- consideration of existing Council debt to ensure a spread of loan maturities and maintaining a single pool for Council Fund and HRA debt.

19. The Council's total external borrowing at 31 May 2015 is £657.9 million, predominantly made up of fixed interest rate maturity loans from the Public Works Loan Board (PWLB).

20. The charts below indicate the maturity profile of the Council's loans at 31 March 2015 and after the settlement payment at 31 May 2015.



21. As set out in the Council's Treasury Management Strategy for 2015/16, further external borrowing is required in 2015/16. The timing and quantum of this will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and the level of internal borrowing and performance in delivering the capital programme. Updates will be provided in future reports to the Audit Committee.

### Reason for Report

22. To provide Audit Committee Members with a performance position statement at 31 March 2015 and 31 May 2015, including impact of the final Housing Revenue Account exit settlement payment.

## **Legal Implications**

23. No direct legal implications arise from this report.

## **Financial Implications**

24. 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.
25. This report highlights the financial impact that the settlement payment made to WG / Treasury to exit the Housing Subsidy system has had. External borrowing has increased by £187 million and the estimated net HRA revenue benefit per annum after capital financing costs is £3.3 million. Any such benefit is to be re-invested in the existing and new housing stock in accordance with the HRA Business Plan.
26. The Council will have to comply with a debt cap in the Housing Revenue Account of £316.5 million and processes have been put in place to ensure this is monitored closely as part of the Treasury Strategy and HRA Business Planning process.
27. The Treasury Management Indicators approved by Council as part of the Budget Proposals in February 2015 included the impact of Housing Finance Reform.

## **RECOMMENDATIONS**

28. That the Treasury Performance Report for 31 March 2015 and 31 May 2015, together with the appendix setting the final position in respect of the exit of the HRAS system be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**10 June 2015**

*The following appendix is attached*

Appendix 1 – Housing Revenue Account Subsidy System – Final Settlement  
Appendix 2 – Cardiff Council Treasury Management Performance Report – 31 March 2015  
Appendix 3 – Cardiff Council Treasury Management Performance Report – 31 May 2015

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## Housing Revenue Account Subsidy (HRAS) System Exit

### Background

Up to 1 April 2015, eleven Welsh landlord authorities operated within a centralised HRA Subsidy system which was deemed complex, outdated and where a “negative subsidy” was paid to the UK Treasury each year.

The UK Government and Welsh Government reached a final agreement at the end of March 2015 to allow all Councils with housing stock in Wales to leave the centralised HRA Subsidy system. Councils would become responsible for financing their landlord services and housing investment from their income. This is referred to as “self financing”. English Authorities moved to self financing in April 2012.

The agreement required authorities to buy their way out of the HRA Subsidy system through a one off payment that is referred to as the ‘settlement figure’ and also imposed a limit on HRA borrowing or an ‘indebtedness cap’.

The move to self financing provides the opportunity for Authorities to use their 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.

The 11 stock retaining authorities, WLGA and WG worked closely in developing the proposals, documents and guidance of Housing Reform in Wales. Council has been updated on Housing reform by various means including:-

- Audit Committee Report - June 2014
- Community and Adult Services Scrutiny Report – June 2014
- Cabinet Report 17 July 2014
- Cabinet Report 20 Nov 2014
- Council Report 27 Nov 2014, included pre member presentation.
- Budget Proposals 2015/16 Report – February 2015

An approved delegation was in place to enter into a voluntary agreement in accordance with Full Council and Cabinet approval:-

*‘agree to enter into a voluntary agreement to exit the subsidy system and delegate authority to the Director of Communities, Housing and Customer Services in consultation with the Director Corporate Resources and the Cabinet Members for Health, Housing and Wellbeing and for Corporate Services and Performance to conclude the appropriate detail within the voluntary agreement and sign on behalf of the City of Cardiff Council.’*

The voluntary agreement was signed by the Council and Welsh Minister.

## Issues

Details of the final settlement at an all Wales level are shown in the table below:-

	(A) LA HRAS payments 13/14	(B) LA Share of settlement debt	(C) Absolute minimum interest requirement for 1st 5 years	(D) LA Capital Financing charge (2%)	(E) Total annual settlement cost C+D	(F) Better off A-E	Better off %
Anglesey	1,683,063	21,168,714	<b>881,677</b>	423,374	1,305,051	378,012	22%
Caerphilly	6,042,229	75,996,095	<b>3,165,237</b>	1,519,922	4,685,159	1,357,070	22%
<b>Cardiff</b>	<b>14,898,985</b>	<b>187,391,886</b>	<b>7,804,872</b>	<b>3,747,838</b>	<b>11,552,710</b>	<b>3,346,275</b>	<b>22%</b>
Carmarthenshire	6,278,600	78,969,050	<b>3,289,061</b>	1,579,381	4,868,442	1,410,158	22%
Denbighshire	3,183,872	40,045,129	<b>1,667,880</b>	800,903	2,468,782	715,090	22%
Flintshire	6,300,786	79,248,094	<b>3,300,683</b>	1,584,962	4,885,645	1,415,141	22%
Pembrokeshire	6,418,905	80,733,735	<b>3,362,560</b>	1,614,675	4,977,235	1,441,670	22%
Powys	5,758,131	72,422,855	<b>3,016,412</b>	1,448,457	4,464,869	1,293,262	22%
Swansea	5,850,103	73,579,632	<b>3,064,592</b>	1,471,593	4,536,184	1,313,919	22%
Vale of Glamorgan	5,021,342	63,155,896	<b>2,630,443</b>	1,263,118	3,893,561	1,127,781	22%
Wrexham	11,631,007	146,288,914	<b>6,092,933</b>	2,925,778	9,018,712	2,612,295	22%
	<b>73,067,023</b>	<b>919,000,000</b>	<b>38,276,350</b>	<b>18,380,000</b>	<b>56,656,350</b>	<b>16,410,673</b>	<b>22%</b>

The new arrangements mean that from April 2015, the City of Cardiff Council will no longer have to pay c £15m from tenant rents to the Welsh Government then UK Treasury each year. Instead, we have made a one off settlement payment as a “buy out” to the Welsh Government / UK Treasury on 2 April 2015. The overriding principle of the subsidy reform is that no Welsh Authority will be worse off under the new Self Financing Scheme and they would be equally better off.

All eleven local authorities signed their respective agreements and made their required payments.

Key items / extracts from the voluntary agreement are shown below:-

### The Settlement

The fixed settlement value agreed by WG and HM Treasury at an all Wales level is £919 million. Audited returns from the 11 Welsh authorities of Housing Revenue Account Subsidy (HRAS payments for 2013/14 showed that the net payment to WG / Treasury from authorities was £73.067 million in 2013/14, of which Cardiff's £14.899 million represented 20.39% of the total. Accordingly Cardiff's share of the all Wales settlement debt value was to be this proportion of £919 million i.e. £187.392 million. The Council borrowed this sum from the PWLB on 31 March 2015 and made a payment of this sum to WG on 2 April 2015 when funds were received.

Details of the amount, period, special rate applicable to the loans and annual interest cost are included in the table below.

<b>Loan Amount £</b>	<b>Maturity Date</b>	<b>Interest Rate %</b>	<b>Annual Interest £</b>
3,213,661.00	28/05/2027	3.76	120,833.65
5,000,000.00	28/05/2029	3.88	194,000.00
10,194,360.00	28/05/2030	3.94	401,657.78
10,000,000.00	28/05/2031	3.99	399,000.00
10,000,000.00	28/05/2032	4.03	403,000.00
1,000,000.00	28/05/2033	4.07	40,700.00
7,000,000.00	28/05/2034	4.11	287,700.00
7,105,347.00	28/05/2035	4.14	294,161.37
8,500,000.00	28/05/2036	4.17	354,450.00
6,792,378.00	28/05/2037	4.19	284,600.64
6,000,000.00	28/05/2038	4.21	252,600.00
9,000,000.00	28/06/2039	4.23	380,700.00
9,000,000.00	28/06/2040	4.24	381,600.00
4,000,000.00	28/06/2041	4.24	169,600.00
10,000,000.00	28/06/2042	4.25	425,000.00
11,000,000.00	28/06/2043	4.25	467,500.00
8,000,000.00	28/06/2044	4.25	340,000.00
8,000,000.00	28/07/2045	4.25	340,000.00
8,000,000.00	28/07/2046	4.25	340,000.00
11,000,000.00	28/08/2047	4.25	467,500.00
1,105,640.00	28/08/2048	4.25	46,989.70
4,000,000.00	26/09/2049	4.24	169,600.00
8,500,000.00	26/09/2050	4.24	360,400.00
6,000,000.00	28/04/2058	4.21	252,600.00
2,000,000.00	28/04/2059	4.21	84,200.00
4,000,000.00	28/04/2060	4.21	168,400.00
6,000,000.00	28/04/2061	4.21	252,600.00
2,980,500.00	28/04/2062	4.21	125,479.05
<b>187,391,886.00</b>			<b>7,804,872.19</b>

### **Interest and the Provision for Debt Repayment**

The deal negotiated by WG with HM Treasury had a requirement to ensure that any agreement was 'fiscally neutral' to the Treasury. In order to minimise the overall level of borrowing to £919 million following local authority concerns and following clarification of the proposal by WG, HM Treasury required interest payments to total £38.3 million at least in the first 5 years. Cardiff's share of interest at 20.39% is £7.805 million.

In order to achieve this, the PWLB / Treasury issued specific Welsh HRA interest rates which were above existing interest rates and which were to apply to the borrowing. The requirement to meet the required level of interest for at least five

years, meant the Council needed to borrow longer term loans in order to make the settlement payment. Whilst these may not normally be the periods of borrowing that would be undertaken, the period for which loans were taken were those required in accordance with the requirements of WG and HM Treasury to exit the subsidy system.

The minimum capital financing charge required by WG guidance at 2% would be £3.7million as shown in the table above. A prudent approach will be adopted to debt repayment following consideration of WG guidance.

With the annual costs of the settlement at £11.553 million, the Council considered the overall proposal put forward was in line with that originally consulted on by WG in June 2014. The annual revenue benefit to the HRA is circa £3.3 million, based on the Council's HRAS payment in 2013/14.

### **Limit on Indebtedness**

All impacted councils agreed that, following payment of the Settlement Payment, its HRA Capital Financing Requirement (CFR) shall not exceed an Indebtedness Limit at the 31 March each year. The CFR is an authority's underlying need to borrow for capital expenditure. It measures historic capital expenditure incurred but not yet paid for receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

The Indebtedness Limit for all councils retaining a landlord function and the detailed approach to its allocation was agreed collectively by WG, WLGA and Local authorities. The specifics for Cardiff will be sufficient to cover the following:-

- (a) Existing borrowing (CFR) at 31 March 2014. £96,360,476.
- (b) Borrowing requirements, if any, to meet the Welsh Housing Quality Standard – judged to be nil as WHQS has been reached.
- (c) 50 per cent of the borrowing identified for new housing supply - provided by the Local Authority in support of its HRA Business Plan and 2014-15. £20,000,000.
- (d) Share of borrowing headroom. £12,801,703.
- (e) Settlement Payment as per a determination issued by WG in accordance with Section 132 of the Housing (Wales) Act 2014. £187,391,886

The Indebtedness Limit for Cardiff can, therefore, be summarised as follows:

Indebtedness Limit = £96,360,476 + Nil + £20,000,000 + £12,801,703 + £187,391,886

**Indebtedness Limit = £316,554,065**

Welsh Ministers will use the HRA CFR at the 31 March each year to monitor the Local Authority's compliance with its Indebtedness Limit.

In the event that a Local Housing Authority is found to be in breach of their Indebtedness Limit as at 31 March each year, then the Welsh Government reserves



the right to use any funding mechanisms available to pass on any penalty the Welsh Government receives from HM Treasury to the appropriate authority, and require immediate action by the authority to reduce its HRA CFR to within their Indebtedness Limit. The Welsh Government will engage directly with the offending authority to identify the appropriate recovery mechanism.

The Council expects the allocation of any borrowing headroom to be reviewed periodically by WG to ensure its effective utilisation across Wales, particular post achievement of the Welsh Housing Quality Standards by 2020. The Council will continue to work with WG and other partners to improve the delivery of affordable housing in the City.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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**TREASURY MANAGEMENT BENCHMARKING ACTIVITIES  
REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 8.2**

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**Appendix 1 and 2 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 update 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.

**Background**

2. Where possible the Council uses information available from a number of sources to assess the Council's Treasury Management activities with other authorities and also to ensure that staff involved in Treasury activities are kept up to date in respect of new developments and changes in Treasury Management.
3. Sources of Treasury Management data may have limitations and often further analysis or interpretation of the detail needs to be undertaken to make the data more relevant. Limitations include:-
  - Choosing right comparators - Differing size, structure and responsibilities of local authorities e.g some with or without Private Finance Initiative, Housing Revenue Accounts (HRA), different legislative requirements such as devolved administrations
  - Different Treasury Management risk appetites of local authorities
  - Historic positions on investments and borrowing are built up over many years, data collected and available is at a point in time only
  - Reliance on quality and accuracy of data included in submissions
  - Completeness of submissions e.g not all authorities may contribute data, where submission is not mandatory
  - Cost versus benefit of completion of benchmarking data
4. Accordingly comparison is very difficult and needs to be done with care where done so to ensure that reasoning behind variances are understood if that information is to be used for decision making.

5. The CIPFA Prudential Code highlights these limitations in relation to Treasury Management indicators required to be produced and periodically reported on to Council. "Indicators are not designed to be used for comparative performance and using them in this way is likely to be misleading and counter productive".

### **Comparative Information / Sources**

6. The Council utilises information from a number of sources to help it determine its position in relation to Treasury Management. Sources of information we have used historically include the following:-

### **CIPFA Treasury Management and Capital Expenditure Statistics 2013/14**

7. The Council has undertaken an analytical review since 2010/11 using such statistics, which are submitted by the Council each year. The value of output is dependant on numbers of authorities completing the statistics as completion is voluntary. We often include additional columns (highlighted) to support interpretation and make the raw data more meaningful. Data from a number of English Authorities who submit data is also included. Bearing in mind the limitations of any comparison, the output for 2013/14 is shown in Appendix 1.

8. Key inferences from the benchmarking in respect of investments and borrowing are:-

- The Councils approach to making provision for debt repayment is prudent in line with its policy.
- Average rate of interest earned on investments is joint 5<sup>th</sup> highest of 14 authorities in Wales who submitted data. This reflects a security first approach to investments, keeping investments short at beginning of 2013/14.
- Average rate of interest on external debt is joint 4<sup>th</sup> lowest compared to the 14 Welsh local authorities who provided data. However Cardiff's average is higher than the English data. This could be due to high levels of Lender Option Borrower Option (LOBO) type loans or other debt reduction strategies which could have penalty costs shown elsewhere e.g. premiums for early repayment of debt etc. HRA reform may have had an impact, which took place for English Authorities from April 2012.
- The Council uses as its measure of internal borrowing, the difference between the Capital Financing Requirement (CFR) and total external Debt. The data indicates that at 31 March 2014, the Council is undertaking less internal borrowing than others.
- We have previously highlighted the risk of LOBO's having to be repaid at short notice. Given the size of its debt, Cardiff does not appear to be significantly exposed to LOBO's given size of its debt.

### **CIPFA Treasury Benchmarking Club**

9. Cardiff Council was a member of CIPFA's Treasury Management Benchmarking Club until 2013 at which point it was judged to be adding insufficient value. Sixty five Local authorities of all sizes took part in the survey compared to ninety two in 2010/11 and fifty seven in 2011/12.



10. Many of those responding were not comparable to Cardiff and few if any other Welsh Local authorities data was submitted. Following a review of the output over a number of years the Council decided to withdraw its involvement in the Club for future years.

### **Use of Treasury Management Advisors**

11. The Council's Treasury Management advisors, Capita, are one of the largest Treasury Management advisors to local authorities and this scale and expertise does provide opportunities for sharing information. Staff can attend seminars to receive updates on key issues affecting treasury activities and also take the opportunity to engage with other practitioners to identify key issues. A dedicated relationship manager also supports the Council in assessing performance and sharing information on treasury management and practice.
12. The Council has for 2015/16 joined a regional benchmarking club organised by Capita. The focus of the group is primarily in relation to investments, however it is hoped that this can be expanded to cover borrowing and a wider range of treasury issues of relevance.

### **Balance Sheet Review**

13. As part of its final accounts the Council has for a number of years undertaken a balance sheet review. These are now drafted for the Council by Capita as part of their service and in 2013/14 they undertook a similar review for 277 of its client local authorities.
14. Whilst it has its limitations in respect of being at a point in time and providing an overview rather than any detail, the benefits do include:-
  - Identification of the areas of the balance sheet contributing to the cash balances available for investment
  - Identification of potential future treasury management financial resilience risks
  - Internal borrowing position comparison (How capital expenditure is being financed)
15. Members of the Audit Committee have previously expressed concerns about the level of internal borrowing. The Council's actual internal borrowing as a percentage of the underlying need to borrow (Capital Financing Requirement) was 4.2% in 2012/13, 2.5% in 2013/14 and is provisionally 5.0% for 2014/15.
16. Output from the 277 authorities balance sheet review at 31 March 2014 indicates the average percentage for 2012/13 is 13.1% and for 2013/14 14.4%.
17. Further comparative detail is included in Appendix 2 across types of public body and location and shows that the Council's exposure to internal borrowing is less than the average of other local authorities who were reviewed at that date.

## Review of PWLB Data to compare borrowing position

18. As part of its annual public reporting requirements, the Public Works Loan Board (PWLB) provides details of loans outstanding for all public authorities whom it has provided loans. Using the information held at 31 March 2015, data can be manipulated to compare Cardiff's borrowing to that of other Welsh Authorities. Whilst the data can be manipulated further, what follows is only an analysis of the types of loans and average rate of interest so that an assessment can be made of Cardiff's position, having regard to the various risk warnings to comparison.
19. Total borrowing undertaken from the PWLB by all 22 Welsh Local Authorities at 31 March 2015 is as follows:-

Loan Type	Sum of Balance Outstanding
	£M
Annuity	65.8
Equal Instalment of Principle (EIP)	56.7
Maturity	2,641.5
<b>Grand Total</b>	<b>2,764.0</b>

20. Similar to other Welsh Local Authorities, Cardiff's loan portfolio consists primarily of a spread of loans, with original loaned amounts payable at a future maturity date.
21. The confidential Appendix 2 provides further detail on maturity loans only, by interpreting the data and providing an annual cost of loans and then determining an average rate of interest. This data shows the Council's average rate of interest on Maturity loans at 31 March 2015 is below the Welsh average. This is clearly a position in time that will change as loans are repaid and taken over time. The costs of any premiums or discounts payable for restructuring debt are not known.

### Summary

22. Comparing Treasury activities is difficult, but where opportunities do arise and where there is a cost benefit in doing so, such comparison is undertaken for Cardiff and reported to the Corporate Director Resources.
23. The report above has provided some data to allow Audit Committee to compare Cardiff's position and performance on a range of issues such as return on investments, internal borrowing exposure, average rate of interest on outstanding debt etc. However it should be noted that such comparisons should be made with care.

### Reason for Report

24. To provide Audit Committee Members with information on benchmarking opportunities undertaken and use of information available as part of treasury activities to assess position and performance.

25. No direct legal implications arise from this report.

**Financial Implications**

26. No direct financial implications arise from this report.

**RECOMMENDATIONS**

That Audit Committee note the contents of the report.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**10 June 2015**

*The following confidential appendices are attached*

- Appendix 1 – CIPFA Treasury Management and Capital Expenditure Statistics  
2013/14
- Appendix 2 – A - Balance Sheet Review  
B - PWLB Loans

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# Internal Audit Annual Report 2014/15



## **MISSION STATEMENT**

To provide a high quality service to existing and potential clients and to attain wide recognition as a lead provider of audit, risk and investigative services, based on achieving a high standard of professionalism and expertise in service delivery

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## **FOR FURTHER INFORMATION, PLEASE CONTACT:**

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## 1. INTRODUCTION

### The Annual Reporting Process

- 1.1. The annual report gives an overview of audit performance during 2014/15, seeks to provide an opinion on the adequacy of the control environment in the City of Cardiff Council, and report the incidence of any significant control weaknesses.
- 1.2. As set out in the Public Sector Internal Audit Standards (PSIAS), a professional, independent and objective internal audit service is one of the key elements of good governance, and is defined as:

*“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations.”*

- 1.3. Management is responsible for the system of internal control and must set in place policies and procedures to ensure that the internal controls are functioning correctly. Internal Audit acts as an assurance function providing an independent and objective opinion on the Council’s control environment by evaluating its effectiveness in achieving objectives.

### Requirement for Internal Audit

- 1.4. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.
- 1.5. The Audit & Risk Manager (the Chief Audit Executive – CAE - for the purpose of the Standard) must provide an annual internal audit opinion and report, timed to support the Annual Governance Statement. The PSIAS specifies that the annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. In doing so the Audit & Risk manager undertakes an assessment of the adequacy of the controls in place to support the achievement of management and corporate objectives.

### Report Preparation

- 1.6. This report has been prepared by the Audit & Risk Manager (CAE), based on the provision of the PSIAS. Assurance has been obtained from a number of sources including:
  - *Internal Audit Assignments* – work undertaken as prioritised within the Annual Audit Plan. Each assignment is risk based to deliver added value and to maximise resources. Includes some unplanned audits, undertaken at the request of Senior Management.

- *Selected Value For Money studies and exercises on spend analysis* - selected from areas of budget spend.
- *Discussion with Senior Managers* – relationship manager meetings are held on a quarterly basis with Directors, and the Audit Manager holds regular meetings with the Corporate Director Resources / Section 151 Officer and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or in specific matters, including the role of “critical friend” where new and innovative systems are being designed and developed.
- *Investigations into Suspected Frauds* – through prevention, detection and oversight of all internal investigations.
- *Risk & Governance Engagement* – work in co-ordinating the Corporate Risk Register, the Annual Governance Statement and associated documents.
- *Programme and Projects Assurance* – supporting the POA framework and undertaking health checks around compliance.

#### Internal Audit Section Resources

- 1.7. During 2014/15, the section was led by two Audit Managers, on a job share basis. Both Managers are CIPFA qualified, and one also line manages the Council’s Pensions Section.
- 1.8. The Internal Audit team has 12 members of staff (10.5 FTE), made up of a Group Auditor, 2 Principal Auditors (1 temporary) , 2 Senior Auditors, 6 Auditors (4.5FTE) and an Audit Assistant. Members of the team hold various qualifications, including CIPFA and AAT.
- 1.9. At the start of the year, the Investigations team comprised 10 members of staff (7.9 FTE). In July, 4.5 FTE transferred to the DWP to become part of the Single Fraud Investigation Service, and a Senior Investigator retired at the end of July. Therefore, at the end of 2014/15, there were 3 members of staff in the Investigations team (2.3 FTE), all of whom are PINS trained.
- 1.10. The Risk and Governance role is undertaken by a Principal Auditor, who is ACCA qualified and also holds the CIPFA Certificate in Corporate Governance. The Programme and Project Assurance team is comprised of 1 Principal Auditor and 1 Senior Auditor (temporary) both qualified in programme and project management.
- 1.11. The total budget for 2014-15 was £980k but, with changes in benefit fraud arrangements and other factors, such as vacancies during the year, the actual gross expenditure was £856k. Of the section’s controllable budget, around 90% related to staffing costs.

## Independence and Objectivity

- 1.12. Internal Auditors are required to undertake audits in line with the provision of the PSIAS and in accordance with the Codes of Ethics of any professional bodies. The importance of independence is communicated to auditors and care is taken to ensure that all audit work is undertaken in an independent and objective manner. The PSIAS (1100) stipulate that any conflicts of interest or impairment to independence or objectivity must be disclosed and each year all members of Internal Audit are required to complete a Staff Declaration Statement. This identifies any potential conflict of interest that any member of the Audit team may have, which is considered when assigning audits.
- 1.13. The Audit & Risk Manager has direct reporting access to the Chief Executive, the Chair of Audit Committee and all elected Members as he considers appropriate.

## Continuing Professional Development

- 1.14. It is also specified in the PSIAS (1230) that Internal Audit staff have a personal responsibility to maintain and develop their competencies, so that they have the necessary skills and knowledge to undertake audits to a high standard. Members of staff are encouraged to attend courses provided by the South Wales Chief Internal Auditor group, and to identify other suitable CIPFA or IIA courses which are supported when budget restrictions allow. The provisions of the Council's Personal Performance and Development Review (PP&DR) process are fully supported in the section, and there are regular 1-2-1 meetings with the team members to discuss progress on assignments.

## **2. REVIEW OF INTERNAL CONTROL AND OPINION**

### Opinion 2014/15

- 2.1 Based on the sources of assurance outlined above the Audit & Risk Manager is able to provide **satisfactory assurance** on the adequacy and effectiveness of the City of Cardiff Council's overall framework relating to the management of risk, governance, internal control. Governance and risk management arrangements are considered to be well established and key policies updated and refreshed to reflect a changing environment in which the Council operates. Some Rules and associated guidance documents are in need of review and update but overall the fundamental principles of control are well set out.
- 2.2 Clearly, as reported audits have shown, instances of control weakness and non compliance has been identified, and improvements are required if the adequacy and / or effectiveness of internal control or governance is to be enhanced. This is evidenced by 17% of reported audits having a Limited Assurance audit opinion and the relatively high number of recommendations (756) raised,

highlighting where it is considered control or compliance needs attention. This level of Limited Assurance opinions does show an improvement on last year (27% in 2014-15) and most encouraging is that there has been a significant improvement where follow up audits are undertaken, with only 4 remaining where further improvement is still sought. The number of reported audits undertaken has been similar to last year and so a reduction in the number of recommendations arising from audits, down from 918 to 756 (18%) suggests an improvement in control, although this will depend on the subject areas covered within the Audit Plan.

2.3 At the time of writing this report, there are considered to be no significant issues arising from the work undertaken by Internal Audit that would have a major impact within the organisation. However, it should be noted that the level of cuts that the Authority is required to make to its budgets and the consequential downsizing of the organisation and number of staff employed (including in Internal Audit) is thought to be having a negative impact on the internal control environment. It is noted that despite still being very high, the number of audit recommendations agreed compared to those raised (756 proposed and 743 agreed - 98%) is down on previous years, reflecting the pressures some Directors are facing in resourcing some of the changes that Audit proposed. Management need to continue efforts to ensure that internal controls remain effective and robust and business cases to support any voluntary severance applications are fully considered. Unless these efforts are made, the residual risk exposure of the Council will increase. Auditors have a key role to play in supporting both the Section 151 Officer and Senior Managers more generally, to ensure fundamental controls are maintained and to work with them innovatively in considering how effective controls can be introduced where resources become more stretched.

### **3. SUMMARY OF WORK PERFORMED**

3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping “... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”

3.2 The range of functions provided throughout the year is as outlined in our Audit Charter, considered by the Audit Committee as part of the Audit Strategy at its meeting in March 2015.

3.3 Details of all audits and audit opinions, together with other tasks performed and key performance indicators are reported quarterly to the Section 151 Officer and Audit Committee so they are regularly updated and aware of any matters arising from audit work.



3.4 Delivering the Audit Plan has been a challenge this year with a number of factors impacting on work undertaken. The Senior Auditor – Computer Audit left part way through the year to join a private sector firm, and his post has yet to be filled. The initial advertisement did not attract suitable candidates and the post has been reconfigured and re-advertised. In addition, a Principal Auditor was seconded to work on a Finance Service review, and his post was unfilled for around 3 months. There have also been two instances of long term sickness absence (one of six months and one of three months). With 10.5 FTE assigned to audit work any absence of any period has an impact on planned work.

3.5 At the end of the financial year the Principal Auditor (Governance & Risk) tendered her resignation to join a private audit company in early May 2015. A recruitment exercise is underway. At the time of writing this report the Principal Auditor (Programme & Projects) has resigned and is leaving at the end of May and a decision will need to be made regarding a replacement.

#### 4 Audit team

4.1 A summary of the final reports issued by Internal Audit during 2014/15 (and those at draft status at the year end) is attached as **Appendix A**. The overall level of audits reported is similar to the last two years, (at around 100) although the make up and complexity will be different.

4.2 Through constant monitoring and prioritisation the focus remained on high risk audits and 23 of these were finalised or at draft report stage at year end, although there was some slippage and a need to prioritise some high risk audits in the Audit Plan for 2015/16. Of these, six were Limited Assurance where follow up audits are scheduled and further work is required to enhance controls and compliance in these areas.

4.3 A further 32 audit reports relating to Medium risk areas were issued, of which four were limited assurance (an additional two may result in limited assurance opinions, pending further discussion on the draft report), and eight grant audits completed, of which one raised some concerns.

4.4 Following up previous audits, where there was a "Limited" or "No" assurance opinion, has taken more time this year, with 26 being undertaken, of which 22 have seen satisfactory progress, leaving 4 requiring further review. This is considered to be a high profile area as it is key for Managers to react to audit recommendations to enhance control where gaps or compliance is flagged up as a concern.

- 4.5 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.
- 4.6 In order to maximise audit resources, the approach using Control Risk Self Assessment (CRSA) has been extended over the past 12 months; a full programme is now in place for schools and this approach has been successfully used for a number of core financial systems. In schools, this has included a series of workshops to outline the process and get buy-in, and feedback has been very positive. There are plans to have completed CRSAs from all schools and for all core financial systems by March 2016.
- 4.7 A key element of our role has continued to be as “critical friend”, working with others when systems and processes are being redesigned and reconfigured to meet changing demands. Here our role in ensuring risks are properly identified, mapped and mitigated and controls adequately considered and prioritised and projects delivered to scope, time and budget is consider important, especially where the Council is undergoing such rapid change to deal with budgetary and other wide ranging pressures.
- 4.8 Regarding systems and processes, a significant amount of work has again been done reviewing our working practices across the Section over the past 12 months, building on previous work around lean auditing. A major service review was completed in the autumn which entailed a detailed examination of key activities and an assessment of where time was being spent, resulting in some areas for further development. A small Audit development team has been established to progress actions arising from the review and an opportunities log is being maintained and regularly discussed. Audit protocols and working methods have been updated and engagement with clients has continued to shape and enhance the service provided. Audit also volunteered to be a pilot site for the introduction of SharePoint, an electronic document management system and, in working towards implementation in May 2015, a huge amount of work has been undertaken in streamlined filing systems and administrative process, which has helped with our push to having a paperless office.

#### Recommendations agreed with management

- 4.9 The recommendations raised in audit reports are given a risk rating in line with the risk ratings in the Council’s corporate risk strategy (i.e. red, red / amber, amber / green and green). The table below sets out the recommendations raised by the assurance level given:

Risk Rating	Recommendations Raised by Auditor	Recommendations Agreed by Client Manager	Percentage Agreed to Raised
Red	107 (14.15%)	104 (13.76%)	97%
Red / Amber	364 (48.15%)	359 (47.49%)	99%
Amber / Green	271 (35.85%)	266 (35.19%)	98%
Green *	14 (1.85%)	14 (1.85%)	100%
<b>TOTAL</b>	<b>756</b>	<b>743</b>	<b>98%</b>

4.10 The number of green risk recommendations is low as these are often discussed with the client at the exit meeting when the draft report is discussed in order that these matters do not disproportionately attract attention when the final report is issued.

4.11 The figures show that with 98% of audit recommendations agreed that managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks and is adding value through the fieldwork undertaken. In the event of disagreement to a recommendation, the Auditor will discuss the issue and risk arising with management in the first instance. Where managers do not agree to either the finding or recommendation, the Audit & Risk Manager will raise the matter with the Director of the directorate in question.

4.12 As stated above, it is interesting to note the number not agreed this year is higher than before, which is thought to highlight the pressure faced by senior management to resource implementing changes.

#### Recommendations Acted upon

4.13 Important as it is that audit recommendations are agreed, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The database is regularly analysed and reports prepared every quarter of open actions. The onus rests with Managers to action the recommendations, and close the audit, but Audit staff closely monitor this and chase Directors to keep on top of their open audits. It should be remembered that for every Limited Assurance audit, that tend to have the highest number of recommendations, will be revisited within six months and, for every audit, a previous Action Plan will be reviewed as a priority at the next audit, albeit this may be some time into the future, subject to the risk rating of the audit.

4.14 Over the past 12 months, the number of open cases on the database has fluctuated with a reduction towards the year end noted. There are around 40 cases open on the database, at any point in time, as new cases are continually added. What has seen a significant improvement is the number of longer standing cases closed, partly through increased awareness of how these are reported to the Section 151 Officer and Audit Committee as well as Directors being more held to account for actioning the audit recommendations. It is important these are monitored given the need to enhance compliance and protect the control environment across directorates.

#### Investigation Team

4.15 In July, following the implementation of the Department for Work and Pensions (DWP) new Single Fraud Investigation Service, five members of the Investigations team (four investigators and an admin officer) transferred to the management of the DWP. In addition, the Senior Investigator retired during the year, and this post was not be filled as part of savings for 2015-16. These changes have resulted in the reduction in days available to the investigations team (2.3FTE).

4.16 The Investigation team has continued to be proactive in fraud prevention and detection and continues to oversee and investigate potential irregularity referrals. The team received 298 referrals during the year, relating to issues regarding Blue Badges, Council Tax liability, Council Tax reduction, Housing, NDR, employees and the non receipt of cheques. A summary of the employee cases is shown in **Appendix C** to provide Members with a view of the range of matters investigated.

4.17 Updates of the *Fraud, Bribery and Corruption policy* and the *Money Laundering policy* have been drafted, shared with the Audit Committee and are due to be presented to the Council's Cabinet in May 2015. The team has also had input into a review of the Council's Disciplinary Policy to ensure policies compliment each other, rather than overlap, confuse and duplicate issues. An e-learning module is being developed to raise fraud awareness and encourage a more consistent approach to have suspected cases are investigated and reported. The intention is that this will be used to target senior managers and new starters, to help to address previous concerns around inconsistent sanctioning and help to ensure high standards of investigation.

4.18 Data was provided to the Audit Commission in quarter 3, 2014/15 in respect of the NFI 2014. The Investigations team received the output from this during January 2015. A total of 5,707 recommended matches were received at this point, although it should be noted that the majority (4,136 or 72%) relate to concessionary travel passes. The Investigations team is in the process of reviewing the matches to identify those that require further investigation. There are reported as the year progresses.

## Risk and governance

- 4.19 The audit team has continued to facilitate and challenge the review of the Corporate Risk Register (CRR) throughout the year attending Senior Management Team to ensure collective “buy in” of the strategic risks facing the Council following updates by individual risk owners. The register was presented to Audit Committee and Cabinet twice during 2014/15, to reflect the year end and mid point position.
- 4.20 A number of meetings took place between the nominated Member Risk Champion and the Audit & Risk Manager, and the latter also provided training to the Cabinet on risk management principles. A risk – budget scrutiny workshop was also held with Scrutiny Members. The level of Member engagement during 2014/15 has been encouraging which will have enabled Members to be informed of the strategic risks facing the Council when making decisions.
- 4.21 The Annual Governance Statement (AGS) 2013/14 was finalised in accordance with the accounting deadlines and presented to the Audit Committee in June and September 2014. The drafting of the AGS 2014/15 commenced in quarter 4, where a report relating to the process of compiling the AGS was presented to Audit Committee in January 2015 and a further update reported in March. Senior Management Assurance Statements were circulated to Directors for completion at the year end position. A final draft of the AGS will be incorporated into the draft Financial Statements and presented to Audit Committee in June 2015.
- 4.22 The Risk & Governance team has supported the work of the Audit Committee by producing a number of reports e.g. in relation to the Corporate Risk Register, the Annual Governance Statement and an annual assurance summary. Support has also been provided through facilitation of the Committee’s Annual Self Assessment exercise and the drafting of the Committee’s Annual Report.

## Programmes and Project assurance

- 4.23 The Programme & Project Assurance function has focused primarily on establishing a governance framework for the Organisational Development Programme, which will deliver new models of working and manage the delivery of strategic change. This work is closely aligned to implementing outcomes which mitigate the risks identified in the Wales Audit Office Corporate Assessment. A Health Check was undertaken of the actions identified in the Corporate Assessment, which produced details on what had been delivered and set out an action plan. This was approved at the Organisational Development Board and is being used to inform programme and project scopes, delivery plans and risks.

- 4.24 A primary role in 2014/15 has been providing advice, guidance and mentoring to the Organisational Development Programme and associated projects, working closely with the Corporate Director of Resources. Advice and guidance on governance was also provided to Health & Social Care, Category Management, Housing Partnership and Independent Living. Extensive engagement has taken place between Internal Audit and Directors, focusing on learning lessons from previous programmes and projects, so they can be integrated into the governance framework and delivery plans for Organisational Development, therefore reducing the Council's overall risk profile.
- 4.25 The team has also supported the introduction of a transparent reporting framework by working with programme teams to develop Programme Briefs, Plans and Risk registers for Assets & Property; Engagement & Improvement; Governance & Member Engagement and Strategic Commissioning. The team has also been instrumental in developing the governance framework for the new Investment Review Board (IRB), which evaluates project business cases and determines where investment in change should be focused.
- 4.26 Since April 2014, 37 Council staff have attended Corporate PQA Project Management training, which is delivered by the team on behalf of the Cardiff Academy. Course evaluations have shown 100% satisfaction from attendees, and the Council's maturity in managing projects is continuing to increase as a result of this formal training.

#### **4. AUDIT PERFORMANCE AND ADDED VALUE**

##### Quality Assurance

- 4.1 Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.
- 4.2 An Audit planning control database is maintained to effectively monitor work done in line with that planned. This includes the audit universe and for each year is where the detail of the Audit Plan is kept. The database is used to allocate assignments and record work done in areas, to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated (which are approved weekly by a senior auditor), so management can continually assess the Plan v Actual position for individual audits and across the overall Plan.
- 4.3 Each audit is subject to a qualitative review by a senior member of the team who ensure the focus on key risks is retained throughout the course of the assignment and time is used to best effect. The reviewer will undertake checks to ensure professional standards are maintained and no report

is sent out without a review by a senior member of the team. Any Limited Assurance report or any with any significant issue to report are reviewed by the Audit & Risk Manager.

- 4.4 Following the issue of a draft audit report a meeting is held with the Client Manager with an opportunity for them to challenge the audit findings and proposed recommended actions. This provides a degree of assurance that the final reported position is accurate and reflects the appropriate risk profile of the audit and any recommendations for improvement are considered.

Post Audit Assessment & Customer Feedback

- 4.5 As part of qualitative assurance, the Audit team uses a process known as “post audit assessment”, which includes a client questionnaire.
- 4.6 The Post Audit Assessment sets out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The Senior Manager who reviews the audit then scores the auditor’s performance having reviewed the evidence held on the audit working file and the assessment is then signed off by both and forwarded to the Audit & Risk Manager. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a useful means of identifying training needs. Analysing the assessments helps focus individual PPD reviews and provides audit management with an overview of performance at the different grades. Results show most performance as “effective” with some showing as “developing” with a few “outstanding” and rarely is auditors’ performance measured as “ineffective”, considered to be consistent with the experience we have amongst the team.
- 4.7 Following each audit Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.
- 4.8 During the year, 55 questionnaires were issued and 47 (85%) returned (target is two-thirds - 66%). The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Auditor performance	32	14	1	0	47
Report	26	19	2	0	47
Auditor Advice	26	20	1	0	47
Communication	38	9	0	0	47

	<b>122</b>	<b>62</b>	<b>4</b>	<b>0</b>	<b>188</b>
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- 4.9 It can be seen that the feedback from the audit questionnaires is very positive, which is encouraging as the nature and complexity of the assignments continues to change. The questionnaires also ask Managers to indicate whether they consider that the audit process added value and there were only two negative responses. It can be seen that the majority of the auditees felt that the audits undertaken are constructive and add value. The two assignments where it was felt that the audit did not add value related to a grant (IMLU), and the Youth Offending Service, where the service is in the process of being redesigned. Audit management discussed these scores with the managers concerned.
- 4.10 There was a change in process during the year with the questionnaire completed by telephone, rather than in writing, and this has proved a real benefit as talking to Client Managers allows for much greater scope of assessing the audit and seeking their honest views on how it went and what value it added.

#### Audit Recommendations

- 4.11 The extent to which audit recommendations are agreed by senior managers is used as a measure of auditor's performance as a high level suggests an understanding of the risks and controls within the area under review and adding value by proposing meaningful changes and cost effective changes. Details of these have already been provided above.

#### Benchmarking

- 4.12 The Audit team is a member of the Welsh Chief Auditors benchmarking group and has, previously, been a member of the CIPFA Internal Audit benchmarking group. The membership of the latter group will be resurrected for 2014/15 (comparative data available from summer 2015).
- 4.13 Variance analysis within groups is undertaken once the various statistics have been gathered and a report is provided to the Section 151 Officer and Audit Committee, normally around September.
- 4.14 Whilst proactive in this area and benefiting already from having comparative data to analyse, the service review has suggested scope to do more in this area and work has commenced looking at UK core cities and working with them more closely to identify best practice. This has been recognised as an objective in plans for 2015-16.

#### Self Assessment and Peer review

- 4.15 Every year the Audit & Risk Manager completes the PSIAS self assessment evaluation and in doing so is able to confirm the work of the Audit team conforms to the standard. Again this year there are no



significant non conformances considered worthy of reporting. This assessment is shared with the Wales Audit Office which looks to rely to a degree on the work of colleagues in Internal Audit. One area which needs monitoring is in relation to independence. Work on risk management and governance is largely separated out within the team and, in fact, an audit was undertaken on risk management during 2014-15, but some work undertaken by the two members of the team engaged on programme and project assurance does involve advising on the PQA framework and at times they are drawn into issues, but always minded that this is in an advisory role and they play no part in decision making in these areas.

- 4.16 The work done by Internal Audit in supporting and providing assurance to the Audit Committee around risk, governance and internal control is a key element of the Audit Committee's own assessment and the recent exercise provided an encouraging response in relation to the work done by the Audit teams and the way in which their reports are presented .
- 4.17 More work is planned with neighbouring authorities for a peer review of audit arrangements, systems and processes ahead of a full external assessment over the next two to three years, as required within the Standard. The outcomes of this should be reported during 2015-16.

## Audit Reports Issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b><i>Fundamental / High</i></b>				
Harbour Authority Stores	Satisfactory	1	1	
Brindley Road Stores	Limited assurance	2	2	20 recommendations overall
Education Catering Stores	Good	0	0	
Allocations, lettings and voids	Satisfactory	1	1	
Supporting People	Limited assurance	2	2	12 recommendations overall
Audit of risk management processes	Satisfactory	0	0	
Firewall and corporate internet content filtering	Satisfactory	1	1	
Children with Disabilities	Limited assurance	7	7	21 recommendations overall
Sponsorship Arrangements	Limited assurance	3	3	12 recommendations overall
Duplicate Payments	Satisfactory	0	0	E-mail sent to action
Rent setting	High assurance	0	0	
Supervised Contact Service	Limited assurance	2	2	11 recommendations overall
Treasury Management (CRSA and in year testing)	Satisfactory	0	0	
Casual staff	Satisfactory	1	1	
Agency placements	Satisfactory	2	2	
Brindley Road stores	Limited assurance	1	1	24 recommendations overall
Data Storage and Capacity Management	Satisfactory	0	0	
Invest to Save	Satisfactory	0		Draft report issued
Cheque Printing	Satisfactory	2		Draft report issued
NDR	Satisfactory	0		Draft report issued
Council Tax	Satisfactory	0		Draft report issued

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Medium</b>				
Ysgol Pen y Pil	Limited assurance	12	12	38 recommendations overall
Hubs – income review	Limited assurance	8	8	11 recommendations overall
Llanedeyrn High School	Satisfactory	0	0	
Ysgol Bro Eirwg	Limited Assurance	18	18	70 recommendations overall
Llanedeyrn Primary School	Satisfactory	1	1	
Cardiff White Water Rafting Centre – income review	Satisfactory	0	0	
Hubs (Libraries) – income review	Satisfactory	3	3	
KD146 Staffed Accommodation	Satisfactory	0	0	
KD172 Staffed Accommodation	Satisfactory	0	0	
Cardiff Bay Visitors Centre - income	Satisfactory	0	0	
Coed Glas Primary School	Satisfactory	2	2	
St. Cuthbert’s R.C. Primary School	Satisfactory	0	0	
KD143 Staffed Accommodation	Satisfactory	0	0	
KD174 Staffed Accommodation	Satisfactory	0	0	
Glyn Derw / Michaelston Federation	Limited Assurance	2	2	24 recommendations overall
Herbert Thompson Primary School	Satisfactory	0	0	
Llanishen Leisure Centre – café	Satisfactory	1	1	
St. David’s Hall Box Office	Satisfactory	2	2	
Storey Arms	Satisfactory	2	1	
Student Awards	Satisfactory	0	0	
Caretaking and Cleaning	Satisfactory	3	3	
Leisure Centre – income	Satisfactory	0	0	
Marlborough Primary School	Satisfactory	0	0	
City Centre TIC	Satisfactory	0	0	
Llysfaen Primary School	Satisfactory	1	1	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Independent Living Project	Satisfactory	0	0	
Youth Offending Service	Satisfactory	0	0	
Food Safety	Satisfactory	0	0	
Greenway Primary School	Satisfactory	1	1	
Pen y Bryn Primary School	Limited Assurance	8		Draft report issued
Pencaerau Primary School	Satisfactory	0		Draft report issued
St. Monica's	Limited Assurance	9		Draft report issued
<b>Grants / Accounts / External Bodies</b>				
Cymorth	Limited assurance			
Cardiff Tenants and Residents Federation	Satisfactory	0	0	
IMLU	Satisfactory	0	0	
Glamorgan Archives	Satisfactory	4	4	
Homelessness grant	Satisfactory	0	0	
Neighbourhood Fund	Satisfactory	0	0	
School uniform grant	Satisfactory	0	0	
Cardiff Further Education Trust Fund	Satisfactory	0	0	
<b>Follow-ups</b>				
Domiciliary Care framework	Satisfactory progress	1	1	
Ysgol Glan Morfa	Satisfactory progress	1	1	
Pre-contract: Tenders and Quotes	Satisfactory progress	0	0	
St. Teilo's	Satisfactory progress	0	0	
Oakfield Primary School – 5 <sup>th</sup> follow up	Satisfactory progress	0	0	
Moorland Primary School	Satisfactory progress	1	1	
Corporate Appointeeships	Satisfactory progress	0	0	
Pentyrch Primary School – 2 <sup>nd</sup> follow up	Satisfactory progress	0	0	
IT Asset Management	Satisfactory progress	0	0	
East Moors Youth Centre	Satisfactory progress	0	0	
Rumney High School	Limited assurance	9	9	21 recommendations

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
				overall
Hubs – income review	Satisfactory progress	0	0	
Safeguarding & Review – Core Group process (2 <sup>nd</sup> follow up)	Limited assurance	4	4	10 recommendations overall
Direct Payments (CH&CS)	Satisfactory progress	0	0	
Highways Street Operations payroll	Limited assurance	0	0	17 recommendations overall
St. Alban’s RC Primary School	Satisfactory progress	1	1	
Commercial Catering	Satisfactory progress	0	0	
HB / self employed assessments	Satisfactory progress	1	1	
ICT Business Continuity Planning	Satisfactory progress	1	1	
Receipt, custody and opening of tenders	Satisfactory progress	0	0	
St. Joseph’s Primary School	Satisfactory progress	1	1	
Llanedeyrn Primary School	Satisfactory progress	1	1	
Ysgol Pen y Pil	Satisfactory progress	1	1	
Ysgol Bro Eirwg	Satisfactory progress	0	0	
Payroll overpayments	Limited assurance	1	1	9 recommendations overall
Direct Payments – Resources	Satisfactory progress	1		Draft report issued
<b>Ad hoc assignments</b>				
Additional salary payments		E-mails to Directors		
Sickness absence		E-mail to HRPS		
Consultants - VAT		E-mail to Director		
Consultants – PDD		E-mail to Director		
Consultants – Organic Waste		E-mail to Director		
Willowbrook Primary School – income procedures				
Rhiwbeina Primary School – sale of equipment				
Castle overtime review		Draft report issued		
Pool cars		Draft report issued		

### Work Areas where a Standard Audit Report is not prepared

It is important to understand that much work undertaken within Audit will not have a report as an outcome. The following list is not exhaustive, but shows some areas where audit time and resources have been spent during the year without necessarily producing a report as an output.

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work continues being a critical friend and providing advice and guidance to a number of programmes and projects. Audit Management are attending meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend. A series of email has been send to Directors challenging spend in some areas e.g. high earners, agency costs.
Alleged Fraud Investigation	<p>The Investigation team is involved wherever there is any suspicion of fraud, corruption or malpractice of a financial nature. Where the task involves reviewing a financial system, an Auditor would also be assigned to provide assurance around controls to minimise any repeat. These are generally unplanned and can be time consuming. Given the nature of the referral and potential risks associated with any fraud continuing they require prioritisation, often to the detriment of other “planned” work.</p> <p>Allegations being investigated are summarised and reported regularly.</p>
Grants	There continues to be demand for Audit of grant claims, albeit somewhat reduced from previous years as more grants are subsumed into the Council’s main RSG. This provides an income stream but has to be managed in terms of resources.
Ad hoc Requests	Enquiries and assignments e.g. appointment of consultants, Invest to Save.
Schools - General	Specific problems in schools have required audit attention. Senior Management from Audit is now attending Governing Body meetings where a Limited Assurance opinion is considered. CRSA workshops are ongoing.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	<p>Audit of clients’ risks, systems and procedures (as per Terms of Reference) (Income stream) Audit of Accounts e.g. Tenants Federation, Glamorgan Archives.</p> <p>Provision of advice due to knowledge on risk management and controls.</p>
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.
Financial Stationery	Ordering, control and distribution.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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**INTERNAL AUDIT ANNUAL REPORT 2014/15**

**REPORT OF THE AUDIT & RISK MANAGER**

**AGENDA ITEM: 9.1**

---

**Appendix C to Annex 1 of the attached 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. At the end of each financial year a report is prepared setting out the work undertaken by the Internal Audit Section over the past 12 months. This is shared with the Section 151 Officer and Audit Committee.
2. Following research of other “UK core cites”, Members will notice the format of the Annual Audit report is more streamlined than previously, focusing on outcomes and the main matters arising from the work of the Section over the past twelve months.

**Background**

1. The Annual Internal Audit Strategy/Plan for 2014-15 was reported to the Audit Committee in March 2014, outlining the work plan for the Audit Section, providing a yardstick by which performance could be measured.
2. Each quarter a progress report has been prepared for the Corporate Director Resources which outlines the work undertaken by Internal Audit and measures progress against the Plan. This provided an opportunity to discuss and review work undertaken and prioritise high risk assignments. These reports also provided feedback on some key performance indicators, client feedback and other initiatives with which Audit are engaged. During 2014-15 these reports were presented to Audit Committee at each meeting.
3. At the end of each financial year a report is prepared providing an overview of the approach adopted to audit assignments, and details the work undertaken by the various Audit teams over the past 12 months.

**Issues**

4. The report for the financial year 2014 -15 is attached at Annex 1.
5. In addition to an overview of work undertaken and its outcomes, the report also provides information on new developments within the Section over the past 12 months and some useful performance monitoring information in relation to client interaction and feedback.

6. A key feature of this report is where the Audit & Risk Manager, in compliance with the Public Sector Internal Audit Standard (PSIAS) provides an opinion following an assessment of the effectiveness of the control environment and risk and governance arrangements within the Council, based on the work of the Audit teams.
7. The report also confirms that it is the Audit & Risk Manager's view that the work of his teams conforms to the PSIAS with no significant non-conformance to be reported.

### **Reasons for Recommendations**

8. To provide Audit Committee Members with an overview of Internal Audit activity during 2014-15.

### **Legal Implications**

9. There are no direct legal implications arising from this report.

### **Financial Implications**

10. There are no direct financial implications arising from this report.

### **RECOMMENDATIONS**

11. That the Committee note the report.

**DEREK J KING**  
Audit & Risk Manager  
June 2015

The following Annex is attached:

Annex 1 - Internal Audit Annual Report, 2014/15

**AUDIT COMMITTEE: 22 JUNE 2015**

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**INTERNAL AUDIT PROGRESS REPORT, 2015-16**

**REPORT OF THE AUDIT & RISK MANAGER**

**AGENDA ITEM: 9.2**

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**Reason for this Report**

1. To provide the Audit Committee Members with an update on the work of Internal Audit up to 31<sup>st</sup> May 2015, for the current financial year. As agreed with Committee previously, a full update will be provided at 6 monthly intervals.

**Background**

2. An Annual Audit Strategy/Plan is prepared each year which acts as a yardstick by which the work of Internal Audit can be measured. It is important that this allows for flexibility so that professional judgement can be applied to enable work to be prioritised over the life of the Plan in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
3. The Audit & Risk Manager prepares quarterly briefings outlining the work undertaken by the audit teams and key performance information.
4. Progress reports are discussed with the Corporate Director Resources to provide her with a meaningful update of the work of the team, and to afford her the opportunity to discuss changing priorities. This is then presented to Audit Committee.

**Issues**

5. The progress report is attached at Annex 1 for information.

**Legal Implications**

6. There are no direct legal implications arising from this report.

**Financial Implications**

7. There are no direct financial implications arising from this report.

**RECOMMENDATIONS**

8. That the Committee note the report.

**DEREK KING  
AUDIT & RISK MANAGER**

Annex 1: Internal Audit Progress Report

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**RESOURCES DIRECTORATE  
INTERNAL AUDIT SECTION**

**Internal Audit Progress Report  
(as at 30th May 2015)**

**Content:**

**Overview Page**

**Appendix A - Reports Issued**

**Appendix B - Key Facts**



**Prepared by: Derek J King, Audit & Risk Manager**

# INTERNAL AUDIT PROGRESS REPORT

## INTRODUCTION

### Internal Audit Section Resources

A change in structure was introduced last year, to retain key skills within the team, to help meet the changing pressures and challenges facing the Audit Section at this time. However, there continues to be huge pressure on Audit resources in the current year, mainly as a result of:

- The Audit & Pensions Manager, who shared the role of overseeing the work of the Audit team with the Audit & Risk Manager, retired in early May. The Pensions Manager since May has reported directly to the Corporate Director Resources. The Audit & Risk Manager will continue to “manage” the audit teams.
- A Senior Auditor post has been vacant since November and attempts to fill this post since then have proved difficult. As no suitable candidate was found after both internal and external advertisement a new approach to the role has been adopted and an advertisement placed at the end of May.
- The Principal Auditor, Risk & Governance left the Council in early May to take up a position with a private auditing company. Interviews have concluded and a Senior Auditor with a great deal of experience has been appointed to this key role. There will be an impact on audit coverage, whilst recruitment to fill the vacancy takes place.
- A second Principal Auditor post, previously filled on a temporary basis, has been made permanent to strengthen the senior management arrangements within Audit; a positive decision given the challenges faced.
- The Principal Auditor, Programme and Project Assurance left the Council at the end of May to take up a position within the private sector. It is unlikely this post will be filled as part of budget pressure discussions. The temporary contract for the Senior Auditor working in this area is being extended until the end of March 2016, to ensure this important element of work is maintained.

With increasing pressure to adapt to an ever changing risk profile, these changes are having an impact on audit coverage, but there are some positive developments aimed at strengthening senior management arrangements going forward.

### Continuing Professional Development

All PP&DR reviews in relation to performance during 2014/15 are on track to be concluded within the deadline of the end of June. New objectives have been set for all members of the Section based on the Audit Service Delivery Plan (as set out in the Strategy). The objectives of the Audit team for 2015/16 are focussed on output measures of performance, in line with the provisions of the PSIAS.

### **SUMMARY OF WORK PERFORMED**

#### Audit team

The Audit Strategy for 2015/16 set the scene for audit coverage for the year and the planned assignments have been set up in our audit planning, monitoring and control database. Priority was given to any audits planned for the 2014/15 year end, not commenced or completed during that year.

All auditors have been allocated 3 months work with an expectation their assignments will be effectively managed and delivered within that time scale. This approach, focusing more on outcomes, is new and being tried in order to improve performance and timeliness of reporting.

As in previous years, this progress report concentrates on audit work undertaken and some key performance indicators rather than a Plan v Actual comparison so early on during the year. A full Plan v Actual position will be provided at the half year stage with any recommendations to changes to planned coverage.

Key information this quarter is shown in **Appendix A**, which shows a list of audits reported for the period April until the end of May 2015 (time of writing this report). This includes assignments carried forward from 2014/15 which were prioritised accordingly in this year's Plan. Members will note from Appendix A that there have been three Limited Assurance opinions included in final audit reports (and one potential limited assurance has been issued in a draft report). However, in line with the new protocol, none have been assessed as requiring the immediate attention of Audit Committee, and all will be discussed first with the Chief Executive.

Audit Management have been involved in providing training on control and compliance and is raising awareness with middle managers around the importance of control and adhering to Council rules, as part of the Cardiff Manager programme. To date, over 100 managers have attended and feedback has been very encouraging.

As part of a role seeking value for money we have continued to analyse spend in certain areas and sought assurances from Directors around the appropriateness of levels of spend, for example an analysis for each Directorate of “high” earners.

The Audit & Risk Manager has now arranged for the Section to join the UK Core Cities Heads of Audit Group. This first meeting is scheduled for July. This network will be really useful for sharing best practice and developing how the profession can evolve. It is good news that we are now part of this.

#### Investigations team

A revised Fraud, Bribery and Corruption Policy has been drafted and presented to the Audit Committee; this is due to be presented to Cabinet in June. An updated Money Laundering Policy and Procedure has been produced and is also due to be presented to Cabinet in June.

The Group Auditor (Investigations) has been working with Human Resources to contribute to the review of workplace investigations in Cardiff Council. A report and executive summary has been produced and meetings are ongoing.

Work is continuing on analysing data matching output from the Cabinet Office’s, National Fraud Initiative, targeting those most likely to result in a formal investigation.

#### Risk and Governance

A great deal of work has been undertaken this quarter on the Corporate Risk Register (CRR) 2014/15 year end position and the Annual Governance Statement (AGS). The latter included meeting with Directors to discuss their Annual Governance Statement and summarising this for relevant input to the AGS. The CRR and Governance Statements summary was reported to Senior Management Team in May 2015. The CRR is being reported to Audit Committee in June and Cabinet in May. The AGS is being reported to Committee in June as part of the Statement of Accounts.



Audit has continued to support Audit Committee in drafting their Annual Audit report and ensuring they are kept informed on a range of governance and control issues, alongside general support for meetings.

Similar to mentioned above, in relation to control and compliance, Audit management have been involved with training middle managers in risk management, as part of the Cardiff Manager programme, helping to raise their awareness around the importance of managing risks and following a standard methodology of assessment. To date over 100 managers have attended and feedback has been very encouraging

### Programmes & Project Assurance

The team has continued to champion PQA and sound governance arrangements across a wide range of projects. They have continued to engage on a number of high profile projects providing advice and training as appropriate. Key successes include procuring accredited project management training to improve the governance and delivery of projects across the Council; leading on the delivery of SharePoint for electronic document & record management for Internal Audit; developing a number of reports which are used by the Senior Management Team to monitor project delivery and governance, such as a new Programme Highlight Report automated from the Portfolio, Programme & Project Management Database and implementing a 'Heat Map' which sets out the status of governance across key programmes and projects.

## **AUDIT PERFORMANCE AND ADDED VALUE**

### Added value

Meetings have been arranged with every Director, in line with our Relationship Manager initiative, and diarised for quarterly meetings throughout 2015/16. These have proved to be really useful in progressing matters relating to audits completed and planned and for discussing directorate risks, issues and areas for potential audit input.

The A&RM meets on a bi-monthly basis with the Chief Executive to discuss audit issues and any limited assurance reports.

Extensive work has commenced in progressing a service review as part of the Resource's Finance function. Service Reviews are aimed at ensuring that the Council's services are capable of meeting current and future demands and expectations within the constraints of the budget strategy and will

also support the Council to identify opportunities to improve services and also deliver the significant savings that need to be delivered in the short to medium term. At year end, the opportunity was taken to analyse performance over the past 12 months and use this information for updating our key activities documentation and identify areas for further improvement. This work will be continued in 2015/16.

### Benchmarking

The Audit team is a member of the Welsh Chief Auditors and CIPFA benchmarking groups and has recently submitted statistics to both groups for 2014/15. Comparative data is anticipated to be received during the summer period.

The team has also recently joined the Core Cities benchmarking group and the A&RM is in the process of collating benchmarking data for this group, with the comparative information being available in July 2015.

### Performance information

**Appendix B** sets out some key facts for the section for quarter 1.

### Processes

We have continued work on taking forward the corporate pilot of SharePoint, as the Council's Electronic Document & Record Management System, whilst carrying out a pre-go-live audit of the SharePoint / EDRMS Project. Audit are on track for go-live with SharePoint by the end of May.

### Reports Issued in Quarter since last reported (as at May 2015)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b><i>Fundamental / High</i></b>				
NDR	Satisfactory	0	0	
Council Tax	Satisfactory	0	0	
Cheque Printing	Satisfactory	2	2	
Housing Rent Arrears	Satisfactory	0	0	
Invest to save	Satisfactory	0	0	
SRB – Whitchurch High School	Limited	4	4	
Castle – overtime review	Limited	3	3	
Main accounting	Satisfactory	0	0	
Service charges	Satisfactory	0		Draft report issued
<b><i>Medium</i></b>				
Pencaerau Primary School	Satisfactory	0	0	
St. Monica's Primary School	Limited	9	9	
Pen y Bryn Primary School	Limited	8		Draft report issued
Cashless catering in schools	Satisfactory	1		Draft report issued
<b><i>Follow-ups</i></b>				
Direct Payments – Resources	Satisfactory progress	1	1	
Rumney High School (second follow up)	Satisfactory progress	0	0	
<b><i>Ad hoc assignments</i></b>				
Property, Land and Procurement Changes				Briefing paper
Additional salary payments				Emails to Directors
Consultancy contract				Briefing paper
Sickness absence				Email to HRPS
Pool cars				Draft report issued
CRSA – Schools				On-going

## Key Facts

AUDIT RECOMMENDATIONS		Proposed	Agreed
No. of Recommendations		46	43
No. of Risks:	Red	7	7
	Red/Amber	16	14
	Amber/Green	21	20
	Green	1	1
% Agreed			93%
AUDIT QUESTIONNAIRES		Detail	
No. of Questionnaires Sent:		8	
No. of Questionnaires Received:		8	
		Excellent	53%
		Good	44%
		Satisfactory	3%
		Unsatisfactory	0%
Return Rate:		100%	
Business Plan Target Return Rate:		66%	
Satisfaction Rating:		100%	
			Detail
FRAUD STATS			
No. of Referrals Received:			
- Council tax liability		2	
- Council tax reduction		2	
- Employees		7	
- Housing		4	
REPORTING UPDATES	No. of 'Open' Audits on CIS	Comments	
2015-16	5	Detail to be provided half year.	
2014-15	20		
2013-14	8		
2012-13	1		

By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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**OUTSTANDING ACTIONS**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 10**

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**Reason for Report**

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

**Background**

2. A clear message arising from the Audit Committee self assessment workshop, held in January, was the need to reduce meeting agenda items and for matters of interest and action updates to be by way of an information briefing report at future meetings.

**Issues**

3. Some outstanding actions have been progressed and the briefings for these are attached.
4. Where Members have asked to be updated on some key areas, the outstanding audit related matters and service area issues are attached at Appendices A to C.

**Legal Implications**

5. There are no legal implications arising from this proposal.

**Financial Implications**

6. There are no financial implications arising from this proposal.

**Recommendations**

7. Audit Committee note the content of this report.

**Derek King**  
**Audit Manager**  
June 2015

The following Appendices are attached:

**Appendix A: Outstanding Audit Actions** containing:

Annex 1: Internal Audit - Audit Plan

Annex 2: Assurance Mapping Exercise

**Appendix B:** Strategic Highways & Planning Response

**Appendix C:** Education & Lifelong Learning Annual Report on School Governance and Deficits

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## OUTSTANDING AUDIT ACTIONS

### AUDIT PLAN – FURTHER DETAILS

On 23<sup>rd</sup> March 2015, the Audit Committee was presented with the Audit Strategy for 2015/16, which included an overview of the planned coverage for the coming year.

At the time, meetings were on-going with Directors to consider their risks and challenges going forward and how Audit might add value to tackling these.

Members requested further detail of the planned coverage and reported figures.

Reported figures show that after allowing for annual leave, public holidays, sickness, training management time and admin, 2,050 days is available for the Audit team, 430 for Investigations, 190 for Risk & Governance and 390 for Project Assurance.

The 2,050 days for the Audit team can be analysed further as shown in the table below:

	Number of days
Fundamental audits	205
Corporate Governance assurance	40
Other assurance	400
Service specific	910
External clients and grant audits	90
General audit	180
Management	225
	<b>2,050</b>

Further details on contract and computer audits (within “other assurance” above) and main service specific audits, are attached.

	Number of days	Main audits to be undertaken
Contract	130	Building Services Framework (Audit Cttee) Hodges Square Investment at Millbank Primary School Contract monitoring Review of contract delegations Other current contract work e.g variations CSO&PR – engagement on review Contract guidance (schools) Follow up audits
Computer	100	Being discussed with Head of ICT .Some follow up work ongoing.

## Service Specific

Directorate	Number of days	Main audits to be undertaken
City Operations	150	Some discussions with current Directors but new Director to be appointed who may influence priorities. This will include some follow up audits, a review of Car parking processes and some audits in Waste management
Communities, Housing and Customer Services	120	Independent Living Project CMS Communities First Temporary accommodation Allocation, lettings and voids
Economic Development	60	Not yet fully allocated due to service changes. This will include follow up audits and income review in Dr Who exhibition.
Education and Lifelong Learning	280	Cashless catering CRSA Thematic audits British Council projects ALN Post-16 funding Novus Project School issues/ visits Follow up audits
Social Services	250	Domiciliary Care assessments / charging Domiciliary Care packages Learning Disability Contracts Children's Services grants Payments to Care Leavers Fostering Payments Cross cutting imprest Residence Order Allowances Adoption payments Supported accommodation Home Care Grants, SLAs, commissioned services Closer to Home Crosslands Residential care Mental Health contracts Direct Payments Follow up audits

All the above figures will include:

- Advice & Guidance – specific or more general.
- Director days to build in flexibility, to target specific risks arising during the year.
- System development work – ensuring risk and controls are duly considered.

## **DEVELOPMENT OF AN ASSURANCE MAPPING EXERCISE**

1. The report describes the process that the Internal Audit Section is adopting to map the Council's key risks, and the source and level of assurance that the Council receives on those risks. This approach will be used to support the development of the Audit Plan in the future.
2. In drawing up an annual Audit Plan the Audit & Risk Manager will always look to other sources of assurance, in addition to the outcomes from the work of his own team, to shape priorities going forward, thus ensuring that resources are effectively targeting higher risks. This is vital as Audit resources reduce. This current mapping exercise is looking to formalise work done previously in this area and to build on this to ensure all sources are captured, properly assessed and considered as part of future plans.

### **Background**

3. Internal Audit has a responsibility under the Public Sector Internal Audit Standards (PSIAS) to provide assurance on the adequacy of governance, risk management and the related controls. Under the PSIAS (standard 2050), "the chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts."
4. Assurance mapping is a process that provides confidence that risks are being effectively managed. The aim is to understand the sources of assurance and their scope / limitations so that resources can focus most effectively on the areas of higher risk. There are many sources of assurance across the Council that can be used to provide evidence on the effectiveness of the management of risk and internal control.
5. The assurance framework model is based on the "three lines of assurance" model where Level 1 assurance is gained from work within directorates, level 2 assurance from internal scrutiny bodies / committees, and level 3 assurance comes from external sources (external audit and other external scrutiny bodies, such as Estyn).
6. Internal Audit will use this approach to conclude on the strength of arrangements across each of the three levels of assurance to help shape future audit coverage. It is anticipated that this approach will reduce areas of duplication or "over assurance", to ensure that resources are focused on key priorities or risks.
7. The assurance map takes as its starting point the risks identified in the Council's Corporate Risk Register, and then considers the operational / business risks and any process or procedure risks that are identified during other discussions or reviews.

### **Issues**

8. The annual Statement of Assurance completed by Directors provides useful information to feed into any assurance mapping exercise. Meetings around these statements help to understand what procedures and processes there are within directorates which can provide a degree of assurance e.g. any inspection regimes or quality assurance testing.

9. Directorates are expected to maintain directorate risk registers which should be continually refreshed and updated. These registers should record all directorate and operational risks and identify actions which may serve to support mitigations of the more strategic risks.
10. The Audit and Risk Manager has emailed all Directors regarding the assurance that can be gained from the work done within directorates. The Audit Relationship Managers have been tasked with progressing these discussions as part of the quarter 1 meetings with Directors.
11. Directors have been requested to identify any regulatory, audit or inspection regimes within their areas, which will be considered as part of the mapping exercise.
12. Internal Audit has undertaken an exercise to analyse the reports provided to Cabinet, Scrutiny Committees and Audit Committee over the past 12 months in order to identify the areas of work that have been reviewed by those committees. This information has helped map assurance for some of the corporate risks. Follow up work is also being undertaken on the risks identified in the Annual Governance Statement.
13. The Audit and Risk Manager is now being copied in to all reports issued by the Wales Audit Office. Internal Audit has had sight of the WAO work plan, and will be liaising with them regarding the terms of reference for each work area to avoid duplication in these areas.
14. A further report is to be prepared later in the year on progress made and how the mapping exercise may influence future audit coverage and provide greater assurance to Audit Committee members.

**OUTSTANDING ACTIONS**

**RESPONSE TO INTERNAL AUDIT REPORT – DIRECTOR OF STRATEGIC PLANNING, HIGHWAYS AND TRAFFIC & TRANSPORT**

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 in January 2015. The Director's report would be presented at the Audit Committee in June 2015.

In producing the report, the Directorate would engage with Internal Audit to ensure all actions have been appropriately taken. An update from the Director is attached.

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# Highways Street Operations

## Response to Audit Report October 2014

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City of Cardiff Council



## Revision History

Summary of Changes	Author of Changes	Date	Version
Summary of current position and response to Red / Amber and Red risks identified in follow up audit	Matthew Wakelam	15/05/15	1.0
Added information plus conclusion to provide assurance to scrutiny	Matthew Wakelam	21/05/15	2.0
Added Internal Audit Opinion – page 4.	Babita Parekh	08/06/15	3.0

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## **INTERNAL AUDIT OPINION**

### **BACKGROUND**

1. The 'Highway Street Operations' audit undertaken in 2014 involved a review of processes and procedures around the teams of operatives responsible for reactive highways works. It was the latest in a series of audits which resulted in a limited assurance audit opinion.
2. The main risks were concerned with the arrangements for monitoring of operatives, in order to provide assurance of hours worked, locations attended and appropriate use of vehicles.
3. In December 2014, Audit Committee was provided with an Executive Summary of the October 2014 Highways Street Operations final audit report. The Director of Strategic Planning, Highways, Traffic and Transportation attended Audit Committee and could not provide assurance that progress was made to address audit concerns as reported in October 2014, although he was committed to setting up a Task & Finish exercise to undertake a thorough review of processes and explore new ways of working. With this in mind, Audit Committee members requested that the Director report back to June 2015 Audit Committee, with assurance that all audit concerns raised in October 2014 have been addressed and for Internal Audit to provide reassurance from a control perspective and that inherent risks have been mitigated.
4. This follow up audit commenced in May 2015, to assess that the recommendations of the October 2014 report had been implemented. Preliminary fieldwork was undertaken including interviews with Officers in the Directorate.

### **MAIN CONCLUSIONS**

5. It was found that management have developed a framework to address the recommendations, and some progress has been made to implement them. In recent months, several initiatives have been implemented to improve efficiency including: the introduction of 'multi functional gangs', the move from a timesheet based bonus scheme to a salary scheme under Single Status, and the implementation of the AMX Asset Management and Works Ordering system.
  6. Furthermore, many of the recommendations regarding monitoring of operatives are expected to be addressed by the recent appointment of 2 x Works Managers together with a Maintenance Operations Team Leader, who is expected to take up post in August.
  7. In order to allow the above initiatives and other changes to be embedded, audit opinion has been 'deferred', and the audit is now expected to be undertaken 6 months from the issue date of this Briefing Note.
  8. Key areas that management should prioritise include:
    - Monitoring of the actual hours worked by operatives and their presence on site
    - Use by management or supervisors of available monitoring tools to give assurance that vehicle movements are appropriate and for official business use only
    - Production of a formal record of driver activity to meet the requirements of the GB Domestic Drivers Hours Rules
    - Introduction of mobile scheduling technology for operatives and supervisors, to be used for job allocation and for monitoring purpose.
-



## **MANAGEMENT RESPONSE**

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This Report is a response to the follow up audit undertaken by Resources – Internal Audit section on Highways Street Operations. The initial audit took place in 2011 for which there was a limited assurance (unsatisfactory) audit opinion. A follow up audit took place in 2014 and main conclusions provided to the Directorate.

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### **1. The current position**

This section provides an overview of the management and maintenance operations teams.

#### **1.1 Organisational Overview**

Since the audit in 2011 and subsequent follow-up audit in 2014 the Directorate of Strategic Planning, Highways and Transportation has undertaken a radical restructure that has changed how services are organised, how they are managed and most importantly a new culture to how Officers work.

The original audit looked at Street Operations teams 1, 2 and Lines and Signs. However, the restructure has meant that Maintenance Operations now has the following operational units: -

Management Team and Administration – 4 Officers

Road and paving maintenance – 15 Officers

High Speed Routes & Public Right of Way (PROW) – 9 Officers

Street lighting – 9 Officers

Drainage (surface water & foul) – 11 officers

A list of the Officers in Maintenance Operations can be seen in Appendix 1.

The payroll payments following restructure for Maintenance Operations in 15/16 is budgeted to be £1.136M this is a reduction from the 13/14 figure of £1.9M. This is for all of the posts listed in appendix 1. The overtime payments for 14/15 were £256,319.59 and it is envisaged that this will reduce due to a decrease in Officers within Maintenance Operations and working practices.

Further to this Central resources support the operational teams in relation to ordering materials and equipment and also placing Officers' information on DigiGov. This supports the objective of having all overtime payments and other claims for Officers being placed on DigiGov.

The response to the audit will be with regards to Maintenance Operations as we are currently in the process of working to make Officers more multi-functional so there is flexibility in how we work and so the Officers can support each other as demands require, including in inclement weather.

The reason for this change is that in the last 18 months there has been a 45% reduction in front line Officers working in Maintenance Operations. The reduction has come about for two main reasons:

1. There was a need to establish a consolidated workforce that could be managed efficiently and effectively. By removing aspects of work that sat outside reactive maintenance the Officers and Management Team were able to focus on the core processes relating to reactive maintenance to support improvements.
2. Austerity measures meant that there was a systematic review of the services provided and those that were deemed to be ineffective and inefficient were removed. An example of this was Lines and Signs where working practices and reduction in working budgets meant that it was more cost effective to deliver this service via a private lines and signs contractor. In essence there was not sufficient work to warrant employing a full-time line and sign gang and therefore purchasing the service externally via a competitive framework will ensure best value and allow services to be provided as and when required.

As well as the Maintenance Operations team changing there has also been a significant change in the management of the service. The core management team now consist of the Director, Operational Manager 1, Operational Manager 2, Team Leader (grade 10) and two Work Managers (grade 7). There are also four supervisors that supervise the operational teams.

The management team has changed significantly since 2011 with only 2 Officers and the supervisors being in post in this part of the Directorate since 2011. The Director and Operational Manager 1 have ensured that they have been involved with the frontline Officers to provide leadership and direction and to change the culture to allow frontline officers to become engaged in the work that they do.

Since March 2015 the management team have been working with the frontline officers to listen to their views and to provide an explanation to the changes that have taken place. This work has taken place in the form of a highways task group meeting where all of the management team and the front-line officers have met regularly to improve engagement and to look at how improvement in effectiveness and efficiency can be supported.

A summary of the work identified by the task group meetings is shown in Appendix 2.

Once agreed smaller working groups will take each aspect forward.

The delivery of multi-functional teams that work across maintenance operations will ensure customer focused services are delivered at times of peak demand. Appendix 3 shows the requirements of the new roles that will be delivered through a Job Evaluation process and via engagement with the frontline Officers.

## 2. Response to follow up audit – Audit 2011

This section outlines the position with regards Red / Amber and Red risk rated recommendations as of May 2015 for the original audit undertaken in 2011.

### Recommendation 3

**The corporate 'Acting up Authorisation Form' (4.HR.391) should be completed prior to the payment of acting up allowances in accordance with the 'Acting up Scheme' (5.HR.022). The form should be authorised by the Chief Officer.**

There are 3 Officers that are currently acting up in maintenance operations. The forms are complete for the three officers.

Action – No action required with regards Maintenance Operations.

MW to ensure that acting-up forms (signed) are controlled, files and monitored by the finance and business team.

### Recommendation 4

**A review of all acting up arrangements should be undertaken, to ensure the continued appropriateness of the acting up or whether some other arrangement should be put in place to cover the duties. Where it is considered that longstanding acting up arrangements are required, Management should review, in consultation with HRPS, whether an honorarium or internal secondment may be a more appropriate arrangement.**

Work is ongoing with regards to the Job Evaluation and restructure in the Maintenance Operations area. Following this exercise there will be no acting up required.

An example of the progress is that the team leader was acting up. This post has now been recruited to and so the acting up has now ceased.

There will be a need for informal acting up to cover short periods of supervisor absence. The Work Managers will complete the relevant forms.

Action – Work Managers to provide informal acting up forms.

### Recommendation 5

**All acting up arrangements and payments should be subject to ongoing monitoring by the Directorate and an 'Equality Impact Assessment' to ensure that acting up is implemented in a non-discriminatory manner in accordance with the provisions of the 'Acting up Scheme'. There should be an annual review of all acting up payments in consultation with Trade Unions in accordance with the scheme.**

All acting up arrangements are now monitored Directorate wide through the finance and business team. This allows the information to be reviewed quarterly at the Senior Management Team meeting and the ongoing provision monitored. Annually the Directorate Senior Management team will discuss acting up arrangements with Trade Unions.

Action – MW to ensure that EqIA forms are in place for each Officer having an acting up arrangement in the Directorate.

### **Recommendation 6 & 7**

**The time credited on timesheets and paid to staff for the return of a work vehicle which conflicts with other time recorded to productive jobs should be reviewed for appropriateness. The time recorded and paid for collection and return of a work vehicle should be for a period prior to the commencement of productive duties, and the Supervisors authorisation of the timesheet should denote verification of this.**

Two Work Managers have been recruited as part of the restructure to manage performance management, including performance monitoring, quality, training etc.. The reduction in frontline Officers by 45% means that management and control is improving.

Ongoing monitoring is taking place and the use of DigiGov for all Officers means that any anomalies are highlighted prior to authorisation.

Action – No further action required.

### **Recommendation 8**

**It should be ensured that the start and finish times for each job are written clearly on each timesheet by the Operative prior to authorisation by the Supervisor.**

Supervisors have been instructed not to sign off work orders unless all of the information is completed. The work orders are now recorded on AMX which is an asset management tool.

The use of a new asset management tool AMX allows ongoing monitoring and reports to be run.

Moving forward the use of remote access to AMX to the frontline operatives will mean that paperwork will not be required. This approach will mean that the work orders will be unable to be closed without all of the information being in place.

Action – MW to review the use of tablets to enable frontline teams to close out work orders directly from site via AMX.

### **Recommendation 13**

**During periods where work can not be undertaken due to adverse weather conditions staff should be given alternative jobs wherever possible, and remain available for work in case conditions improve for the duration of their shift.**

The work to progress new multi-functional gangs is ongoing and the roles are currently going through a Job Evaluation process. The Work Managers will be responsible for ensuring alternative tasks are allocated to officer(s). Improved wet weather clothing is to be provided to support the work of the multi-functional gangs. . If agreed by the frontline officers, wet weather working will be implemented via job evaluation / new role.

On 21<sup>st</sup> May a verbal agreement was made that Officers would undertake other duties rather than be sent home due to adverse weather condition. Work; such as, filling grit bins and cleaning road signs will be undertaken are examples of alternative duties.

Action – Work Managers to continue the Job Evaluation process.

**Recommendation 16**

**Management must ensure that operatives are not paid overtime rates for an entire shift whilst remaining idle on site, or being sent home due to adverse weather.**

The Work Managers and Supervisors have been instructed not to pay overtime for operatives idle or have been sent home.

The role of multi-functional front line Officers will be developed via Job Evaluation and will mean that unless there are exceptional circumstances then Officers will continue to be at work for their working hours.

If Officers are sent home in an overtime situation the Officers will only be paid for the time worked / returned to depot.

Action – Work Managers to continue the Job Evaluation process.

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### **3. Response to follow up audit – Audit 2014**

This section outlines the position with regards Red / Amber and Red risk rated recommendations as of May 2015 for the follow up audit undertaken in 2014.

#### **Recommendation 2**

**In accordance with the GB Domestic Drivers Hours Rules management should ensure that a written record of drivers activities is maintained either in a format of a log book or a calibrated tachograph and is certified by the Supervisors on a weekly basis.**

Discussions with the Trade Unions have taken place. A working group will be looking at Health and Safety with regards to the work undertaken and this aspect will be reviewed in this group.

It is felt that engagement with the frontline Officers was an improved approach compared to attempting to enforce the requirement. If agreed by the frontline officers, the use of tachographs by drivers will be implemented via job evaluation / new role.

Action – Work managers to engage frontline Officers to establish approach with regards job evaluation / new role.

#### **Recommendation 3**

**Supervisors should check timesheets and the Quartix Daily Vehicle Logs to ensure vehicles are used appropriately and for official business only. Management should set a level for these checks for their assurance (such as 10%).**

Two Work Managers are in post and will be provided access to Quartix. They will monitor performance and also utilise Quartix if there are anomalies or concerns raised. Although this tool can provide an assurance it is important to highlight that there have been significant changes in behaviours and culture with the improved engagement with the Senior Management Team via the Task Force group. The work in this area identified the need to work collaboratively and move away from a 'them and us' culture that had historically been in place.

Action – GB to ensure Quartix is provided and that Work Managers monitor for assurance and that this is recorded.

Ongoing work to deliver improved behaviours by both managers and frontline officers.

#### **Recommendation 4**

**Management should provide assurance that vehicle movements prior to the audit are appropriate and for official business use only.**

The Work Managers to monitor the use of vehicles for assurance. The frontline Officers have been spoken to and through the task group working they recognise the position. There was recognition that if the team were working adjacent to or passing an Officers home that it would be appropriate for the individual to be dropped off.

Action – Work Managers to monitor for assurance and that this is recorded.

#### **Recommendation 5**

**Supervisors should liaise with the Fleet Management / Tracking Officer with the view of producing a bespoke report from Quartix showing operatives productive and non productive time spent on shift i.e. on site, travelling and idle.**

The Work Managers will monitor this element. The introduction of AMX to the frontline officers via mobile scheduling will mean that information is controlled electronically and will be input directly rather than through paper application. This will assist in ensuring that information is robust and controls within the system will prevent inputting of incorrect data.

Action – Work Managers to monitor for performance and where required review information in further detail.

#### **Recommendation 6**

**As part of the supervisory spot checks, Supervisors should verify that the productivity of operatives during a shift is sufficient. With any concerns reported to the Superintendents for further action.**

Productivity improvements are ongoing with regards to the task group (See appendix 2). Work Managers will be responsible for monitoring performance and addressing any issues with the teams, including supervisory officers.

Action – Work Managers to monitor performance and that this is recorded.

#### **Recommendation 7**

**Management should review the process of conducting site visits, with a view to ensuring that the 10% daily site visits are undertaken without warning to operatives.**

The introduction of AMX and Quartix will support providing improved information. Work Managers to undertake spot checks on their teams.

Action – Work Managers to undertake spot checks.

#### **Recommendation 8**

**Management should ensure that development of Mayrise takes account of productive and non productive time, to allow sufficient management information available to aid performance monitoring.**

This is now superseded by AMX. The Works Manager will monitor performance and productivity.

Action – Work Managers to utilise AMX to monitor performance and productivity.

**Recommendation 11**

**Management should consider whether the directorate would benefit and enhance service efficiency from the new ways of working i.e. hand held devices based up on the Mobile and Scheduling methods and technologies.**

Agreed. AMX is currently being developed as the tool to be utilised across the Directorate as our asset management and performance tool.

Action – GB to continue the development of AMX to support Officers and the Directorate including work with Enterprise Architecture.

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#### 4. Conclusion

This section provides an overview of the management view of the current position and how we will proceed.

A significant amount of time has been spent by the Senior Management Team, including the Director, to engage and communicate with front line officers. This has now culminated in a mutual respect between the frontline officers and management team that has been lacking for a number of years.

It is agreed that there are still improvements to be made but that for these to be successful they need to be taken forward on a mutual basis and not imposed. This cultural or behavioural change has taken place to a certain extent and it will be by the managers and the frontline officers being open and honest that this development or improvement will continue.

The work with regards to AMX and mobile scheduling is the next area to be targeted as it is recognised that this may resolve many concerns being raised through audit. It is the lack of controlled or validated information that has created concerns for audit and the introduction of technology should assist improvements. However, it should be recognised that the continuation of the 'them and us' culture and the watching and questioning of frontline officers would not have resolved the problems identified by audit. It has only been by engagement and communication between the managers and the frontline officers that there has been a significant shift in approach and behaviours.

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## Appendix 1 – Maintenance Operations – list of operatives

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<b>Maintenance Operations 2015/16</b>			
<b>Team</b>	<b>Grade</b>	<b>FTE</b>	<b>Sub Total FTE</b>
<b><u>Maintenance Operations Management</u></b>			
Team Leader (Maintenance Operations)	10	1.00	
Lead Officer ( Drainage & St Lighting)&(Road & Pavments)	7	2.00	
Admin Officer - Maintenance Operations	4	1.00	4.00
<b><u>Rd's &amp; Pavements General Maintenance</u></b>			
Supervisor	7	1.00	
Operative	6	14.00	15.00
<b><u>High Speed Routes &amp; PROW</u></b>			
Supervisor	7	1.00	
Operatives (Public Rights of Way, PROW)	5	2.00	
Operatives (High Speed Route)	6	2.00	
	5	3.00	
	4	1.00	9.00
<b><u>Drainage &amp; Gully Gang</u></b>			
Supervisor	7	1.00	
Operatives	5	6.00	
	4	4.00	11.00
<b><u>Street Lighting, Lining &amp; Signing</u></b>			
Supervisor	7	1.00	
Operatives	6	5.00	
	5	3.00	9.00
	<b>Total</b>	<b>48.00</b>	<b>48.00</b>

# MAINTENANCE OPERATIONS ACTION PLAN

Issues Taken/To be Taken	Action	Responsible Officer
<p><b>1: Improve communication and engagement</b></p> <ul style="list-style-type: none"> <li>• Opinions disregarded</li> <li>• No opportunity to express concerns</li> <li>• Lack of Respect</li> <li>• Lack of trust - always to blame</li> <li>• Low morale</li> <li>• Require regular meetings</li> </ul>	<p>(1) Code of Conduct to be reinforced</p> <p>(2) Regular meetings to be set up which would assist in eliminating some issues if not most issues to include Core Brief when available.</p> <p>(3) Improvement Review Group to be set up to monitor progress and issues arising from meetings including procedures.</p> <p>(4) PC to be made available to enable officers to access information.</p>	<p>All</p>
<p><b>2. Not enough Work</b></p>		

<ul style="list-style-type: none"> <li>• Too much passed to contractors</li> <li>• Other departments not passing work to highways e.g. Housing / Schools to Drainage</li> <li>• Missed work opportunities</li> <li>• Reduced overtime</li> </ul>	<p>(1) Take back smaller work initially, then potentially escalate to bigger works.</p> <p>(2) Capital Works – Demand from street inspectors addressed and improved situation. Training of inspectors ongoing.</p> <p>(3) AG to speak with Directors of other Service Areas.</p>	<p>All</p> <p>MW</p> <p>AG</p>
<p><b>3. Improved Equipment/Tools</b></p> <ul style="list-style-type: none"> <li>• Inappropriate and cheap tools/equipment being provided</li> <li>• Not able to carry out works to a professional standard</li> </ul>	<p>(1) Procurement issue now improved and appropriate equipment/tools now being provided. Continue to review and improve where required.</p> <p>(2) Give issues to Improvement Review Group</p>	<p>Managers/Supervisors</p>
<p><b>4. Poor/unnecessary procedures</b></p> <ul style="list-style-type: none"> <li>• Tipping arrangements</li> <li>• Poor job information</li> <li>• Unnecessary work</li> <li>• Duplicate work</li> <li>• Poor job programming</li> <li>•</li> </ul>	<p>(1) Tipping arrangements being organised.</p> <p>(2) Weekly planning meetings to take place which will set out week's work eliminating some if not many issues.</p> <p>(3) Smaller vehicles on programmed works when warranted.</p>	<p>All</p>

<p><b>5. Resolve Grades/Structures</b></p> <ul style="list-style-type: none"> <li>• JE process</li> <li>• Agency Work</li> </ul>	<p>GB, AD and Anita Batten/JEQ team have met to work out best way forward.</p>	<p>GB</p>
<p><b>6. Access to Offices</b></p> <ul style="list-style-type: none"> <li>• Unable to gain access to offices and feel there is lack of trust</li> <li>•</li> </ul>	<p>(1) Door code given (2004) as temporary measure whilst swipe cards ordered.</p> <p>(2) All staff have now been given swipe cards.</p>	<p>Managers/Supervisors</p>
<p><b>7. Radio/Mobile Phones (To incorporate Improved IT)</b></p> <ul style="list-style-type: none"> <li>• Up to date technology</li> <li>• Mobile working</li> <li>• Better work programming / scheduling</li> </ul>	<p>(1) Possible use of Asset Management system AMX being investigated. Tablets costs being explored which will incorporate work schedules. AG to meet with ICT with possibly someone from Housing to examine their mobile equipment.</p> <p>(2) Officer from ICT to visit and demonstrate IT/Mobile scheduling solutions.</p>	<p>AG</p>
<p><b>8. Increase in productivity (20%)</b></p> <ul style="list-style-type: none"> <li>• Flexible and multi functional / skilled approach to work</li> <li>• Efficiency improvements related to productive / non productive time / lunch break arrangements</li> <li>• Alternative working</li> </ul>	<p>(1) Provide more detail as to what is required. Departments' needs differ so separate meetings to be set up to review working practices.</p> <p>(2) GB/AD to look into tarmac procedures –</p>	<p>Managers</p> <p>GB/AD</p>

arrangements during adverse weather	Tub/hot material.  (3) Key actions to be identified with timetable.	
<b>9. Implement meeting programme</b>  <ul style="list-style-type: none"> <li>Weekly work planning meetings</li> <li>Monthly progress meetings with management to discuss progress to agreed action plan</li> </ul>	See no. 1 above.	All
<b>10. Smarter Working</b>  <ul style="list-style-type: none"> <li>Better work programming</li> <li>Reduce unnecessary work</li> <li>Revised / improved approach to overtime working</li> </ul>	(1) See no. 4 above  (2) AD investigating early morning/Sunday working options.	All  AD
<b>11. Improved Relations between all parties</b>	By implementing the above and monitoring in a consistent way, hopefully relations will improve in all areas.	All
<b>12. Increased Health and safety awareness/implementation</b>	To be incorporated into regular meetings.	Managers
<b>13. Fully implement restructure</b>	As mentioned above GB, AD and Anita Batten/JEQ team have met to work out best way forward.	GB/AD
<b>14. Exploit commercial / income opportunities</b>  <ul style="list-style-type: none"> <li>Ability to take on additional work / reduce work passed to</li> </ul>	(1) By implementing the above, hopefully this will result in additional	All

<p>contractors</p> <ul style="list-style-type: none"><li>• Expand customer base</li></ul>	<p>capacity, increasing clientele etc.</p> <p>(2) Advertising on wagons, vehicles, Leisure centres etc.</p>	
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## **RESTRUCTURE – REQUIREMENTS OF NEW ROLES**

### **Street Lighting**

Current Structure – 5 Electricians, 4 Driver Lamp Attendants

Planned Structure – Under review

#### **Changes to duties**

Electricians – None

Driver Lamp Attendants – Hiab team to undertake sign erection works as well as column erection, team to be increased to 3 when demand required.

### **Drainage Operations**

Current Full Time Posts – 4 Highway Drainage Operatives  
6 Sewerman Operatives

Planned structure – 10 Multi-Functional Drainage Operatives

#### **Changes to duties**

The teams will be combined to provide a multi functional service capable of undertaking all drainage functions with the added flexibility to work in the areas that best suit the demand at that time.

E.g. On one particular day there may be 4 operatives working on routine drainage cleansing activities and 6 operatives working on sewerage related activities. On another day there may be the opposite requirement to meet demand, cover absences, training and vehicle maintenance issues.

If the weather becomes severe and there are localised flooding issues on the highway network, the teams working on foul drainage will assist in highway drainage works such as clearing gullies of leaves, gully cleansing, jetting etc utilising all available plant and vehicles. Similarly if there is an urgent requirement to clear trash screens due to unpredicted debris build up, all members of the team can be utilised for such work.

The supervisor will have a key role in managing the day to day activities to ensure the scheduled and reactive work is achieved to meet the demand. Having a flexible and cooperative work force is paramount to ensure the daily activities are achieved.



There are currently 2 different working patterns in place which will also need to be changed in order for the proposals to work successfully. There have already been “informal discussions” with both groups and discussions will continue to agree on the most effective way of delivering the changes with minimal impact.

The relevant training will also be provided to both groups to ensure when they commence working as a multi-functional drainage department all activities are undertaken safely. For example, on occasions drainage operatives will be required to enter confined spaces requiring specific accreditation.

Nb. There are currently 2 non drivers who will be accommodated within the structure at this time. Following their eventual departure from the Council the requirement will be revisited but it is predicted that driving will form an essential part of the role for the service going forward.

## **General Highway Maintenance**

Current – 14 staff – Highway Maintenance staff (7 two man gangs, all HGV qualified)

### **Changes to duties**

The teams have been combined to provide a multi functional service capable of undertaking all highway maintenance functions with the added flexibility to work in the areas that best suit the demand at that time. This will also include the assistance to other areas such as drainage should weather conditions be such that work is required to clear gully gratings or during winter periods filling grit bins.

E.g. In general there may be 7 gangs working on footway paving repairs and tarmac work. Following a prolonged period of poor weather there is an abundance of potholes all over the network. The teams undertaking paving repairs will undertake pothole repair works to make the area safe and potentially complete a full repair.

Similarly if there is an opportunity to undertake other work, e.g. pedestrian barrier installations for another client, with the potential to earn additional income, the required resources will be utilised for such works.

The remit for the work that can be undertaken will not be restricted to just those mentioned, if for example the opportunity to undertake larger scale work then gangs may be combined into a team of 4 or more to enable completion of the work in-house. The scale of such work will always be considered as suitable and manageable with available plant and resources.

It must however be noted that works related to highway safety defects will generally take priority as it is the statutory responsibility of the Council to maintain a safe surfacing.

The supervisor will have a key role in managing the day to day activities to ensure the scheduled and reactive work is achieved to meet the demand. Having a flexible and cooperative work force is paramount to ensure the daily activities are achieved.

The Council must ensure that all resources are being utilised effectively at all times to offer the best service to its customers and to stakeholders. Therefore, stand-down during wet conditions must cease to ensure we provide resilience. As previously mentioned alternative work will be provided as best suits the service at that time.

Nb. There is currently 1 non driver who can be accommodated within the structure at this time. Following his eventual departure from the Council the requirement will be revisited but it is predicted that the ability to drive an HGV will form an essential part of the role for the service going forward

## **High Speed Route Team**

Current – 6 Staff – Foreman, fence erection operatives, traffic management operatives (Nb. Variance of qualifications throughout)

Planned structure – Being reviewed

The demand for the service is currently being analysed to ascertain the requirements for the team going forward. There is a requirement to have a certain number in a team to put out traffic management (min 4) and a requirement for a foreman and lead hand in fence erection. There are also demands for impact protection vehicle qualified drivers within the areas for normal work and emergency responses.

It is not envisaged that there will be a significant change to the duties from those undertaken at present but the team structure must possess personnel with the qualifications stated above. There is a necessity for the roles to be re-evaluated to overcome the imbalance that exists at the present time.

## **Additional Duties for all Staff**

The requirement to provide the Emergency Response and Winter Maintenance Service will remain. With the reduction in numbers of available personnel full participation will be encouraged for all teams and staff.

**OUTSTANDING ACTIONS**

**ANNUAL REPORT ON SCHOOL GOVERNANCE AND DEFICITS –  
DIRECTOR OF EDUCATION & LIFELONG LEARNING**

At the Audit Committee meeting on the 25 June 2014, the Committee requested an annual report on governance in schools, to include the Director's opinion, an update on the relevant governance aspects of the Estyn Action Plan and updated figures and opinion relating to the corporate risk in respect of school balances.

An update from the Director of Education & Lifelong Learning is attached.

# **CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE: 22 JUNE 2015**

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## **GOVERNANCE IN SCHOOLS**

### **REPORT OF DIRECTOR OF EDUCATION & LIFELONG LEARNING**

**AGENDA ITEM: 10.2**

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#### **1. Reason for Report**

At its meeting in June 2014 the Audit Committee requested that, on an annual basis, it should receive a report on governance in schools and the report should provide the Director's opinion, an update on the relevant governance aspects of the Estyn Action Plan and updated figures and opinion related to the corporate risk in respect of school balances.

#### **2. Background**

The annual net budget delegated to Cardiff's 124 schools is £205.609m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.

The Welsh Government's School Funding (Wales) Regulations 2010 (The Regulations) set the parameters for how Local Authorities in Wales should fund individual schools and also obliges each Local Authority to publish a Scheme for Financing Schools (The Scheme). The Regulations list the matters which are required to be included in The Scheme such as financial reporting requirements, audit, banking and procurement obligations.

In addition to The Scheme, schools receive regular advice and guidance on financial issues through the Council's Local Financial Management Team and Council's Internal Audit Team.

Each Local Authority in Wales is also obliged to have a School Budget Forum, which is key to developing informed and confident dialogue between authorities and their schools on budgetary issues including schools' funding levels for the coming years, pressures on future years' budgets, changes to local funding formula and reviewing contracts/service level agreements for services to schools.

Local authorities are required to consult their Schools Budget Forum annually on matters relating to their Schools Budget and changes to their Scheme for Financing Schools.

### **3. Issues**

#### **School Audits**

During the 2014/2015 financial year, 14 new school audits were carried out, 9 (64%) received a satisfactory opinion and 5 (36%) an opinion of limited assurances. Of the 11 follow up audits, 10 (91%) received a satisfactory opinion and 1 (9%) received a limited assurance opinion.

These figures represented an improvement on the previous year where of the 13 new audits, 5 (39%) received a limited opinion, which included 2 which were unsatisfactory and 1 which was unsound. Additionally, in 2013/2014, of the 7 follow up audits only 3 (42%) received a satisfactory opinion.

#### **School Control Risk Self Assessment Tool**

With the involvement of members of the School Budget Forum, a Control Risk Self Assessment Tool for Schools has been developed which has now been shared with both the School Budget Forum and Schools. Initial feedback from the School Budget Forum has been positive. The expectation is that this will be used by all schools and promote the importance of self governance and accountability.

#### **Estyn Action Plan – School Governance**

Following the Estyn monitoring visit in February 2014, Estyn's opinion was that the Authority was in need of significant improvement. Estyn's first recommendation was that the authority needed to raise school standards particularly at Key Stage 4.

A local authority placed in this category by Estyn are required to have a action plan showing what actions it will need in order to make the necessary improvement. The Local Authority view is that improving school governance is an important element which will lead to raising school standards.

Attached as Appendix 1 is the section of the Cardiff Estyn Action Plan showing progress to February 2015 which details the actions that Cardiff is taking to improve governance in schools.

#### **School Balances**

Attached as Appendix 2 is an analysis of school balances as at 31<sup>st</sup> March 2015 showing the movement in funds during the 2014/2015

financial year. Overall, the level of balances held by schools has increased from £715k to £1.287m; however, there are 14 Primary and 7 secondary schools carrying forward a deficit balance. This is an improvement on the previous year when there were 17 primary and 10 secondary schools with a deficit balance. Every school with a deficit balance has a medium term financial plan showing how it will reduce its deficit to a balanced position. There is an assigned monitoring officer for each school with a deficit balance working closely with the school and governing body monitoring the delivery of the medium term plan.

#### **4. Director's Opinion**

##### **School Audits**

The improvement in the opinions following school audits is encouraging as is the improvement shown through the follow up audits. As no schools received an assurance greater than satisfactory it highlights that there is still room for improvement. I am, however, encouraged by the work undertaken on the Control Risk Self Assessment Tool and the consistent use of this by schools will be important in continuing that improvement.

During the past twelve months, the authority has used its power of intervention in two secondary schools - Eastern High School and the Glyn Derw, Michaelston Federation. As part of this intervention, we have removed the delegated financial responsibilities of both governing bodies. Whilst poor education performance was at the heart of these decisions, poor financial management was also a contributory factor taken into account. I believe that these decisions show that the authority will act when it believes that governing bodies are failing in their duties.

##### **Estyn Action Plan – School Governance**

Progress is being made on this element of the Estyn Action Plan, all be it slowly. It is important that we are able to recruit not only sufficient numbers of governors but also governors with a range of experiences and skills necessary to govern schools effectively and efficiently. Following on from some of the questions raised by the Committee at the June 2014 meeting, I would highlight the actions within the plan regarding the partnership work identified with the respective diocesan authorities in respect of faith schools.

##### **School Balances**

The number and level of schools with a deficit balance in Cardiff is too high. We have identified this as a risk within the Corporate Risk Register and continue to work with colleagues from Financial Services; Central South Consortium and individual schools to formulate and work to school medium term financial plans. The level of challenge provided to schools with a deficit has increased during the last 18 months but we have some way to go before in my opinion that the risk identified can be removed.

## **5. Recommendation**

That the information and opinion contained in this report are noted.

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Strategy Improve school governance (S3.3 Education Development Plan)

Senior Responsible Officer Assistant Director of Education & Lifelong Learning

Obj Ref	Objective	Task Ref	Task	Responsible Officer	Date	Success Criteria	Progress to Feb 2015
1.9	Adopt a standard to demonstrate good governance in school governing bodies, agreed with Governors Wales and the Cardiff Governors Association (EDP A3.3.1)	1.9.1	Develop and deliver a strategy, in consultation with a governors' strategy group, to establish the Quality Mark Bronze Award as a minimum expectation for Governing Bodies in Cardiff.	AD ELL	Sept 2014 December 2015	By 2014, 5 schools achieve the Quality Mark Bronze Award. By August 2015, at least 30% are working towards the Quality Mark Bronze Award By August 2015 10 schools achieve the Quality Mark Bronze Award By August 2016 25 schools have achieved the Quality Mark Bronze Award	<b>EXTENDED</b> Over 40 schools are working towards achieving the bronze award. 5 have achieved the bronze award. 3 schools are currently undergoing assessment. The coordination of support for governors will be strengthened through the recent appointment of a lead officer at CSC
		1.9.2	Raise the profile and awareness of this Quality Mark Bronze Award with Cardiff Schools through the Governors' Newsletter and the Chairs of Governors Strategic Briefing.	AD ELL	July 2015	Increased number of schools registering for bronze award	See 1.9.1 above Profile raised in Autumn Term Newsletter.
		1.9.3	Identify 3 schools to apply for and achieve the Quality Mark Silver Award.	AD ELL	Jul 2016	3 schools gaining Quality Mark Silver Award	<b>COMPLETED</b> Three schools identified in preparation for release of Quality Mark Silver Award – Pencaerau PS, Greenhill and Llanishen HS. Welsh Government not yet approved the proposals from Governors Wales – progress on hold.
		1.9.4	CSC report Consortium Judgements on Governance to the Local Authority and these align with Estyn findings.	MD CSC	September 2014	Improved consistency in school judgements.	<b>NEW - COMPLETED</b> This has been carried out through the categorisation process. Where weak governance is an issue schools will have been provided with support/training. In instances where governance is weak challenge advisers provide more bespoke support and challenge involving attendance at

1.10	Review and revise the appropriateness and sufficiency of the Governing Bodies training programme (EDP A3.3.2)						meetings with governors more frequently than that outlined in the challenge framework.
	1.10.1	Review the number, timing and location of training events offered by providers to better meet the needs of governors and increase attendance on both mandatory and voluntary training.	AD/ELL	Jul 2014 July 2015	More flexible training offered and increase in uptake of training, resulting in improvements in the quality of school governance.		<b>EXTENDED</b> Governor Services Officers meeting with CSC Steering Group to produce programme that is fitting for Cardiff Governors. Lead Officer appointed by Consortium to work with five LA's on governor training requirements.
	1.10.2	Signpost Governors to appropriate training programmes held by Welsh Government, CSC and the Local Authority.	AD ELL	September 2015	Improved Governor attendance at training events resulting in improvements in the quality of school governance.		<b>COMPLETED</b> Revised training programme circulated and regular updates issued on essential and topical issues.
	1.10.3	Introduce a package of E-Training for Governors.	AD ELL	April 2015	More flexible training offered and increase in uptake of training, resulting in improvements in the quality of school governance.		Research underway on best practice and action plan being produced. Pilot to take place with identified schools.
1.11	Clarify roles, responsibilities and support of the Council and Central South Consortium in relation to the governance of schools. (EDP A3.3.4)		Challenge Advisor	March 2015	Governing bodies are confident in their ability and knowledge. Governing bodies are clear on who provides support and what support will be provided.		<b>COMPLETED</b> Challenge Advisor supports school governors in Performance Management process for Headteachers.
	1.11.2	Review and restructure the Governor	Ad Ell	March 2015	The Cost of Governor Services will be in		Meetings held with SAJC and

		Support Service Team to refocus on delivering the National Model for Regional Working.			line with income generated by March 2015.	staff teams. Role profile for Lead Officer for School Governance undergoing job evaluation.
	1.12.1	Establish half termly meetings with the directors of the 3 diocesan authorities (Catholic, Monmouth and Llandaff).	Head of PRS	May 2014 Sept 2015	Improved partnership working and support for governing bodies in VA schools	<b>EXTENDED</b> Half termly meetings now take place
	1.12.2	Improve the strategic alignment of Local Authority and Diocese.	AD ELL	Sept 2014	Improved partnership working and support for governing bodies in VA schools	<b>COMPLETED</b> Regular meetings now take place
	1.12.3	Reduce vacancies in Catholic headships - develop Strategic plan in place to secure sustainable leadership for all Catholic Schools	AD ELL	Sept 2015	Increased leadership capacity in Catholic schools.	<b>NEW</b> Discussions taken place with Chairs of Governors
1.13	1.13.1	Establish a reporting mechanism to report to EMT on a monthly basis categories and numbers of governor vacancies in each school in Cardiff.	AD ELL	Jul 2015	By March 2015 Governor and Clerk vacancies in Cardiff are in line with the Welsh average (March 2014 9.73%) By March 2016 Governor vacancies in Cardiff are reduced to 5%	<b>COMPLETED</b>
	1.13.2	Develop and deliver a strategy for recruitment of school governors	AD ELL	Sept 2015	Reduce the number of Local Authority Governors vacancies to 2% by March 2016	<b>EXTENDED</b> Recruitment and appointment processes reviewed and awaiting approval by Constitution Committee in March 2015. Action Plan in place.
	1.13.2	Review and revise the selection and nomination process of LA governors.	AD ELL	Sept 2014 March 2015	Improved quality of Local Authority Governor appointments.	
	1.13.3	Broker opportunities for positions on governing bodies for leading businesses, sports and cultural organisations in conjunction with Economic Development (See A4.3.2 and 2.9.1).	Director of ELL/Head of Economic Dev	Dec 2014	Increase in the number of business, sports and cultural organisations on governing bodies. Governors have a broader range of background and experience to bring to governing bodies.	<b>COMPLETED</b> Various links established with representatives from business appointed to school governing bodies

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Profit Ctr	Reported School Balances 2014 15			
	Opening Balance 31 March 2014	Movements	Closing Balance 31 March 2015	
EA001	Aarnsdown Primary School	-72,348.81	37,477.22	-34,871.59
EA002	Albany Primary School	-94,223.97	19,445.36	-74,778.61
EA003	Allensbank Primary School	-21,941.57	1,674.82	-20,266.75
EA004	All Saints C.W. Primary School	-23,765.59	-15,918.62	-39,684.21
EA005	Baldie Powell Primary School	-31,979.63	-116,404.96	-148,384.59
EA006	Birchgrove Primary School	-58,196.43	-30,772.04	-88,968.47
EA007	Bishop Childs C.W. Primary School	-51,672.83	-29,403.96	-81,076.79
EA008	Bryn Celyn Primary School	21,037.08	8,041.82	29,078.90
EA009	Bryn Den Primary School	-26,862.33	-8,041.82	-34,904.15
EA010	Bryn Hafod Primary School	-37,940.18	41,467.06	3,526.88
EA014	Christ The King R.C. Primary School	-3,617.70	-19,481.44	-23,099.14
EA015	Coed Glas Primary School	-37,877.41	1,964.14	-35,913.27
EA016	Coryton Primary School	15,710.69	11,089.13	26,799.82
EA017	Crefilau Primary School	-22,532.51	10,934.06	-11,598.45
EA020	Danescourt Primary School	-56,645.24	-2,989.07	-59,634.31
EA023	Darwen Primary School	48,063.36	-7,867.58	40,195.78
EA029	Gabalfa Primary School	-51,402.04	-11,516.75	-62,918.79
EA025	Gladstone Primary School	-35,185.96	30,135.75	-5,050.21
EA026	Glan Yr Afon Primary School	11,393.45	-29,258.81	-17,865.36
EA029	Grange Town Primary School	-29,103.36	-24,887.49	-54,000.85
EA030	Grange Town Nursery School	-18,913.26	-96,505.17	-115,418.43
EA031	Greenway Primary School	-18,200.19	-28,615.44	-46,815.63
EA032	Gwaedol-y-garth Primary School	-22,532.51	-13,910.12	-36,442.63
EA034	Haerfryn Primary School	-885.77	-7,208.12	-8,093.89
EA033	Herbert Thompson Primary School	-19,620.22	-29,774.55	-49,394.77
EA036	Holy Family R.C. Primary School	-14,668.32	5,132.49	-9,535.83
EA038	Hywel Dda Primary School	-62,321.04	-14,471.86	-76,792.90
EA039	Kitchener Primary School	-41,849.38	38,826.01	-3,023.37
EA040	Lakeside Primary School	-15,411.62	-10,795.03	-26,206.65
EA041	Lansdowne Primary School	8,413.03	-10,073.36	-1,660.33
EA042	Llandaff C.W. Primary School	-21,667.98	16,904.21	-4,763.77
EA043	Llanerbyn Primary School	-30,517.51	-75,014.55	-105,532.06
EA044	Llanerbyn Fach Primary School	-7,457.57	-49,195.42	-56,652.99
EA049	Llŷstaden Primary School	-113,887.23	51,363.42	-62,523.81
EA048	Meadowlane Primary School	25,589.43	-87,497.40	-61,907.97
EA049	Moorland Primary School	-33,340.23	-30,720.25	-64,060.48
EA050	Moorland Primary School	-16,004.29	-2,888.69	-18,892.98
EA052	Mount Stuart Primary School	-37,638.60	-13,409.48	-51,048.08
EA053	Ninian Park Primary School	-1,587.15	-44,082.41	-45,669.56
EA055	Oakfield Primary School	24,477.36	23,092.10	47,569.46
EA056	Pentrebare Primary School	-57,060.89	-11,229.08	-68,289.97
EA057	Pentrebare Primary School	-25,857.91	3,898.82	-21,959.09
EA058	Pent-y-bryn Primary School	-30,470.23	22,293.13	-8,177.10
EA059	Peter Lee Primary School	-22,682.57	52,206.44	29,523.87
EA060	Radnor Primary School	-34,454.30	14,948.27	-19,506.03
EA061	Rady Primary School	-43,205.91	13,588.36	-29,617.55
EA062	Rhiwbina Primary School	-75,855.05	25,811.22	-50,043.83
EA063	Rhydyddelan Primary School	-51,319.67	-6,742.66	-58,062.33
EA064	Roth Park Primary School	-56,896.11	130.54	-56,765.57
EA065	Rumney Primary School	-17,073.26	7,076.77	-9,996.49
EA068	Severn Primary School	-56,000.87	16,257.83	-39,743.04
EA069	Springwood Primary School	-69,416.13	2,729.46	-66,686.67
EA070	Stacey Primary School	-28,788.21	19,336.49	-9,451.72
EA071	St Alban's R.C. Primary School	176,329.41	16,491.51	192,820.92
EA073	St Bernadette's R.C. Primary School	-10,093.53	-2,850.68	-12,944.21
EA074	St Cadoc's R.C. Primary School	-48,018.21	17,315.02	-30,703.19
EA075	St Cuthbert's R.C. Primary School	-46,039.84	-27,922.20	-73,962.04
EA076	St David's C.W. Primary School	-2,236.86	5,986.88	3,750.02
EA077	St Francis's C.W. Primary School	26,268.28	-35,543.78	-9,275.50
EA078	St Francis R.C. Primary School	-55,682.76	35,830.38	-19,852.38
EA079	St John Lland R.C. Primary School	-45,415.61	-22,541.25	-67,956.86
EA080	St Joseph's R.C. Primary School	75,433.30	37,346.74	112,780.04
EA081	St Mary's R.C. Primary School	46,020.79	-2,354.81	43,665.98
EA082	St Mary The Virgin C.W. Primary School	-40,291.70	25,088.09	-15,203.61
EA083	St Mellons C.W. Primary School	-39,242.45	8,489.57	-30,752.88
EA084	St Monica's C.W. Primary School	47,570.02	45,485.67	93,055.69
EA085	St Patrick's R.C. Primary School	-29,389.90	15,087.10	-14,302.80
EA086	St Paul's C.W. Primary School	-53,489.57	-4,549.16	-58,038.73
EA087	St Peter's R.C. Primary School	-42,083.16	-4,886.63	-46,969.79
EA088	St Philip Evans R.C. Primary School	15,079.50	-108,668.51	-93,589.01
EA089	Thornhill Primary School	6,933.89	-26,534.51	-19,600.62
EA090	Tongwynlais Primary School	-36,612.81	19,189.86	-17,422.95
EA091	Ton-yr-twyn Primary School	-37,335.92	-34,364.10	-71,700.02
EA092	Treddegarville C.W. Primary School	-49,115.75	51,580.83	2,465.08
EA093	Treal Primary School	-65,120.00	26,797.94	-38,322.06
EA094	Tremorfa Nursery School	-42,397.62	4,596.57	-37,801.05
EA098	Willowbrook Primary School	-13,783.91	-28,572.08	-42,355.99
EA100	Windsor Clive Primary School	-68,824.02	-54,145.07	-122,969.09
EA101	Ysgol Bro Eirang	-28,661.48	-34,667.12	-63,328.60
EA102	Ysgol Gymraeg Coed-y-Gof	-29,603.90	-56,858.22	-86,462.12
EA103	Ysgol Meiriadur Glynedd	-44,985.10	-10,315.23	-55,300.33
EA104	Ysgol Pencae	-9,438.66	-4,098.95	-13,537.61
EA105	Ysgol Pwll Coch	-24,435.93	8,457.24	-15,978.69
EA106	Ysgol-y-Berllan Dde	-23,638.85	16,751.85	-6,887.00
EA107	Ysgol Mynydd Bychan	-43,629.09	32,912.84	-10,716.25
EA108	Ysgol Gymraeg Tegenna	-17,387.06	-2,634.83	-20,021.89
EA109	Ysgol-y-Wern	-39,401.70	-13,807.03	-53,208.73
EA110	Ysgol Glan Morfa	44,364.61	-52,990.94	-8,626.33
EA111	Ysgol Gymraeg Nant Caerau	14,677.06	-452.81	14,224.25
EA112	Ysgol Tan Yr Ess	-0.00	0.00	-0.00
EA113	Ysgol Gyrrad Gymraeg Pen Y Groes	-62,879.65	31,458.55	-31,421.10
EA114	Ysgol Pen Y Pil	-49,849.17	12,312.69	-37,536.48
EA115	Ysgol Glan Ceuball	4,803.52	11,530.64	16,334.16
EA116	Pencaeau Primary	-17,070.41	-4,681.16	-21,751.57
EA117	Towbridge Primary	-32,955.00	12,714.42	-20,240.58
EA246	ICC Ely	-34,242.84	76,930.96	42,688.12
EA247	Cyncoed Primary School	-48,153.33	-26,313.74	-74,467.07
EA248	Mathrafon Primary School	-89,621.33	-36,745.33	-126,366.66
EA249	Whitchurch Primary School	-58,078.98	-78,545.14	-136,624.12
	<b>Total Primary &amp; Nuseiry</b>	<b>-2,453,522.53</b>	<b>-551,477.87</b>	<b>-3,005,000.40</b>
EA120	Cornus Christ R.C. High School	41,507.15	-103,569.38	-62,062.23
EA121	Mary Immaculate High School	75,121.11	-141,206.46	-66,085.35
EA122	St Iltyd's R.C. High School	-13,653.60	498.61	-13,154.99
EA123	Bishop Of Landaff C.W. High School	66,443.95	197,202.20	263,646.15
EA124	Michaelston Community College	549,629.10	317,186.27	866,815.37
EA125	Cantoniun High School	1,287,786.25	-61,062.49	1,226,723.76
EA126	Cardiff High School	79,487.29	-122,156.01	-42,668.72
EA127	Cathays High School	-31,712.17	3,228.92	-28,483.25
EA128	Fitzalan High School	-698.51	-21,499.26	-22,197.77
EA130	Glyn Dery High School	161,495.80	149,411.02	310,906.82
EA132	Llanishen High School	-73,228.54	68,137.57	-5,090.97
EA134	Reddy Comprehensive	-99,431.74	-259.47	-99,691.21
EA136	St Telford's C.W. High School	250,601.57	-337,219.84	-86,618.27
EA137	Whitchurch High School	79,859.32	125,294.04	205,153.36
EA138	Willows High School	-3,381.01	46,958.00	43,576.99
EA139	Ysgol Gyfun Gymraeg Glanllef	-97,668.87	-105,054.75	-202,723.62
EA140	Ysgol Gyfun Gymraeg Plasmawr	64,608.27	110,057.84	174,666.11
EA141	Ysgol Gyfun Bro Ederm	-46,917.63	-13,409.85	-60,327.48
EA142	Essen IS	0.00	-139,607.94	-139,607.94
	<b>Total Secondary</b>	<b>2,289,849.74</b>	<b>-27,070.98</b>	<b>2,262,778.76</b>
EA150	The Court School	-72,809.42	-5,710.23	-78,519.65
EA151	Riverbank School	-58,653.60	-15,602.22	-74,255.82
EA152	Ty Gwyn School	-61,135.67	-99,088.86	-160,224.53
EA153	Woodlands High School	-69,536.52	59,023.79	-10,512.73
EA154	Greenhill School	-124,628.86	28,729.66	-95,899.20
EA155	Meadowbank School	-86,263.41	12,620.60	-73,642.81
EA156	The Holmes School	-78,577.74	26,884.88	-51,692.86
	<b>Total Special</b>	<b>-551,705.22</b>	<b>6,857.42</b>	<b>-544,847.80</b>
	<b>GRAND TOTAL ALL SCHOOLS</b>	<b>-715,378.01</b>	<b>-571,691.43</b>	<b>-1,287,069.44</b>

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## Audit Committee – Action Plan

(Updated following meeting held on 23 March 2015)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance</b>			
AN4.1 23.03.15	<p><b><u>Budget Update</u></b> Audit Committee to receive a report on the Budget Strategy encompassing the policies, budget assumptions and tools which underpin the Strategy.</p> <p>When available, the Committee to receive the finance 'bubble charts' showing the budget position for 2015/16.</p> <p>Audit Committee to receive a report highlighting how the Committee can add value, on behalf of the Council, in setting the Budget. Recommendation would suggest future items to be added to the Committee's Work Programme.</p>	TBC	CS
<b>Governance &amp; Risk Management</b>			
	<p><b><u>Draft Annual Governance Statement 2014/15</u></b> The Chair will write to the Chair of Policy Review and Performance Scrutiny in order to be kept informed of progress against the Organisational Development Plan. This will be undertaken to avoid duplication of both Committees looking at the same information.</p>	April 2015 Completed 02.04.15	Chair/DJK
MN59 23.03.15	A letter be sent to the Chairperson of the Policy Review and Performance Scrutiny Committee requesting information on its work regarding the Corporate Assessment.	Completed 01.04.15	Chair/DJK
MN59 23.03.15	The Audit Committee to be provided with a summary of the Senior Management Assurance Statements, when the draft Annual Governance Statement 2014/15 is presented.	June 2015	DJK
MN59 23.03.15	<p><b><u>Senior Management Assurance Statement 2014/15</u></b> 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.</p>	Jan 2016	DJK
MN59 23.03.15	<p><b><u>Audit Committee Annual Report</u></b> That the views of the Committee be taken into account in the Draft Annual Audit Committee Report 2014-15.</p>	April/May 2015 Completed	Chair
MN59 23.03.15	<p><b><u>Procurement &amp; Contracting Sub Group</u></b> The Terms of Reference be formed for the Sub Group with guidance from the County Clerk &amp; Monitoring Officer, and reported back to Committee.</p>	June 2015	Sub Group/DK/ Monitoring Officer
MN59 23.03.15	<p><b><u>Extra Item</u></b> The Welsh Government's consultation 'Reforming Local Government White Paper' be circulated to Members of the Committee. (Sent 09.04.15)</p>	Completed April 2015	DJK
AN5.2 23.03.15	<p><b><u>Audit Committee Self-Assessment 2015</u></b> A standard item should be added to every agenda, 'Items of Interest for Independent Members' delivered by the Elected Members.</p>	June 2015 Completed	DJK

Minute No. /Agenda No.	Actions	Timeline	Action Owner
MN36(ii) 08.12.14	<b>Corporate Risk Register Mid-Year Review 2014 - 2015</b> The Committee have regard to its content when considering its Work Programme.	June 2015	Chair/ DJK
23.03.15	When the Corporate Risk Register is next reported to Audit Committee, the Audit & Risk Manager to include within the report a response to the query relating to Hostile Vehicle Mitigation and the potential risk of extremist behaviour.	June 2015	DJK
<b>Wales Audit Office (WAO)</b>			
MN34 08.12.14	<b>Organisational Development Plan / WAO Assessment</b> Chief Executive offered to provide the Committee with a report on the delivery timelines associated with the ODP. This to identify achievements linked to timescales, including benefit realisation.	March 2015	PO/MH
23.03.15	Policy Performance and Review Report to be shared with Committee members and any comments and views on the way forward to be discussed at the next meeting. (Link to report emailed to members 09.04.15)	June 2015	DJK
MN37 08.12.14	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
MN37 08.12.14	<b>Introduction and Priorities (of new WAO team)</b> That consideration be given to the WAO offer to run a session for the Audit Committee without officers being present. (WAO emailed 26.01.15)	March 2015	WAO/ Chair
AN10 23.03.15	That a joint training session should be held by Finance Staff and the Wales Audit Office to inform Members of the Committee of the questions to be considered when challenging the Draft Financial Statements 2014/15. At this meeting, consideration would also be given to whether separate meetings with WAO should be established.  (Agreed to be held at 1pm on the date of June Audit Committee)	June 2015 Completed	WAO/ CS
AN6.1 23.03.15	<b>Annual Financial Audit Outline</b> 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.  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.	When available	WAO/DJK
		When available	WAO
<b>Treasury Management</b>			
AN7.1 19.01.15	The Committee requested benchmarking data for comparable core cities and advisory best practice on borrowing.	June 2015	AH
<b>Internal Audit</b>			
AN5.1 19.01.15	<b>Highways Audit &amp; Risk Matters</b> That the Director of Strategic Planning, Highways and Traffic & Transport to prepare a report addressing the audit concerns in the report presented to Committee in January '15. In producing the report, to engage with Internal Audit to ensure they are content all actions have been appropriately taken.	June 2015	AG/DJK



Minute No. /Agenda No.	Actions	Timeline	Action Owner
AN8.2 23.03.15	<p><b><u>Internal Audit Strategy 2015/16</u></b> The Audit Committee's Annual Report to include an item on the concern over reducing resources within the Internal Audit Section.</p> <p>Consideration be given to prioritising Contract Management Audits in 2015/16 – given the proposed alternative delivery models.</p> <p>That the Audit Committee is to receive updated information on the Internal Audit's Plan 2015/16 and, if possible, this should include an overview of audits undertaken in previous years.</p>	<p>Completed</p> <p>2015/16</p> <p>June 2015</p>	<p>DJK</p> <p>DJK</p> <p>DJK</p>
AN8.2 19.01.15	<p><b><u>Value for Money</u></b> 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.</p>	<p>Sept 2015</p>	<p>DJK</p>
AN8.1 23.03.15	<p><b><u>Executive Summary Reports</u></b> A revised process was agreed for reporting internal audit reports of 'Limited or No Assurance':</p> <p>The Committee will continue to be made aware of all audit reports with 'Limited or No Assurance' through the Audit Manager's Quarterly Progress Report.</p> <p>All reports with 'Limited or No Assurance' to be copied to the Chief Executive.</p> <p>Audit reports with no significant impact on service users or risk of fraud will not be presented to Audit Committee in the first instance. Officers will be given 6 months to implement the recommendations with the awareness of the Chief Executive.</p> <p>Once a follow up Audit has been undertaken and should no improvement have been made then Audit Committee will then be presented with an Executive Summary Report.</p> <p>In line with current arrangements the Audit Committee is to receive all Executive Summary Reports where the audit findings could have a significant impact on a service user or there is a potential risk of fraud.</p>	<p>April 2015</p> <p>Completed Arrangements put in place</p>	<p>DJK</p>
<b>Outstanding Actions</b>			
MN40(v) 08.12.14	<p><b><u>Health and Social Care</u></b> The Director of Health and Social Care provide updates on Delayed Transfers of Care (DTOC), with key performance indicators relating to current performance.</p>	<p>March 2015</p>	<p>SW</p>
MN40(v) 08.12.14	<p>That the Director of Health and Social Care provide updates on the Social Services Wellbeing Act Update, with key performance indicators relating to current performance.</p>	<p>March 2015</p>	<p>SW</p>
23.03.15	<p>To be referred to appropriate Scrutiny Committee, following agreed new protocol.</p>		
MN73(ii) 25.06.14	<p><b><u>Education – Governance</u></b> In future, the Committee should receive an annual report on governance in schools and the report should provide the Director's opinion, an update on the relevant governance aspects of the Estyn Action Plan and updated figures and opinion related to the corporate risk in respect of school budgets.</p>	<p>June 2015</p>	<p>NB</p>

Minute No. /Agenda No.	Actions	Timeline	Action Owner
AN9.1 23.03.15	When the Director of Education next attends Audit Committee, further detail to be provided on the plans in place by Schools in deficit.	Sept 2015	NB
MN73(3i)	<p><b><u>Personal Performance &amp; Development Reviews</u></b> The Committee be provided with a year end update of PPDRs completed, detailed by Directorate in June 2015. Figures are to include a comparison with the previous year.</p> <p>To be referred to appropriate Scrutiny Committee, following agreed new protocol.</p>		
MN47 20.01.14 25.06.14	<p><b><u>Attendance and Wellbeing Policy</u></b> Committee to receive an annual monitoring report on sickness absence after the year end, showing analysis by directorate and aggregate on long-term and short-term sickness.</p> <p>To be referred to appropriate Scrutiny Committee, following agreed new protocol.</p>		
MN73(3) 25.06.14	<p><b><u>Sickness Absence</u></b> Philip Lenz to give his views, in this report, on why the sickness absence rate is so high and why there is such variation between directorates. Also to provide comparative figures from other authorities, for high sickness areas e.g. Environment.</p> <p>To be referred to appropriate Scrutiny Committee, following agreed new protocol.</p>		
AN10 19.01.15	Consideration be given to "Commissioning" to be referred to appropriate Scrutiny Committee, following agreed new protocol.	Sept 2015	DJK
<b>Work Programme Update</b>			
AN10 23.03.15	Officers to circulate proposed dates for 2015-16 meetings.	May 2015	DJK
<b>AOB</b>			

# DRAFT Audit Committee Work Programme 2015-16

Key: One-off Items

Topic	Wednesday 16.09.15 at 2pm (CRx)	Tuesday 01.12.15 at 2pm (CRx)	Wednesday 20.01.16 at 2pm (CRx)	Tuesday 22.03.16 at 2pm (CRx)	Wednesday 22.06.16 at 2pm (CRx)
<b>Wales Audit Office</b>	Corporate Assessment Verbal Update	Corporate Assessment Verbal Update	Corporate Assessment Verbal Update	Corporate Assessment Verbal Update	Corporate Assessment Verbal Update
	Audit of Financial Statement Report		Self Assessment Exercise	Annual Financial Audit Outline (to include revised statement of responsibilities)	Annual Improvement Report
	ISA260			Cardiff & Vale Pension Fund Audit Plan	Regulatory Prog. Update & Fee information 2016-17
	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
<b>Treasury Management</b>	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
	Annual Report	Half Year Report	Strategy 2016-17	Treasury Management Practices 2015-16	
<b>Finance</b>	Budget Strategy	Budget Update	Budget Update	Budget Update	Budget Update
				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				
	Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund				
<b>Internal Audit</b>	Progress update	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
				Audit Strategy 2016-17	Internal Audit Annual Report 2015-16
					Benchmarking & Comparative Data Matching
<b>Governance and Risk Management</b>	Organisational Development Plan Update		Audit Committee Annual Report Discussion		Audit Committee Annual Report 2015-16
		Audit Committee Annual Self Assessment Review 2014-15	Audit Committee Self Assessment Exercise	Audit Committee Self Assessment Feedback/Action Plan	
		Corporate Risk Register (Mid Year)			Corporate Risk Register (Year End)
			Senior Management Assurance Statement Review	Draft Annual Governance Statement	Senior Management Assurance Statement Review - Feedback
<b>Operational matters / Key risks</b>					

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## **Appointment of Committee and Terms of Reference**

### Membership

The Council at its meeting on 21 May 2015 appointed the following Members to this Committee: Howells, McGarry, Mitchell, Murphy, Robson, Weaver and Dianne Rees.

### Terms of Reference

#### Governance, Risk & Control

- To consider the Council's corporate governance arrangements against the good governance framework by way of the process of compiling the Annual Governance Statement.
- To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account the internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risk and priorities of the Council.
- To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council.
- To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register.
- To consider any Anti-Fraud strategies, policies or procedures.

#### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.
- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditors.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.

### Financial Reporting

- To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
- To seek assurances that the Council has complied with the Treasury Management Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

### Accountability Arrangements

- To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks.
- To raise the profile of probity generally within the Council and to report on matters of concern to the individual Cabinet Member, relevant Scrutiny Committee, Cabinet or to Council as necessary and appropriate.
- To work in synergy with the five Scrutiny Committees of the Council and liaise with other Council Committees as and when appropriate to avoid duplication in work programmes.

### Training & Development

- To attend relevant training session in accordance with the Member Development Programme including specialist training tailored for Members of the Audit Committee e.g. treasury management.