



DINAS A SIR CAERDYDD  
CITY AND COUNTY OF CARDIFF

**COUNCIL SUMMONS**

THURSDAY, 27 SEPTEMBER 2018

**GWYS Y CYNGOR**

DYDD IAU, 27 MEDI 2018,

You are summoned to attend a meeting of the **COUNTY COUNCIL OF THE CITY AND COUNTY OF CARDIFF** which will be held at Council Chamber - City Hall, Cathays Park, Gorsedd Gardens Road, Cardiff, CF10 3ND on Thursday, 27 September 2018 at 4.30 pm to transact the business set out in the agenda attached.

**Davina Fiore**  
**Director of Governance & Legal Services**

County Hall  
Cardiff  
CF10 4UW

Friday, 21 September 2018

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Integrity | Duty to uphold the law | Accountability and openness

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<i>Item</i>		<i>Approx Time</i>	<i>Max Time Allotted</i>
<b>1</b>	<b>Apologies for Absence</b>  <i>To receive apologies for absence.</i>		
<b>2</b>	<b>Declarations of Interest</b>  <i>To receive declarations of interest (such declarations to be made in accordance with the Members Code of Conduct)</i>	4.30 pm	5 mins
<b>3</b>	<b>Minutes (Pages 7 - 32)</b>  <i>To approve as a correct record the minutes of the meeting 19 July 2018.</i>		
<b>4</b>	<b>Public Questions (Pages 33 - 34)</b>  <i>To receive previously notified questions from Members of the Public.</i>	4.35 pm	5 mins
<b>5</b>	<b>Petitions</b>  <i>To receive petitions from Elected Members to Council.</i>	4.40 pm	5 mins
<b>6</b>	<b>Lord Mayor's Announcements</b>  <i>To receive the Lord Mayor's announcements including Recognitions and Awards.</i>	4.45 pm	5 mins
<b>7</b>	<b>Statement of Accounts 2017/18 and Annual Treasury Management Report 2017/18 (Pages 35 - 328)</b>  <i>Report of the Director Corporate Resources</i>  <b>Appendix 9, Annexe B and C are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Parts 4 and 5 of Schedule 12 of the Local Government Act 1972.</b>	4.50 pm	30 mins
<b>8</b>	<b>Leader &amp; Cabinet Statements (Pages 329 - 358)</b>  <i>To receive statements from the Leader and Cabinet Members</i>	5.20 pm	45 mins

9	<p><b>Notice of Motion</b></p> <p>Proposed by: Councillor Joe Boyle</p> <p>Seconded by: Councillor Ashley Wood</p> <p>This Council notes that:</p> <ul style="list-style-type: none"> <li>• 60% of Cardiff residents voted to remain in the EU in the 2016 referendum, the highest remain vote share in the whole of Wales;</li> <li>• 61% of Cardiff exports go to EU countries, placing Cardiff in the top five British cities most reliant on EU markets;</li> <li>• Cardiff has plans for the construction of 40,000 new houses at a time when the UK construction industry is dependent on EU nationals for 8% of its workforce;</li> <li>• Since 2014 Cardiff Council has supported 26 foreign direct investment projects by companies from 12 countries, 7 of which were EU Member States, leading to the creation and safeguarding of 3,958 local jobs;</li> <li>• Work undertaken last year by the Centre for Cities estimated that a 'soft' Brexit would reduce Cardiff's Gross Value Added (GVA) by 1.3%, whilst a 'hard' Brexit would reduce GVA by 2.5% and by as much as 2.73% in Cardiff;</li> <li>• Almost 3,000 students in the city region are from the EU, nearly 4% of the total student population;</li> <li>• Cardiff Council applied successfully in 2016 for around €1.7m in funding from the Erasmus+ programme for eight projects involving consortia of schools across Wales;</li> <li>• In 2017, Cardiff Council coordinated Erasmus+ programmes that secured €8.6m for projects across Wales;</li> <li>• For Cardiff University alone, securing future access to the successor to Horizon 2020 could safeguard research income in excess of £10 million per annum and support world-leading centres such as the Cardiff University Brain Imaging Centre;</li> <li>• A 2018 Department of Health report says that EEA staff make up 7% (90,000) of the adult social care workforce. That number grew by 32,000 (more than 50%) between 2012-13 and 2016-17;</li> <li>• EEA workers also account for 15% of dentists, 9.1% of doctors and 5.5% of nurses and midwives. The number of EEA nurses and midwives on the register</li> </ul>	6.05 pm	30 mins
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	<p>more than doubled between 2013 and 2017, from 16,798 to 38,024;</p> <ul style="list-style-type: none"> <li>The latest figures from the Nursing and Midwifery Council (NMC) show the number of new nurses coming from the EU to work in the UK has dropped by 87% from 6,382 in 2016/17 to 805 in 2017/18 while the inflow of nurses from non-EU countries has not increased enough to compensate for the drop.</li> <li>Elected Members must have the chance to influence national policy when that policy is certain to affect the city they represent.</li> </ul> <p>This Council resolves that</p> <p>The Council explores which obligations the UK Government has to provide Cardiff Council with government departmental information and analysis, even if deemed confidential, about the impact the UK's withdrawal from the European Union would have on Cardiff's communities and businesses.</p>		
<b>Break</b>			
<b>10</b>	<p><b>Oral Questions</b></p> <p><i>To receive oral questions to the Leader, Cabinet Members; Chairs of Committee and/or nominated Members of the Fire Authority.</i></p>	7.00 pm	60 mins
<b>11</b>	<p><b>Urgent Business</b></p>	8.00 pm	5 mins
<b>Unopposed Council Business</b>			
<b>12</b>	<p><b>Appointment of Local Authority School Governors</b> (Pages 359 - 364)</p> <p><i>To approve the recommendations of the Local Authority Governor Panel 17 September 2018.</i></p> <p><i>Report of Director Governance and Legal Services</i></p>	8.05 pm	5 mins
<b>13</b>	<p><b>Committee Membership</b> (Pages 365 - 366)</p> <p><i>Report of the Director of Governance and Legal Services.</i></p>		

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14	<p><b>Appointment of Representatives to Outside Bodies</b>  <i>(Pages 367 - 370)</i></p> <p><i>Report of Director of Governance and Legal Services.</i></p>		
15	<p><b>Written Questions</b></p> <p><i>In accordance with the Council Procedure Rules, Rule 17(f) Written Questions received for consideration and response will be included as a record in the minutes of the meeting.</i></p>		

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## THE COUNTY COUNCIL OF THE CITY &amp; COUNTY OF CARDIFF

The County Council of the City & County of Cardiff met at County Hall, Cardiff on 19 July 2018 to transact the business set out in the Council summons dated Friday, 13 July 2018.

Present: County Councillor Dianne Rees (Lord Mayor).

County Councillors Ahmed, Asghar Ali, Dilwar Ali, Bale, Berman, Bowen-Thomson, Boyle, Bradbury, Bridgeman, Burke-Davies, Carter, Cowan, Cunnah, De'Ath, Derbyshire, Driscoll, Ebrahim, Elsmore, Ford, Goddard, Goodway, Gordon, Henshaw, Gavin Hill-John, Philippa Hill-John, Hinchey, Howells, Hudson, Jacobsen, Jenkins, Jones-Pritchard, Keith Jones, Owen Jones, Joyce, Lancaster, Lay, Lent, Lister, Mackie, McEvoy, McGarry, McKerlich, Merry, Michael, Molik, Morgan, Murphy, Naughton, Owen, Parkhill, Jackie Parry, Keith Parry, Patel, Phillips, Robson, Sandrey, Sattar, Simmons, Singh, Stubbs, Taylor, Graham Thomas, Huw Thomas, Lynda Thorne, Walker, Weaver, Wild, Williams, Wong and Wood.

## 44 : APOLOGIES FOR ABSENCE

Councillors Bowden, Congreve, Tim Davies and Kelloway

## 45 : DECLARATIONS OF INTEREST

The following declaration of interest was received in accordance with the Members Code of Conduct: -

COUNCILLOR	ITEM	REASON
Councillor Goodway	Item 13 Notice of Motion 1	Personal and prejudicial interest as Chief Executive of a Representative Body of contractors which negotiates fees for the delivery of NHS obesity management services and associated public health campaigns and which receive its income from statutory levies applied to those fees and allowances.
Councillor Hudson	Item 8 - Director of Social Services Report and Item 9 – Cabinet Statements	Personal Interest as a family member is in receipt of social care services.

## 46 : MINUTES

The minutes of the meeting held on the 21 June 2018 were agreed as a correct record and signed by the Chairperson subject to an amendment on Page 25 Min No. 34 - Councillor Keith Jones accepted **amendment 1** as the substantive motion and not amendment 2.

47 : PUBLIC QUESTIONS

Public Question – *Bronwen Davies*

The Safe & Legal Project is a Heritage Lottery funded project which has collected documents, materials and oral histories relating to the struggle to defend and extend women's right to abortion in Cardiff 1967-2017. The Project Group asked in summer 2017 whether a small exhibition, showcasing some of the findings from the project, could be hosted at the Cardiff Central Library Hub. Although the group were aware that similar exhibitions had been hosted there earlier in the year, our request was turned down. Further enquiries to discover the reason for this decision have eventually resulted in a letter dated 23 May 2018 from Councillor Lynda Thorne, stating that the pressures on space means that the Council are currently reviewing their position with regard to holding exhibitions in the building in the future. That being so, can the Council supply a list of alternative Council venues where the Safe & Legal Exhibition can be displayed, together with the details of to whom we should apply to arrange this?

Reply – *Councillor Thorne*

As I confirmed in my previous letter, due to the wide range of services now available at the Central Library Hub, it is no longer possible to use the building for exhibitions.

Unfortunately, the Council has very limited exhibition space compared to what it used to have. I understand that council officers have previously looked into the use of other possible venues for hosting the exhibition, but without success. This included the offer of a privately owned property at St David's House on Wood Street, which was declined by the organisers.

Supplementary Question – *Bronwen Davies*

Thank you for your reply. It is disappointing and I wonder whether there has been a slight misunderstanding about what we are asking for.

The initial request, as was made clear in the question, was about exhibition space at Cardiff Central Library, but what my question is trying to make clear, and we of course accepted that that it is no longer possible to have exhibition space at the Central Library following your letter on the 23<sup>rd</sup> May, - but we wanted advice about alternative venues, because the Council policy (December 2015), makes it very clear that exhibitions, particularly community based exhibitions, and those that support the concept of community cohesion, promote adult learning, raise the profile of Cardiff Libraries etc. and so forth, are encouraged.

On the 21<sup>st</sup> May I had applied formally for the exhibition to be shown at Whitchurch Library, that's now 8 weeks ago and I haven't had a reply, and in June I also sent an email in line with the Policy to Central Library asking if other venues could be suggested across the city, I suggested perhaps 3 or 4, because this exhibition has proved very popular particularly with those of the sex – women who share a protective characteristic.



Can I expect a response to that email and to the formal application?.

Reply – *Councillor Thorne*

I haven't seen the emails so I will check where they have gone to and find out what the response is.

I would just say to you that you are probably aware of the huge budget cuts that the Council has faced over the last ten years, and is still facing over the next three years, and we have had to do a consolidation of buildings and in our Hubs across the City, we are providing more and more services. Just to give you an example really, from April to June this year almost 441,000 people used our Hubs and the majority of those would have been the largest numbers would have been Central Library Hub. So much so that we are having to look at that space and how we use it because we don't have enough space and it can be a bit confusing for customers. I know that officers have looked at alternatives for you and at that time they said that there weren't any, if you can forward me the emails you sent I will look into those as well.

48 : PETITIONS

The following Petitions were received by Full Council:

<b>Councillor</b>	<b>No of signatures</b>	<b>Topic</b>
Councillor McKerlich	651	Calling on the Council to work with Department of Transport and the Radyr and Morganstown Community Council to implement traffic calming measures, safe crossings and a 20mph limit throughout Radyr and Morganstown as a matter of Urgency and as recommended by Road Safety Experts.
Councillor Lent	905 users Star Hub Swimming pool	Calling on the Council to establish separate Male and Female Changing facilities at Star Hub Swimming Pool.
Councillor Lay	185 residents of Trowbridge Estate	Calling on Cardiff Council to carry out a comprehensive traffic management study throughout the Trowbridge estate to address urgent issues of speeding cars, off road bikes, dangerous driving and speeding on Hendre Road, Aberdaron Road and Trowbridge Road, causing danger to pedestrians, children and other road users.
Councillor Carter	Additional 279 from petition submitted 21 June 2018	Calling on the Council to stop the eviction of local charities from Llanedeyrn Sports Hall

49 : LORD MAYOR'S ANNOUNCEMENTS

The Lord Mayor congratulated all staff recognised and involved in initiatives and projects as set out in the [Recognition and Awards](#) briefing to Council.

Lord Mayor's Charity update - The current fundraising total as £2,806. The Lord Mayor announced that the Waterloo Foundation had pledged £10,000 for the Lord Mayor's Charity which would be paid into the fund during the New Year.

The Lord Mayor thanked all members who supported the Coffee Morning held at the Mansion House on 6<sup>th</sup> July. Over £780 was raised. Further events planned over the forthcoming months had been circulated around the Chamber.

50 : BUDGET STRATEGY 2019- 2020

The Cabinet Member for Finance, Modernisation and Performance proposed the Budget Strategy 2019-2020 report agreed by Cabinet on 12 July 2018. The proposal was seconded by the Leader Councillor Huw Thomas.

The report detailed proposals to consolidate and update the Council's financial strategy in readiness for the preparation of the 2019/20 revenue and capital budgets. Included in the report was the timetable for the budget process to enable the 2019/20 Budget to be considered by Council in February 2019, as well as an update in relation to the Council's financial resilience measures.

The Cabinet Member detailed the strategy assumptions to address the ongoing challenges to meet the medium term £91.4m budget gap that included a combination of identifying operating efficiency savings; use earmarked reserves; a cap on growth in schools budgets; and the setting of council tax. Directorates had been asked to identify saving proposals to assist in addressing the gap. This was increasingly challenging for the schools and social services directorates because of demand and other pressures, and other directorates required to fulfil statutory duties.

A further review of the Budget Strategy and the financial resilience will be undertaken to reflect emerging issues, and any adjustments required following the announcement of the Provisional Settlement in October 2018.

The Lord Mayor opened the item up for debate and invited each of the party Finance Spokespersons to speak.

During the debate Councillor Rodney Berman proposed a Reference Back in accordance with Council Procedure Rule 25 (a) (iv), which was seconded by Councillor Nigel Howells to enable the Cabinet to look again at options to reduce the funding gap looking across all directorates and exploring service redesign.

During debate concerns were raised in relation to the governance implications of the delegation (consideration 3) agreed by the Cabinet on 12 July 2018. Other comments made were in relation to developing income and revenue streams and commercialisation; development of alternative delivery models; concerns around unsubstantiated borrowing; medium term payments of Council loans; need for Cardiff

to benefit more from the reallocation of business rates; potential Council tax rate; continuing levels of absenteeism; the effectiveness of the Cabinet consultation and engagement on the budget particularly with those in communities that rely on council services the most.

Following the debate the Cabinet Member responded to issues raised around the funding of the Councils; service models; the framework for the budget and what is deliverable; income generation and savings. The Cabinet Member recognised the issues around consultation and engagement and invited Members to provide suggestions on how the Council can better reach communities and underrepresented groups in Cardiff.

The Lord Mayor called a vote on the Reference back. The vote was LOST

The Lord Mayor called a vote on the recommendations.

The recommendation was APPROVED.

RESOLVED – That the budget timetable framework as set out in Appendix 2 be adopted and approved the work outlined is progressed with a view to informing budget preparation.

#### 51 : DIRECTOR OF SOCIAL SERVICES ANNUAL REPORT

The Cabinet Member for Social Care and Health, Councillor Elsmore proposed the 9<sup>th</sup> Annual Report of Local Authority Director of Social Services 2017/18. This was the second report since the implementation of the Social Services and Well-being (Wales) Act in April 2016. The report was seconded by the Cabinet Member, Children and Families, Councillor Graham Hinchey.

The report would be submitted to the Care Inspectorate Wales in accordance with the Regulation and Inspection of Social Care (Wales) Act and the Performance Review meeting in September would provide verbal feedback on the report.

The report had been prepared and finalised following engagement with social services managers and staff; senior management, Members of the Corporate Parenting Advisory Committee and the Children & Young People Scrutiny Committee; face to face challenge sessions with young people and feedback from stakeholder organisations. The Cabinet Member recognised the work of the former Director of Social Services, Tony Young and the Assistant Director Adult Services, Amanda Phillips and thanked all the managers and staff in the directorate for their hard work in improving performance and services to vulnerable people in Cardiff and within the Council's care.

The Lord Mayor invited debate on the report. Members welcomed the report and paid tribute to officers and welcomed the new Director of Social Services Claire Marchant who had recently taken up her role with Cardiff.

RESOLVED – That the Local Authority's Social Services Annual Report 2017/18 was approved.

52 : SUPPLEMENTARY PLANNING GUIDANCE: ARCHAEOLOGY AND ARCHAEOLOGICAL SENSITIVE AREAS SPG AND MANAGING TRANSPORTATION IMPACTS (INCORPORATING PARKING STANDARDS) SPG

The Council received a report to advise on the outcome of consultation on the following draft Supplementary Planning Guidance (SPG) which help to deliver the Council's vision set out in the Capital Ambition Report and bring about positive improvements to neighbourhoods, The SPG were recommended their approval:

- Archaeology and Archaeologically Sensitive Areas
- Managing Transport Impacts (incorporating Parking Standards)

The Cabinet Member Strategic Planning and Transport, Councillor Caro Wild proposed the SPG's, which were seconded by Chairperson of the Planning Committee, Councillor Keith Jones.

The Lord Mayor invited comments and observations from Members,

RESOLVED – That the Archaeology and Archaeological Sensitive Areas and Managing Transportation Impacts (Incorporating Parking Standards) SPG's were approved.

53 : CARDIFF CAPITAL REGION CITY DEAL: JOINT OVERVIEW AND SCRUTINY COMMITTEE

This report sought Council's approval for the establishment of a Joint Overview and Scrutiny Committee (JOSC) for the Cardiff Capital Region (CCR) City Deal, including agreement on who the nominated representative and deputy to the JOSC for Cardiff Council would be. The report provided Members with an opportunity to consider:

- The draft terms of reference for the JOSC
- The length of appointment for the nominated representative and deputy to the JOSC
- Whether or not to pay a salary in line with the 2018 Annual Report of the Independent Remuneration Panel for Wales, should our nominated Member be put forward as Chair of the JOSC.

Councillor Huw Thomas, Leader of the Council proposed the report and nominated Councillor Ramesh Patel as the Council's JOSC Member and Councillor Nigel Howells as the deputy, which was seconded by Councillor Weaver.

The Lord Mayor invited debate on the item.

Councillor Joe Boyle nominated Councillor David Walker as the Council's JOSC Member and Councillor Nigel Howells as the deputy.

Councillor Walker indicated that he wished to withdraw from the nomination process to the JOSC.

RESOLVED – That

1. the recommendations of the Economy and Culture Scrutiny Committee with regard to the establishment of a Joint Overview and Scrutiny Committee for the Cardiff Capital Region City Deal were noted;
2. the establishment of a Joint Overview and Scrutiny Committee for the Cardiff Capital Region City Deal, was approved in accordance with the report;
3. the draft terms of reference for the City Deal Joint Overview and Scrutiny Committee were agreed, set out in Appendix A, subject to approval by each of the other participating authorities;
4. the appointment of Councillor Ramesh Patel as a non-Executive Member to be Cardiff Council's representative on the Joint Overview and Scrutiny Committee for the Cardiff Capital Region City Deal was approved;
5. the appointment of Councillor Nigel Howells as a non-Executive Member to be Cardiff Council's deputy representative on the Joint Overview and Scrutiny Committee for the Cardiff Capital Region City Deal was approved;
6. the appointments of the Council's representative and deputy be reviewed annually;
7. no additional salary shall be payable to this Council's representative, in the event that he or she is elected as Chair of the Joint Overview and Scrutiny Committee.

54 : STATEMENTS

The following statements were received: -

[Leader Statement – Councillor Huw Thomas](#)

There were no questions on this statement.

[Investment & Development – Councillor Goodway](#)

The Cabinet Member responded to a question on Cardiff Economy and the development of a replacement City Centre car park; and queueing and potential emissions

[Culture & Leisure – Councillor Bradbury](#)

The Cabinet Member responded to questions on the Events Programme including the National Eisteddfod and the loss of caravan spaces from the caravan park, better advertising of road closures, small grants for local festivals; Rugby World Cup and Tributes paid to Sam Warburton and Geraint Thomas.

[Deputy Leader, Education, Employment & Skills - Councillor Merry](#)

The Cabinet Member responded to questions on Youth Work Excellence Awards 2018; Tributes paid to retiring Head Teachers; Open your Eyes Week and the possible inclusion of STEMs; Estyn Inspection Update; Donaldson Review and self-evaluation in schools.

[Finance Modernisation & Performance - Councillor Weaver](#)

The Cabinet Member responded to questions on the Cardiff Gov App and feedback from service areas and future advertising of the App; Social Media (Twitter) and the

improved engagement with the public; Learning Disability Wales Awards and transport for disabled pupils to further education.

[Housing & Communities](#) - Councillor Thorne

The Cabinet Member responded to questions on Neighbourhood Renewal, scheduling and criteria for awards.

[Clean Streets, Recycling & Environment](#) – Councillor Michael

The Cabinet Member responded to questions on Love Where You Live and inclusion of other community litter picks and street sweeping; Sustainable Food Cities and schools cultivating vegetable plots; Carbon Reduction and transport; Cardiff Crematorium Donation to Charity and potential further fundraising across service areas.

[Children & Families](#) - Councillor Hinchey

The Cabinet Member responded to questions on New Director of Social Services; Crosslands and Ty Storrie and request for information on young people aged 13+ who are accommodated by the Local Authority.

[Social Care, Health & Well-being](#) – Councillor Elsmore

The Cabinet Member responded to questions on Rumourless Cities Project, praise for the Independent Living Service, Day Opportunities in the North of the City; Adult Services Outturn 2017/18 underspend.

[Strategic Planning & Transport](#) – Councillor Wild

The Cabinet Member responded to questions on the Metro and any plan/map information available to the public and current public transport information for residents; Nextbike and the use of bus lanes, expansion of scheme across the City; Transport and Clean Air Green Paper and congestion charging; Removal of Permitted Development Rights and resources available for local conservation groups.

55 : ADJOURNED MOTION: COUNCIL 21 JUNE 2018

The Council meeting of the 21 June 2018 Min No 35 agreed that Motion 2 be adjourned to allow opportunity for the lead Member and the proposer and seconder of the motion to work on a Composite Motion be brought back to Council on 19 July 2018.

The Lord Mayor invited Councillor Sarah Merry, Deputy Leader and Cabinet Member to propose the composite motion which had been submitted to the meeting. Councillor Mike Jones-Pritchard seconded the composite motion.

The motion was as follows:

This Council recognises the positive steps set out in the Council's Capital Ambition document to make sure every child in Cardiff goes to a good or excellent school and that around half of schools are either good or excellent. It also recognises the good work of officers, teachers, governors and others, involved in education in Cardiff that has brought about the improvement in standards in recent years and the continuing

need and drive to further improve standards across all levels and in all areas of Cardiff.

This Council recognises that Capital Ambition states that:

- We will close the attainment gap in schools so that no child is left behind
- Education is one of the surest routes out of poverty
- Education is everyone's business
- We must invest in aspiration and life chances from an early age
- We must work to align funding from across the public and third sectors around what each individual child and family needs
- Early intervention is critical
- We need to provide lasting solutions to complex problems
- That every citizen will have the chance to fulfil their potential and
- That the key to long term success and prosperity of a city lies in how it chooses to invest in aspiration and life chances from an early age.

The Council recognises that there continues to be many young children across the city who do not meet their developmental milestones and whose families require a range of non-stigmatised support, in order for these children to start nursery education at the expected level and stage of development. This council also recognises the impact that poverty can have on young children and their educational outcomes.

This Council recognises the importance of early pre-school support and is working to ensure that the range of early intervention services that exist across the city are integrated and accessible, open to all, and are not limited by a narrow threshold assessment.

This will include:

- Through Families First funding, extending the offer of parenting support to all families across the city that have children aged 0-16 (18 where a young person has been identified as vulnerable).
- Supporting the Cardiff and Vale UHB in the implementation of Healthy Child Wales Programme across Cardiff. This is a universal health programme for all families with 0 – 7 year old children.
- Development of a preventative Support for Families Service, providing assistance that ranges from advice and information to interventions that provide holistic support to families experiencing difficulties below the threshold for statutory intervention.
- Delivery of locally based family support to identify and deliver the right help at the right time.

The combination of these approaches, combined with the continued drive to improve standards is aimed at improving the life chances of our youngest citizens in Cardiff and reducing the attainment gap, so that no child is left behind.

The Lord Mayor advised that she would move to the vote on the revised Motion.

The motion was CARRIED.

56 : MOTION 1

*(In accordance with the Members Code of Conduct Councillor Goodway withdrew from the meeting as he had a previously declared personal and prejudicial interest)*

This Council notes:

- 1) Obesity is defined by the World Health Organisation (WHO) as excessive body fat that presents a risk to health, and is recognised as a major risk factor for a number of chronic diseases (including diabetes, cardiovascular disease and certain types of cancer).
- 2) The WHO has warned that being overweight or obese is the most important avoidable cause of cancer after tobacco, and the Local Government Association has argued that obesity is considered to be one of the most serious public health challenges of the 21st century.
- 3) Across the UK, published statistics show that the prevalence of obesity – as defined by having a Body Mass Index (BMI) of 30 kg/m<sup>2</sup> or more – increased from 15% of adults in 1993 to 27% in 2015.
- 4) Data published by the Public Health Wales Observatory shows the percentage of adults in Cardiff who reported to be obese through the Welsh Health Survey for 2009-12 was 15% for those aged 16-44, 26% for those aged 45-64 and 18% for those aged 65+.
- 5) The prevalence of obesity amongst children in Wales is increasing. Whilst the latest statistics published by Public Health Wales from the Child Measurement Programme for Wales show that Cardiff fares better than the majority of other local authority areas in Wales, they nonetheless show that the percentage of children in the city aged 4 to 5 who are obese was found to be 10.7% in 2016-17, up from 9.4% in 2015-16.
- 6) Data from the Child Measurement Programme for Wales also shows a higher prevalence of obesity amongst children living in the most deprived areas in Wales compared to those living in the least deprived, with a similar correlation between deprivation and obesity prevalence in adults also being identified within the data from the Welsh Health Survey for 2009-12.
- 7) Following on from commitments in the Public Health (Wales) Act 2017, the Welsh Government has recently announced it is in the process of developing a 10-year healthy weight strategy which it will consult on later this year.

Recognising the seriousness of this issue in Cardiff and its impact on the health of our citizens, this Council therefore calls upon the Cabinet to:

- 1) work with relevant partner organisations (including Cardiff & Vale University Health Board and Public Health Wales) to draw up, and bring back to full council for consideration later this year, a 5-10 year strategy aimed at reducing the prevalence of obesity amongst both adults and children in Cardiff; and



- 2) in developing this strategy, give due consideration to incorporating the following proposals:
- a. setting challenging but realistic local SMART targets to work towards a reduction in obesity prevalence amongst children and adults in Cardiff
  - b. including specific targeted actions aimed at tackling obesity amongst children (including through working with the city's schools) as well as amongst those living in the city's more deprived communities
  - c. undertaking a city-based public awareness campaign along the lines of Hugh Fearnley-Wittingstall's "*Newcastle Can*" campaign (<https://www.newcastlecan.com/>), as recently featured on the BBC One programme "*Britain's Fat Fight*"
  - d. working with local businesses to promote greater provision of nutritional information, possibly through a voluntary scheme involving smaller food outlets such as independent cafes and restaurants, to give customers the ability to make better informed choices when eating out
  - e. imposing a ban on junk food advertising on all council-controlled advertising sites, including bus shelters, along the lines of similar proposals recently announced by the Mayor of London in relation to London's bus and tube network
  - f. working towards increased provision of public drinking water fountains and water re-fill stations, to provide a further alternative option to buying high-sugar soft drinks
  - g. ensuring that action to tackle obesity is co-ordinated across council policies – including through the promotion of active travel within the city's transport strategy, the local planning framework, and through recognising the important contribution of leisure services
  - h. exploring the possibility within local planning policy of developing "healthy zones" where the number of fast food outlets is limited, as well as the possibility of adopting supplementary planning guidance with similar requirements to Gateshead Council's supplementary planning document for hot food takeaways which requires consideration to be undertaken of where children congregate, the numbers of hot food takeaways already in existence and the existence of high levels of obesity
  - i. consider best practice from other cities which have adopted local programmes aimed at tackling obesity, including Amsterdam which oversaw a 12% reduction in the number of overweight and obese children between 2012 and 2015.

Councillor Sandrey seconded the motion.

The Lord Mayor invited Councillor Huw Thomas to propose the amendment. This was seconded by Councillor Susan Elsmore.

The amendment was as follows:

Amendment

Insert additional paragraph to read:

*“That Tackling obesity cannot be disentangled from action to tackle poverty and social exclusion. As Sir Michael Marmot, Chair of the Commission on Social Determinants of Health concludes “If you want to solve the obesity problem, you have to solve the inequality problem first.”*

*This Council welcomes*

*The commitments for creating a healthy and active city contained within the Public Services Board’s Well-being Plan in the following areas:*

- Active travel*
- Creating sustainable, connected communities*
- Healthy and sustainable food, including the school holiday enrichment programme*
- Increasing participation in sport and physical activity*

*And the following outcome indicators:*

- % of children aged 4 to 5 who are a healthy weight*
- % of children walking/cycling to work*
- % of adults eating 5 or more portions of fruit and vegetables every day*
- % of adults active for less than 30 minutes a week*

*This Council further notes that*

*Following on from commitments in the Public Health (Wales) Act 2017, the Welsh Government has recently announced it is in the process of developing a deletion of the word “10-year” healthy weight strategy which it will consult on later this year.*

Insert additional paragraph’s to read

*“This Council endorses the PSB’s proposed response to this Strategy, namely The development of a local cross-public service response, led by the Director of Public Health, the city’s leading public health advocate, reporting to the Cardiff Public Services Board.*

*This response, recognising the significant good work already underway, will focus on the development of a local action plan or framework (rather than further work on a local strategy) that maps current activity against best practice, identifies gaps in provision and targets interventions.*

*This work will be undertaken in the autumn, following the publication of the national strategy. Public Health have committed to involve Members in the development of this work.*

Deletion of the paragraph below and paragraphs 1 and 2 (a – i)

The Amended Motion would read:

This Council notes

1. Obesity is defined by the World Health Organisation (WHO) as excessive body fat that presents a risk to health, and is recognised as a major risk factor for a number of chronic diseases (including diabetes, cardiovascular disease and certain types of cancer).

2. The WHO has warned that being overweight or obese is the most important avoidable cause of cancer after tobacco, and the Local Government Association has argued that obesity is considered to be one of the most serious public health challenges of the 21st century.
3. Across the UK, published statistics show that the prevalence of obesity – as defined by having a Body Mass Index (BMI) of 30 kg/m<sup>2</sup> or more – increased from 15% of adults in 1993 to 27% in 2015.
4. Data published by the Public Health Wales Observatory shows the percentage of adults in Cardiff who reported to be obese through the Welsh Health Survey for 2009-12 was 15% for those aged 16-44, 26% for those aged 45-64 and 18% for those aged 65+.
5. The prevalence of obesity amongst children in Wales is increasing. Whilst the latest statistics published by Public Health Wales from the Child Measurement Programme for Wales show that Cardiff fares better than the majority of other local authority areas in Wales, they nonetheless show that the percentage of children in the city aged 4 to 5 who are obese was found to be 10.7% in 2016-17, up from 9.4% in 2015-16.
6. Data from the Child Measurement Programme for Wales also shows a higher prevalence of obesity amongst children living in the most deprived areas in Wales compared to those living in the least deprived, with a similar correlation between deprivation and obesity prevalence in adults also being identified within the data from the Welsh Health Survey for 2009-12.
7. That Tackling obesity cannot be disentangled from action to tackle poverty and social exclusion. As Sir Michael Marmot, Chair of the Commission on Social Determinants of Health concludes “If you want to solve the obesity problem, you have to solve the inequality problem first.”

This Council welcomes

The commitments for creating a healthy and active city contained within the Public Services Board’s Well-being Plan in the following areas:

- Active travel
- Creating sustainable, connected communities
- Healthy and sustainable food, including the school holiday enrichment programme
- Increasing participation in sport and physical activity

And the following outcome indicators:

- % of children aged 4 to 5 who are a healthy weight
- % of children walking/cycling to work
- % of adults eating 5 or more portions of fruit and vegetables every day
- % of adults active for less than 30 minutes a week

This Council further notes that

Following on from commitments in the Public Health (Wales) Act 2017, the Welsh Government has recently announced it is in the process of developing a healthy weight strategy which it will consult on later this year.

This Council endorses the PSB’s proposed response to this Strategy, namely:

- The development of a local cross-public service response, led by the Director of Public Health, the city's leading public health advocate, reporting to the Cardiff Public Services Board.
- This response, recognising the significant good work already underway, will focus on the development of a local action plan or framework (rather than further work on a local strategy) that maps current activity against best practice, identifies gaps in provision and targets interventions.
- This work will be undertaken in the autumn, following the publication of the national strategy. Public Health have committed to involve Members in the development of this work.

The Lord Mayor invited debate on the motion.

At the conclusion of the debate the Lord Mayor invited Councillor Rodney Berman to sum up. In summing up Councillor Berman confirmed he did not accept the amendment.

The Lord Mayor moved to the vote on Amendment.

Amendment was CARRIED.

The Lord Mayor moved to the vote on the Substantive Motion.

The Substantive Motion was CARRIED.

## 57 : MOTION 2

The Lord Mayor advised that the notice of motion proposed by Councillor Jayne Cowan and seconded by Councillor John Lancaster had been received for consideration and was included on the Summons for the meeting. No amendments had been received.

The Lord Mayor invited Councillor Cowan to propose the motion as follows:

Waste Management is a department which has seen a number of complaints from Councillors and Members of the Public in recent years.

We call upon the Cabinet to:

Explain why it is impossible to provide Councillors with the cost of journeys to collect rubbish which is missed from the regular collection.

Put in place an out of hours contact (on a rota basis) to deal with real time complaints with a view to avoiding the cost of returning to collect missed bins/bags on a different day and therefore improving the services to the public.

Improve collection rates by engaging with residents in streets where collections are persistently difficult, in order to improve access for refuse lorries.

To explore ways to ensure refuse collectors clear dog mess whenever they see it on their rounds, which is part of their obligation we understand.

Bring a report to Council by the end of 2018 with proposals to reduce costs and streamline the service. The report should explore all options of which is the most efficient method of waste collection whilst maintaining service delivery. This would include investigating the possibility of outsourcing.

The report must also consider the ongoing high levels of sickness absence in waste management and advise what measures will be put in place to tackle the problem.

The motion was seconded by Councillor John Lancaster.

The Lord Mayor invite debate on the motion.

At the conclusion of the debate the Lord Mayor invited Councillor Jayne Cowan to sum up

The Lord Mayor moved to the vote on the motion.

Following a request for a recorded vote, voting was as follows:

FOR: (26)

Councillors: Berman, Boyle, Carter, Cowan, Driscoll, Gavin Hill-John, Philippa Hill-John, Howells, Hudson, Jenkins, Jones-Pritchard, Lancaster, McKerlich, Molik, Morgan, Naughton, Owen, Parkhill, Phillips, Robson, Sandrey, Taylor, Graham Thomas, Walker, Williams, Wood.

AGAINST: (39)

Councillors: Ahmed, Dilwar Ali, Bale, Bowen-Thomson, Bradbury, Bridgeman, Burke-Davies, Cunnah, De'Ath, Derbyshire, Ebrahim, Elsmore, Goddard, Goodway, Gordon, Henshaw, Hinchey, Jacobsen, Keith Jones, Owen Jones, Joyce, Lay, Lister, Mackie, McGarry, Merry, Michael, Murphy, Jackie Parry, Patel, Sattar, Simmons, Singh, Stubbs, Huw Thomas, Thorne, Weaver, Wild, Wong.

ABSTENTION (2)

Councillors: Ford, Keith Parry

The Motion was LOST.

58 : ORAL QUESTIONS

Question – *Councillor Graham Thomas*

What prevention work is the council doing in 2018 to tackle loneliness in the city?

Reply – *Councillor Elsmore*

I am aware of the impact that loneliness and isolation can have on the health and wellbeing of vulnerable people. Indeed our whole policy framework is being set up and developed to deal head on with this issue.

Lots of information for you Hubs and Libraries, Wellbeing Wednesdays, Intergenerational parties, Dementia Cafes. Developing new Wellbeing Hubs across the North and West of the city. Our Day Opportunities is connecting people to individual activities that they would want to do in our communities. We work with the Third Sector including Age Connect, to engage in people's homes.

I am very pleased with the partnership working that we are doing but I suppose one of the essential messages is we cannot do this alone, its everyone's business.

Supplementary Question – *Councillor Graham Thomas*

Thank you it's good to hear of the successful partnership arrangements in place on this important issue.

Loneliness is a terrible thing for anybody and is associated with depression, high blood pressure and dementia. Helping our residents to socialise could potentially save millions for the public purse across the country. So what pressure can we put on the Welsh Government for extra funding in this measure, extra funding that would ultimately save them money would be very constructive for Cardiff Council and most importantly improve lives for residents in the City?

Reply – *Councillor Elsmore*

You will be aware that there has been a parliamentary review of Health and Social Care, Welsh Government's response to that is called *A Healthier Wales* and they are looking at the integration of Health and Social Care across the whole system, they are putting £100million for Wales in terms of a transformation fund, bids will be going in shortly.

The Council have a number of innovative projects that we will certainly be bidding. The process is actually through the Regional Partnership Board which I Chair, so I'm confident that we will actually receive funds and be able to develop this agenda further.

Question – *Councillor Sandrey*

I've recently reported some dangerous parking in Llanedeyrn and was told that the area would be reviewed as part of the Annual Area Investigation for 2019. Given that the report for 2017 won't be published until October of this year, what confidence can residents have that problems will be addressed before an accident happens, if they are forced to wait until 2019 for any investigation to be carried out?

Reply – *Councillor Wild*

As I indicated to you at Council last month, officers are currently working on the Area Investigation report, which is due to be completed by this October. Where possible, any new investigation requests will be included in the current review and the issue you are referring to has been included in that list.

Supplementary Question – *Councillor Sandrey*

Can I just clarify that the issue I was talking about will be covered in this year's report?

Reply - *Councillor Wild*

In the list coming forward in October, it will be one of the ones to be investigated.

Question – *Councillor Keith Parry*

What plans does the council have to extend Welsh Language nursery and primary education in the Fairwater area?

Reply – *Councillor Merry*

The Welsh-medium catchment area school for Fairwater is Ysgol Coed Y Gof and there is a sufficiency of places by comparison with demand from the area. There are places available in every year group in the primary age phase, including entry to Reception for September 2018.

Depending on where a family resides in Fairwater, there are a number of maintained community nursery classes within a two mile radius offering Welsh-medium nursery education. These include classes at The Ely and Caerau Children's Centre, Ysgol Treganna, Ysgol Pwll Coch and Ysgol Glan Ceubal amongst others.

In addition to this, the Council purchases Welsh-medium nursery places from Cylch Meithrin Pentreban, which is located on the Ysgol Coed Y Gof site.

We keep supply and demand under regular review and plans are made as required to ensure a sufficiency of places for those that opt for Welsh-medium education for their children.

Supplementary Question – *Councillor Keith Parry*

Concerns have been raised by local residents about the 7000 houses being built on the Plas Dwr site and the effect this is likely to have on the supply of nursery school and primary school places in the Welsh Language generally in the North West of the City, I'm pleased Councillor Merry is keeping this all under review.

Question – *Councillor Sattar*

Can the Cabinet Member confirm when the porta-cabins housing Ysgol Hamadryad will be removed from Sevenoaks Park?

Reply – *Councillor Merry*

Ysgol Hamadryad's is one of our new Welsh Medium schools and it will be completed in November 2018 and a phased move will then take place.

The porta cabins will be removed from Sevenoaks Park in the New Year of 2019 once they have been cleared.

Question – *Councillor Robson*

What consideration has been given to forming closer ties with cities in America?

Reply – *Councillor Huw Thomas*

There are no specific plans to form closer ties with cities in America.

You will understand that as with all international partnership work, outside of our twin cities, we will work with cities on a project-by-project basis. We will seek to

collaborate, in particular, with cities where funding is available, where it links with our Capital Ambition priorities, or where specific opportunities arise in areas that would benefit Cardiff residents. I'm not sure where you are going to go with this with your supplementary but I'm very open to any ideas you may have as to how such things can be developed.

*Supplementary Question – Councillor Robson*

Our international links are vitally important and probably more so from 29<sup>th</sup> March next year, to work with countries from both within the EU and outside it, to ensure that we as a Capital City can link with other Capital Cities. I picked on America because the President of America was in the country recently, I just wondered if you took the opportunity to invite him to Cardiff as he resides in one Capital he could have come to this one.

*Reply - Councillor Huw Thomas*

You will be aware that I spoke at a demonstration concerning some of the President of America's policies, but what I did say was that if he were to come to Cardiff he would see what a welcoming and diverse City we are so the invitation was in fact made, although not taken up.

But let's also acknowledge that there are partisan concerns about what the current US President is doing and indeed you will be aware that I had the opportunity to travel to the North Eastern United States earlier in the year. I met there with the Senator for Rhode Island who was sharing with me his real concerns about the state of the Western Alliance but was also determined to maintain good relations on City to City levels and I had the chance to have discussions during the same visit with members of the Welsh Government team in New York and discussed how we could project a good positive image of Cardiff to America, I will happily update you further outside of this.

*Question – Councillor Howells*

What discussions has the Council had with the organisers of Pride Cymru to ensure that both this year's parade and the event itself are inclusive of everyone within the LGBT+ community?

*Reply – Councillor Bradbury*

Cardiff Council and South Wales Police have been working closely with Pride Cymru to facilitate their event in 2018. From our discussions to date, it is very clear that Pride Cymru want to encourage everyone to join them to enjoy the August Bank Holiday event. We work closely with Pride Cymru to ensure that the event is inclusive.

*Supplementary Question – Councillor Howells*

The sight we saw at London Pride where anti-trans activists tried to disrupt the parade was appalling and we should do all we can to prevent that happening at Cardiff Pride and to even allow trans-phobic protestors to take part in the march would be a betrayal of everything that the LGBT+ community stands for.



Will you join me in signing a cross party statement not only supporting this year's Cardiff Pride but also supporting the right of our Trans Community to fully enjoy the event without fear of intimidation or bigotry.

Reply - *Councillor Bradbury*

As you know the message from Pride Cymru is clear that everybody is welcome unless they are promoting intolerance, if that message isn't clear I'm happy to share it because I agree with you, there is no place for messages of hate and inequality and the Pride Cymru parade or event.

Question – *Councillor Lay*

Cardiff has been enjoying weather that has not been seen for many years. One of the unfortunate issues that has been raised by residents is the condition of our grass verges due to the hot weather. Could the Cabinet Member confirm what lessons have been learned from this wonderful spell of hot weather?

Reply – *Councillor Bradbury*

The recent hot weather that we have been experiencing and enjoying has, as you indicate, generated issues for services not only within my portfolio, but also for those in Councillor Michael's, as our parks and other areas of the public realm have seen massive increased footfall which is welcomed.

On the specific matter that you raise, we continue to work in partnership with the Emergency Services, sharing information and acting on intelligence to target areas of potential fire risk.

In terms of lessons learnt, the weather experienced has reinforced the importance of a trained, skilled and flexible workforce able to carry out a wide range of duties adapting to the circumstances that you describe in your question. This can be evidenced within the Parks Service whereby mowing operations in some parts of the city have been suspended, with staff switching to operations including irrigation, litter clearance and vegetation management or tree works, including keeping the trees alive as we have complaints that with the hot weather people are concerned that trees may be dying so we are keeping an eye on that.

Question – *Councillor Cowan*

Since the 2017 Local Elections, how much money has been spent in each individual ward on the following:

- Highways new schemes;
- Remedial Highways works; and
- Street cleansing (roads and shopping centres)?

Reply – *Councillor Wild*

It is not possible to accurately provide the information requested on a ward-by-ward basis.

Supplementary Question – *Councillor Cowan*

I fully expected you to say to me that you couldn't provide that information in the short timescale you have had but I'm really alarmed to hear that you wouldn't be able

to give me that a different time, on a ward by ward basis of how much is spent in each ward. Surely we need that for accountability?

Reply – *Councillor Wild*

I guess I have got 2 responses to that, one is that clearly ward by ward is not how we spend our money, roads don't sit exactly in the borders that we have electorally, roads are different lengths etc. so that just isn't possible to do accurately.

Secondly I'm wondering why you are asking me questions that are clearly going to take hours and hours and hours of valuable officer time to do when we are trying to do things efficiently, I mean if they were to do this it would take them days and they are busy people so I will get some information but we don't do it ward by ward for the reason I have just told you.

Question – *Councillor Carter*

With the recent heatwave what additional support has the council provided directly and indirectly to rough sleepers?

Reply – *Councillor Thorne*

I would refer you to the answer provided to the Written Question from Councillor De'Ath on the same issue, which outlines the work being done to keep those sleeping rough safe during the hot weather.

The Council's Outreach team and our partner organisations are aware of the risk caused by the hot weather. Outreach staff carry sun lotion at all times during hot weather and also provide caps and long sleeved tops to limit exposed skin. Water is carried in the Outreach van and this is also made available for dogs.

The team encourages people to spend time inside or move into the shade and are especially conscious of anyone falling asleep in the sun.

Whilst it is hoped that these preventative measures will work, staff are careful to identify anyone who does suffer sunburn or other effects of the hot weather and, where appropriate, will seek immediate treatment from the Homeless Nurse.

Supplementary Question – *Councillor Carter*

I was very grateful for the very lengthy answer you gave to Councillor De'Ath and it was good that great minds thought alike in that regard.

My question is in light of this, it prompts the issue of floor space and sheltered accommodation for the homeless at times of the year other than the winter. Your points around support in the day and the water is obviously greatly appreciated, it's great that the work of charities such as the Wallach have been doing in raising awareness as well but thinking around exposure and dehydration at night, my question is what we could be doing at the night time shelter as well as the day opportunities that you provide.

Reply – *Councillor Thorne*

Just to say that also during the day we have got 2 day centres where those sleeping rough can drop in for a range of services that can be provided. Dealing with

homelessness is a massive problem, I won't pretend that it's not, I think Cardiff is doing an excellent job and we are trying to do even more.

I have outlined previously some of the schemes that we have introduced and even more than that, far more training and intervention to try and get people, not just with a roof over their head but also to find their way back into normal life as well.

*Question – Councillor Sattar*

Many shopkeepers have recently approached me asking what ID is valid for use to purchase restricted items such as cigarettes and alcohol?

*Reply – Councillor Mackie*

It is very difficult for a bartender or shopkeeper to determine whether a young person is aged 16 or 18 and over by just looking at, and speaking to, them.

Retailers are required by law to take "reasonable precautions and exercise due diligence" to ensure a purchaser is old enough to buy age restricted products.

Shared Regulatory Services advise local businesses that, if the purchaser looks under the age of 25, they should ask them to provide acceptable identification to prove they are old enough to buy the product in question. This is a nationally recognised approach known as "Challenge 25".

Acceptable forms of ID would be a UK photo card driving licence, a UK passport, or an accredited Proof-of-Age Card bearing the PASS Hologram, such as those issued by Citizen Card, Midgard, OneID4U and Validate UK.

Retailers must check the date of birth on the ID provided.

*Supplementary Question – Councillor Sattar*

*(Councillor Sattar declared an interest as a shopkeeper)*

How will you be communicating to shop keepers and licensees?

*Reply – Councillor Mackie*

We will try and ensure that the websites both at Cardiff County Council and Shared Regulatory Services are updated to ensure this information is clear, we could also speak to the licensing forum and other organisations that deal with retailers and they can pass this onto their members as well. We will also ask if this can be put out on social media.

*Question – Councillor Jones-Pritchard*

Is Cardiff affected by the recent decision to categorise Southwark Council as a reseller of water, rather than an agent, resulting in the potential refunding of hundreds of pounds to each tenant for whom it acted?

*Reply – Councillor Thorne*

This decision relates to the charging of commission on the cost of supplying water.

While the Council does act as a reseller of water for our two Gypsy and Traveller sites, we do not charge a commission, nor do we apply any administrative charge. Only the cost of the water is recharged.

Where a service charge is applied for water – for example, in hostels, only the cost of the water is recharged. Therefore, Cardiff will not be affected by this ruling.

*Question – Councillor Berman*

Is the Council satisfied with the contribution made by all of the city's schools to recycling their waste, including by Whitchurch High School?

*Reply – Councillor Michael*

The Commercial Waste Team currently collects general waste, recycling and food waste from nearly all schools within the Authority's area.

Recycling participation is high, with each of these schools being provided with a weekly recycling service. Larger schools may have multiple collections of recycling and food waste every week.

In order to support schools and encourage participation, schools are offered some free recycling collections and are provided with a supply of green bags for use within the school.

Whitchurch High School is a Foundation School and does not currently use the Council as its waste management provider.

*Supplementary Question – Councillor Berman*

You advised us at the briefing given to Councillors earlier in the week Whitchurch High doesn't actually recycle its waste and if that is the case would you agree that is not setting a good example to the pupils and would you commit to having a word with the Head Teacher at the High School to try to persuade the school to perhaps see the error of its ways.

*Reply - Councillor Michael*

I'm more than happy to, we were at a school yesterday in Llanishen to meet with the Eco Team there, these kids do a fantastic job and they really are interested in their world and their City, I've arranged for them to come and have a look at the recycling and see how it works, this is the kind of message that we are taking across the City.

Soon we will be unveiling a cross community recycling education that actually involves kids and what their views are. I'm really disappointed with Whitchurch, I haven't got the power to force them to recycle or force them to take us as the provider. I'm more than happy to send my education team up there, we actually did send them up there and went through with Whitchurch, they are the only ones who decided not to use us, I'm more than happy to try again I think it's a shame that they don't recycle and don't use this Council.

*Question – Councillor Ali*

The National Health Service turned 70 on the 5<sup>th</sup> July 2018. It's the perfect opportunity to celebrate the achievements of one of the nation's most loved Nye Bevan, to appreciate the role the service plays in our lives. Can you make a statement and recognise and thank the extraordinary NHS staff – the everyday heroes – who are there to guide, support and care for us, day in, day out?

Reply – *Councillor Huw Thomas*

I'm sure that one thing we all agree on this chamber is that the NHS is probably our most valued public service.

As Chair of the Cardiff Public Services Board, I want Cardiff Council and Cardiff & Vale University Health Board, as well as other partners, to work together to deliver public services that work for the people of Cardiff and create a capital city that works for Wales.

My Cabinet colleagues – Councillors Elsmore, Hinchey and Thorne – are also working through the Regional Partnership Board to develop closer joint working with the UHB (and the Vale of Glamorgan Council) to develop a modernised, seamless and integrated health and social care system which is fit for the future.

I will most certainly pay tribute to all those involved in delivering health and social care services here in Cardiff, including both UHB and Council staff. In a year where I have myself had to visit A&E on two occasions, I offer my personal thanks to all our public servants working in the Health service.

Question – *Councillor Philippa Hill-John*

Will the cabinet member clarify the current actions in place to monitor the air quality in Llandaff and explain to residents how he proposes to guarantee that the implementation of the LDP and the further development of the BBC site will not worsen the air quality in Llandaff without mentioning 'modal split', which is an aspiration not a reality?

Reply – *Councillor Wild*

I am not sure your colleagues got the memo about not using the term Modal Split because they have been using that this evening so I think we will carry on as it's a simpler than explaining what it all means.

Llandaff Air Quality Management Area has a number of diffusion tubes, which were improved and increased in number for 2018. The most recent results for those and across Cardiff actually, indicate that all monitoring locations in the Air Quality Management Area are compliant with NO2 air quality standards.

In terms of the LDP, and the BBC development you have spoken about, air quality assessments have been undertaken for the proposed developments and these have partly driven improvements in the area we will see around the North West in terms of Active Travel and bus priority measures which total around £11million if trigger points are reached. Notwithstanding that you will also know in the North West and around Cardiff other things we are doing around the Green Paper

Supplementary Question – *Councillor Philippa Hill-John*

Will you please commit to meet with us and the Cardiff West Councillors and Officers to further discuss our serious concerns about the infrastructure and the impact of the air quality in Llandaff Ward?

Reply - *Councillor Wild*

I will, I thought that was in the diary and I would like to thank the group of you for coming together on that and I think it would probably be remiss of me to mention yourself but also to give a genuine thanks to Councillor Driscoll for his pretty stoic work to be honest around air quality and really led on that, that was noted by or Cabinet when this came forward and I'd like to thank him for his work on that.

Question – *Councillor Sandrey*

In light of a recent cycling accident at a Cardiff school, claims have been made that the head teacher has subsequently stopped children cycling to school. How does this encourage children and parents to feel confident in cycling, and doesn't it send the message that it's cyclists to blame for accidents, when we need to be encouraging all road users, but especially car drivers, to be considerate and safe on our roads?

Reply – *Councillor Wild*

The decision to stop those children cycling to that particular school until further notice was taken by the Head teacher to enable the school to review its health and safety procedures. I don't necessarily agree with the assertion and by no means blaming the cyclists. The Council had no input into the decision but I think it's safe to say that we don't think it was a particularly helpful message.

Supplementary Question – *Councillor Sandrey*

What action is the Council taking to influence the decision to reverse the decision?

Reply - *Councillor Wild*

We have had contact with the school, we have respect for the school in terms of if they have health and safety concerns they are allowed to undertake those assessments. Summer holidays coming up to undertake those assessments and we will offer them the help they need in terms of cycling and active travel if some of those things they want to take up.

Question – *Councillor Hudson*

In February of this year, 8 waste management operatives were arrested on suspicion of fraud. 7 of those were Cardiff Council employees. They were released on bail under police investigation. Since then there has been a distinct lack of communication to Councillors with the salient information – who/why/how long had the fraud continued, what was alleged and how are the investigations progressing?

Allegations of fraud are very serious and bring the reputation of the Council into question. What steps have been taken to resolve the situation and/or bring it to a conclusion?

Reply – *Councillor Michael*

The Council continues to support the Police investigation which is ongoing and, as such, it would not be appropriate to disclose any more details at this time.

Supplementary Question – *Councillor Hudson*

I was going to ask when Councillors would be briefed as to the implications financial or otherwise if they are suspended for a long period, are they on full pay and what is

the cost to replace these operatives in their absence. Can we have an update on that please?

Reply - *Councillor Michael*

Members will appreciate that it would be deeply unwise – and almost certainly prejudicial – to provide a running commentary on a matter that is currently being investigated by the Police in collaboration with the Council.

I am sure the Member will understand and respect that position, which reflects the realities of dealing with such a difficult and sensitive matter.

Question – *Councillor Walker*

All parties are agreed on the urgency of reducing vehicle emissions and improving air quality in the city. There is also widespread support for improving the provision of charging facilities for electric vehicles but, of course, the primary source for charging will be where the vehicle is parked overnight. Will the cabinet member take steps to press for new Council policies and, where necessary planning guidance, to ensure that developers provide all Cardiff new build properties with charging points in line with national standards?

Reply – *Councillor Wild*

In terms of Planning Guidance I think we touched on that about managing transport impacts and we may need to change that depending on where technology takes us. In terms of what's happening with residential parking, I'm pleased to confirm that the Council has made a bid for funding to the Office for Low Emission Vehicles for a pilot in residential areas that has been worked up recently, there are a number of other things happening but in terms of residential areas there is some work going on, when that pilot comes through, see how that goes in terms of how we then develop that further.

Supplementary Question – *Councillor Walker*

I was thinking primarily about houses which are currently being built in my area and around the City, as part of the LDP and there are going to be thousands of them and they are moving at a pace. I was wondering whether those houses were going to be asked to do that and if they are not when might be the date by which the Council or some authority would be able to say to them, all new properties should contain a charging point at construction.

Reply – *Councillor Wild*

The reason there is a slight delay is there is some planning guidance coming through from Welsh Government which we are expecting in the Autumn, that will help guide, maybe as your colleague talked about earlier, Councillor Jones-Pritchard, we may need to revisit that SPG again, the technology is changing so fast we have to open to having to do that, but I promise to keep my eye on it and maybe we keep discussing to make sure that does happen because we don't want a load of new houses to be built and slip through a net when there is some technology that is important to put in.

*Question – Councillor Driscoll*

Following a number of recent serious accidents on Western Avenue in Llandaff, there is a feeling amongst residents that the 40mph speed limit needs to be reduced to 30mph; do you agree?

*Reply – Councillor Wild*

You will be aware of my commitment to decreasing speeds across the City even when this is not necessarily a popular thing to do. He knows I agree with him and many residents that we should consider reducing the speed limit on much of Western Avenue.

*Supplementary Question – Councillor Driscoll*

Following a recent request for a survey on Western Avenue it turns out there is justification for the scheme which will be included in future programmes and I know we spoke about this last night at great length, but the criteria for this is the speed of traffic and the number of injuries and collisions and as you know its 40mph on Western Avenue and we have had more than our fair share of accidents, some serious accidents and fatalities especially on roads close to Western Avenue including Ely Road.

Will you commit to help the residents of Llandaff and push this to the top of the list of schemes before any more accidents occur?

*Reply – Councillor Wild*

You know my commitment to it, it's very difficult to make any promises to your residents to push things up to the top of schemes when they are actually the lists are there for a reason we should allow the officers to do that work. What's concerning to you and me and all of us is that we don't money to more of them, I would like that but we have got our eye on that area and I will continue to work with you on that area and see what we can do.

59 : URGENT BUSINESS

There was no urgent business

60 : COMMITTEE MEMBERSHIP

The Council received and approved further nominations to vacancies in accordance with political group wishes, which was reported on the amendment sheet.

RESOLVED –That Councillor Sattar be appointed to a vacancy on the Licensing Committee.

61 : APPOINTMENT OF REPRESENTATIVES TO OUTSIDE BODIES

No nominations had been received from Party Groups to the current vacancies on statutory and non-statutory outside bodies.

62 : WRITTEN QUESTIONS

In accordance with Council Procedure Rule 17 (f) [Written Questions](#) received for consideration and response had been published.



**CYNGOR CAERDYDD  
CARDIFF COUNCIL**



**COUNCIL:**

**27 SEPTEMBER 2018**

**QUESTION TO COUNTY COUNCILLOR CARO WILD  
(CABINET MEMBER FOR STRATEGIC PLANNING AND  
TRANSPORT)**

**PUBLIC QUESTION FROM MR GARY HUMPHRIES**

Cardiff Council recently published a "Transport and Clean Air Green Paper".

Cllr. Caro Wild explained in this paper that the council's job is *"...to improve people's lives, giving people the opportunity to choose transport options that are healthier, that help [us] save money, that make it safe to enjoy cycling and walking on a daily basis..."*

He also went on to explain that the council wants *"...to have a conversation with the people of Cardiff about the issues, and how changes could impact their lives because, ultimately, we will all need to shape our future together."*

Finally, he stated that *"...improving the air we breathe has become a matter of life or death..."*

This is further endorsed by the "Capital Ambition" plan where it talks about one of the Administration's "top priorities" to *"... [tackle] congestion [which] will reduce carbon emissions and improve the quality of the air we breathe, improve people's health and support the city's economy"*.

If these publications are to be believed, could the Council explain why it recently granted consent for the use of two residential roads in Thornhill, Cardiff as a bus thoroughfare, permitting the installation of three bus stops along these streets and a terminus outside the rear gardens of several residents?

Given the volume of 21,500, 15 tonne buses operating every year along these residential roads at 15 minute intervals every day, it is clear that the air that residents will be breathing will be far from cleaner, the roads will be far from safer and the cost of maintaining these roads will also rise, clearly adding costs to the taxpayer and the Council. All in direct contrast to the commitments being made.



**COUNCIL:**

**27 SEPTEMBER 2018**

**STATEMENT OF ACCOUNTS 2017/18 AND ANNUAL TREASURY  
MANAGEMENT REPORT 2017/18**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**Appendix 9, Annexes B & C are not for publication as they contain exempt information of the description in paragraph 14 and 21 of schedule 12A of the Local Government Act 1972.**

**Reason for this Report**

1. The Statement of Accounts for 2017/18 is presented in order to meet the requirement of the Accounts and Audit (Wales) Regulations 2014 (as amended). This provides that the Statement of Accounts be approved by a relevant committee or by the Council meeting as a corporate body, such approval to take place before the 30 September immediately following the end of the financial year.
2. The International Standard on Auditing (ISA) 260 requires the Appointed Auditor to report to those charged with governance, on the key matters arising from the audit examination of the Statement of Accounts for the year ending 31 March 2018.
3. In accordance with the Council's Treasury Management Policy Statement, the Annual Treasury Management Report for 2017/18 is presented based on the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

**Background**

4. The audited Statement of Accounts for the County Council of the City and County of Cardiff (the Council) and the Cardiff Harbour Authority are shown in Appendix 1. Cardiff and Vale of Glamorgan Pension Fund audited Statement of Accounts for the financial year 2017/18 are shown in Appendix 2. Regulations and the Council's constitution require that the audited accounts are approved by Council by the 30 September. The Annual Governance Statement is attached at Appendix 3.
5. The draft accounts and Annual Governance statement were presented to the Audit Committee on 26 June 2018. Subsequent to this, they were presented to Wales Audit Office on 15 June 2018 for audit ahead of the statutory deadline of 30 June 2018.
6. The accounts were available for public inspection between 2 July 2018 and 27 July 2018 as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and

Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended).

7. The Audit Committee also met on the 18 September 2018 where the “Audit of Financial Statements Reports” for the Council, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority were presented by Wales Audit Office. No further issues were raised by Audit Committee.

## **Issues**

8. As part of its role in scrutinising the Council’s statement of accounts, Audit Committee has received a number of reports during the year. The Council has continued its proactive approach to improvement of the statements improving the readability, content and information provided. Work undertaken by Finance during the year includes:-
  - A proactive approach and relationship with WAO raising key issues likely to impact on the accounts prior to their development
  - Increasing the opportunity to undertake testing and review earlier
  - Agreement of audit deliverables with Wales Audit Office to support a continual improvement process in working papers
  - Support for audit including prompt responses to audit queries
  - Whilst very technical documents, improvements to the accounts themselves to set a base for future years.
9. Following an extensive three month external audit period from 15 June 2018, there are no material misstatements which remain uncorrected.
10. The attached appendices include audit reports (ISA 260’s) for the Council, Cardiff Harbour Authority, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Port Health Authority which contain the main issues and corrections, deemed to be required to be brought to your attention.

## **The County Council of the City and County of Cardiff Accounts**

11. The auditor’s draft “Audit of Financial Statements Report” for the Council is attached as Appendix 4.
12. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 4. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.
13. The Audit of Financial Statements Report highlights a number qualitative and quantitative findings, which are summarised below:
  - The Council has generally sound accounting and financial reporting practices although there is scope for continued improvement to the quality and timeliness of some of the working papers submitted to us to support the draft financial statements.
  - We did not encounter any significant difficulties during the audit, however we experienced some delays in receiving supporting documentation requested during the audit process.

- There was one significant matter discussed and corresponded upon with management which we need to report to you. This issue relates to potentially significant liabilities arising from a purportedly undeclared landfill tax assessment which is disclosed in Note 31 to the accounts 'Contingent Assets/Liabilities'.
  - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
  - We did not identify any material weaknesses in your internal controls.
  - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance
14. In respect of the landfill tax assessment, the Council is in discussion with the HMRC and is being supported by an environmental tax specialist given the technical nature of the subject matter. This includes options for mitigation and any appeals process if this is deemed required. As highlighted in note 31 of the accounts, it is not possible to quantify or provide a reliable estimate of any liability at this stage.

### **Cardiff and Vale of Glamorgan Pension Fund Accounts**

15. The auditor's draft "Audit of Financial Statements Report" for the Pension Fund is attached as Appendix 5.
16. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 5. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.
17. The Audit of Financial Statements Report highlights a number qualitative and quantitative findings, which are summarised below:
- We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
  - We did not encounter any significant difficulties during the audit.
  - There were no significant matters discussed and corresponded upon with management which we need to report to you.
  - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
  - We did not identify any material weaknesses in your internal controls that we have not reported to you already.
  - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.

### **Cardiff Harbour Authority Accounts Cardiff Port Health Authority**

18. The auditor's draft "Audit of Financial Statements Report" for the Cardiff Harbour Authority is attached as Appendix 6.
19. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included in Appendix 6. There are no misstatements identified in the financial statements, which remain uncorrected. Any corrected misstatements are shown in the Appendix.

20. The WAO Audit of Financial Statements Report also highlights a number qualitative and quantitative findings, which are summarised below:
- We have no concerns about the qualitative aspects of your accounting practices and financial reporting.
  - We did not encounter any significant difficulties during the audit.
  - There were no significant matters discussed and corresponded upon with management which we need to report to you.
  - There are no other matters significant to the oversight of the financial reporting process that we need to report to you.
  - We did not identify any material weaknesses in your internal controls that we have not reported to you already.
  - There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.
21. The external auditor is also required to audit the annual return of the Cardiff Port Health Authority (CPHA) and the audit opinion is attached at Appendix 7.

### **Overview of the External Auditor's Audit Opinion**

22. Local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. A summary Statement of Accounts note is included at Appendix 8, extracting the main statements.
23. Following the period of external audit it is pleasing to note that any recommended amendments and qualitative findings following a thorough audit are minimal for an authority the size and complexity of Cardiff. Officers of the Council have worked extremely closely with Wales Audit Office in support of their audit role and will take forward any recommendations from the Audit.
24. Future years changes in the Statement of Accounts include:-
- Implementation of new accounting requirements such as International Financial Reporting Standard (IRFS) 9 - Classification of Financial Instruments which is due to be considered for the 2018/19 financial year and IFRS 16 Leases, for the 2019/20 Accounts.
  - The need to minimise the period over which the accounts are prepared and also audited as a result of changes in legislation.

### **Treasury Management Annual Report 2017/18**

25. The Treasury Management Annual Report is attached at Appendix 9. It sets out the economic background within which treasury activities were conducted, the position on investments and borrowing at 31 March 2018, it indicates compliance with indicators set in the budget report for the year and sets out key issues that are being monitored closely in 2018/19 that could impact on treasury activities.

26. The Annual report has been reviewed by Audit Committee on 18 September 2018 in accordance with their terms of reference and they were content with the evidence provided in the report to support compliance with the Treasury Management Principles.
27. The overall position on investments and external borrowing are:
- At the 31 March 2018, investments stood at £59.1 million and were deemed to be fully recoverable. The overall level of interest receivable from treasury investments totalled £0.4 million.
  - The organisations with whom the Council invest with continue to be monitored closely by the Council together with its Treasury Advisors. This is in accordance with the criteria set out in the Council's Investment Strategy for 2017/18, with diversification sought where possible. An update on the 2018/19 Mid Year Treasury Management position will be provided to Council in a further report.
  - At the 31 March 2018, the Council had £693 million of external borrowing in order to pay for historical capital expenditure, with a further £58 million being internal borrowing. The former is predominantly made up of fixed interest rate borrowing from the Public Works Loan Board payable on maturity. The average rate on the Council's borrowing is 4.64% at the 31 March 2018 and total interest paid on the external debt, which includes the Housing Revenue Account, was £31.8 million.

### **Legal Implications**

28. The Accounts and Audit (Wales) Regulations 2014 as amended, make provision with respect to the accounts and audit of local government bodies in Wales whose accounts are required to be audited in accordance with Part 2 of the Public Audit (Wales) Act 2004. The body of the report sets out how the provisions are being met. The Report is reported to Council to meet statutory, regulatory and codified requirements to do so.
29. In respect of note 31 to the Council's accounts and paragraph 12 of the report, (reference to landfill tax assessment and Contingent Assets/ liabilities), it is noted that the Council is in discussion with the HMRC and is being supported by specialist tax advisers. This matter will be kept under review and appropriate legal advice will be provided as required.

### **Financial Implications**

30. This report is presented to Council in discharge of its duty to approve the Council's audited accounts on or before 30 September of the year relating to the end of the accounting period and also to receive the annual Treasury Management Report for 2017/18 in accordance with Council Treasury Management Policy.
31. The Council's financial standing as set out in the Financial Statements, the Appendices and this report will be considered as part of the budget report for 2019/20.

### **RECOMMENDATIONS**

Council is requested to:

1. Approve the audited Statement of Accounts 2017/18 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority (Appendix 1).

2. Approve the Statement of Accounts 2017/18 – Cardiff and Vale of Glamorgan Pension Fund (Appendix 2)
3. Approve the Annual Governance Statement 2017/18 (Appendix 3)
4. Note the Audit reports of the Wales Audit Office on the Statement of Accounts of County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund, Cardiff Harbour Authority and Cardiff Port Health Authority for the year ending 31 March 2018 (Appendices 4, 5, 6 and 7).
5. Note the final Letters of Representation for the County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority.
6. Note that the following documents will be formally signed at the conclusion of the meeting:
  - Statement of Accounts for County Council of the City and County of Cardiff – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff and Vale of Glamorgan Pension Fund – Lord Mayor and Corporate Director Resources
  - Statement of Accounts for Cardiff Harbour Authority – Corporate Director Resources
  - Annual Return of Cardiff Port Health Authority – Lord Mayor and Corporate Director Resources
  - Annual Governance Statement – Leader of the Council and Chief Executive
  - Audit Certificate for the County Council of the City and County of Cardiff, Cardiff and Vale of Glamorgan Pension Fund and Cardiff Harbour Authority – Appointed Auditor, Wales Audit Office. To be signed at a later date.
  - Letters of Representation for the County Council of the City and County of Cardiff – Corporate Director Resources and Lord Mayor
  - Letter of Representation for Cardiff and Vale of Glamorgan Pension Fund – Corporate Director Resources and Lord Mayor
  - Letters of Representation for Cardiff Harbour Authority – Corporate Director Resources and Lord Mayor
7. Note the Treasury Management Annual Report for 2017/18 (Appendix 9).

**CHRISTINE SALTER**  
**Corporate Director Resources**

The following appendices are attached:

Appendix 1 – Statement of Accounts 2017/18 – County Council of the City and County of Cardiff as well as Cardiff Harbour Authority

Appendix 2 – Statement of Accounts 2017/18 – Cardiff and Vale of Glamorgan Pension Fund

Appendix 3 – Annual Governance Statement 2017/18



Appendix 4 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – County Council of the City County of Cardiff

Appendix 5 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 6 – Wales Audit Office - Audit of the Financial Statements Report 2017/18 (ISA 260) and Letter of Representation – Cardiff Harbour Authority

Appendix 7 - Cardiff Port Health Authority Annual Report audit opinion

Appendix 8 – Summary Statement of Accounts 2017/18

Appendix 9 – Treasury Management Annual Report 2017/18

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# Statement of Accounts 2017/18

The County Council of the City and County of Cardiff,  
Cardiff Harbour Authority and Cardiff Port Health  
Authority





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# Narrative Report by Council's Statutory Finance Officer

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## Introduction

This report presents the 2017/18 Statement of Accounts for the County Council of the City and County of Cardiff (the Council). It sets out our financial performance for the past year and is prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

The cumulative savings made by the Council over the past 10 years are approaching £250 million, and the financial outlook for future years remains even more challenging. The process of identification of savings, modernisation and improvement to ensure resilient services is a continuous one and will need to be sustained in the medium-term. This is in the context of an uncertain economic environment in Wales, UK and internationally, and the need to maintain priority services that meet resident's expectations. There is a need to invest in the city's future, to prioritise and challenge the way we deliver services whilst ensuring we remain financially resilient, not only now, but for future generations.

Budget monitoring reports during the year identified risks to meeting the set budget. This was as a result of service demand pressures and difficulty in meeting savings targets the Council had set. Mitigating actions were taken to bring the budget back to balance and credit goes to Directors, Assistant Directors and all senior managers and employees for their work to achieve this position for the year.

## Our City

As the capital city of Wales, Cardiff is its commercial, cultural and retail centre. It is a diverse, talented and youthful city and home to world class sporting and cultural institutions. With a population of 367,000, its population grew by 11% between 2005 and 2015. This trend is set to continue with projected growth of 20% between 2017 and 2037. This is an additional 73,000 people making Cardiff one of the fastest growing UK core cities and exceeding the population growth estimate of every other local authority in Wales.

The city's economy is growing, jobs and businesses are being created and unemployment is at its lowest level this decade and visitor numbers are increasing every year. As well as those living in the city, more than 80,000 people, over one third of the city's workforce, commute into Cardiff every day from across the city/region. However, there are major challenges too. The gap between rich and poor has grown and some of Cardiff's communities are amongst the poorest in Wales. Tackling poverty and inequality is therefore at the heart of everything the Council does.





## Capital Ambition

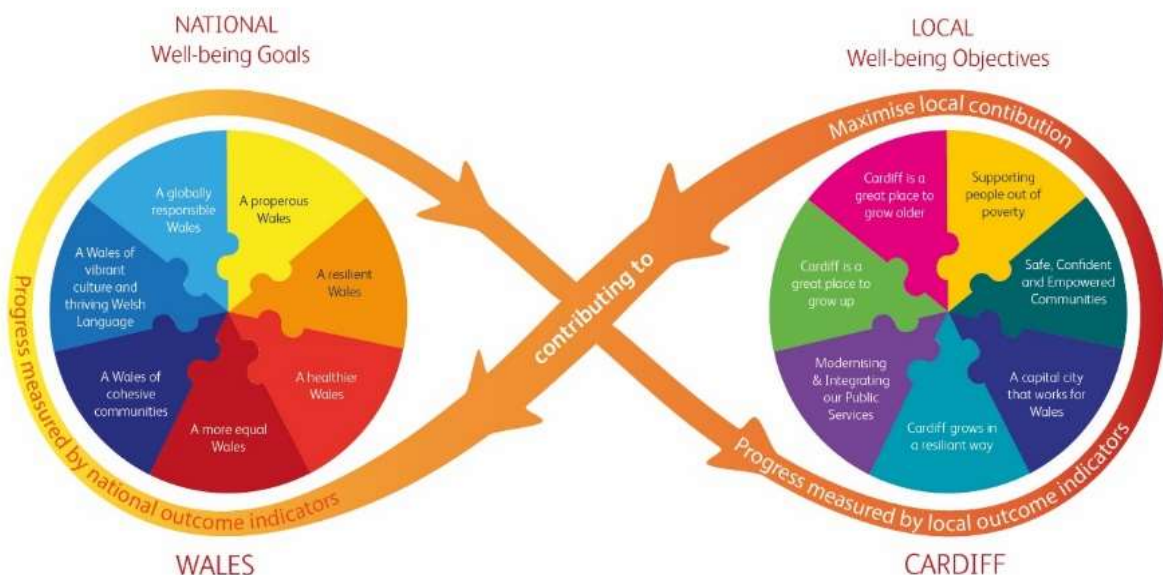
To meet these challenges, the Council has embarked on a programme of action, with commitments and targets to move forward in the face of severe budget challenges faced by all public services.

Capital Ambition identifies four priorities:



It sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens.

The Council's Corporate Plan and the Wellbeing Plan translate the above priorities into deliverable organisational objectives, setting out the steps to be taken and how performance will be measured and mapped to national wellbeing measures.

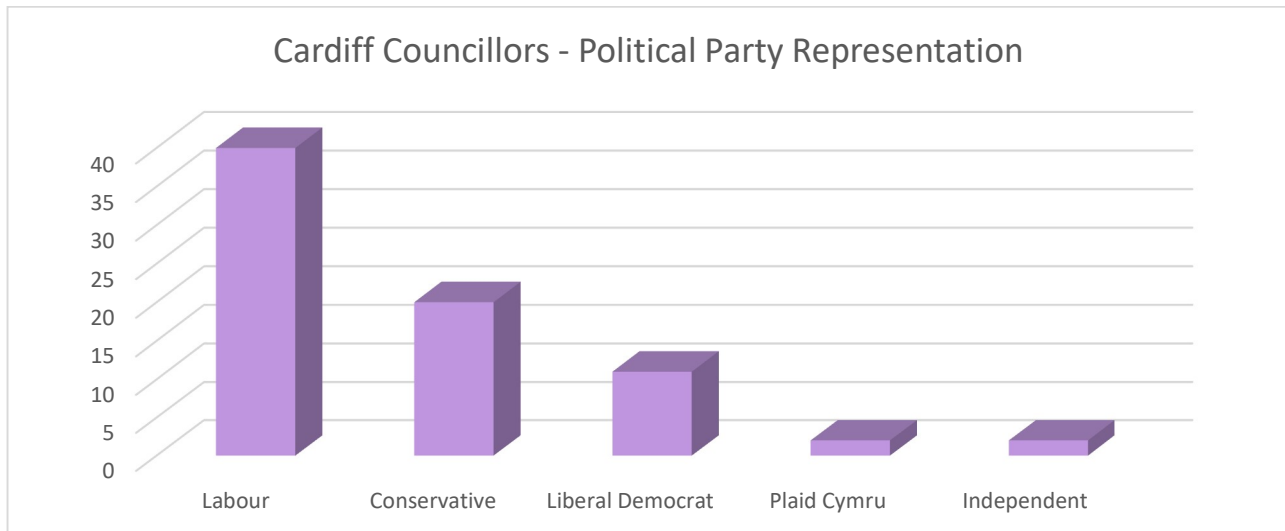


The plans set out how we will continue to invest in and improve our schools, build more affordable housing, tackle homelessness, and protect the city's most vulnerable people. The Council has bold plans for tackling congestion and air pollution, improving recycling rates and keeping our streets clean, together with a series of commitments which will help change the lives of people in the city for the better. Further detail is available on the Council's website.

## The way we work

### *Our Leadership*

The Council has 75 elected Councillors who represent the people of Cardiff and set the overall policy and budget framework.



A constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure decisions are efficient, transparent and accountable to local people.

A Lord Mayor is appointed by the Council annually to perform a civic role and a leader of the Council is also appointed. Cabinet Members are appointed by the leader, each with responsibility for a portfolio of services.

The role of Cabinet is to:-

- be responsible for most major decisions
- provide leadership
- propose the budget framework and subsequent budget.

Scrutiny Committees support the work of the Cabinet and the Council by:-

- monitoring decisions of the Cabinet
- allowing all Councillors, citizens and stakeholders to have a greater say in matters concerning the Council
- producing reports and recommendations on policies, budget and service delivery
- having the ability to review a decision which has been made but not yet implemented
- supporting development of policy on forthcoming decisions.

Regulatory and other governance committees support delivery of Council services including across local authority boundaries. Council has given Audit Committee the responsibility for the review of the Financial Statements for the Council.

The Council's senior management team is led by Chief Executive Paul Orders and includes Corporate Directors, Directors and Assistant Directors, including the statutory officers (Monitoring Officer and Section 151 Officer). They, and employees are responsible for:

- providing impartial advice and implementing decisions of the Cabinet and Council and those delegated to them
- managing the day-to-day delivery of services and performance.

**Our Services**

Everyone in Cardiff uses public services and it is sometimes easy to forget about all the important services provided - every day - to people across the city. Over 700 services, helping to support local communities and improve the lives of local people. Some of these are shown below.

<b>City Operations</b>	<b>Resources</b>
<ul style="list-style-type: none"> <li>· Bereavement and registration</li> <li>· Highways infrastructure and street cleansing</li> <li>· Transport and civil parking enforcement</li> <li>· Leisure, parks and sport</li> <li>· Schools transport</li> </ul>	<ul style="list-style-type: none"> <li>· Commissioning and procurement</li> <li>· Finance</li> <li>· Human resources</li> <li>· ICT and customer services</li> <li>· Performance and partnerships</li> </ul>
<b>Communities, Housing and Customer Services</b>	<b>Economic Development</b>
<ul style="list-style-type: none"> <li>· Libraries and citizen hubs</li> <li>· Customer facing services e.g preventative and into work services</li> <li>· Independent living and community alarm</li> <li>· Adult and community learning</li> <li>· Housing subsidy and systems</li> <li>· Housing Revenue Account – Council dwellings management</li> </ul>	<ul style="list-style-type: none"> <li>· Business and investment</li> <li>· Economic development and regeneration and major projects</li> <li>· Property management, design and development</li> <li>· Culture, venues, events, city centre management and tourism</li> <li>· Waste collection, recycling, treatment, disposal and education</li> <li>· Facilities management e.g security, cleaning, maintenance</li> </ul>
<b>Education and Lifelong Learning</b>	<b>Social Services</b>
<ul style="list-style-type: none"> <li>· Nursery, primary, secondary and special schools</li> <li>· Youth and community education and community learning</li> <li>· Inclusion and improvement</li> <li>· Schools catering</li> </ul>	<ul style="list-style-type: none"> <li>· Adult learning disabilities and mental health</li> <li>· Youth offending</li> <li>· Children's safeguarding, early help, fostering and residential services</li> <li>· Support for older people and those with physical disabilities e.g. day, residential and nursing care</li> </ul>
<b>Governance and legal services</b>	<b>Corporate Management</b>
<ul style="list-style-type: none"> <li>· Democratic, electoral, scrutiny, member and legal services</li> </ul>	<ul style="list-style-type: none"> <li>· Precepts, levies and contributions</li> <li>· Corporate initiatives</li> </ul>

Performance reports are considered by Cabinet each quarter.

In 2017-18 45.8% of people travelled to work by sustainable methods compared to 44.9% of people in 2016-17



In 2016-17 10% of people in Cardiff were using cycling as a mode of transport to travel to work, this has risen to 11.4% during 2017-18



During 2017-18 there were 2,714,916 visits to Cardiff's various sports and leisure sites across the City



Cardiff has given 42,371 people Into Work advice to help citizens to develop skills and find employment opportunities



6,551 people were helped to remain independent through alternative solutions provided by Independent Living



In 2017-18 3,344,686 citizens visited our libraries and hubs, that is approximately 100,000 more people using our library and hub services than in 2016-17



Increasing numbers of customers are choosing to access services digitally. 784,567 customers used digital channels to contact the council on areas such as Council Tax, housing, planning and waste collection



In 2017-18 Cardiff had an increase in the number of staying visitors - from 2,025,000 in 2016 to 2,062,000 in 2017. There was also an increase in total visitor numbers from 20,380,000 in 2016 to 21,980,000 in 2017



The Council has supported 4,904 new and safeguarded jobs across the city and 366,000 sq feet of Grade A office space to attract investment to the City



The council has invested £58 million on improving or building new schools



89.75% of primary school children secured their first choice schools whilst 76.21% of secondary school children secured their first choice schools



Of the primary and secondary schools in Cardiff 53.06% and 38.89% were categorised as green. This is an increase from 40% and 30% respectively from 2016-17



89.4% of pupils achieved core subjects at the end of KS2 and 58.5% of pupils achieved 5 GCSEs grades A\* to C at the end of KS4 compared to a Wales average of 89.5% and 54.6%



123 apprenticeships and traineeships were created by the Council in 2017-18



49% of care leavers in education, training or employment at 12 months after leaving care



51% of children with a care and support plan were supported to remain living with their family

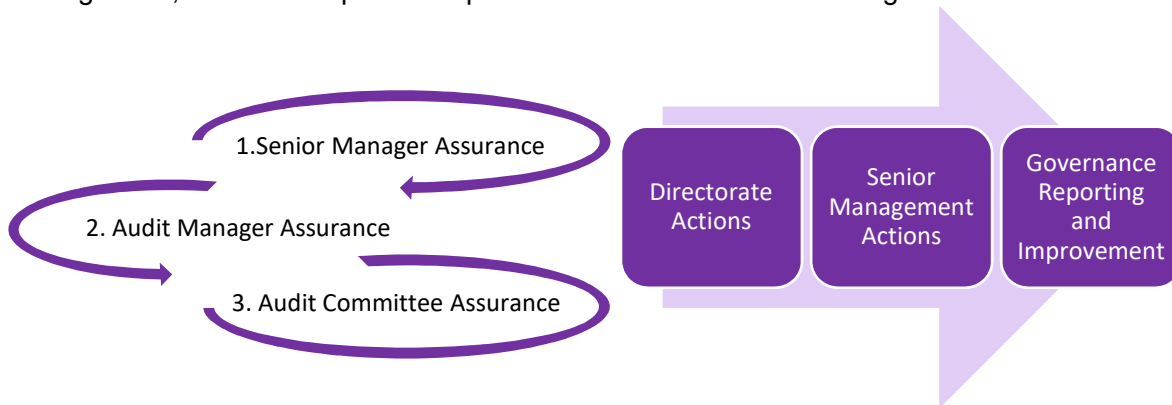


## Our Governance

We prepare an Annual Governance Statement (AGS) each year, to disclose the findings of our annual review of the Council's governance. The AGS includes an Action Plan for any significant governance issues identified as part of the review, to be progressed by Senior Management. This is a separate document and is included in papers for Audit Committee in draft (March and June) and final in September. It is approved by Council in parallel with the Financial Statements and is used for governance reporting and improvement. This is available on the Council's website at the following address.

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Documents/2017-18/Annual%20Governance%20Statement%202017-18.pdf>

In preparing the AGS, the Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by CIPFA and the Society of Local Authority Chief Executives. It comprises the systems, processes, culture and values through which the Council is directed and controlled and its engagement and work with the community. The AGS is built through core disclosures from Senior Management, and the independent opinions of the Internal Audit Manager and the Audit Committee.



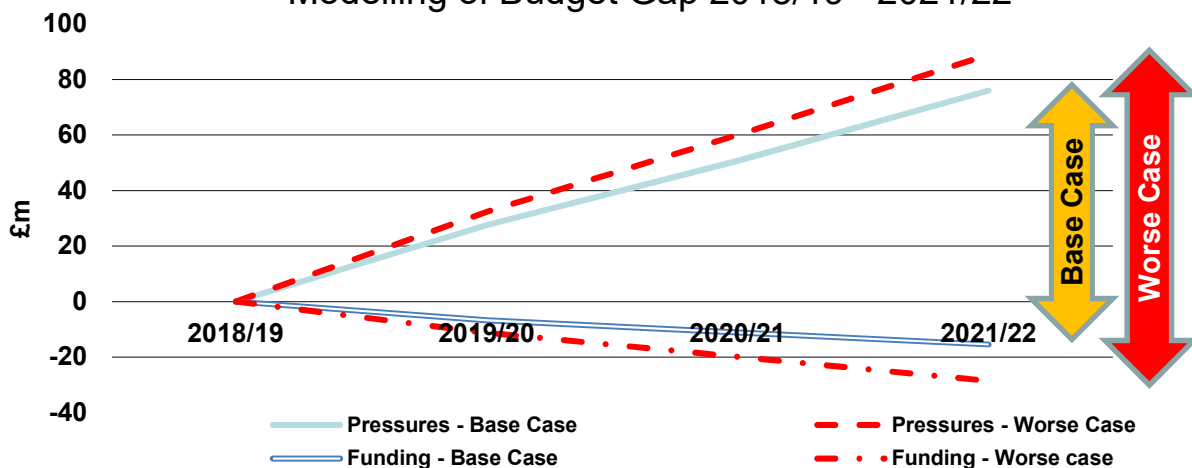
## Future Financial Outlook, Risks and Uncertainties

The Council's risk management regime supports the identification, assessment, reporting and management of risks in directorate, corporate, programme and project activities. It involves quarterly risk assessments to support the timely identification and escalation of the Council's most critical risks to Senior Management Team for ownership, review and reporting.

Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2018, there are eight corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. These are shown below and are being actively managed.

Health and Safety	<ul style="list-style-type: none"> <li>Risk of ineffective health and safety compliance through poor application and embedding of the framework for managing health and safety</li> </ul>
Statutory Maintenance (Building Equipment)	<ul style="list-style-type: none"> <li>Risk of ineffective application of statutory equipment maintenance responsibilities for Council buildings</li> </ul>
City Security	<ul style="list-style-type: none"> <li>Risk of major security-related incident in the city as a result of international or domestic terrorism</li> </ul>
Coastal Erosion	<ul style="list-style-type: none"> <li>Breach of current defences resulting in widespread flooding</li> </ul>
Air Quality	<ul style="list-style-type: none"> <li>Failure to address the impact of poor air quality on the health of our communities</li> </ul>
Budget Monitoring (Control)	<ul style="list-style-type: none"> <li>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves</li> </ul>
Welfare Reform	<ul style="list-style-type: none"> <li>Failure to prevent increased rent arrears and homelessness in delivering the requirements of Welfare Reform including Universal Credit, Benefit Cap reductions, size restrictions for social tenants, housing cost entitlement changes for under 21s and changes to funding for supported housing</li> </ul>
Financial Resilience	<ul style="list-style-type: none"> <li>Failure to deliver a balanced annual budget and a fully informed medium term financial plan would significantly weaken the financial resilience of the Council. The current outlook is that there is a budget gap of £91 million for the period 2019/20 to 2021/22</li> </ul>

### Modelling of Budget Gap 2018/19 - 2021/22



As in previous years, the key reasons for the budget gap are that Welsh Government funding is anticipated to reduce over the medium term by 1% p.a, whilst costs are expected to rise significantly due to factors such as employee costs, price inflation, paying for capital projects, demographic pressures for adults and children as well as increased school pupil numbers and needs.

To ensure the budget strategy approach is aligned to the delivery of corporate priorities a Capital Ambition Delivery Programme is in place and composed of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery and
- Resilient Services: Transformation of front-line services

A range of options will be considered in order to address the gap including income generation, collaboration, review of business processes and digitalisation, review of expenditure, increases in council tax, prevention and early intervention to manage demand for services. Determining and meeting savings targets will be increasingly problematic with increased levels of risk to the delivery of those targets. This will need to be managed and performance monitored closely.

Significant capital expenditure investment is proposed in areas such as: new schools; to address the condition of existing buildings across the whole estate; to develop new council housing and for sustainable travel schemes such as cycling and economic regeneration schemes. The five year investment plan will require an increase in borrowing and a new approach to generating a significantly enhanced level of asset disposals in order to help pay for investment and minimise the need for investment in the first place.

Further details of the Council's budget are included in the Budget Report 2018/19 which is available on the Council's website at the following address.

<http://cardiff.moderngov.co.uk/documents/s20270/Item%20-%20Budget%20Report%202018-19%20for%20Council%2022%20Feb%202018.pdf>

### Financial Performance 2017/18

Council approved the 2017/18 budget in February 2017, which addressed a budget shortfall of £21.527 million. This was bridged by a combination of savings, use of earmarked reserves, a cap on schools non demographic growth and a 3.7% Council Tax increase.

#### *Revenue Expenditure and Funding*

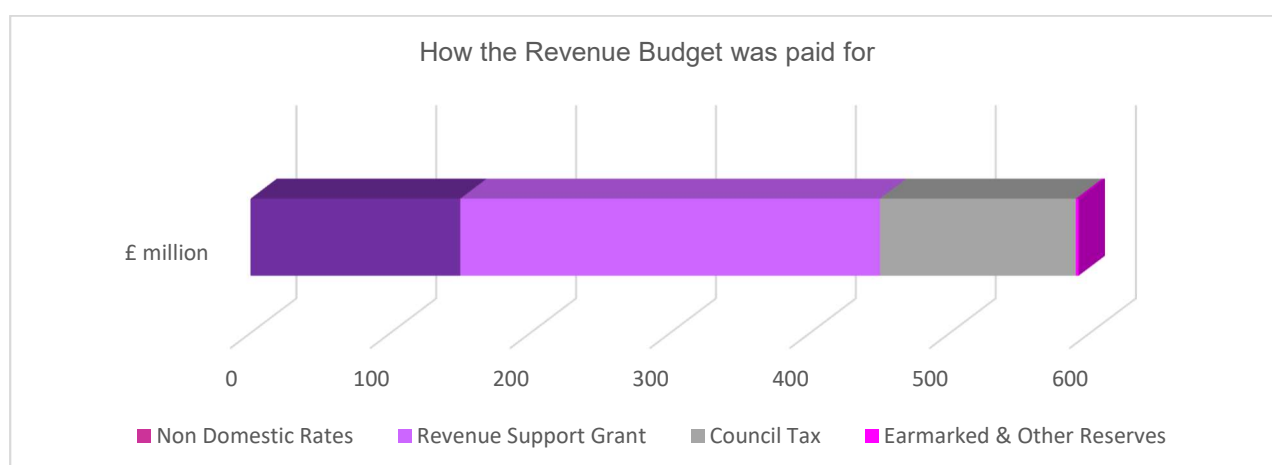
The final revenue outturn shows expenditure within the overall 2017/18 net revenue budget of £586.984 million. During the year contributions were also made to a number of strategic earmarked reserves that

will support financial resilience and benefit the Council in the medium term. Performance is shown below:-

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	34,800	34,790	(10)
Communities, Housing & Customer Services	43,390	43,009	(381)
Corporate Management	25,851	25,800	(51)
Economic Development	13,358	15,001	1,643
Education & Lifelong Learning	249,150	250,499	1,349
Governance & Legal Services	6,055	6,055	0
Resources	19,709	19,371	(338)
Social Services	153,549	156,319	2,770
<b>Directorate Outturn Subtotal</b>	<b>545,862</b>	<b>550,844</b>	<b>4,982</b>
Capital Financing	33,717	34,567	850
General Contingency	3,000	0	(3,000)
Summary Revenue Account inc Council Tax collection and NDR refunds and Discretionary Rate Relief	4,405	1,573	(2,832)
<b>Total Council Outturn</b>	<b>586,984</b>	<b>586,984</b>	<b>0</b>

The budget monitoring process identified financial pressures in a number of directorates, notably Social Services for adults and children, Economic Development and Education & Lifelong Learning. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2017/18 budget.

This is reflected in the overall directorate outturn position showing a Directorate overspend of £4.982 million and an £850,000 overspend on capital financing. A balanced position was achieved without having to make unplanned drawdowns of reserves and balances. Overspends were partially offset by a £3.000 million general contingency budget, held to reflect the quantum, risk and planning status of the proposed savings in 2017/18, as well as by savings in Council Tax collection, NDR refunds on Council properties and the Summary Revenue Account.



- Revenue Support Grant of £312.736 million was received from Welsh Government.
- Council Tax collected by the Council includes precepts for the police and community councils and where applicable was passed onto the relevant bodies. Council Tax income retained by the

Council of £155.429 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 97.7%.

- Non-Domestic Rates (NDR) are collected by the Council for Welsh Government based on the value of buildings used in business or for non-domestic purposes and a rate is set annually. The net NDR collected by Cardiff for 2017/18 totalled £184.953 million of which Cardiff received £115.480 million after redistribution by Welsh Government. The in-year collection rate was 97.4%.

### **Housing Revenue Account (HRA)**

The Housing Revenue Account is a ring fenced service shown within the Communities, Housing and Customer service directorate, with income from rents and expenditure on managing the housing stock and related services. Details of HRA performance are shown in the supplementary accounts on Page 94.

- The Council has 13,436 dwellings
- The average weekly net rent for 2017/18 was £95.27
- Income including rent and charges for services totalled £72.896 million
- Revenue expenditure included £20.697 million on repairs and maintenance, £22.078 million on supervision and management and £30.569 million on interest, provision for repayment of debt and to pay towards capital expenditure

### **Capital Expenditure and Funding**

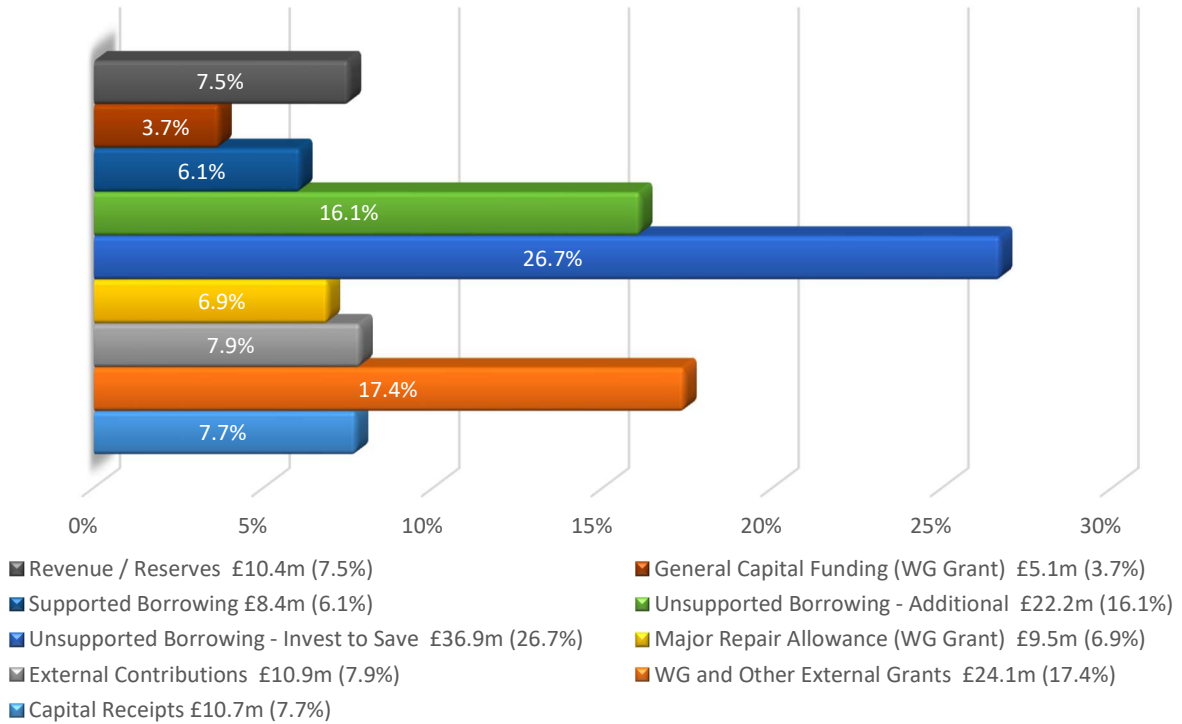
Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services or specified by legislation. Expenditure totalled £138.265 million, with the main schemes described below.

<b>Schemes</b>	<b>Detail</b>	<b>£m</b>
Housing, Neighbourhood Regeneration & Hubs	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements; a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn; opening of hubs in Llanishen, Llandaff North and Llanedeyrn.	10.9
Education & Lifelong Learning	Completion of the new Eastern Community Campus; start of construction of a new high school in the West, three new primary schools and extensions of facilities at a number of schools; investment in the condition of school buildings to address electrical and other safety compliance works.	57.9
Highways & Transportation	Road and footpath reconstruction and resurfacing; LED street lighting energy efficiency, Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and cycle new hire scheme; investment in safe routes in communities.	16.2
Leisure Facilities & Parks	Investment in leisure sites retained by the Council as well as sites operated by external partner; parks play equipment replacement and infrastructure improvements.	3.8
City Development & Major Projects	Public realm improvements at Central Square and pre development costs towards central square and new transport interchange; Alexandra head events area infrastructure.	11.5
City Deal	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility. This is part of the Council commitment of £28.4 million towards the £120 million Investment Fund.	5.7
Other	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lamby Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.3
Public Housing	Investment and improvement of current housing stock and the creation of new housing through the delivery of the Cardiff Living Programme.	24.8

The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. Expenditure of £61.1 million during 2017/18 is to be paid for by borrowing.

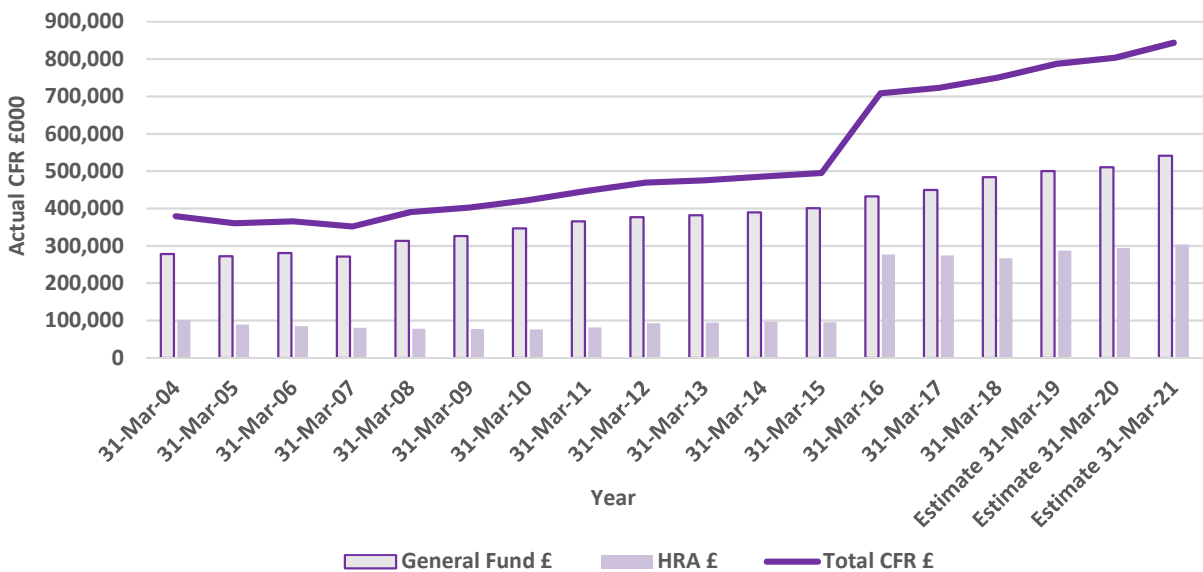


### Funding of Capital Expenditure



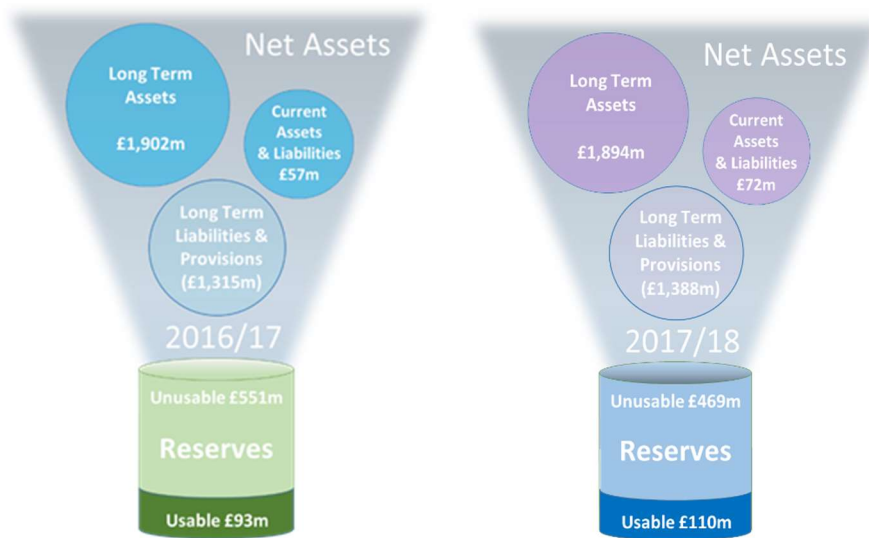
Capital incurred historically by borrowing but yet to be paid for from future revenue or capital income from the General Fund and HRA is termed the Capital Financing Requirement (CFR). Each year, a prudent amount is charged to our revenue budgets to reduce this. In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continue to rise as a percentage of controllable budget.

### Capital Financing Requirement Trend



## Financial Position 2017/18

The balance sheet of the Council is summarised below and shows its assets and liabilities.



### Property, Plant Equipment and Other Non-Current Assets

The valuation of assets involves a number of assumptions, however, movements in asset valuations as well as any accounting charges such as depreciation have no impact on the council tax or rent payable as they are required to be reversed from unusable reserves. Note 18 details movements in assets, capital expenditure and its financing.

- Capital receipts from the disposal of property assets and similar income was £24.818 million including sale of investment property at Central Square, disposal of offices at Penhill Road in Llandaff and Council dwellings sold under right to buy regulations.
- Assets classified as surplus were re-valued as part of a rolling programme of revaluation.

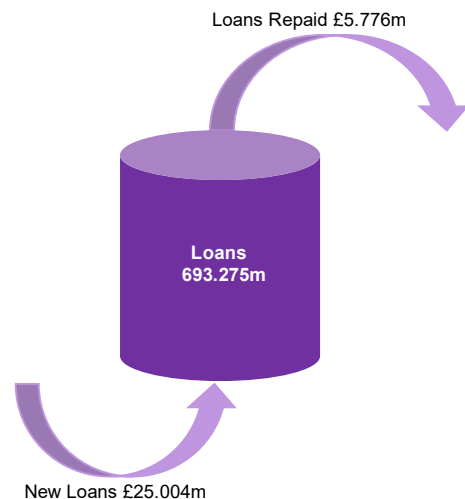
### Financial Assets and Liabilities

Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2017/18. Investments for treasury management purposes are £59.051 million at 31 March 2018 and are represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the period was 0.44% compared to the recognised benchmark of 0.22% (7 day LIBID rate).

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing to meet the capital financing requirement continues to be deferred by using temporary cash balances. Borrowing is undertaken when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly.

The average interest rate paid on the Council's borrowing reduced from 4.74% to 4.64% at 31 March 2018. Interest payable on borrowing was £31.781 million, of which £11.779 million was payable by the Housing Revenue Account.

Note 19 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved.



**Provisions**

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. This includes insurance claims received as well as for landfill aftercare. During 2017/18, total provisions decreased by £5.520 million to £29.417 million. Details of the movement of individual provisions are shown in note 25 of the accounts.

**Pensions Liabilities**

The Council is a member of the Cardiff and Vale of Glamorgan Pension Fund.

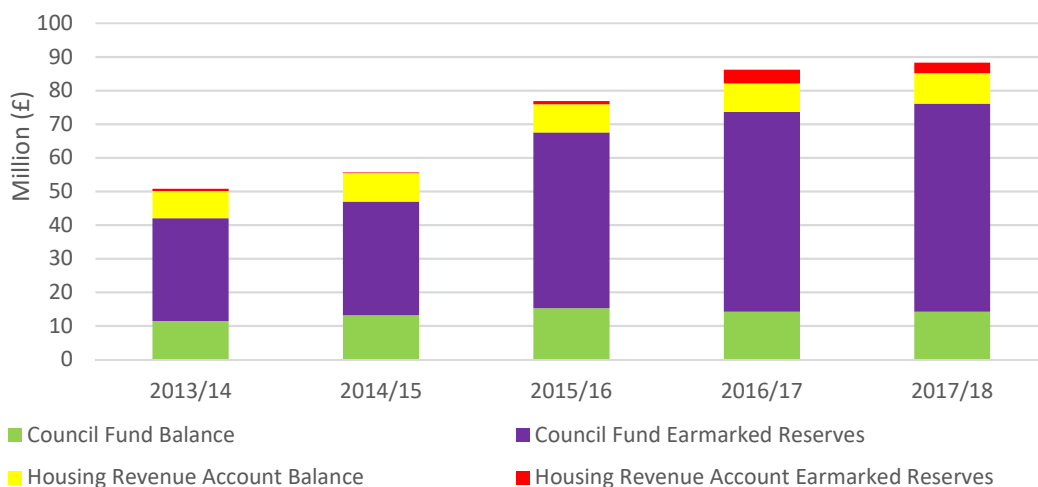
- The cost to the Council during the year for pension liabilities is £44.030 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £643.282 million at 31 March 2018 based on the latest actuarial assumptions which can fluctuate between years. This has increased by £56.559 million from 2016/17.
- The fund is revalued every three years, with the fund's assets at 31 March 2016 deemed to cover 85% of future liabilities. A 20 year recovery plan is in place in order to meet the shortfall.

Further details are given in note 17 of the accounts.

**Balances and Reserves**

Balances and Reserves are sums of money put aside for specific policy purposes or for general contingencies and cash flow management. Their use, creation and assessment of sufficiency also considers risks to financial resilience. Despite recent increases, the levels of usable reserves as a percentage of revenue expenditure continues to be one of the lowest in Wales. Earmarked reserves are detailed in note 2 of the accounts whilst other usable and unusable reserves are shown in notes 28 and 29.

Usable Revenue Reserves



**The Financial Statements**

The Council's Statement of Accounts is set out in the remainder of this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report. Accounting policies set out the rules followed in compiling its financial statements and these are largely specified by the Local Authority Code of Practice. Critical judgements show areas where judgements have been made about the application of accounting policies, to highlight areas where others may have made different judgements. In addition, the key areas where estimates are required to be made are also shown, for example in the valuation of assets.

The core statements are:-

Comprehensive Income and Expenditure Statement

Provides information on how the Council has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

### Movement in Reserves Statement

Shows the changes to the Council's reserves over the course of the year and therefore the movements in the financial position of the Council.

### Balance Sheet

Provides a 'snapshot' of the financial position at 31 March, showing what the Council owns and owes.

### Cash Flow Statement

Shows the reason for changes in the cash and cash equivalents of the Council during the reporting period.

The supplementary Financial statements are:-

### Housing Revenue Account (HRA)

This separate account must be maintained to record income and expenditure arising from the provision of Council Housing.

### Group Accounts

The Council is required to produce Group Accounts in addition to the single entity accounts where it has material interests in subsidiaries, associated companies and joint ventures. Whilst the Council has involvement with a number of small companies, as highlighted in the accounts, due to materiality, the Council only consolidates the accounts of Cardiff City Transport Services Ltd (Cardiff Bus).

### Other statements required for regulatory purposes

These include Trust Funds, Cardiff Port Health Authority and Cardiff Harbour Authority.

## Conclusion

Despite in year pressures, the Council was able to remain within its net revenue budget set for 2017/18. Demand for all council services continues to increase and the continued negative future funding outlook for all local authorities remains a significant risk. The Council has set an ambitious agenda to invest and improve what we do for residents which will require difficult choices to be made and a focus on key priorities. Detailed financial planning assumptions will continue to be required to support a fully informed Medium Term Financial Plan that ensures financial resilience.

Once again, I am grateful for the work of my finance team in supporting directorates and in preparing these financial statements that facilitate transparency of our financial performance and position during 2017/18. This is a requirement that will itself be more challenging in future years due to both additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

The statements will be available to stakeholders and residents to review during the public inspection period as well as undergoing further review by Audit Committee and independent audit, before approval by Council in September.

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

# Statement of Responsibilities for the Financial Statements



## 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 2017/18, 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.

**Councillor Dianne Rees**  
**Lord Mayor**

**Date:27 September 2018**

### 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 Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Council at 31 March 2018.

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

**Date:27 September 2018**

# Audit Report

## Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff

### Opinion

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended [insert date] under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

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

### Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 18, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



# Audit Report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Accounting Policies, Critical Judgements and Assumptions



### Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2018 and its financial position at 31 March 2018. 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 2017/18 (the Code).

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounts have been prepared on a going concern basis i.e. on the assumption that it will continue to be in existence for the foreseeable future. All operations were classified as continuing and there were no significant acquisitions or discontinuations of service during the financial year.

#### 1. Accounting policies issued but not yet adopted

International Financial Reporting Standard 9 - Financial Instruments has been implemented in the 2018/19 Code. Its introduction will see the classifications of financial assets change to Amortised Cost, Fair Value through Comprehensive Income and Fair Value through Profit and Loss, from the previous categories of Loans and Receivables, Available for Sale and Fair Value through Profit and Loss.

The second main change will be the introduction of an expected credit loss model for particular asset types, rather than an impairment of the asset resulting from a specific incident.

The Authority currently owns 100% of shares in Cardiff City Transport Services Limited, a subsidiary company, which forms part of its business model. Under the IFRS 9 changes these shares will be elected to be categorised as Fair Value through Other Comprehensive Income which, subject to any impairment, will be held at Fair Value, with details of the company shown in the Group Accounts.

The main financial assets held by the Authority will be treasury management investments which will move from the Loans and Receivables category to Amortised Cost and will be accounted for on a similar basis. The expected credit loss implications for those financial assets not treated as Fair Value are expected to be minimal as the Authority adopts strict credit quality arrangements in accordance with the CIPFA Treasury Management Code of Practice.

In addition, International Reporting Standard 15 – Revenues from Contracts with customers will be introduced.

Overall, the impact of both these changes on the Authority's financial position is likely to be immaterial.

#### 2. Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council 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 Council
- revenue from the provision of services is recognised when the Council 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 Council
- 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 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 debtors are not considered to be collectable the balance is reduced by a provision for doubtful debt.

### 3. Cash and Cash Equivalents

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 include Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than twenty four hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### 4. 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 note 31 to the accounts.

### 5. Deferred Liabilities

Where the Council receives income in advance from developers and other organisations in respect of revenue expenditure such as the future maintenance of assets, the amounts are held in the Balance Sheet as deferred liabilities until such time that the expenditure takes place.

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 19.

### 6. Disposals and Capital Receipts

When assets are disposed of or decommissioned, proceeds from disposals are credited and the carrying amount of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement in order to calculate a gain or loss on disposal.

Council Fund receipts from disposals greater than £10,000 are treated as capital receipts. Capital receipts are appropriated to the Capital Receipts Reserve from the Council Fund Balance in the Movement in Reserves Statement and can only be used to pay for capital expenditure or to reduce the Council's underlying need to borrow (the Capital Financing Requirement (CFR)). Where sums are due but not yet received they are treated as deferred capital receipts.

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

### 7. Employee Benefits

#### Benefits Payable during Employment

Short-term employee benefits are those due to be settled within twelve months of the year-end. They include such benefits as wages and salaries, paid annual leave, bonuses and paid sick leave for current employees. They are recognised as an expense for services in the year in which employees undertake service for 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 upon 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 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 strain upon the Pension Fund and is included in the Balance Sheet as a creditor. Pension strain is payable to the Pension Fund over five 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 Council are members of two separate pension schemes:

- the Teachers' Pension Scheme, administered by the Teachers Pensions Agency
- the Local Government Pension Scheme, via membership of the Cardiff and Vale of Glamorgan Pension Fund administered by the Council.

The Council accounts for pension costs in the main accounting statements in accordance with International Accounting Standard 19 (IAS19). This requires recognition of the fact that although retirement benefits are not actually payable until an employee retires, the Council'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 Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme. The arrangements mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### Defined Benefit Schemes

The Cardiff and Vale of Glamorgan Pension Fund is a defined benefit scheme and the liabilities for the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method. This is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections earnings for current employees.

Liabilities are discounted to their value at current prices, using data from a basket of high quality corporate bonds and government gilts.

The assets of the Cardiff and Vale of Glamorgan Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted and unitised securities – current bid price
- unquoted securities – professional estimate
- property – market value

The net pension liability, which represents the Council's attributable share of the Pension Fund's assets and liabilities, is shown in the Balance Sheet.

The change in the net pensions liability is analysed in the following components:

- the current service cost (the increase in the liability as a result of pension earned by employees in the year rather than the cost of contributions paid into the fund) is charged to the net cost of services
- past service costs (the increase in the liability arising from current year decisions whose effect relate to pension earned by employees in earlier years) cover items such as the provision of enhanced or discretionary benefits on retirement and are charged to Corporate Management
- gains and losses on settlements and curtailments (the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits) are also charged to Corporate Management
- the net interest on the net defined benefit liability is the net interest expense for the period that arises from the passage of time and is shown within the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

Re-measurements comprising the following, are charged to the Pensions Reserve as Other Income and Expenditure:

- the return on the plan assets excluding amounts included in net interest on the defined benefit liability
- actuarial gains and losses as a result of updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

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.

### 8. Events After the Balance Sheet Date

These are 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 material, 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.

### 9. Exceptional Items

Exceptional items of income or expenditure are not expected to recur frequently or regularly, but when they occur and when they are material in terms of understanding financial performance. They are included in the Comprehensive Income and Expenditure Statement as a separate line.

### 10. Financial Assets

Financial assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They 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.

Where a fair value price that would be received to sell an asset, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy:-

Level 1 – quoted prices in active markets for identical assets that the Council can access at the measurement date

Level 2 – inputs other than quoted prices that are observable for the asset

Level 3 – unobservable inputs for the asset

**Loans and Receivables:** Initially measured at fair value and carried at their amortised cost. 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.

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.

**Investments at Fair Value:** Available-for-sale assets are initially measured and carried 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 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, along with any accumulated gains/losses previously recognised.

Where the asset has fixed or determinable payments (e.g. interest), income is credited to the Comprehensive Income and Expenditure Statement for interest receivable 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 (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

**Investments at Fair Value through Profit and loss:** These are initially measured 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.

### 11. Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and 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.

Where a fair value price which is paid to transfer a liability, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to the same levels as stated under the Financial Assets accounting policy.

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

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

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

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

### 12. Grants and Contributions

Grants and other contributions are accounted for on an accruals basis and recognised when:

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

#### Revenue

Grants, for which conditions have not 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 longer any reasonable assurance that the conditions will be met, sums received will not be recognised as a receipt of grant but as a repayment due to the awarding body and held on the Balance Sheet as a liability if it remains unpaid.

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 in an Earmarked Reserve.

#### 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 contribution has been received but remains unapplied, this is deemed to represent a condition and is shown as a creditor, as the unused element could be returned to the funder. Where a non-specific grant such as the General Capital Grant or Major Repair Allowance were to remain unapplied, it would be held as Capital Grants Unapplied Reserve.

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 and Capital Expenditure and Other Contributions Receipts in Advance.

### 13. Heritage Assets

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

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. The valuations are undertaken by A. N. Schoon, Antiques and Fine Art Valuer.

The unique nature of heritage assets makes reliable valuation complex. These difficulties are recognised by the Code and therefore many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Accordingly, only paintings, artefacts and civic regalia are shown at fair value in the Balance Sheet and revalued externally at least



every three years, based on an insurance valuation. The last valuation took place in 2016/17 and the next is due to take place in 2019/20

No depreciation charge is made on heritage assets.

### **14. Intangible Non-Current 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 Council in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation and are reviewed for impairment and re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment initially set between 3-5 years, and reversed in the Movement in Reserves Statement via transfer to the Capital Adjustment Account.

Gains or losses arising from disposal are recognised in the surplus or deficit on the provision of services

### **15. 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.

### **16. 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.

### **17. Investment Property**

Investment properties are those held solely to earn rentals and/or for capital appreciation. Following a review, these are deemed to include:

- ground leases
- land held for future development as strategic sites
- all other land and buildings that meet investment property criteria, mainly shop premises.

Investment properties are measured at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuations are undertaken by officers of the Council's Strategic Estates department and Jones Lang Lasalle who are Chartered Surveyors registered in accordance with the Royal Institution of Chartered Surveyors. Full valuations are undertaken every other year, with a desktop review undertaken annually. The last valuation was in 2016/17 and the next will be due in 2018/19.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best and market conditions at the balance sheet date. Local comparable rental evidence and market yields have been utilised for comparison purposes.

Investment properties are not depreciated. Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service 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.

### **18. Joint Committees**

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income and Expenditure Statement and Balance Sheet on a line by line

basis. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 19. 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 Council 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 Council at the end of the lease period).

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

The Council 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 line on an accruals basis. The charges are made evenly throughout the period of the lease.

#### The Council as Lessor

##### Finance Leases

Where the Council 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 Council'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 transferred 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 transferred 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 non-current 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 Council 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).

### 20. 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 if it meets the following criteria:

- be available for immediate sale in its present condition
- sale must be highly probable
- be actively marketed or have identified prospective purchasers
- the sale expected to be completed within one year.

The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where this results in a loss, this 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Annual reviews are undertaken as to whether assets still meet the criteria for Assets Held for Sale and where this is not the case they are reclassified and revalued in accordance with the appropriate class.

### 21. Overhead and Support Services Costs

The costs of overheads and support services are allocated to directorates in accordance with the Council's arrangements for accountability and financial performance.

### 22. Prior Period Adjustments

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

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 Council'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.

The figures disclosed for 2016/17 in relation to Cardiff Bus have been amended to be consistent with the final accounts received for the company during 2017/18.

### **23. Property, Plant, Equipment**

These assets are those 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 has a de-minimis policy of £1,000 with regards to the capitalisation of expenditure in connection with Council dwellings.

The Council recognises Voluntary Aided, Voluntary Controlled and Foundation Schools on the Council's Balance Sheet if it owns the land and can accordingly direct the use of the assets.

#### **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:

- 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 40% in the current valuation to adjust beacon values to existing use value.
- Other Land and Buildings - Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For schools land and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets.
- Vehicles, Plant, Furniture and Equipment, Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- Surplus Assets are valued at Fair Value, based on highest and best use.

#### **Revaluation:**

Council dwellings, other land and buildings and surplus assets are required to be revalued periodically. Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

## Accounting Policies, Critical Judgements and Assumptions

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current 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 or source any external valuation services. This ensures finance 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.

Revaluations of the Council's property assets are undertaken on a minimum 3 yearly rolling programme basis, or where there is a major refurbishment of an asset, a new valuation will be sought in the year of completion and a revision is made to the useful life. The planned valuation timetable is shown below:

Asset	2017/18	2018/19	2019/20
Council Dwellings		X	
Other Land & Buildings - Schools			X
Other Land & Buildings – Other		X	
Surplus Assets	X	X	X

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 line.

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.

### Impairment and Downward Revaluation:

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

- 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 and community assets), as well as assets that are not yet available for use (i.e. assets under construction). 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

## Accounting Policies, Critical Judgements and Assumptions

historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following range of useful lives:

Asset category	Range of remaining useful life in years
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets and Surplus Assets	n/a

\*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.

These factors are:

- 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 £1.500 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 do not meet the tests above can be disregarded for componentisation on the basis that any adjustment to depreciation charges would not result in a material misstatement 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, 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.

### 24. Provisions

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 line in the year that the Council 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 line.

### **25. 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.

### **26. Reserves**

The Council sets aside amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts 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 Movement in Reserves Statement so that there is no net charge against Council Tax or rent for the expenditure. Certain reserves are maintained to manage the accounting processes for non-current assets, financial instruments, and retirement and employee benefits. These do not represent usable resources for the Council.

### **27. Value Added Tax**

Value Added Tax payable is included as an expense only to the extent that is not recoverable from HMRC. VAT receivable is excluded from income.

### Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government, however the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. Lower levels of funding require prioritisation choices to be made and significant investment is required in property assets, that should be retained, and highway infrastructure in order to maintain their condition and usefulness in service delivery.
- In 2014/15, CIPFA clarified the requirements for recognising schools property on Council Balance sheets. This highlighted the need for there to be 'control' of assets, with a key criteria for recognition being legal ownership. The Council includes Voluntary Aided, Voluntary Controlled and Foundation schools in its balance sheet only if it owns the land and can accordingly direct the use of the assets. In most cases these are owned by religious bodies, the trustees or governing body of the school.

### Assumptions made about the future and other sources of estimation uncertainty

The Statement of Accounts contains figures that are based on assumptions or estimates about the future or that are otherwise uncertain. Whilst these take into account historical experience, current trends, professional guidance and other relevant factors, actual results could be different. The main items in the Council's Balance Sheet at 31 March 2018 for which there is a risk of adjustment in future financial years are:

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation, where required of Property, Plant and Equipment assets, Heritage assets and Investment properties	Valuation of property interests involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factors for social housing etc. Valuations are undertaken on a more frequent basis than the minimum 5 year period to ensure valuations and impact of assumptions are regularly reviewed. Indications of any significant impairment are considered annually. Valuations are undertaken by qualified Chartered Surveyors, or experts in the relevant field 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 or experience.	Any changes to valuations and any associated depreciation charges to services for non-current assets are required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents.
Financial Instrument assets	These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability. For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations where required e.g. valuations of the	Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however this has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve.



## Accounting Policies, Critical Judgements and Assumptions

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	Council's shareholding in Cardiff City Transport Services Ltd, an estimate using multipliers of Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) are used.	
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made at the balance sheet date. In most cases these are subject to legal claims such as those for insurance. Provisions relating to landfill sites subject to a high level of estimation primarily given the length of period over which they are to be considered. Professional internal and external advice is used to determine the need and value of provisions.	The outcomes of assumptions will have an impact on the Outturn in future years, however due to the uncertain nature of these events, are difficult to quantify
Arrears	At 31 March 2018, the Authority 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 or provision for doubtful debts is assumed which may, or may not be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay this will require increases in the level of provisions currently set aside.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, inflation, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Professional actuaries are engaged to provide the Council 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.

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# Core Financial Statements and Notes to the Financial Statements



## Comprehensive Income and Expenditure

This statement records all of the Council's income and expenditure throughout the year and consequently shows the accounting cost of providing services during the year in line with generally accepted accounting practices. The Expenditure and Funding Analysis (Note 4) demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
108,517	(52,402)	56,115	City Operations		99,912	(45,371)	54,541
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,033	(48,519)	36,514
348,120	(100,654)	247,466	Education & Lifelong Learning		385,757	(100,473)	285,284
6,912	(2,556)	4,356	Governance & Legal Services		8,911	(1,896)	7,015
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,319	(26,432)	153,887	Social Services		189,194	(31,610)	157,584
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
<b>1,043,843</b>	<b>(507,186)</b>	<b>536,657</b>	<b>Net Cost of Services</b>	<b>4</b>	<b>1,117,265</b>	<b>(515,908)</b>	<b>601,357</b>
29,367	0	29,367	Police and Crime Commissioner for South Wales	5	31,216	0	31,216
296	0	296	Community Council Precepts	5	310	0	310
17,034	0	17,034	Levies & Contributions	5	17,115	0	17,115
32,221	(9,009)	23,212	(Gain)/loss on sale of non-current assets		29,135	(27,146)	1,989
<b>78,918</b>	<b>(9,009)</b>	<b>69,909</b>	<b>Other Operating Expenditure</b>		<b>77,776</b>	<b>(27,146)</b>	<b>50,630</b>
32,250	0	32,250	Interest Payable on debt	19	31,781	0	31,781
18,035	0	18,035	Interest on net defined benefit liability/(asset)*	17	14,690	0	14,690
0	(979)	(979)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		2,502	(38)	2,464
<b>59,390</b>	<b>(19,784)</b>	<b>39,606</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>48,973</b>	<b>(738)</b>	<b>48,235</b>
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
0	(320,309)	(320,309)	Revenue Support Grant	30	0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates	8	0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income	7	2,070	(191,095)	(189,025)

## Comprehensive Income and Expenditure

2016/17				Note	2017/18		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income	2,070	(670,045)	(667,975)	
		(1,761)	(Surplus)/Deficit on Provision of Services			32,247	
		(26,098)	Revaluation Gains	29		(2,262)	
		10,169	Revaluation Losses	29		2,128	
		784	Impairment losses on non-current assets charged to the Revaluation Reserve			361	
		3,576	(Surplus)/Deficit on revaluation of available for sale financial assets	29		(305)	
		16,049	Actuarial (gains)/losses on pension assets/liabilities*	17		33,581	
		4,480	Other Comprehensive Income & Expenditure			33,503	
		2,719	Total Comprehensive Income & Expenditure			65,750	

\*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

## Movement in Reserves

The statement is split into both Usable and Unusable Reserves. Usable Reserves are those that the Council can use to provide services such as the General Fund and Capital Receipts Reserve whereas Unusable Reserves such as the Pension Fund and Capital Adjustment Account cannot be used.

	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 Council Reserves £000
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>52,226</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>82,296</b>	<b>564,460</b>	<b>646,756</b>
<b><u>Movement in Reserves during 2016/17</u></b>								
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	1,761	0	1,761
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(4,480)	(4,480)
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,268)</b>	<b>0</b>	<b>19,029</b>	<b>0</b>	<b>0</b>	<b>1,761</b>	<b>(4,480)</b>	<b>(2,719)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	23,433	0	(15,897)	0	1,782	9,318	(9,318)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>6,165</b>	<b>0</b>	<b>3,132</b>	<b>0</b>	<b>1,782</b>	<b>11,079</b>	<b>(13,798)</b>	<b>(2,719)</b>
Transfers to/(from) Earmarked Reserves	(7,165)	7,165	(3,132)	3,132	0	0	0	0
<b>Increase/(Decrease) in 2016/17</b>	<b>(1,000)</b>	<b>7,165</b>	<b>0</b>	<b>3,132</b>	<b>1,782</b>	<b>11,079</b>	<b>(13,798)</b>	<b>(2,719)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>14,255</b>	<b>59,391</b>	<b>8,438</b>	<b>4,086</b>	<b>7,205</b>	<b>93,375</b>	<b>550,662</b>	<b>644,037</b>
<b><u>Movement in Reserves during 2017/18</u></b>								
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(32,247)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,503)	(33,503)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,503)</b>	<b>(65,750)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0
<b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(2,452)	2,452	863	(863)	0	0	0	0
<b>Increase/(Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(81,999)</b>	<b>(65,750)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>468,663</b>	<b>578,287</b>

## Balance Sheet

This statement is comprised of two balancing sections - the net assets of the Council and the total reserves held.

31 March 2017 £000		Note	31 March 2018 £000
1,693,015	Property, Plant & Equipment	18	1,711,579
53,846	Heritage Assets	18	54,099
132,241	Investment Properties	18	103,820
3,315	Intangible assets including AUC	18	2,701
13,691	Long-term Investments	19	13,996
5,616	Long-term Debtors		8,087
<b>1,901,724</b>	<b>Total Long-Term Assets</b>		<b>1,894,282</b>
66,124	Short-term Investments	19	34,033
80	Held for Sale assets	20	6,375
2,175	Inventories		2,129
83,754	Short-term Debtors	21	86,927
18,776	Cash and Cash Equivalents	22	54,057
<b>170,909</b>	<b>Total Current Assets</b>		<b>183,521</b>
(14,972)	Short-term Borrowing	19	(13,440)
(87,603)	Short-term Creditors	23	(87,928)
(1,414)	Pension Strain	26	(1,884)
(7,116)	Provisions	25	(5,005)
(2,846)	Deferred Liabilities	27	(3,195)
<b>(113,951)</b>	<b>Total Current Liabilities</b>		<b>(111,452)</b>
(668,028)	Long-term Borrowing	19	(688,713)
(27,821)	Provisions	25	(24,412)
(14,021)	Deferred Liabilities	27	(12,006)
(11,843)	Capital Contributions Receipts in Advance	30	(9,961)
(2,016)	Revenue Grants Receipts in Advance	30	(6,484)
(974)	Capital Grants Receipts in Advance	30	(412)
(3,219)	Pensions Strain	26	(2,794)
(586,723)	Net Pensions Liability*	17	(643,282)
<b>(1,314,645)</b>	<b>Total Long-Term Liabilities</b>		<b>(1,388,064)</b>
<b>644,037</b>	<b>NET ASSETS</b>		<b>578,287</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves	2	61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves	2	3,223
7,205	Capital Receipts Reserve	28	21,320
<b>93,375</b>	<b>Usable Reserves</b>		<b>109,624</b>
258,922	Revaluation Reserve		255,582
876,075	Capital Adjustment Account		852,323
2,038	Deferred Capital Receipts		4,511
13,235	Available for Sale Financial Instruments Reserve		13,540
(591,356)	Pensions Reserve		(647,960)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
<b>550,662</b>	<b>Unusable Reserves</b>	29	<b>468,663</b>
<b>644,037</b>	<b>TOTAL RESERVES</b>		<b>578,287</b>

\*The figures in note 17 are different as they do not contain the share of the joint committees which are included in these figures

## Cash Flow

This statement shows how the Council generates and uses cash and cash equivalents by classifying the cash flows as arising from operating, investing and financing activities.

2016/17 £000		Note	2017/18 £000
(1,761)	Net (surplus) /deficit on the provision of services		32,247
(97,213)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	32	(150,438)
48,392	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	32	45,934
<b>(50,582)</b>	<b>Net cash flows from operating activities</b>		<b>(72,257)</b>
99,661	Purchase of property, plant and equipment, investment property and intangible assets		126,518
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,009)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,818)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
<b>62,792</b>	<b>Net cash flows from investing activities</b>		<b>57,015</b>
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(6,220)	Other receipts from financing activities		(2,826)
7,231	Repayments of short-term and long-term borrowing		7,791
<b>(13,634)</b>	<b>Net cash flows from financing activities</b>		<b>(20,039)</b>
<b>(1,424)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(35,281)</b>
17,352	Cash and cash equivalents at the beginning of the reporting period		18,776
<b>18,776</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>22</b>	<b>54,057</b>

## Notes to the Financial Statements

### 1. Adjustments between Accounting Basis and Funding Basis under Regulation

This note details the adjustments that are made to the total comprehensive income and expenditure, recognised by the Council in the year, in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2017/18	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£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 and impairment of non-current assets	51,244	9,699	0	(60,943)
Revaluation losses of non-current assets	41,333	268	0	(41,601)
Reverse previous impairment on revaluation	(6,864)	(12)	0	6,876
Amortisation of Intangible Assets	741	208	0	(949)
Movements in the market value of investment properties	2,464	0	0	(2,464)
Movement in the value of held for sale assets	0	0	0	0
Capital grants and contributions applied	(38,879)	(11,855)	0	50,734
Revenue expenditure funded from capital under statute	5,737	55	0	(5,792)
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	26,854	1,526	0	(28,380)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Provision for the financing of capital investment	(24,253)	(11,112)	0	35,365
Capital expenditure charged against the Council Fund and HRA balances	(2,774)	(7,633)	0	10,407
Use of the capital receipts reserves to finance new capital expenditure	0	0	(10,682)	10,682
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	51	(51)	0
Capital receipts set aside for the repayment of debt	45	0	0	(45)
<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	(20,079)	(4,010)	24,845	(756)
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	62,972	4,038	0	(67,010)
Employer's contributions to the pension scheme	(40,759)	(3,273)	0	44,032
Pension strain future years	(75)	119	0	(44)
<b>Adjustments involving the Accumulated 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	1,090	(9)	0	(1,081)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the deferred capital receipts reserve in relation to gain/loss on disposal	(4,500)	0	0	4,500
Transfers to the capital receipts reserve upon receipt of cash	2,024	0	3	(2,027)
<b>Total Adjustments</b>	<b>56,321</b>	<b>(21,940)</b>	<b>14,115</b>	<b>(48,496)</b>



## Notes to the Financial Statements

Comparative Movements in 2016/17.

2016/17	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£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 and impairment of Non-Current assets	44,539	9,285	0	(53,824)
Revaluation losses of Non-Current Assets	38,118	0	0	(38,118)
Reverse previous impairment on revaluation	(36,062)	0	0	36,062
Amortisation of Intangible Assets	550	122	0	(672)
Movements in the market value of Investment Properties	(9,908)	208	0	9,700
Movement in the value of Held for Sale Assets	0	0	0	0
Capital grants and contributions applied	(31,546)	(9,645)	0	41,191
Revenue expenditure funded from capital under statute	4,097	25	0	(4,122)
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	17,605	(2,483)	9,138	(24,260)
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Statutory provision for the financing of capital investment	(24,624)	(8,043)	0	32,667
Capital expenditure charged against the Council Fund and HRA balances	(4,820)	(6,009)	0	10,829
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(7,675)	7,675
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	42	(42)	0
Capital receipts set aside for the repayment of debt	125	0	350	(475)
<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	7,502	395	0	(7,897)
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	58,603	2,976	0	(61,579)
Employer's contributions to the Pension Scheme	(40,016)	(2,851)	0	42,867
Pension Strain Future Years	(2,665)	53	0	2,612
<b>Adjustments involving the Accumulated 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.	1,935	28	0	(1,963)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	11	(11)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0
<b>Total Adjustments</b>	<b>23,433</b>	<b>(15,897)</b>	<b>1,782</b>	<b>(9,318)</b>

## Notes to the Financial Statements

### 2. Earmarked Reserves

This note sets out the contribution to and from earmarked reserves during the year to fund current and future expenditure plans.

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
<b>SCHOOLS BALANCES</b>				
Schools Reserves	4,242	4,698	(2,918)	6,022
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	210	277	(124)	363
	4,455	4,975	(3,042)	6,388
<b>SCHOOLS RESERVES</b>				
Out of School Childcare	98	22	(51)	69
Schools Catering	462	0	(143)	319
Schools Formula Funding	1,571	626	(761)	1,436
Schools Organisational Plan	6,414	6,660	(9,626)	3,448
	8,545	7,308	(10,581)	5,272
<b>OTHER COUNCIL RESERVES</b>				
Apprenticeships and Trainees	1,073	316	(138)	1,251
Bereavement Services	162	266	(228)	200
Building Control Fee Earning	601	12	(111)	502
Bute Park Match Funding	170	0	(39)	131
Capital Ambition Delivery	1,042	604	(482)	1,164
Cardiff Academy Training	97	32	0	129
Cardiff Capital Region City Deal	157	201	(33)	325
Cardiff Dogs Home Legacy	108	16	0	124
Cardiff Enterprise Zone	4,608	3	(368)	4,243
Central Market Works	43	298	0	341
Central Transport Service	366	50	(115)	301
City Wide Management and Initiatives	450	495	(228)	717
Community Based Services Transition	348	0	(61)	287
Community Initiatives	30	212	0	242
Connect to Cardiff Refurbishment	10	0	0	10
Corporate Events and Cultural Services	649	239	(296)	592
Corporate Landlord Function	975	75	(609)	441
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	105	53	0	158
Employee Changes	5,555	2,268	(168)	7,655
Energy Conservation	234	0	0	234
Energy Market Volatility	450	237	(100)	587
Equal Pay	282	0	(282)	0
Fraud Detection	140	0	0	140
Governance and Legal Services	607	51	(304)	354
Harbour Authority Project and Contingency Fund	479	3	(100)	382
Highways Section 278	0	566	0	566
Homelessness	1,533	85	(24)	1,594
House Mortgage	29	0	(29)	0
Houses in Multiple Occupation Licensing	38	0	(13)	25

## Notes to the Financial Statements

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
Housing Options Centre	923	0	(121)	802
Housing Support	1,305	0	(195)	1,110
ICT Holding Account	862	0	0	862
Inspectorate Support	295	0	(13)	282
Insurance	6,344	1,180	(1,015)	6,509
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	195	67	0	262
Libraries Book Fund	19	0	0	19
Local Lend a Hand Mortgage Scheme	222	0	0	222
Local Plan	99	0	0	99
Major Projects	1,351	155	(570)	936
Members Development	112	0	(51)	61
Municipal Election	694	187	(544)	337
Municipal Mutual Insurance	1,167	191	0	1,358
Non-Domestic Rates Due Diligence	60	0	0	60
Parking and Enforcement	350	6,054	(5,704)	700
Projects, Design and Development	137	0	0	137
Property Asset Management	156	312	(104)	364
Public Service Board Initiative	23	0	0	23
Registration Service Improvement	46	0	(27)	19
Rentsmart	0	675	0	675
Resources	1,867	189	(269)	1,787
Schools Catering and Kitchen Improvements	332	0	0	332
Scrutiny Development & Training	82	42	0	124
South East Wales Construction Framework	0	318	0	318
Shared Regulatory Service	115	0	(17)	98
Social Care Technology	709	0	0	709
Strategic Budget	2,532	1,500	0	4,032
Waste Management	1,825	286	(1,233)	878
Welfare Reform	2,794	562	(665)	2,691
Wales Interpretation and Translation Service	0	135	0	135
Workshops Asset Maintenance	139	0	0	139
Youth and Community Education	364	0	(83)	281
	45,941	17,935	(14,339)	49,537
<b>SHARE OF JOINT COMMITTEE RESERVES</b>				
Cardiff Capital Region City Deal (CCRCD)*	54	0	(152)	(98)
Central South Consortium	154	85	0	239
Glamorgan Archives	84	0	(9)	75
Prosiect Gwyrdd	66	3	0	69
Regional Adoption Service	28	0	(28)	0
Shared Regulatory Service	64	297	0	361
	450	385	(189)	646
<b>Total Council Fund Reserves</b>	<b>59,391</b>	<b>30,603</b>	<b>(28,151)</b>	<b>61,843</b>
<b>HRA RESERVES</b>				
Housing Development and Acquisition	2,582	0	(863)	1,719

## Notes to the Financial Statements

	Balance 31 March 2017 £000	Contributions		Balance 31 March 2018 £000
		From Revenue £000	To Revenue £000	
Housing Repairs and Building Maintenance	1,016	0	0	1,016
Modernising ICT	238	0	0	238
Tackling Overcrowding	200	0	(200)	0
Welfare Reform	50	200	0	250
<b>Total HRA Reserves</b>	<b>4,086</b>	<b>200</b>	<b>(1,063)</b>	<b>3,223</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>63,477</b>	<b>30,803</b>	<b>(29,214)</b>	<b>65,066</b>

\*This balance arises due to the consolidation of CCRCD including its subsidiary CSC Foundry Ltd.

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

**Schools** - 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. Details of individual school balances will be available from 30 September 2018 on the Council's Schools Budget Forum website. However, a deficit balance of £1.296 million has been set up and offset against overall school balances. This amount represents a cumulative liability in respect of the Mutual Supply Fund which reimburses schools that have incurred supply costs that fall within certain parameters. This amount will be repaid via the school budget over forthcoming years.

**Schools Formula Funding** - to meet unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools' budgets.

**Schools Organisational Plan** - to manage the cash flow implications of the Schools Organisational Plan financial model.

**Apprenticeship and Trainees** – to support the Council's commitment to young people through funding for apprenticeships and trainees.

**Building Control Fee Earning** – represents historic surpluses relating to the ring-fenced building control account which will be used to smooth the effects of any future deficits.

**Capital Ambition Delivery** – to fund additional advice/support for the delivery of Capital Ambition projects. Requests for funding are presented to the Investment Review Board for approval.

**Cardiff Enterprise Zone** - to fund expenditure on the Cardiff Enterprise Zone in future years.

**City Wide Management and Initiatives** – city wide management and initiatives including supporting marketing and infrastructure in relation to the city.

**Corporate Events and Cultural Services** – to support feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services.

**Employee Changes** - to meet the costs associated with voluntary redundancy and other employee costs.

**Energy Market Volatility** - to provide funding for unexpected fluctuations in the cost of energy.

**Highway Section 278** – to support highway investment.

**Homelessness** - to meet increases in homelessness pressures.

**Housing Options Centre** - to meet the capital financing costs of the Housing Options Centre.

## Notes to the Financial Statements

**Housing Support** - to improve sustainability by maintaining people's independence in their own homes.

**ICT Holding Account** – to fund future Business Process Improvement initiatives and other future ICT initiatives.

**Insurance** - to protect the Council from future potential insurance claims.

**Major Projects** - to support the feasibility costs, implementation and financial implications of city wide initiatives.

**Municipal Mutual Insurance Scheme (MMI)** – to protect the Council from a scheme that was triggered on 13 November 2012 and will involve the claw back of a percentage of previously paid claims, as well as a percentage of future claims.

### Parking & Enforcement

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

	2016/17 £000	2017/18 £000
On-street pay car parking fees	(4,362)	(4,575)
Off-Street car parking fees	(1,042)	(1,087)
Residents parking permits	(330)	(346)
Penalty charge notices	(2,019)	(1,973)
Moving Traffic Offences	(3,256)	(3,792)
Camera Car	(104)	(200)
Other income	0	(55)
<b>Total Income</b>	<b>(11,113)</b>	<b>(12,028)</b>
Operational costs / Parking and Permits	1,037	698
Enforcement service	4,607	5,276
<b>Total Expenditure</b>	<b>5,644</b>	<b>5,974</b>
<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(5,469)</b>	<b>(6,054)</b>
Appropriations to Parking Reserve:		
<b>Balance 1 April 2017</b>	<b>370</b>	<b>350</b>
Contributions from CPE	5,469	6,054
Contributions to revenue*	(5,489)	(5,704)
<b>Balance 31 March 2018</b>	<b>350</b>	<b>700</b>

\* Eligible expenditure totalling £5.704 million was drawn down from the reserve leaving a balance of £700,000 at the 31 March 2018. This included a budgeted drawdown of £5.025 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included specific drawdowns for various improvement schemes and initiatives approved by the Director of City Operations in consultation with the Cabinet Member for Transport, Planning and Sustainability.

**Rentsmart** – the Council is the single licensing authority across Wales, processing landlord registrations and grant licenses to landlords and agents who need to comply with the Housing (Wales) Act 2014. Further details can be found on the website <https://www.rentsmart.gov.wales/en/>. The purpose of the reserve is to reinvest in training and service delivery.

**Resources** – to provide funding to a number of areas within the Resources Directorate particularly where transition to new methods of operation are required.

## Notes to the Financial Statements

**Social Care Technology** – to support Social Care ICT developments.

**Strategic Budget** – to support financial resilience and the future budget requirements of the Council over the three year budget period within the Medium Term Financial Plan.

**Waste Management** - to support additional waste management initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs.

**Welfare Reform** - to fund costs arising in connection with potential future welfare reform and the Council Tax Reduction Scheme.

**Share of Reserves of Joint Committees** - the Council's percentage share of the accumulated balances and earmarked usable reserves.

**Housing Development & Acquisition (HRA)** – to fund the development of the additional build programme, other land and property acquisitions.

**Housing Repairs and Building Maintenance (HRA)** - to fund costs of the housing repairs including health and safety.

### 3. Exceptional Items

There are no exceptional items to disclose separately.

### 4. Expenditure and Funding Analysis

The Expenditure and Funding Analysis demonstrates how the funding available to the Council has been used to provide services in comparison with those resources consumed or earned under Generally Accepted Accounting Practices (GAAP).

Directorate	2017/18		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,790	19,751	54,541
Communities, Housing & Customer Services	43,009	5,247	48,256
Corporate Management	25,800	(15,509)	10,291
Economic Development	15,001	21,513	36,514
Education & Lifelong Learning	250,499	34,785	285,284
Governance & Legal Services	6,055	960	7,015
Harbour Authority	0	2,650	2,650
Housing Revenue Account	0	(19,060)	(19,060)
Resources	19,371	2,023	21,394
Social Services	156,319	1,265	157,584
Summary Revenue Account	36,140	(39,252)	(3,112)
<b>Net Cost of Services</b>	<b>586,984</b>	<b>14,373</b>	<b>601,357</b>
Other Income and Expenditure	(537,519)	(31,591)	(569,110)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>49,465</b>	<b>(17,218)</b>	<b>32,247</b>

## Notes to the Financial Statements

	Council Fund	HRA Balance
<b>Opening Balance as at 1 April</b>	<b>14,255</b>	<b>8,438</b>
Surplus/(Deficit)	0	545
<b>Closing Balance as at 31 March</b>	<b>14,255</b>	<b>8,983</b>

Comparative note for 2016/17.

Directorate	2016/17		
	Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
	£000	£000	£000
City Operations	34,078	22,037	56,115
Communities, Housing & Customer Services	43,408	6,684	50,092
Corporate Management	24,665	(18,372)	6,293
Economic Development	13,095	6,824	19,919
Education & Lifelong Learning	244,197	3,269	247,466
Governance & Legal Services	4,541	(185)	4,356
Harbour Authority	0	2,548	2,548
Housing Revenue Account	0	(19,929)	(19,929)
Resources	19,680	(239)	19,441
Social Services	153,031	856	153,887
Summary Revenue Account	41,466	(44,997)	(3,531)
<b>Net Cost of Services</b>	<b>578,161</b>	<b>(41,504)</b>	<b>536,657</b>
Other Income and Expenditure	(560,044)	21,626	(538,418)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>18,117</b>	<b>(19,878)</b>	<b>(1,761)</b>
		<b>Council Fund</b>	<b>HRA Balance</b>
<b>Opening Balance as at 1 April</b>		<b>14,255</b>	<b>8,438</b>
Surplus/(Deficit)		0	0
<b>Closing Balance as at 31 March</b>		<b>14,255</b>	<b>8,438</b>

### 4.1. Note to the Expenditure and Funding Analysis

The adjustments between Accounting and Funding basis are analysed further in the following table.

## Notes to the Financial Statements

Directorate	2017/18			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
City Operations	20,944	768	(1,961)	19,751
Communities, Housing & Customer Services	5,032	885	(670)	5,247
Corporate Management	10,760	854	(27,123)	(15,509)
Economic Development	18,433	1,217	1,863	21,513
Education & Lifelong Learning	31,273	913	2,599	34,785
Governance & Legal Services	5	296	659	960
Harbour Authority	2,736	99	(185)	2,650
Housing Revenue Account	10,270	885	(30,215)	(19,060)
Resources	1,235	(309)	1,097	2,023
Social Services	314	1,068	(117)	1,265
Summary Revenue Account	0	6	(39,258)	(39,252)
<b>Net Cost of Services</b>	<b>101,002</b>	<b>6,682</b>	<b>(93,311)</b>	<b>14,373</b>
Other Income and Expenditure from the Expenditure & Funding Analysis	(46,280)	14,690	(537,518)	(569,108)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>54,722</b>	<b>21,372</b>	<b>(630,829)</b>	<b>(554,735)</b>

Comparative note for 2016/17.

Directorate	2016/17			
	Adjustments for capital purposes	Net change for Pensions Adjustments	Other Adjustments	Total Adjustments
	£000	£000	£000	£000
City Operations	23,408	(1,842)	471	22,037
Communities, Housing & Customer Services	5,907	(169)	946	6,684
Corporate Management	32	2,398	(20,802)	(18,372)
Economic Development	5,506	(304)	1,622	6,824
Education & Lifelong Learning	3,755	(57)	(429)	3,269
Governance & Legal Services	5	(32)	(158)	(185)
Harbour Authority	2,703	89	(244)	2,548
Housing Revenue Account	8,169	178	(28,276)	(19,929)
Resources	835	(704)	(370)	(239)
Social Services	574	(77)	359	856
Summary Revenue Account	0	4	(45,001)	(44,997)
<b>Net Cost of Services</b>	<b>50,894</b>	<b>(516)</b>	<b>(91,882)</b>	<b>(41,504)</b>
Other Income and Expenditure from the Expenditure & Funding Analysis	(27,680)	18,035	31,271	21,626
<b>(Surplus) or Deficit on Provision of Services</b>	<b>23,214</b>	<b>17,519</b>	<b>(60,611)</b>	<b>(19,878)</b>



## Notes to the Financial Statements

### i. Adjustments for capital purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition;

- other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- financing and investment income – the statutory charges for capital financing i.e. prudent revenue provision and other revenue contributions are deducted from other income and expenditure, as these are not chargeable under generally accepted accounting practices (GAAP).
- taxation and non-specific income and expenditure - capital grants are adjusted for income not chargeable under GAPP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The taxation and non-specific income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

### ii. Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS19 Employee Benefits pension related expenditure and income are reflected as follows;

- for the net cost of services – the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs.
- for financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

### iii. Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are as follows.

- for financing and investment income and expenditure – the other differences column recognises adjustments to the Council Fund for the timing differences of premiums and discounts.
- the charge for taxation and non-specific grant income represents the difference between what is chargeable under statute for council tax and NDR that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the collection fund.

## 4.2. Expenditure and Income Analysed by Nature

As well as by Directorate, the Council's expenditure and income analysed by type is shown below.

	2016/17 £000	2017/18 £000
Employee Benefits Expenses	430,055	445,984
Other Service Expenses	568,272	574,135
Depreciation, Amortisation & Impairment	64,418	111,832
Change in Fair Value of Investment Properties	9,105	2,502
Interest Payments	32,250	31,781
Precepts & Levies	46,698	48,641
Transfer to Council Tax Bad Debt Provision	0	2,070
Loss on Sale of Non-Current Assets	32,158	29,136
<b>Total Expenditure</b>	<b>1,182,956</b>	<b>1,246,081</b>
Fees, Charges & Other Service Income	(236,267)	(205,283)
Depreciation, Amortisation & Impairment	(3,826)	(9,531)
Change in Fair Value of Investment Properties	(18,805)	(38)
Interest and Investment Income	(979)	(700)
Income from Council Tax and Non-Domestic Rates	(606,742)	(619,311)
Grants and Contributions	(309,152)	(351,825)
Gain on Sale of Non-Current Assets	(8,946)	(27,146)
<b>Total Income</b>	<b>(1,184,717)</b>	<b>(1,213,834)</b>
<b>Surplus &amp; Deficit on the Provision of Services</b>	<b>(1,761)</b>	<b>32,247</b>

## Notes to the Financial Statements

### 5. Precepts and Levies

	2016/17 £000	2017/18 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	29,367	31,216
<b>Community Councils:</b>		
Lisvane	34	34
Pentyrch	85	91
Radyr	112	120
St Fagans	18	18
Old St Mellons	28	28
Tongwynlais	19	19
	<b>29,663</b>	<b>31,526</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire and Rescue Service	16,775	16,857
Natural Resources Wales	139	139
Cardiff Port Health Authority	115	114
Newport Health Authority	5	5
	<b>17,034</b>	<b>17,115</b>

### 6. Participation in Joint Committees

During 2017/18 the Council was lead Authority (\*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees: Statement of Accounts for each Joint Committee are available on the lead authority's website.

Committee	Purpose	Lead Authority	2016/17 £000	2017/18 £000
Cardiff Capital Region City Deal* (CCRCD)	To co-ordinate and discharge Councils' obligations in relation to the City Deal	Cardiff Council	42	183
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	Rhondda Cynon Taf Council	1,505	1,436
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	Cardiff Council	212	209
Prosiect Gwyrdd*	To manage residual waste treatment	Cardiff Council	32	32
Regional Adoption Service	To share best practice, develop and improve adoption services	Vale of Glamorgan Council	472	488
Shared Regulatory Service	To provide environmental health services	Vale of Glamorgan Council	5,231	5,002
<b>Total</b>			<b>7,494</b>	<b>7,350</b>

The Council has included its share of the transactions and balances of each Joint Committee in its accounting statements.

In relation to CCRCD, capital contributions of £5.743 million are included in the accounting statements.

## Notes to the Financial Statements

### 7. 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 and Crime Commissioner 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 2017/18 was 143,032 (141,288 for 2016/17).

The amounts for a band D property in Cardiff during 2017/18 were as follows:

Band D Council Tax:	2016/17 £	2017/18 £
Cardiff Council	1,060	1,100
Police and Crime Commissioner for South Wales	208	218
<b>Total</b>	<b>1,268</b>	<b>1,318</b>

The above amount (£1,318) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from Council Tax:

	2016/17 £000	2017/18 £000
Council Tax collectable	(182,502)	(191,095)
Provision for non-payment of Council Tax	2,063	2,070
	<b>(180,439)</b>	<b>(189,025)</b>

The net proceeds from Council Tax figure of £189.025 million includes precepts of £31.526 million and a transfer to the bad debt provision of £2.070 million. The remaining balance of £155.429 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2017/18.

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

31 March 2017 £000		31 March 2018 £000
(5,858)	Council Tax Bad Debt Provision	(7,076)

### 8. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (48.6p in 2016/17 and 49.9p in 2017/18) 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 Councils' on the basis of a fixed amount per head of population.

The NDR income of £184.953 million for 2017/18 (£189.057 million for 2016/17) was based on a total rateable value of £457.936 million for 2017/18 (£475.602 million for the year 2016/17).

Analysis of the net proceeds from non-domestic rates:

## Notes to the Financial Statements

	2016/17 £000	2017/18 £000
Non-Domestic Rates collectable	189,057	184,953
Cost of collection allowance	(896)	(893)
Provision for non-payment	(1,696)	(1,459)
<b>Payment into national pool</b>	<b>186,465</b>	<b>182,601</b>
<b>Redistribution from national pool</b>	<b>(105,994)</b>	<b>(115,480)</b>

### 9. Agency Income and Expenditure

The Council acts as an agent on behalf of the following in the provision of goods and services:-

#### Welsh Government

- Non Domestic Rates collection. A net debtor of £13.323 million at 31 March 2018 (£14.993 million at 31 March 2017) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2018 the Welsh Government had provided £2.736 million of funding, of which £801,000 is outstanding as loans provided. The balance available for new loans was £1.935 million (£1.220 million at 31 March 2017).
- Home Improvement loans – provide loans for home improvements. At 31 March 2018 the Welsh Government had provided £1.062 million of funding, of which £313,000 is outstanding as loans provided leaving a balance available for new loans of £749,000.

#### South Wales Trunk Road Agency

The total reimbursement received by the Council was £595,000 in 2017/18 (£394,000 in 2016/17).

#### FOR Cardiff (formerly known as Business Improvement District (BID) Company)

This is a partnership between the local business community and the Council. The BID is a defined area within the city centre in which a levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. Further information is available on their website <https://www.forcardiff.com>. This is used to develop projects benefitting the local area. The Council collects the income and pays this over to the BID Company. At 31 March 2018 the Council owed the company £81,000.

#### Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to commercial and industrial waste. The Council made payments of £10.662 million in 2017/18 (£10.995 million in 2016/17) on behalf of all the partners.

### 10. Remuneration

**10.1** 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 2017/18 was 1:7 (1:8 in 2016/17). The median full time equivalent earnings for 2017/18 was £24,373 (£21,164 in 2016/17). These figures include staff employed by voluntary aided schools.

**10.2** 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 fall within this category including teaching staff and those whose remuneration is disclosed in more detail in note 10.3.

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

## Notes to the Financial Statements

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

£	Remuneration band	Number of Employees	
		2016/17	2017/18
		Total	Total
	60,000-64,999	43	60
	65,000-69,999	43	46
	70,000-74,999	8	12
	75,000-79,999	9	8
	80,000-84,999	13	17
	85,000-89,999	1	5
	90,000-94,999	4	2
	95,000-99,999	1	2
	100,000-104,999	1	2
	105,000-109,999	1	2
	110,000-114,999	2	1
	115,000-119,999	2	2
	120,000-124,999	5	6
	125,000-129,999	0	1
	130,000-134,999	2	1
	135,000-139,999	1	1
	140,000-144,999	0	0
	145,000-149,999	0	1
	150,000-169,999	0	0
	170,000-174,999	1	1
	<b>Total</b>	<b>137</b>	<b>170</b>

**10.3.** Shown in the tables below are remuneration details as required by regulation:

- Senior employees (Directors, Assistant Directors and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- Employees whose salary is £150,000 or more on an annualised basis. These are identified by name.
- This does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions the Council is required to make to the Pension Fund in respect of the individuals who are leaving the Council i.e. Enhancement of Retirement Benefits (Pension Strain costs).

No bonuses have been paid during 2017/18 (£0 in 2016/17).

## Notes to the Financial Statements

2017/18	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (23.3% of salary) £	Total £
Post title			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Paul Orders, Chief Executive	173,417	0	0	0	0	40,406	213,823
Corporate Director Resources & Section 151 Officer (a)	132,613	0	0	0	0	0	132,613
Assistant Director Children's Services (b)	128,115	0	0	0	0	0	128,115
Director Education & Lifelong Learning	122,412	13	0	0	0	28,522	150,947
Director Social Services	122,412	0	0	0	0	28,522	150,934
Director Economic Development	122,412	0	0	0	0	28,522	150,934
Director City Operations	122,412	0	0	0	0	28,522	150,934
Director Governance & Legal Services & Monitoring Officer	122,412	0	0	0	0	28,168	150,580
Director Communities, Housing & Customer Services (Post Deleted 06/02/2018) (c)	104,196	0	0	0	0	24,246	128,442
Assistant Director Education & Lifelong Learning	83,240	0	0	0	0	19,395	102,635
Assistant Director Adult Services	83,240	0	0	0	0	19,395	102,635
Assistant Director Housing & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Customer Services & Communities	83,240	0	0	0	0	19,395	102,635
Assistant Director Commercial Services	83,240	0	0	0	0	19,395	102,635
Chief HR Officer	83,240	0	0	0	0	19,395	102,635
Head of Service, Finance	83,240	0	0	0	0	19,395	102,635
Head of Performance & Partnerships	83,240	0	0	0	0	19,395	102,635
Corporate Director People and Communities (Commenced 07/02/2018) (d)	19,734	0	0	0	0	4,629	24,363

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £31,785 (£57,196 in 2016/17), a breakdown below is provided:

£12,865 UK Parliamentary Elections

£18,920 Local Elections

## Notes to the Financial Statements

b) During 2017/18 agency invoices of £128,115 (£130,519 in 2016/17) were received for service as Assistant Director Children Services, payments made were also £128,115.

c) Director Communities, Housing & Customer Services post deleted from the structure on 06/02/2018. Annualised salary of £122,412.

d) Corporate Director People and Communities commenced 07/02/2018. Annualised salary £132,613.

Comparative data for 2016/17:

2016/17  Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
Paul Orders, Chief Executive	171,700	0	0	0	0	39,319	211,019
Corporate Director Resources & Section 151 Officer (a)	131,300	0	0	0	0	7,517	138,817
Assistant Director Children's Services (b)	130,519	0	0	0	0	0	130,519
Director Education & Lifelong Learning	121,200	0	0	0	0	27,755	148,955
Director Social Services	121,200	0	0	0	0	27,755	148,955
Director Communities, Housing & Customer Services	121,200	0	0	0	0	27,755	148,955
Director Economic Development	121,200	0	0	0	0	27,755	148,955
Director City Operations	121,200	0	0	0	0	27,755	148,955
Assistant Director Adult Services	82,416	0	0	0	0	18,873	101,289
Assistant Director Housing & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director Customer Services & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director of Commercial Services	82,416	0	0	0	0	18,873	101,289
Chief HR Officer	82,416	0	0	0	0	18,873	101,289
Head of Service, Finance	82,416	0	0	0	0	18,873	101,289
Head of Performance & Partnerships	82,416	0	0	0	0	18,873	101,289
Director Governance & Legal Services & Monitoring Officer (Commenced 19/09/2016) (c)	64,640	0	0	0	0	14,803	79,443
Assistant Director Education & Lifelong Learning (Commenced 01/10/2016) (d)	41,208	0	0	0	0	9,437	50,645

## Notes to the Financial Statements

2016/17	Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
				Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits £		
	Interim Monitoring Officer (Leaving Date 18/09/2016) (e)	38,461	0	0	0	0	8,732	47,193
	Assistant Director Education & Lifelong Learning (Leaving Date 19/06/2016) (f)	18,086	25	0	0	0	4,142	22,253

- a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £57,196, (£16,437 in 2015/16) a breakdown is provided below:
- £21,860 National Assembly for Wales Election
  - £22,920 Police and Crime Commissioner Election
  - £11,111 European Union Referendum
  - £1,305 Grangetown & Plasnewydd By-Election
- b) During 2016/17 agency invoices of £130,519 (£129,800 in 2015/16) were received for services as Assistant Director Children Services. Payments made were £135,458.
- c) Director Governance & Legal Services commenced 19/09/2016. Annualised salary of £121,200.
- d) Assistant Director Education & Lifelong Learning commenced 01/10/2016. Annualised salary £82,416.
- e) Operational Manager Legal Manager Litigation was appointed Interim Monitoring Officer until 18/09/2016. Annualised salary of £82,416.
- f) Assistant Director Education & Lifelong Learning left the Council on 19/06/2016. Annualised salary of £82,416.

### 10.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the following tables. The total costs of the exit packages identified 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 or compulsory redundancy, the second element is the pension strain cost which is paid by the Council to the Pension Fund over a five year period.

2016/17				Exit package cost band (including special payments)	2017/18			
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 £		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 £
9	64	73	617,394	£0 - £20,000	14	42	56	585,070
0	16	16	403,619	£20,001 – £40,000	2	15	17	480,481
1	4	5	228,575	£40,001 – £60,000	1	7	8	405,989
0	3	3	214,224	£60,001 – £80,000	1	5	6	414,321
0	1	1	87,320	£80,001 – £100,000	0	2	2	166,285
0	1	1	130,276	£100,001 – £150,000	0	3	3	331,498
1	0	1	172,584	£150,001 – £200,000	0	1	1	166,519
11	89	100	1,853,992	Total	18	75	93	2,550,163



## Notes to the Financial Statements

### 10.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2017/18 was £1.290 million (£1.285 million in 2016/17). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances and expenses directly reimbursed.

### 11. 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 University Health Board 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 Council's transactions are included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2018 is as follows:

	2016/17 £000	2017/18 £000
<b>Expenditure</b>		
Equipment	1,742	1,598
Contribution to Overheads	124	102
<b>Total Expenditure</b>	<b>1,866</b>	<b>1,700</b>
<b>Funding</b>		
Cardiff and Vale University Health Board	(1,161)	(1,267)
Cardiff Council	(518)	(283)
Vale of Glamorgan Council	(187)	(217)
<b>Total Funding</b>	<b>(1,866)</b>	<b>(1,767)</b>
<b>Surplus transferred to JES Partnership Reserve</b>	<b>0</b>	<b>(67)</b>

### 12. 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, providing the majority of its funding in the form of grants and prescribing 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 note 0 including grant receipts outstanding at 31 March 2018.

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2017/18 is shown in note 10. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2017/18, goods and services totalling £15.120 million were commissioned from organisations including public bodies in which members had an interest (£15.777 million in 2016/17) and income was received of £15.990 million (£13.927 million in 2016/17). Grants totalling £3.678 million (£790,960 in 2016/17) were paid to organisations in which members had an interest.

**Officer's** emoluments are shown in note 10 to the Core Financial Statements. In 2017/18, for organisations in which Senior Officers had an interest there were £0 of goods and services commissioned (£0 in 2016/17). For goods and services provided, income of £63,589 was received in 2017/18 (£9,040 in 2016/17). This figure is also included in the income for members' as there are representatives for officers and members on the board.

**Subsidiary Companies** include Cardiff City Transport Services (Cardiff Bus) and its subsidiary Vale Busline Limited, Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion

## Notes to the Financial Statements

Solutions Ltd. Details of transactions with these companies are shown in note 24 to the Core Financial Statements.

**Pension Fund** contributions paid to the Fund are shown in note 17 to the Core Statements.

**Precepts and Levies** collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 5 to the Core Financial Statements. Separate to the precept, the Council made payments of £125,286 to Police and Crime Commissioner for South Wales during 2017/18 (£46,168 in 2016/17).

### Related Party Balances

The following balances were held in respect of related parties including public bodies:

31 March 2017			31 March 2018	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
24,114	(2,117)	Central Government Grants	33,540	(1,220)
109	(13)	Cardiff City Transport Services Ltd	28	(133)
5,019	(9)	Companies in which members' interests declared/other	2,001	(25)

### 13. External Audit Costs

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees payable to Wales Audit Office for the certification of grant claims	65	65
Fees payable to Wales Audit Office for other financial audit work	23	23
<b>Total</b>	<b>477</b>	<b>471</b>

### 14. Leasing

#### Council 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 2017/18:

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,330
Other Leases	2,705	3,127
	<b>4,534</b>	<b>4,457</b>

The Council was committed at 31 March 2018 to making payments of £4.209 million under operating leases in 2017/18 (£3.939 million at 31 March 2017 for 2016/17) comprising the following elements:

31 March 2017			31 March 2018	
Property Leases £000	Other Leases £000		Property Leases £000	Other Leases £000
38	1,847	Leases expiring within 1 year	0	1,925
1,066	857	Leases expiring between 2 and 5 years	1,016	1,021
131	0	Leases expiring after 5 years	247	0
<b>1,235</b>	<b>2,704</b>		<b>1,263</b>	<b>2,946</b>

## Notes to the Financial Statements

### Finance Leases

There were no finance leases at 31 March 2018 (none in 2016/17) and there are no future obligations under finance leases.

### Council as Lessor

#### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £5.618 million in 2017/18 (£6.193 million in 2016/17).

The Council was committed as at 31 March 2018 to receiving income of £5.390 million (£5.547 million as at 31 March 2017) under operating leases for Land & Buildings comprising the following elements:

31 March 2017 £000		31 March 2018 £000
165	Leases expiring within 1 year	488
1,166	Leases expiring between 2 and 5 years	1,253
4,216	Leases expiring after 5 years	3,649
<b>5,547</b>		<b>5,390</b>

### Finance Leases

The Council does not provide any leases of this type.

### 15. 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.

	2016/17 £000	2017/18 £000
Rental income from investment property	(6,047)	(5,402)
Direct operating expenses arising from investment property	2,607	2,173
<b>Net (gain) / loss</b>	<b>(3,440)</b>	<b>(3,229)</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 Council does have contractual obligations to repair, maintain or enhance certain properties.

### 16. Prudent Revenue Provision

The Council is required to set aside annually from its revenue budgets, a prudent amount for the repayment of borrowing historically undertaken to pay for capital expenditure. The amount is set having regard to Welsh Government Guidance and a policy agreed by Council as part its budget proposals each year. This amount reduces 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.

	2016/17 £000	2017/18 £000
Council Fund revenue provision	24,625	24,257
Housing Revenue Account provision	8,042	11,108
<b>Prudent revenue provision</b>	<b>32,667</b>	<b>35,365</b>

## 17. Pensions

### Participation in Pension Schemes

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council 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:

- Teachers' Pension Scheme; and
- Local Government Pension Scheme

### Teachers' Pension Scheme

Unless they opt out, 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. It is a defined benefit scheme and although it is unfunded, a notional fund as a basis for calculating the employer's contribution rate. However, it is not possible for the Council to identify its 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 2017/18 the Council paid £19.562 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£19.016 million representing 16.5% of teachers' pensionable pay in 2016/17). In addition, the Council is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

### Local Government Pension Scheme

The Council's non-teaching employees are automatically enrolled unless they choose to opt out of joining the Cardiff and Vale of Glamorgan Pension Fund (The Fund), for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Council 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.

The disclosures below relate to within 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 International Accounting Standards 19 – Employee Benefits (IAS 19) and for the Local Government Pension Scheme, include the cost to the Council 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. The below figures represent Cardiff Council only.

## Notes to the Financial Statements

	2016/17			2017/18		
	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	39,800	0	39,800	50,150	0	50,150
Past Service Costs	3,410	180	3,590	1,520	170	1,690
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)*	16,290	1,530	17,820	13,310	1,200	14,510
<b>Net charge to CI&amp;E Statement</b>	<b>59,500</b>	<b>1,710</b>	<b>61,210</b>	<b>64,980</b>	<b>1,370</b>	<b>66,350</b>
<b>Movement in Reserves Statement</b>						
Reversal of net charges made for retirement benefits in accordance with IAS19	(59,500)	(1,710)	(61,210)	(64,980)	(1,370)	(66,350)
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	39,640	0	39,640	40,820	0	40,820
Payments in respect of unfunded pensions liabilities **	0	3,230	3,230	0	3,210	3,210
	<b>39,640</b>	<b>3,230</b>	<b>42,870</b>	<b>40,820</b>	<b>3,210</b>	<b>44,030</b>

\*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

\*\* 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 Council.

### Contributions for year ending 31 March 2019

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2019 are estimated to be £40.730 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 2019 the Council expects to pay £3.310 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The latest actuarial valuation of the Council's liabilities including the unfunded benefits in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2016.

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

#### (a) Principal financial assumptions

	31 March 2017 % pa	31 March 2018 % pa
Rate of Inflation - Retail Price Index (RPI)	3.1	3.2
Rate of Inflation - Consumer Price Index (CPI)	2.0	2.1
Rate of general increase in salaries*	3.0	3.1
Rate of increase to pensions in payment**	2.0	2.1
Rate of increase to deferred pensions	2.0	2.1
Discount rate for scheme liabilities	2.6	2.6

## Notes to the Financial Statements

\*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2016 valuation.

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

### (b) Mortality assumptions

	31 March 2017		31 March 2018	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.0	25.7	23.1	25.8
Currently age 45	24.0	27.1	24.2	27.2

(c) Take-up option to convert annual pension into retirement lump sum. Each member is assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum pre 2008 service) is 75% of the permitted maximum.

### 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 Council 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 2017	Approx. split of assets %		31 March 2018		
			Quoted %	Unquoted %	Total %
78.1	Equities		62.6	3.9	66.5
6.3	Property		6.3	0.0	6.3
8.5	Government Bonds		15.4	0.0	15.4
5.8	Corporate Bonds		10.4	0.0	10.4
1.5	Cash		1.4	0.0	1.4
-0.2	Other*		0.0	0.0	0.0
100	Total		96.1	3.9	100

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

### Reconciliation of funded status to Balance Sheet

	31 March 2017			31 March 2018		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,198,860	0	1,198,860	1,230,630	0	1,230,630
Present value of liabilities	(1,730,930)	(47,490)	(1,778,420)	(1,820,380)	(46,520)	(1,866,900)
Net pension asset/(liability)*	(532,070)	(47,490)	(579,560)	(589,750)	(46,520)	(636,270)

\*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

## Notes to the Financial Statements

### Assets and Liabilities in relation to Retirement Benefits

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

31 March 2017				31 March 2018		
Funded scheme £000	Unfunded liabilities £000	Total £000		Funded scheme £000	Unfunded liabilities £000	Total £000
(1,509,170)	(46,650)	(1,555,820)	Opening present value of liabilities	(1,730,930)	(47,490)	(1,778,420)
(39,800)		(39,800)	Current service cost	(50,150)	0	(50,150)
(50,680)	(1,530)	(52,210)	Interest cost	(44,420)	(1,200)	(45,620)
(9,910)	0	(9,910)	Contributions by participants	(10,470)	0	(10,470)
(165,900)	(2,360)	(168,260)	Remeasurements in Other Comprehensive Income (OCI)	(39,550)	(870)	(40,420)
47,940	3,230	51,170	Net benefits paid out *	56,660	3,210	59,870
(3,410)	(180)	(3,590)	Past service cost	(1,520)	(170)	(1,690)
(1,730,930)	(47,490)	(1,778,420)	Closing present value of liabilities	(1,820,380)	(46,520)	(1,866,900)

\* Includes changes to the actuarial assumptions.

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

31 March 2017 £000		31 March 2018 £000
1,010,320	Opening fair value of assets	1,198,860
34,390	Interest income on assets	31,110
152,540	Remeasurement gains/(losses) on assets	6,030
39,640	Contributions by employer	40,820
9,910	Contributions by participants	10,470
(47,940)	Net benefits paid out **	(56,660)
1,198,860	Closing fair value of assets	1,230,630

\* 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.

## Notes to the Financial Statements

### Re-measurements in Other Comprehensive Income (OCI)

31 March 2017			31 March 2018	
Funded Scheme £000	Unfunded Liabilities £000		Funded Scheme £000	Unfunded Liabilities £000
(152,540)	0	Return on plan assets (in excess of) / below that recognised in net interest	(6,030)	0
318,150	3,300	Actuarial (gains)/losses due to change in financial assumptions	30,390	420
(119,650)	(590)	Actuarial (gains)/losses due to changes in demographic assumptions	0	0
(32,600)	(350)	Actuarial (gains)/losses due to liability experience	9,160	450
<b>13,360</b>	<b>2,360</b>	<b>Total amount recognised in OCI</b>	<b>33,520</b>	<b>870</b>

### Actual return on assets

31 March 2017 £000		31 March 2018 £000
34,390	Interest income on assets	31,110
152,540	Remeasurement gain/(loss) on assets	6,030
<b>186,930</b>	<b>Actual return on assets</b>	<b>37,140</b>

### Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

31 March 2017				31 March 2018		
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
(13,360)	(2,360)	(15,720)	Total Actuarial Gain/(Loss)*	(33,520)	(870)	(34,390)

\*This is different from the figure in the CIES as the CIES includes a share of the joint committees.

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

	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m
Total gain/(loss) –funded scheme	263.70	(49.85)	21.88	(13.36)	(33.52)
Total gain/(loss) –unfunded liabilities	2.76	(1.64)	(9.81)	(2.36)	(0.87)
<b>Cumulative gain/(loss)</b>	<b>(299.54)</b>	<b>(351.03)</b>	<b>(338.96)</b>	<b>(354.68)</b>	<b>(389.07)</b>



## Notes to the Financial Statements

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

	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Fair value of assets	906,610	1,027,052	1,014,120	1,198,860	1,230,630
Present value of funded liabilities	(1,341,187)	(1,528,588)	(1,513,150)	(1,730,930)	(1,820,380)
Present value of unfunded liabilities	(38,450)	(38,250)	(46,650)	(47,490)	(46,520)
<b>Surplus/(deficit)</b>	<b>(473,027)</b>	<b>(539,786)</b>	<b>(545,680)</b>	<b>(579,560)</b>	<b>(636,270)</b>

### History of experience gains and losses

	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m	Year ending 31.3.17 £m	Year ending 31.3.18 £m
Experience gains/(losses) on funded assets	47.95	78.33	(47.81)	152.54	6.03
Experience gains/(losses) on funded liabilities	34.60	8.21	13.12	32.60	9.16
Experience gains/(losses) on unfunded liabilities	0.04	(0.36)	10.81	(0.35)	0.45

### 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	1,787,030	1,854,350
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	51,610	54,810
Approximate % change in projected service cost	-3.0%	3.0%

#### 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	1,828,850	1,812,010
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	53,190	53,190
Approximate % change in projected service cost	0.0%	0.0%

## Notes to the Financial Statements

### Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,845,820	1,795,330
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	54,810	51,610
Approximate % change in projected service cost	3.0%	-3.0%

### Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year £000	+1 year £000
Present value of total obligation	1,875,180	1,765,940
% change in present value of total obligation	3.0%	-3.0%
Projected service cost	55,120	51,270
Approximate % change in projected service cost	3.6%	-3.6%

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

## Notes to the Financial Statements

### 18. Non-Current Assets

#### Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 22 to 37.

2017/18	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P, P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>								
<b>At 1 April 2017</b>	<b>554,803</b>	<b>767,945</b>	<b>36,684</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,068,156</b>
Additions	17,633	32,934	4,587	14,943	84	14	54,899	125,094
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(3,401)	0	0	(567)	0	(6,447)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
<b>At 31 March 2018</b>	<b>574,175</b>	<b>770,760</b>	<b>37,887</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,134,069</b>
<b>Depreciation</b>								
<b>At 1 April 2017</b>	<b>16,941</b>	<b>26,169</b>	<b>21,127</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375,141</b>
Depreciation charge	9,072	16,571	4,927	22,135	0	0	0	52,705
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(3,401)	0	0	0	0	(4,166)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
<b>At 31 March 2018</b>	<b>25,971</b>	<b>40,827</b>	<b>22,653</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>422,490</b>
<b>Net Book Value:</b>								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>729,933</b>	<b>15,234</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,711,579</b>
<b>At 31 March 2017</b>	<b>537,862</b>	<b>741,776</b>	<b>15,557</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,693,015</b>

\* RR = Revaluation Reserve

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

## Notes to the Financial Statements

### Comparative Movements in 2016/17

2016/17	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>								
<b>At 1 April 2016</b>	<b>537,762</b>	<b>773,882</b>	<b>37,178</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>2,022,885</b>
Additions	17,980	21,954	4,821	11,093	32	351	33,876	90,107
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	(784)
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	(2,974)
Derecognition - disposals	(1,186)	(25,659)	(5,183)	0	0	(1,430)	0	(33,458)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088	0	1,074	(22,089)	(43)
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	8,200
Revaluation increases /(decreases) to SDPS**	0	(14,774)	0	0	0	(1,011)	0	(15,785)
<b>At 31 March 2017</b>	<b>554,803</b>	<b>767,945</b>	<b>36,684</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,068,156</b>
<b>Depreciation</b>								
<b>At 1 April 2016</b>	<b>8,298</b>	<b>29,711</b>	<b>21,732</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,487</b>
Depreciation charge	8,659	16,642	4,764	22,158	0	0	0	52,223
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	(1,347)
Derecognition - disposals	(16)	(12)	(5,183)	0	0	0	0	(5,211)
Depreciation written out to SDPS **	0	0	0	0	0	0	0	0
Reclassifications	0	(25)	0	0	0	0	0	(25)
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	(18,986)
<b>At 31 March 2017</b>	<b>16,941</b>	<b>26,169</b>	<b>21,127</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>375,141</b>
<b>Net Book Value:</b>								
<b>At 31 March 2017</b>	<b>537,862</b>	<b>741,776</b>	<b>15,557</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,693,015</b>
<b>At 31 March 2016</b>	<b>529,464</b>	<b>744,171</b>	<b>15,446</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,674,398</b>

\* RR = Revaluation Reserve

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

## Notes to the Financial Statements

### Heritage Assets

2016/17 £000		2017/18 £000
51,278	<b>Balance at 1 April</b>	53,846
97	Additions	53
2,471	Revaluation increases /(decreases) to RR	200
0	Other Reclassifications	0
53,846	<b>Balance at 31 March</b>	54,099

The Council has tangible heritage assets which consist mainly of the following three categories:-

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

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

**Public Art** - there are over 100 pieces of public art owned by the Council across the city, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as 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 or part responsible for 17 of the 28 scheduled ancient monuments in the city. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Council's accounts at historic cost or value. Given the unique and often diverse nature of these assets, conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these monuments are held within the Scheduled Ancient Monuments in Cardiff information leaflet which is available on [www.cardiff.gov.uk](http://www.cardiff.gov.uk) under Resident, Planning and Conservation of the Built Environment section.

**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 balance sheet at an insurance valuation of £38.421 million undertaken externally as at 1 April 2016, by Mr A.N. 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.

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.

## Notes to the Financial Statements

### Investment Properties

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

2016/17 £000		2017/18 £000
<b>110,471</b>	<b>Balance at 1 April</b>	<b>132,241</b>
13,207	Additions	1,036
0	Impairment	(2,502)
(1,182)	Disposals	(26,774)
0	Reclassified (to) / from Held for Sale	0
45	Other Reclassifications	(219)
0	Revaluation increases / (decreases) to RR*	32
9,700	Revaluation increases / (decreases) to SDPS**	6
<b>132,241</b>	<b>Balance at 31 March</b>	<b>103,820</b>

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### Intangible Assets

Movements in intangible assets during 2017/18 are summarised as follows:

2016/17 Total £000		2017/18		
		Other Intangible Assets £000	Intangible AUC £000	Total £000
	<b>Cost or Valuation</b>			
<b>7,939</b>	<b>Balance at 1 April</b>	<b>6,540</b>	<b>1,960</b>	<b>8,500</b>
561	Additions	193	142	335
0	Other reclassifications	1,942	(1,942)	0
<b>8,500</b>	<b>Balance at 31 March</b>	<b>8,675</b>	<b>160</b>	<b>8,835</b>
	<b>Amortisation</b>			
<b>4,513</b>	<b>Balance at 1 April</b>	<b>5,185</b>	<b>0</b>	<b>5,185</b>
672	Amortisation	949	0	949
<b>5,185</b>	<b>Balance at 31 March</b>	<b>6,134</b>	<b>0</b>	<b>6,134</b>
	<b>Net Book Value:</b>			
<b>3,315</b>	<b>Balance at 31 March</b>	<b>2,541</b>	<b>160</b>	<b>2,701</b>

### Capital Expenditure and Capital Financing

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 Council that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

## Notes to the Financial Statements

2016/17 £000		2017/18		
		CFR exc. landfill £000	Landfill CFR £000	Total CFR £000
733,368	Opening Capital Financing Requirement	<b>724,435</b>	<b>23,429</b>	747,864
	<b>Capital Expenditure:</b>			
86,570	Property, Plant and Equipment*	120,366	0	120,366
97	Heritage Assets	53	0	53
0	Assets Held for Sale	0	0	0
13,207	Investment Properties	1,036	0	1,036
561	Intangible Assets	335	0	335
171	Loans / Equity	200	0	200
7,751	Expenditure on REFCUS	15,148	0	15,148
	<b>Sources of Finance:</b>			
(7,675)	Capital Receipts	(10,682)	0	(10,682)
(41,458)	Government grants and other contributions	(55,363)	0	(55,363)
(10,834)	Direct revenue contributions and reserves	(10,407)	0	(10,407)
(33,894)	Prudent revenue and capital provision for loan repayment	(34,366)	(1,020)	(35,386)
<b>747,864</b>	<b>Closing Capital Financing Requirement</b>	<b>750,755</b>	<b>22,409</b>	<b>773,164</b>
	<b>Explanation of movements in year:</b>			
(5,317)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(2,427)	0	(2,427)
19,813	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	28,748	(1,020)	27,728
<b>14,496</b>	<b>Increase in Capital Financing Requirement</b>	<b>26,321</b>	<b>(1,020)</b>	<b>25,301</b>

\*The difference between this figure for 2017/18 and the figure in the non-current assets note on page 71 is £4.728 million. This is due to a donated asset that is not recorded as capital expenditure in the year.

### Revenue Expenditure funded from Capital under Statute (REFCUS)

The following amounts were treated as capital expenditure to be paid for from capital resources. It includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from resources that can only be used to pay for capital expenditure.

2016/17 £000		2017/18 £000
	<b>Expenditure:</b>	
4,792	Housing Improvement Grants	4,254
2,745	Buildings not owned by Cardiff Council	10,853
214	Grants awarded (not Housing Grants)	41
<b>7,751</b>	<b>Charged to Income and Expenditure Statement</b>	<b>15,148</b>
	<b>Funded by:</b>	
(3,629)	Grants and Contributions	(9,356)
(4,122)	Borrowing, Receipts and Other Capital Resources	(5,792)
<b>(7,751)</b>		<b>(15,148)</b>

## Notes to the Financial Statements

### Significant capital expenditure contractual commitments

At 31 March 2018, the significant capital expenditure commitments scheduled for completion in 2018/19 and future years is £53.211 million (£35.588 million 2016/17) represented by the following:

	£000
High School in the West	18,378
Cardiff Living Programme	14,417
Maelfa High Rise Refurbishment	4,520
Gabalfa and Glan Ceubal Primary School	4,022
Hamadryad Primary School	3,735
Central Square - Public Realm	2,927
Fire Door replacement (Council Dwellings)	2,300
Glan Morfa Primary School	1,711
Howardian Primary School	1,201
<b>Total Contractual Commitments</b>	<b>53,211</b>

### 19. Financial Instruments

#### Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. 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 along with the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities. Debtors and Creditors, with the exception of car loans and Loans to organisations are shown separately in the respective notes rather than as financial instruments:-



## Notes to the Financial Statements

	31 March 2017			31 March 2018		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments</b>						
Loans and Receivables - Investments - Principal	0	66,000	66,000	0	34,000	34,000
Loans and Receivables - Investments Accrued Interest	0	124	124	0	33	33
Loans and Receivables - Cash and Cash Equivalents	0	18,765	18,765	0	54,046	54,046
Loans and Receivables - Cash and Cash Equivalents Accrued Interest	0	11	11	0	11	11
<b>Total Loans and Receivables Included in Investments</b>	<b>0</b>	<b>84,900</b>	<b>84,900</b>	<b>0</b>	<b>88,090</b>	<b>88,090</b>
Investments at Fair Value	13,691	0	13,691	13,996	0	13,996
<b>Total Investments</b>	<b>13,691</b>	<b>84,900</b>	<b>98,591</b>	<b>13,996</b>	<b>88,090</b>	<b>102,086</b>
<b>Debtors</b>						
Loans and receivables	597	288	885	640	243	883
Debtors that are not included in financial Instrument notes	5,019	83,466	88,485	7,447	92,301	99,748
<b>Total in Debtors</b>	<b>5,616</b>	<b>83,754</b>	<b>89,370</b>	<b>8,087</b>	<b>92,544</b>	<b>100,631</b>
<b>Borrowings</b>						
Financial liabilities at amortised cost - Loans (principal)	(668,028)	(7,028)	(675,056)	(688,713)	(4,562)	(693,275)
Financial liabilities at amortised cost - Loans Accrued Interest	0	(7,944)	(7,944)	0	(8,878)	(8,878)
<b>Total included in Borrowings</b>	<b>(668,028)</b>	<b>(14,972)</b>	<b>(683,000)</b>	<b>(688,713)</b>	<b>(13,440)</b>	<b>(702,153)</b>

### Investments

#### Loans and receivables include:

- Cash and bank including temporary investments is £88.404 million, of which £59.051 million is deposited for various maturities with financial institutions

The fair value of loans and receivables is deemed to be the carrying value.

#### Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The valuation is estimated using the average of inputs other than quoted prices (Level 2). These include Earnings before Interest Tax Depreciation and Amortisation (EBITDA), an estimated multiplier to determine an enterprise value and the Company's pension fund deficit. These variables can fluctuate dependent on the company's performance and economic climate and so any accounting valuation may vary significantly from year to year. Accordingly, any valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Available for Sale Financial Instruments Reserve'; hence there is no impact on

## Notes to the Financial Statements

Council Tax payable. The fair value of the investment at 31 March 2018 is estimated to be £13.630 million (£13.279 million in 2016/17).

- Various minority equity holdings in companies are included either at cost or at quoted prices where available.

### Debtors

#### Loans and receivables include:

- 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
- Loans to Organisations includes loans for Small to Medium Enterprises.

#### 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 (LOBO) 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 2018.

31 March 2017			Valuation Method - Level	31 March 2018	
Carrying amount £000	Fair value £000			Carrying amount £000	Fair value £000
(624,514)	(915,372)	Public Works Loan Board Loans	Level 2	(640,000)	(922,218)
(51,637)	(74,972)	Lender Option Borrower Option Loans	Level 2	(51,638)	(73,508)
(6,849)	(6,171)	Market Loans, Bonds and Temporary Balances	Level 2	(10,515)	(8,919)
<b>(683,000)</b>	<b>(996,515)</b>	<b>Financial Liabilities</b>		<b>(702,153)</b>	<b>(1,004,645)</b>

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.

Fair value calculations use the following assumptions:

- For PWLB debt, the transfer or fair value shown in the table is based on new borrowing rates from the PWLB for equivalent loans at 31 March 2018. An exit price fair value of £1.085 billion is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- 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.
- 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 Financial Statements

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value		2016/17 £000	2017/18 £000
	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000	2017/18 £000		
Interest Payable & Similar Charges	32,250	31,781	0	0	0	0	32,250	31,781
Interest and Investment Income	0	0	(755)	(471)	0	0	(755)	(471)
(Gain)/loss arising on Revaluation or Disposal of Financial Assets	0	0	0	0	3,576	(305)	3,576	(305)
<b>Net (gain) / loss for the year</b>	<b>32,250</b>	<b>31,781</b>	<b>(755)</b>	<b>(471)</b>	<b>3,576</b>	<b>(305)</b>	<b>35,071</b>	<b>31,005</b>

Gains and losses include interest payable on borrowing, amounts receivable on investments, gains on disposal of investments and also movements from estimating changes in value of investments at fair value. No dividend was received in 2017/18 from Cardiff Bus (£0 in 2016/17).

### Nature and Extent of Risks arising from Financial Instruments

The Council'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.

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

### Credit Risk

Risk that other parties may fail to pay amounts due to the Council. It arises from lending of temporary cash balances as part of the Council's Treasury Management Activities, from exposure to the Council's customers and from organisations to whom a loan has been provided.

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

Credit Risk	Likelihood of Default	31 March 2017 £000	31 March 2018 £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. A risk of non-recoverability applies to all of the Council's deposits which require rigorous monitoring of credit risk and	83,900	88,090

## Notes to the Financial Statements

Credit Risk	Likelihood of Default	31 March 2017 £000	31 March 2018 £000																											
	credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk which is deemed minimal. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2018, the probability of any default is 0.01% or £5,905. Accordingly, no provisions for losses is recognised.																													
Local Authority Mortgage Scheme	The Council had placed a £1 million indemnity with Lloyds Bank as part of this scheme. This matured on the 24 April 2017 and no mortgage defaults occurred.	1,000	0																											
Car Loans	Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	629	493																											
Loans to External Bodies	Includes loans to SME's. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	256	390																											
Customers	<p>The Council does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.</p> <p>The bad debt provision for 2017/18 was based on the adjusted age profile disclosed in the following table.</p> <table border="1" style="margin-left: 20px;"> <thead> <tr> <th></th> <th style="text-align: right;">2016/17</th> <th style="text-align: right;">2017/18</th> </tr> <tr> <th></th> <th style="text-align: right;">£000</th> <th style="text-align: right;">£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td style="text-align: right;">15,684</td> <td style="text-align: right;">20,197</td> </tr> <tr> <td>1 – 2 years</td> <td style="text-align: right;">413</td> <td style="text-align: right;">798</td> </tr> <tr> <td>2 – 3 years</td> <td style="text-align: right;">138</td> <td style="text-align: right;">296</td> </tr> <tr> <td>3 – 4 years</td> <td style="text-align: right;">124</td> <td style="text-align: right;">90</td> </tr> <tr> <td>4 – 5 years</td> <td style="text-align: right;">90</td> <td style="text-align: right;">98</td> </tr> <tr> <td>Over 5 years</td> <td style="text-align: right;">359</td> <td style="text-align: right;">353</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>16,808</b></td> <td style="text-align: right;"><b>21,832</b></td> </tr> </tbody> </table> <p>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.</p>		2016/17	2017/18		£000	£000	Less than 1 year	15,684	20,197	1 – 2 years	413	798	2 – 3 years	138	296	3 – 4 years	124	90	4 – 5 years	90	98	Over 5 years	359	353	<b>Total</b>	<b>16,808</b>	<b>21,832</b>	16,808	21,832
	2016/17	2017/18																												
	£000	£000																												
Less than 1 year	15,684	20,197																												
1 – 2 years	413	798																												
2 – 3 years	138	296																												
3 – 4 years	124	90																												
4 – 5 years	90	98																												
Over 5 years	359	353																												
<b>Total</b>	<b>16,808</b>	<b>21,832</b>																												
<b>Total</b>		<b>102,593</b>	<b>111,119</b>																											

### Liquidity and Refinancing Risk

This is the possibility that the Council may not have funds available to meet its commitments to make payments or have to refinance a financial liability at disadvantageous interest rates or terms. 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. 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 Financial Statements

31 March 2017 £000	Loans Outstanding	31 March 2018 £000
617,207	Public Works Loans Board	631,760
51,000	Market Lender Option Borrow Option (LOBO)	51,000
5,839	Welsh Government / Salix	10,515
<b>674,046</b>	<b>Total</b>	<b>693,275</b>
6,019	Under 12 months	4,562
3,983	12 months and within 24 months	3,286
9,948	24 months and within 5 years	12,870
24,238	5 years and within 10 years	35,412
152,214	10 years and within 20 years	155,500
165,000	20 years and within 30 years	166,000
208,689	30 years and within 40 years	210,689
86,955	40 years and within 50 years	99,956
12,000	50 years and within 60 years	5,000
5,000	60 years and within 70 years	0
<b>674,046</b>	<b>Total</b>	<b>693,275</b>

Currently, £24.000 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. 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	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	21/11/2041
6	21/05/2018	6 months	23/05/2067
6	21/05/2018	6 months	23/05/2067
22	21/11/2020	5 years	23/11/2065
5	16/01/2023	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**

The possibility that financial loss might arise for the Council 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>

## Notes to the Financial Statements

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
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 Council's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2017/18 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(100)
Interest in interest receivable on investments	302
<b>Impact on Income and Expenditure Account</b>	<b>202</b>
Increase in interest transferred to other balances and accounts	(2)
<b>Net Income / (Expenditure)</b>	<b>200</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	0
Decrease in Fair Value of Fixed Rate Borrowings	153,338

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 Council'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. Whilst the Council's approved Treasury Management policy allows investments in financial instruments such as bank certificates of deposit and Government bonds. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. For service investment purposes, the Council has equity holdings of £30,000 (£76,000 in 2016/17) which are quoted on a recognised stock exchange at 31 March 2018.

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 £682,000 gain or loss being recognised in the Movement in Reserves Statement.

## Notes to the Financial Statements

### 20. Held for Sale Assets

2016/17 £000		2017/18 £000
<b>2,819</b>	<b>Balance at 1 April</b>	<b>80</b>
(2,731)	De-recognition	(80)
(8)	Reclassified to/(from) Held for Sale	6,557
0	Revaluation increases /(decreases) to RR*	(84)
0	Revaluation increases /(decreases) to SDPS**	(98)
<b>80</b>	<b>Balance at 31 March</b>	<b>6,375</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

### 21. Debtors

31 March 2017 £000		31 March 2018 £000
45,251	Central Government Bodies	45,592
9,120	Other Local Authorities	10,984
5,259	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,110	Other Entities and Individuals	24,154
<b>83,754</b>	<b>Total Debtors Net of Impairments</b>	<b>86,927</b>

### 22. Cash and Cash Equivalents

31 March 2017 £000		31 March 2018 £000
223	Cash	207
15,992	Bank (including cheque book schools)	48,339
2,561	Short-term deposit with banks and building societies	5,511
<b>18,776</b>	<b>Total Cash and Cash Equivalents</b>	<b>54,057</b>

Included within the bank figure above are bank balances of chequebook schools totalling £2.137 million (£1.740 million in 2016/17).

In addition to the above, at 31 March 2018 the Council held £622,000 (£594,000 at 31 March 2017) 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.

### 23. Creditors

31 March 2017 £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,608)
(7,907)	Other Local Authorities	(9,713)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(61,943)	Other Entities and Individuals	(64,154)
<b>(87,603)</b>	<b>Total Creditors</b>	<b>(87,928)</b>

### 24. Interests in Other Companies and Other Organisations

The Council had four wholly owned subsidiary companies which traded during 2017/18. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 102 to 122. The interests in the other organisations are considered immaterial in terms of both the turnover and

## Notes to the Financial Statements

the net assets of the group and have therefore been excluded from consolidation in 2017/18. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk.

### Cardiff City Transport Services Ltd. (Cardiff Bus) (company number 02001229)

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. The company's operating results are summarised below:

31 March 2017 Final * £000		31 March 2018 £000
(32,007)	Turnover and other income	(30,488)
31,686	Operating and other expenditure	32,840
(321)	<b>Net (Profit) / Loss before Taxation</b>	<b>2,352</b>
92	Taxation	(439)
(229)	<b>(Profit) / Loss after Taxation</b>	<b>1,913</b>

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

31 March 2017 Final * £000		31 March 2018 £000
21,972	Bus and other operating assets	23,014
5,056	Current Assets	3,079
(4,823)	Less Current Liabilities	(6,079)
(4,998)	Creditors: Amounts falling due after more than one year	(5,559)
(1,117)	Provisions & Long term liabilities	(776)
(1,169)	Deferred Taxation	(1,044)
(3,821)	Pension Liability	(3,583)
<b>11,100</b>	<b>Total Assets less Liabilities</b>	<b>9,052</b>
	Represented by:	
4,618	Share Capital	4,618
3,319	Retained Earnings	1,271
3,163	Revaluation Reserve	3,163
<b>11,100</b>	<b>Net Worth</b>	<b>9,052</b>

In 2017/18 the Council made payments totalling £8.773 million to Cardiff Bus (£9.448 million in 2016/17), of which £8.263 million related to concessionary fares payments (£8.527 million in 2016/17). The Council also received income of £62,000 (£93,000 in 2016/17). During 2016/17 and 2017/18 no dividend was paid to the Council.

At 31 March 2018, Cardiff Bus had inter-company balances with the Council as follows: debtors £133,000 (£106,000 in 2016/17) and creditors £28,000 (£9,000 in 2016/17).

The accounts for year ended 31 March 2018 have been audited but not certified. The company's auditors are Deloitte. The 2016/17 figures have been restated for Cardiff Bus final accounts, as these were not available at 30 September 2017.

### Cardiff Business Technology Centre Ltd. (CBTC) (company number 02074331)

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 Council's guarantee to CBTC is to pay costs not exceeding £10 in the event of the company being wound up. The most recent operating results are shown as follows:



## Notes to the Financial Statements

31 March 2017 £000		31 March 2018 £000
(13)	Net (Profit) / Loss before Taxation	68
2	Less: Taxation	(64)
(11)	<b>(Profit) / Loss after Taxation</b>	<b>4</b>

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

31 March 2017 £000		31 March 2018 £000
853	Total assets less current liabilities	775
(7)	Creditors: falling due after more than one year	0
(116)	Provision for taxation	(51)
730	<b>Total Assets less liabilities</b>	<b>724</b>
	Represented by:	
274	Retained Profit	274
456	Revaluation Reserve	450
730	<b>Net Worth</b>	<b>724</b>

During 2017/18 the Council received income of £0 (£0 in 2016/17) from CBTC. At 31 March 2018 CBTC owed the Council £0 (£0 at 31 March 2017) and was owed £0 (£0 at 31 March 2017).

The company's auditors are Gerald Thomas. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

### **Cardiff Business Council Ltd. (company number 08650575)**

Cardiff Business Council was a company set up 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. This company was closed in December 2017 and is due to be deregistered from Companies House in 2018/19.

31 March 2017 £000		31 March 2018 £000
40	Net (Profit) / Loss before Taxation	0
0	Less: Taxation	0
40	<b>(Profit) / Loss after Taxation</b>	<b>0</b>

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

31 March 2017 £000		31 March 2018 £000
2	Total assets less current liabilities	0
2	<b>Total Assets less liabilities</b>	<b>0</b>
	Represented by:	
2	Retained Profit	0
2	<b>Net Worth</b>	<b>0</b>

During 2017/18 the Council made no funding payments and received no income (£1,244 in 2016/17). The Council incurred no expenditure in connection with Cardiff Business Council (£2,164 in 2016/17).

For the year ending 31 March 2018 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

## Notes to the Financial Statements

### Atebion Solutions Ltd. (company number 10411758)

Atebion Solutions Ltd. are wholly owned by the Council to deliver procurement and commercial services to the public sector. Atebion Solutions commenced trading 01.03.2018

31 March 2017 £000		31 March 2018 £000
0	Net (Profit) / Loss before Taxation	(38)
0	Less: Taxation	7
0	(Profit) / Loss after Taxation	(31)

31 March 2017 £000		31 March 2018 £000
0	Total assets less current liabilities	31
0	Total Assets less liabilities	31
	Represented by:	
0	Retained Profit	31
0	Net Worth	31

During the year the Council made core funding payments of £0 (£0 in 2016/17) to Atebion Solutions Ltd. and received £0 income from the company (£0 in 2016/17). The Council accrued income in connection with Atebion Solutions Ltd. totalling £113,687 (£0 in 2016/17).

The company's auditors are MHA Broomfield Alexander. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2018.

### 25. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
<b>Total</b>	<b>(34,937)</b>	<b>10,068</b>	<b>(4,548)</b>	<b>(29,417)</b>	<b>(5,005)</b>	<b>(24,412)</b>

**Insurance** - represents sums set aside to meet the cost of claims received, but not yet settled. The 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'.

**Municipal Mutual Insurance (MMI) Scheme of arrangement levy** - 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. Further details are provided in note 31

**Landfill aftercare** - reflects the financial obligations to address restoration and aftercare for Lamby Way and Ferry Road sites in accordance with initial permits for the disposal of waste. These obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure.

## Notes to the Financial Statements

**City Deal** - CSC Foundry Ltd has a deferred purchase arrangement (circa £2.4 million) in place in respect of its initial building and land. The lessee has an option to purchase the asset between years 6-11. The CSC Foundry project has an initial lifespan of 11 years. Should the lessee not exercise their purchase option, the settlement of the deferred purchase price would fall upon CSC Foundry in year 11. Monmouthshire CC is required to act as guarantor to that arrangement happening.

Year 11 has been used as the backstop date to discount future purchase price back to present day value, with an annual provision made for the difference over 11 annual instalments.

**Other** - includes £475,000 in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

### 26. Pension Strain

In addition to the costs of redundancy payments made to leavers, in some cases the Council 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 Council. The pension strain cost to the Council is the amount it has to pay over to the Pension Fund to compensate for the lost pension contributions for these staff.

The Council has an arrangement in place with the Cardiff and Vale of Glamorgan 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.

31 March 2017 £000		31 March 2018 £000
1,414	Pension Strain due within 1 year	1,884
3,219	Pension Strain due later than 1 year	2,794
4,633		4,678

### 27. Deferred Liabilities

These are amounts paid in advance by external bodies towards expenditure in future years.

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
<b>Total Deferred Liabilities</b>	<b>(16,867)</b>	<b>2,352</b>	<b>(686)</b>	<b>(15,201)</b>	<b>(3,195)</b>	<b>(12,006)</b>

### 28. Usable Reserves

Movements in the Council'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 or to repay historical capital incurred.

## Notes to the Financial Statements

2016/17 £000		2017/18 £000
<b>5,423</b>	<b>Balance as at 1 April</b>	<b>7,205</b>
	Movements during Year:	
7,501	Sale of Land, Buildings and other assets	20,857
2,991	Sale of Council Dwellings	3,765
192	Recoupments of grant/other	196
<b>10,684</b>		<b>24,818</b>
(7,675)	Finance Capital Expenditure	(10,682)
(1,227)	Provide for Repayment of External Loans	(21)
<b>(8,902)</b>		<b>(10,703)</b>
<b>7,205</b>	<b>Balance as at 31 March</b>	<b>21,320</b>

### 29. Unusable Reserves

#### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council 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.

2016/17 £000		2017/18 £000
<b>254,122</b>	<b>Balance as at 1 April</b>	<b>258,922</b>
26,098	Upward revaluation of assets	2,262
(10,953)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(2,489)
<b>15,145</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>(227)</b>
(2,448)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,357)
(7,897)	Accumulated gains on assets sold or scrapped	(756)
<b>(10,345)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(3,113)</b>
<b>258,922</b>	<b>Balance as at 31 March</b>	<b>255,582</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.

## Notes to the Financial Statements

2016/17 £000		2017/18 £000
<b>856,975</b>	<b>Balance as at 1 April</b>	<b>876,075</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
(53,824)	Charges for depreciation and impairment of non-current assets	(60,943)
36,062	Reverse previous impairment on revaluation	6,876
(38,118)	Revaluation losses on Property, Plant and Equipment	(41,601)
(672)	Amortisation of intangible assets	(949)
(4,122)	Expenditure on REFCUS	(5,792)
(24,260)	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	(28,380)
<b>(84,934)</b>		<b>(130,789)</b>
2,448	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,357
<b>(82,486)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(128,432)</b>
	<b>Capital financing applied in the year:</b>	
7,675	Capital Receipts	10,682
10,829	Direct Revenue Financing	10,407
41,191	Grants and contributions	50,734
32,667	Prudent Revenue Provision	35,365
1,227	Capital receipts to provide for repayment of external loans	21
(1,703)	Reduction in loan debtors	(65)
<b>91,886</b>		<b>107,144</b>
9,700	Movements in the value of Investment Properties	(2,464)
0	Movement in the value of Held for Sale assets	0
<b>876,075</b>	<b>Balance as at 31 March</b>	<b>852,323</b>

### 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 Council 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.

2016/17 £000		2017/18 £000
<b>2,049</b>	<b>Balance as at 1 April</b>	<b>2,038</b>
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	4,500
(11)	Transfers to the Capital Receipts Reserve upon receipt of cash	(2,027)
<b>2,038</b>	<b>Balance as at 31 March</b>	<b>4,511</b>

The balance in 2017/18 relates primarily to the deferred payment from disposal of land at Central Square.

### Available for Sale Financial Instruments Reserve

Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from increases in the value of its investments held as Financial Instruments that have quoted market prices

## Notes to the Financial Statements

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.

2016/17 £000		2017/18 £000
<b>16,811</b>	<b>Balance as at 1 April</b>	<b>13,235</b>
(3,576)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	305
<b>13,235</b>	<b>Balance as at 31 March</b>	<b>13,540</b>

The majority of the balance relates to the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is 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 the 'available for sale reserve'. Any valuation should be treated with care as it is for accounting purposes only.

### 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 Council 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 Council 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 Council 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.

2016/17 £000		2017/18 £000
<b>(559,208)</b>	<b>Balance as at 1 April</b>	<b>(591,356)</b>
(16,049)	Actuarial gains or losses on pensions assets and liabilities	(33,582)
(61,579)	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	(67,010)
2,613	Reversal of amounts accrual in respect of pension strain for future years	(44)
42,867	Employer's pensions contributions and direct payments to pensioners payable in the year	44,032
<b>(591,356)</b>	<b>Balance as at 31 March</b>	<b>(647,960)</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 Financial Statements

2016/17 £000		2017/18 £000
<b>(6,289)</b>	<b>Balance as at 1 April</b>	<b>(8,252)</b>
(1,963)	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	(1,081)
<b>(8,252)</b>	<b>Balance as at 31 March</b>	<b>(9,333)</b>

### 30. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2017/18:

	2016/17 £000	2017/18 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(320,309)	(312,736)
Non-Domestic Rates	(105,994)	(115,480)
Capital Grants	(39,778)	(42,913)
Developers' Contributions	(1,413)	(7,821)
<b>Total</b>	<b>(467,494)</b>	<b>(478,950)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(256,021)	(272,330)
Other Local Authorities	(2,033)	(6,648)
NHS Bodies	(11,799)	(11,729)
Public Corporations & Trading Funds	(709)	(814)
Other Entities and Individuals	(1,519)	(2,474)
<b>Total</b>	<b>(272,081)</b>	<b>(293,995)</b>

The Council 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 2017 £000	Revenue Grants and Contributions Receipts in Advance	31 March 2018 £000
(1,122)	Central Government Bodies	(5,599)
0	Other Local Authorities	(32)
0	NHS Bodies	(3)
(372)	Public Corporations and Trading Funds	(610)
(522)	Other Entities and Individuals	(240)
<b>(2,016)</b>	<b>Total</b>	<b>(6,484)</b>

31 March 2017 £000	Capital Grants Receipts in Advance	31 March 2018 £000
(974)	Central Government Bodies	(412)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
<b>(974)</b>	<b>Total</b>	<b>(412)</b>

## Notes to the Financial Statements

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

31 March 2017 £000		31 March 2018 £000
<b>(9,933)</b>	<b>Balance as at 1 April</b>	<b>(11,843)</b>
(3,590)	Contributions received during the year	(9,290)
1,413	Contributions applied to expenditure during the year	10,862
267	Reclassification	310
<b>(11,843)</b>	<b>Balance as at 31 March</b>	<b>(9,961)</b>

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure.

### 31. Contingent Assets and 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 at 31 March 2018 is £4.739 million.

In March 2015, the Council approved a request from Glamorgan County Cricket Club to write off 70% of a £6.534 million loan balance due to the Council and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015 following completion of legal agreements and confirmation of no adverse tax implications for the club. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.960 million) remains 100% impaired, until a further review of the business plan forecasts and risks. Any balances due are not shown in the financial statements but are shown as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are proposed to begin in 2019.

There are a number of outstanding VAT claims that could be due to the Council in the future, subject to HMRC reviews. This includes cultural and leisure exemptions, the latter being at a more advanced stage.

#### Liabilities

As at 31 March 2018 there existed 4 claims in excess of £10,000 against the Council for which there is no insurance cover. The claims include unfair dismissal, disability and race discrimination, and breach of contract. The potential liability in respect of the claims is estimated to be £160,000, although some are unknown and the Council is resisting liability.

The former Authorities of South Glamorgan County Council, Cardiff City Council, Mid Glamorgan County Council and Taff Ely Borough 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. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims.

The Council's share of residual exposure has been reduced to £2.061 million. The accounts reflect a provision of £74,516 with £1.358 million held in an earmarked reserve towards any liability. This is considered prudent based on most recent actuarial advice, however, this is subject to the outcome of settled claims.



## Notes to the Financial Statements

The Council has entered into a number of contracts for services involving the transfer of Council employees to the new service provider under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Admission agreements with the new employers allow transferred employees to remain in membership of the Cardiff and Vale of Glamorgan Pension Fund. In the event that a contractor fails to meet its obligations to the Pension Fund as set out in the admission agreement, the Council acts as guarantor for the accrued pension liabilities.

The Council and HMRC are in discussions with a view to resolving a purportedly under-declared landfill tax assessment received by the Council from 1 April 2015, for waste tipped at Lamby Way Landfill site. HMRC assess that some materials disposed of should have had the standard rate of tax applied rather than a lower rate, the difference in tax rates being £80 per tonne. Given this is a specialist and technical area, the Council has engaged Pricewaterhousecoopers environmental tax specialists to support the Council's approach to demonstrating that materials tipped were eligible for lower rate tax.. Work is being undertaken to understand the quantity and nature of materials disposed of to demonstrate that the 'qualifying fines' regime does not apply. The Council aims to respond to HMRC queries in October 2018. Subject to this, and relevant HMRC rules, there is the risk that the Council may be required to pay tax, as well as a penalty and interest on under declared tax. In the event of assessments being upheld, the Council would consider the merits of an appeals or mitigation process. Given the additional work required and technical nature of the assessment, it is not possible to quantify or provide a reliable estimate of any liability at this stage and so no provision is created in the accounts as at 31 March 2018.

### 32. Notes to Cash Flow Statement

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

2016/17 £000		2017/18 £000
(46,851)	Depreciation, impairment & amortisation	(96,682)
(18,062)	Charges made for retirement benefits (IAS19) less employers contributions	(23,022)
2,005	Contributions (to)/from provisions	5,520
(32,158)	Gain/loss on disposal of non-current assets	(30,844)
36	Increase/(decrease) in stock	(46)
(6,214)	Increase/(decrease) in debtors	386
4,031	(Increase)/decrease in creditors & super fund	(5,750)
<b>(97,213)</b>		<b>(150,438)</b>

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

2016/17 £000		2017/18 £000
8,946	Net gain/(loss) on sale of non-current assets	(4,800)
41,191	Capital grants/contributions recognised in CI&E	50,734
(1,745)	Other cash items which effect investing or financing activities	0
<b>48,392</b>		<b>45,934</b>

### 33. Events After the Reporting Period

There are no events after the reporting period to report.

### 34. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 27th September 2018 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

# Housing Revenue Account



## Notes to Housing Revenue Account

The Local Government and Housing Act 1989 places a statutory duty on local authorities to maintain a separate account for the costs associated with the management and maintenance of Council dwellings. This is termed the Housing Revenue Account (HRA).

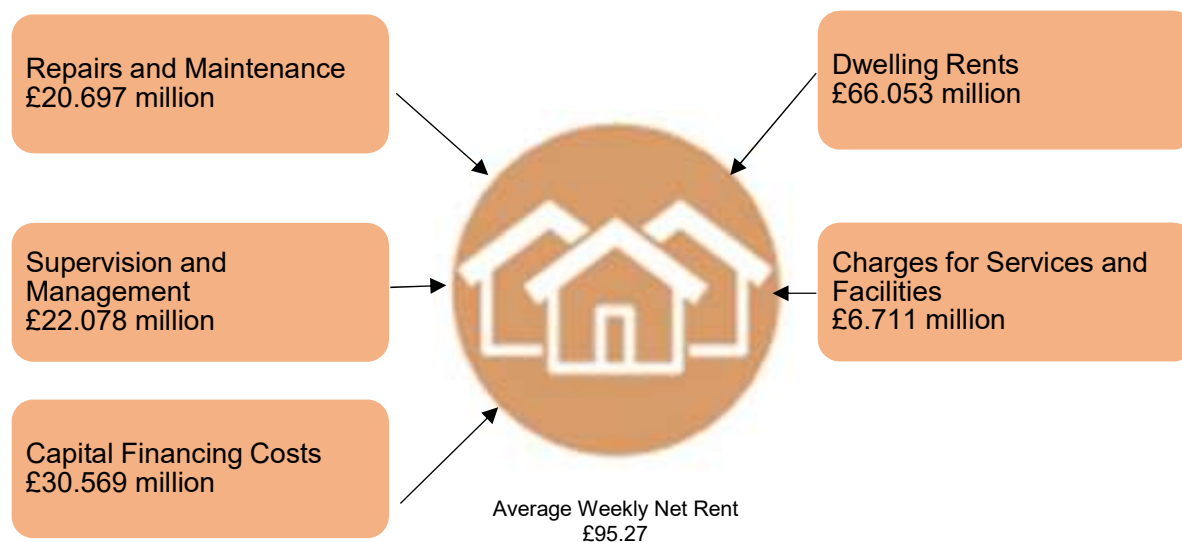
A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA. The plan includes our approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling homes, estate regeneration, fire safety works and community hubs.

With over 7,900 people currently on the combined housing waiting list, the plan includes delivery of 1,000 new affordable Council homes in the city by 2022 and further targets for another 1,000 over the longer term. In order to preserve current stock levels the Right to Buy scheme has been suspended in Cardiff. Other objectives include support for people in vulnerable situations and an integrated approach to locality based care to enable people to continue to live independently at home.

Key expenditure and income items include:

### Expenditure

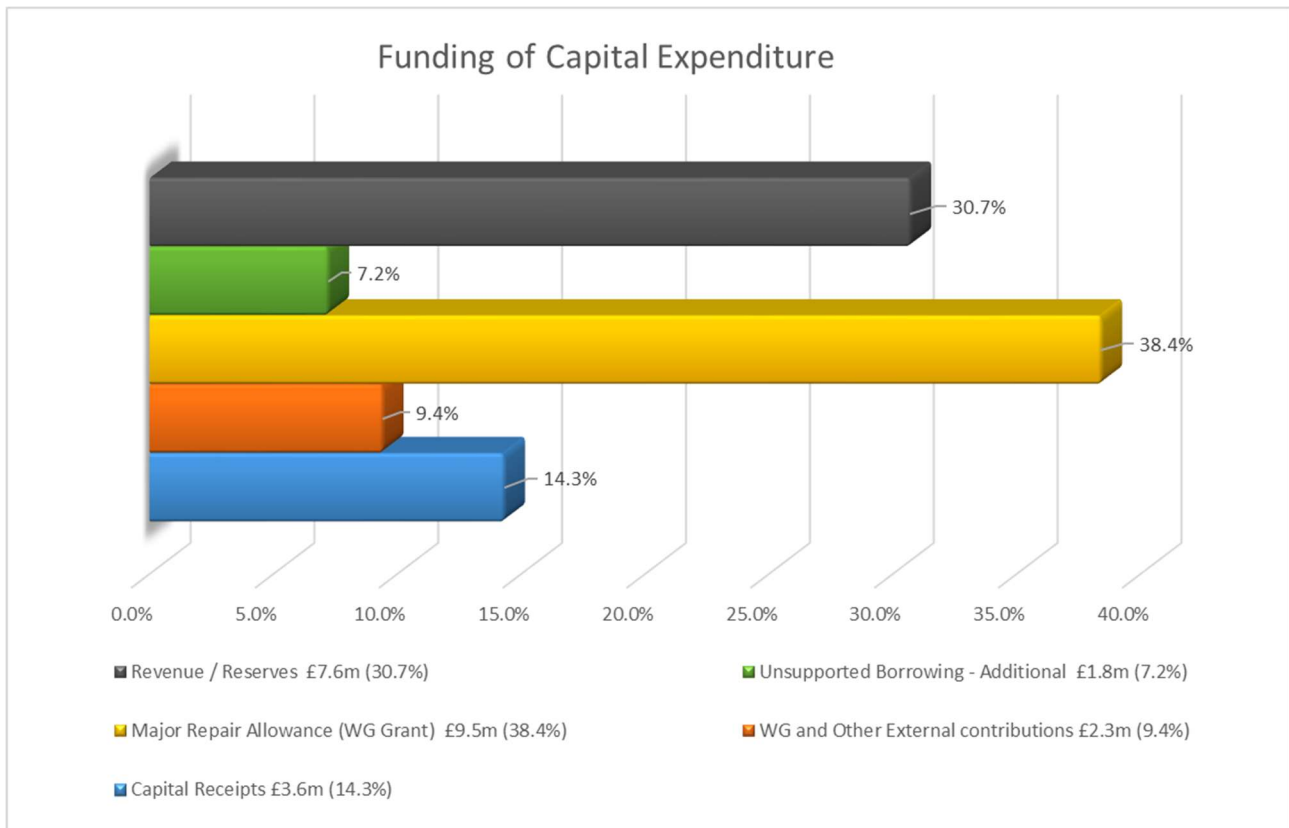
### Income



Our housing stock is valued in the accounts at £548.204 million. Dwellings were revalued in 2016/17 with the vacant possession value deemed to be £1.311 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% in order to show the economic cost of providing social housing at less than market rent. Valuations are updated at least every three years.

The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2018, this stands at £266.709 million and is currently below the maximum limit set by Welsh Government (£316.554 million). All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £24.822 million on estate regeneration, housing stock remodelling, the fabric of dwellings, disabled adaptations and on the development of new Council Housing to meet new build targets.



During 2017/18, some key performance indicators included:

- successful void property management evidenced by the 1% vacant stock as a percentage of overall stock
- 100% of reported graffiti cleared in line with targets
- 99% of over 6,000 clean and clear jobs completed within 10 working days
- 99% of urgent antisocial behaviour cases contacted within 1 working day
- 98% of emergency repairs completed on time
- 94% of responsive repairs carried out by the in-house workforce.

Tenant participation in shaping and delivering services is welcome and encouraged in numerous ways including a dedicated tenant participation team, conferences, tenants' voice meetings, community action days, information provision at the Citizen Hubs, the Tenants' Times publication and other social media.

A recent tenant satisfaction survey showed that:

- 92% of tenants were satisfied with the way we deal with repairs
- 90% of tenants were satisfied with their neighbourhood as a place to live
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants.

## Notes to 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. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The accounting policies are contained in pages 22 and 37 and key accounting terms are detailed on pages 144 to 150.

2016/17 £000		Note	2017/18 £000
19,959	Repairs and maintenance		20,697
19,239	Supervision and management		22,078
170	Rents, rates, taxes and other charges		96
650	Provision for bad and doubtful debts		701
9,407	Depreciation, impairment and revaluation losses of non-current assets	8	10,164
25	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	55
39	Debt management costs		45
<b>49,489</b>	<b>Total Expenditure</b>		<b>53,836</b>
(63,253)	Dwelling rents		(66,105)
(98)	Non-dwelling rents		(80)
(6,067)	Charges for services and facilities		(6,711)
<b>(69,418)</b>	<b>Total Income</b>		<b>(72,896)</b>
	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		
(19,929)			(19,060)
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(2,088)	(Gain)/loss on sale of HRA non-current assets		(2,485)
12,497	Interest payable and similar charges		11,779
208	Changes in fair value of investment properties		0
(72)	Interest and Investment income		(1)
(9,645)	Capital grants and contributions applied		(11,855)
<b>(19,029)</b>	<b>(Surplus)/Deficit for year on HRA Services</b>		<b>(21,622)</b>

### Movement on HRA Balance

2016/17 £000		Note	2017/18 £000
<b>(8,438)</b>	<b>Balance on the HRA at the end of the previous year</b>		<b>(8,438)</b>
(19,029)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		(21,622)
15,897	Adjustments between accounting basis and funding basis under regulations	1	21,940
<b>(3,132)</b>	<b>Net (increase)/decrease before transfers to or from reserves</b>		<b>318</b>
3,132	Transfers to/(from) earmarked reserves		(863)
0	Increase or decrease in the year on the HRA		(545)
<b>(8,438)</b>	<b>Balance on the HRA at the end of the current year</b>		<b>(8,983)</b>

## Notes to Housing Revenue Account

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

2016/17 £000		Note	2017/18 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	<u>Reversal of items debited or credited to the HRA Income and Expenditure Statement:</u>		
9,285	Charges for depreciation, impairment and revaluation of non-current assets	8	9,699
0	Revaluation losses of non-current assets	8	268
122	Reverse previous impairment on revaluation	8	(12)
0	Amortisation of intangible assets	8	208
208	Movement in the market value of investment properties		0
(9,645)	Capital grants and contributions applied		(11,855)
25	Sums directed by Welsh Government	9	55
(2,483)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		1,526
(8,043)	Prudent Provision for the financing of capital investment		(11,112)
(6,009)	Capital expenditure charged against the HRA		(7,633)
42	Credit for disposal costs that qualify to be met from the resulting capital receipts		51
	<b>Adjustments involving the Revaluation Reserve:</b>		
395	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		(4,010)
	<b>Adjustments involving the Pensions Reserve:</b>		
2,976	Net Retirement Benefits per IAS19		4,038
(2,851)	Employers Contributions to pension schemes		(3,273)
53	Pension Strain Accrual – future years		119
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
28	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		(9)
<b>(15,897)</b>	<b>Total Adjustments</b>		<b>(21,940)</b>

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.20% of rental income (1.25% in 2016/17). Average rents were £95.27 per week (£91.11 in 2016/17) based on a 52 week year.

### 3. Rent Arrears and Bad Debt Provision

31 March 2017			31 March 2018	
Rent arrears £000	Bad debt provision £000		Rent arrears £000	Bad debt provision £000
3,166	2,465	Ordinary HRA	3,588	2,753
39	39	Leasehold properties	40	40
210	210	Hostels	253	253
<b>3,415</b>	<b>2,714</b>	<b>Total</b>	<b>3,881</b>	<b>3,046</b>

In addition the following sums were also due from tenants:

## Notes to Housing Revenue Account

31 March 2017			31 March 2018	
Arrears	Bad debt provision		Arrears	Bad debt provision
£000	£000		£000	£000
91	55	Service charges	100	60
399	399	Tenants recoverables	441	441
<b>490</b>	<b>454</b>	<b>Total</b>	<b>541</b>	<b>501</b>

During 2017/18 a number of old debts totalling £298,905 were written off as irrecoverable (£211,450 in 2016/17).

#### 4. Pension Costs

In accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) 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:

	2016/17 £000	2017/18 £000
Current service cost	2,976	4,038
Cost of employer's contributions plus discretionary benefits	(2,851)	(3,273)
Pension Strain Accrual - Future Years	53	119
<b>Net transfer to Pensions Reserve</b>	<b>178</b>	<b>884</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.

#### 5. Housing Stock

The Council's housing stock is shown below:

	31 March 2017	31 March 2018
Houses	7,224	7,205
Bungalows	628	628
Flats/Bedsits	5,082	5,082
Maisonettes	169	169
Retirement complexes	352	352
<b>Total</b>	<b>13,455</b>	<b>13,436</b>

The Council also owns two hostels, providing the following accommodation:

	31 March 2017	31 March 2018
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

#### 6. Capital Expenditure and Capital Financing

2016/17 £000		2017/18 £000
<b>276,599</b>	<b>Opening Capital Financing Requirement</b>	<b>273,882</b>
	<u>Capital Expenditure:</u>	
17,980	Council dwellings	17,633

## Notes to Housing Revenue Account

2016/17 £000		2017/18 £000
2,095	Other land & buildings	600
466	Vehicles, plant & equipment	96
0	Investment properties	582
3,516	Assets under construction	5,818
70	Intangible assets including intangible AUC	38
25	Expenditure on REFCUS	55
0	Appropriation of land	2,159
	<u>Sources of Finance:</u>	
(3,173)	Capital Receipts	(3,558)
(9,645)	Government grants and other contributions *	(11,855)
(6,009)	Direct revenue contributions and reserves	(7,633)
(8,042)	Prudent revenue and capital provision for loan repayment	(11,108)
<b>273,882</b>	<b>Closing Capital Financing Requirement</b>	<b>266,709</b>
316,554	Debt Cap at 31 March	316,554
<b>42,672</b>	<b>Headroom</b>	<b>49,845</b>
	<b>Explanation of Movements in Year:</b>	
(2,715)	Increase / (decrease) in underlying need to borrow (unsupported by government financial assistance - relating to previous years)	(7,171)
<b>(2,715)</b>	<b>Movement in Capital Financing Requirement</b>	<b>(7,171)</b>

\*£9.532 million (£9.590 million in 2016/17) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council must adhere to a debt cap set by Welsh Government. This is based on the Housing Capital Financing Requirement (CFR) calculation and at 31 March 2018, the cap was £316.554 million. The table above shows the Council remained within its cap. Breach of the cap could result in financial penalties imposed on the Council by Welsh Government.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2017/18 were as follows:

- Council Dwellings and Home Purchase Contributions £3.766 million (£2.991 million in 2016/17)
- Land £0.108 million (£0.234 million in 2016/17)

### 8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment was charged on HRA assets as shown in the table below. 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.

2016/17 £000		2017/18 £000
8,659	Council dwellings	9,071
187	Land and buildings	203
391	Vehicles, plant & equipment and intangibles	486
<b>9,237</b>	<b>Total depreciation</b>	<b>9,760</b>
153	Council dwellings	26
17	Land and buildings	257
0	Vehicles, plant & equipment, intangibles and AUC	121
<b>170</b>	<b>Total Impairment and Revaluation</b>	<b>404</b>
<b>9,407</b>	<b>Depreciation, impairment and revaluation of non-current assets</b>	<b>10,164</b>



## Notes to Housing Revenue Account

### 9. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

	2016/17 £000	2017/18 £000
<b>Expenditure:</b>		
Buildings not owned by the Council	25	55
<b>Charged to Income and Expenditure Account</b>	<b>25</b>	<b>55</b>
<b>Funded by:</b>		
Grants and Contributions	0	0
Borrowing, Receipts and Other Capital Resources	(25)	(55)
	<b>(25)</b>	<b>(55)</b>

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# Group Accounts



## Introduction

The group accounts that follow comply with the requirement of the 2017/18 Code, which states that a local authority with material 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 County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus) which is a wholly owned subsidiary with limited liability. At the point of drafting these accounts, the accounts for Cardiff Bus had been audited but not certified.

The Council has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Cardiff Business Council and Atebion Solutions Ltd. 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 Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2017/18. Details of the Council's interests in these organisations are included in note 24 to the Core Financial Statements.

## 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 22 to 37 with the following additions and exceptions:

## Key accounting terms

Key accounting terms are detailed on pages 144 to 150.

### 1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with FRS102. 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 Non-Current 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 non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

### 5. Prior Period Adjustments

The 2016/17 figures in the Council's note 24 Interest in Other Companies and the group accounts have been restated for 2016/17 Cardiff Bus final accounts, as these were not available at 30 September 2017.

## Group Comprehensive Income and Expenditure

2016/17 Restated				Note	2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000			Gross Expenditure £000	Gross Income £000	Net Expenditure £000
130,583	(74,992)	55,591	City Operations		123,655	(67,005)	56,650
239,620	(189,528)	50,092	Communities, Housing & Customer Services		239,651	(191,395)	48,256
6,762	(469)	6,293	Corporate Management		13,455	(3,164)	10,291
64,316	(44,397)	19,919	Economic Development		85,029	(48,519)	36,510
348,099	(100,633)	247,466	Education & Lifelong Learning		385,750	(100,473)	285,277
6,911	(2,555)	4,356	Governance & Legal Services		8,910	(1,896)	7,014
9,085	(6,537)	2,548	Harbour Authority		9,134	(6,484)	2,650
50,009	(69,938)	(19,929)	Housing Revenue Account		53,836	(72,896)	(19,060)
28,636	(9,195)	19,441	Resources		29,681	(8,287)	21,394
180,301	(26,414)	153,887	Social Services		189,175	(31,610)	157,565
1,547	(5,078)	(3,531)	Summary Revenue Account		2,701	(5,813)	(3,112)
<b>1,065,869</b>	<b>(529,736)</b>	<b>536,133</b>	<b>Net Cost of Services</b>		<b>1,140,977</b>	<b>(537,542)</b>	<b>603,435</b>
29,367	0	29,367	Police and Crime Commissioner for South Wales		31,216	0	31,216
296	0	296	Community Council Precepts		310	0	310
17,034	0	17,034	Levies & Contributions		17,115	0	17,115
32,221	(9,060)	23,161	(Gain)/loss on sale of non-current assets		29,135	(27,165)	1,970
<b>78,918</b>	<b>(9,060)</b>	<b>69,858</b>	<b>Other Operating Expenditure</b>		<b>77,776</b>	<b>(27,165)</b>	<b>50,611</b>
32,433	0	32,433	Interest Payable on debt		31,781	0	31,781
0	0	0	Interest element of finance leases	4	209	0	209
18,113	0	18,113	Interest on net defined liability/(asset)		14,774	0	14,774
0	(986)	(986)	Interest & Investment Income		0	(700)	(700)
9,105	(18,805)	(9,700)	Change in fair value of Investment Properties		2,502	(38)	2,464
<b>59,651</b>	<b>(19,791)</b>	<b>39,860</b>	<b>Financing and Investment</b>		<b>49,266</b>	<b>(738)</b>	<b>48,528</b>

## Group Comprehensive Income and Expenditure

			Income & Expenditure				
0	(41,191)	(41,191)	Recognised Capital Grants & Contributions		0	(50,734)	(50,734)
0	(320,309)	(320,309)	Revenue Support Grant		0	(312,736)	(312,736)
0	(105,994)	(105,994)	Non-Domestic Rates		0	(115,480)	(115,480)
2,063	(182,502)	(180,439)	Council Tax Income		2,070	(191,095)	(189,025)
2,063	(649,996)	(647,933)	Taxation & Non-Specific Grant Income		2,070	(670,045)	(667,975)
92	0	92	Tax expenses - Corporation Tax payable/(owing)		(439)	0	(439)
1,206,593	(1,208,583)	(1,990)	(Surplus)/Deficit on Provision of Services		1,269,650	(1,235,490)	34,160
		(26,098)	Revaluation Gains				(2,262)
		10,169	Revaluation Losses				2,128
		784	Impairment losses on non-current assets charged to the Revaluation Reserve				361
		81	(Surplus)/Deficit on revaluation of available for sale financial assets				45
		16,050	Actuarial gains/losses on pension assets/liabilities				33,581
		1,166	Share of other comprehensive income & expenditure of subsidiaries				135
		2,152	Other Comprehensive Income & Expenditure				33,988
		162	Total Comprehensive Income & Expenditure				68,148

## Group Movement In Reserves

	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 Council £000	Unusable Reserves - Group Entities £000	Total Authority Reserves £000
<b>Balance at 31 March 2016 carried forward Restated</b>	<b>15,255</b>	<b>52,226</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>82,296</b>	<b>552,305</b>	<b>7,418</b>	<b>642,019</b>
<b><u>Movement in Reserves during 2016/17</u></b>									
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	1,761	0	229	1,990
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(986)	(1,166)	(2,152)
<b>Total Comprehensive Income and Expenditure</b>	<b>(17,268)</b>	<b>0</b>	<b>19,029</b>	<b>0</b>	<b>0</b>	<b>1,761</b>	<b>(986)</b>	<b>(937)</b>	<b>(162)</b>
Adjustments between accounting basis & funding basis under regulations	23,433	0	(15,897)	0	1,782	9,318	(9,318)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>6,165</b>	<b>0</b>	<b>3,132</b>	<b>0</b>	<b>1,782</b>	<b>11,079</b>	<b>(10,304)</b>	<b>(937)</b>	<b>(162)</b>
Transfers to/(from) Earmarked Reserves	(7,165)	7,165	(3,132)	3,132	0	0	0	0	0
<b>Increase / (Decrease) in 2016/17</b>	<b>(1,000)</b>	<b>7,165</b>	<b>0</b>	<b>3,132</b>	<b>1,782</b>	<b>11,079</b>	<b>(10,304)</b>	<b>(937)</b>	<b>(162)</b>
<b>Balance at 31 March 2017 carried forward (restated)</b>	<b>14,255</b>	<b>59,391</b>	<b>8,438</b>	<b>4,086</b>	<b>7,205</b>	<b>93,375</b>	<b>542,001</b>	<b>6,481</b>	<b>641,857</b>
<b><u>Movement in Reserves during 2017/18</u></b>									
Surplus or (deficit) on the provision of Services	(53,869)	0	21,622	0	0	(32,247)	0	(1,913)	(34,160)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(33,853)	(135)	(33,988)
<b>Total Comprehensive Income and Expenditure</b>	<b>(53,869)</b>	<b>0</b>	<b>21,622</b>	<b>0</b>	<b>0</b>	<b>(32,247)</b>	<b>(33,853)</b>	<b>(2,048)</b>	<b>(68,148)</b>
Adjustments between accounting basis & funding basis under regulations	56,321	0	(21,940)	0	14,115	48,496	(48,496)	0	0
<b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b>	<b>2,452</b>	<b>0</b>	<b>(318)</b>	<b>0</b>	<b>14,115</b>	<b>16,249</b>	<b>(82,349)</b>	<b>(2,048)</b>	<b>(68,148)</b>
Transfers to/(from) Earmarked Reserves	(2,452)	2,452	863	(863)	0	0	0	0	0
<b>Increase / (Decrease) in 2017/18</b>	<b>0</b>	<b>2,452</b>	<b>545</b>	<b>(863)</b>	<b>14,115</b>	<b>16,249</b>	<b>(82,349)</b>	<b>(2,048)</b>	<b>(68,148)</b>
<b>Balance at 31 March 2018 carried forward</b>	<b>14,255</b>	<b>61,843</b>	<b>8,983</b>	<b>3,223</b>	<b>21,320</b>	<b>109,624</b>	<b>459,652</b>	<b>4,433</b>	<b>573,709</b>

## Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
1,714,131	Property Plant & Equipment:	7	1,733,392
53,846	Heritage Assets		54,099
132,241	Investment Properties		103,820
3,315	Intangible Non-Current Assets including AUC		2,701
412	Long-term Investments		366
5,616	Long-term Debtors		8,087
856	Deferred tax asset		1,201
<b>1,910,417</b>	<b>Total Long Term Assets</b>		<b>1,903,666</b>
66,124	Short-term Investments		34,033
80	Assets held for Sale		6,375
2,466	Inventories		2,377
84,844	Short-term Debtors	9	87,850
22,336	Cash and Cash Equivalents	10	55,804
<b>175,850</b>	<b>Total Current Assets</b>		<b>186,439</b>
(14,972)	Short Term Borrowing		(13,440)
(89,867)	Short Term Creditors	11	(91,316)
(1,414)	Pension Strain		(1,884)
(8,031)	Provisions	12	(5,640)
(4,311)	Deferred Liabilities	13	(5,090)
(66)	Deferred tax liability		0
<b>(118,661)</b>	<b>Total Current Liabilities</b>		<b>(117,370)</b>
(668,028)	Long Term Borrowing		(688,713)
(28,938)	Provisions		(25,188)
(19,018)	Deferred Liabilities		(17,565)
(11,843)	Capital Contributions Receipts in Advance		(9,961)
(2,016)	Revenue Grants Receipts in Advance		(6,484)
(974)	Capital Grants Receipts in Advance		(412)
(3,219)	Pensions Strain		(2,794)
(590,544)	Net Pensions Liability		(646,865)
(1,169)	Deferred tax liability		(1,044)
<b>(1,325,749)</b>	<b>Total Long Term Liabilities</b>		<b>(1,399,026)</b>
<b>641,857</b>	<b>NET ASSETS</b>		<b>573,709</b>
	<b>Financed by:</b>		
14,255	Council Fund Balance		14,255
59,391	Council Fund Earmarked Reserves		61,843
8,438	Housing Revenue Account Balance		8,983
4,086	Housing Revenue Account Earmarked Reserves		3,223
7,205	Capital Receipts Reserve		21,320
<b>93,375</b>	<b>Usable Reserves</b>		<b>109,624</b>
262,084	Revaluation Reserve		258,745
876,075	Capital Adjustment Account		852,323
2,038	Deferred Capital Receipts		4,511
4,574	Available for Sale Financial Instruments Reserve		4,528
(597,671)	Pensions Reserve		(654,441)
(8,252)	Accumulated Absences Adjustment Account		(9,333)
9,634	Reserves (Group Entities)		7,752

## Group Balance Sheet

31 March 2017 Restated £000		Note	31 March 2018 £000
548,482	Unusable Reserves		464,085
641,857	<b>TOTAL RESERVES</b>		<b>573,709</b>



## Group Cash Flow

2016/17 Restated £000		Note	2017/18 £000
(1,990)	Net (Surplus) /Deficit on the provision of services		34,160
(98,375)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(152,883)
48,290	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	45,725
<b>(52,075)</b>	<b>Net cash flows from operating activities</b>		<b>(72,998)</b>
99,975	Purchase of property, plant and equipment, investment property and intangible assets		126,943
9,093	Purchase of short-term and long-term Investments		0
7,579	Other payments for investing activities		936
(9,092)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(24,889)
(40,942)	Capital Grants		(45,621)
(3,590)	Capital Contributions		0
0	Proceeds from short-term and long-term investments		0
<b>63,023</b>	<b>Net cash flows from investing activities</b>		<b>57,369</b>
(14,645)	Cash receipts from short-term and long-term borrowing		(25,004)
(5,966)	Other receipts from financing activities		(2,826)
1,456	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,907
8,231	Repayments of short-term and long-term borrowing		7,791
0	Other payments for financing activities		293
<b>(10,924)</b>	<b>Net cash flows from financing activities</b>		<b>(17,839)</b>
<b>24</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>(33,468)</b>
22,360	Cash and cash equivalents at the beginning of the reporting period		22,336
<b>22,336</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>55,804</b>

## Notes to Group Accounts

### NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 44 to 93 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	
	2016/17	2017/18
60,000-64,999	43	60
65,000-69,999	43	46
70,000-74,999	8	12
75,000-79,999	11	10
80,000-84,999	13	17
85,000-89,999	1	5
90,000-94,999	4	2
95,000-99,999	1	2
100,000-104,999	1	2
105,000-109,999	2	3
110,000-114,999	2	1
115,000-119,999	2	2
120,000-124,999	5	6
125,000-129,999	0	1
130,000-134,999	2	1
135,000-139,999	1	1
140,000-144,999	0	0
145,000-149,999	0	1
150,000-169,999	0	0
170,000-174,999	1	1
<b>Total</b>	<b>140</b>	<b>173</b>

#### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 12 to the single entity financial statements. Cardiff City Transport Services Ltd have separately recognised related party transactions between itself and the Council, and also between itself and its own subsidiary, but not between itself and any other limited company or organisation.

#### 3. External Audit Costs

In 2017/18 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2016/17 £000	2017/18 £000
Fees payable to Wales Audit Office for external audit services	389	383
Fees Payable to other external auditors in respect of external audit services	41	30
Fees payable to external auditors for the certification of grant claims and returns	88	65
Fees payable in respect of other services provided by external auditors	5	40
<b>Total</b>	<b>523</b>	<b>518</b>

## Notes to Group Accounts

### 4. Leasing

#### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2017/18 were as follows

	2016/17 £000	2017/18 £000
Property Leases	1,829	1,346
Other leases	2,705	3,127
	<b>4,534</b>	<b>4,473</b>

The group was committed at 31 March 2018 to making payments of £4.225 million under operating leases in 2017/18 (£3.955 million at 31 March 2017 for 2016/17) comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	16	1,925
Leases expiring within 2 and 5 years	1,016	1,021
Leases expiring after 5 years	247	0
	<b>1,279</b>	<b>2,946</b>

#### Finance Leases

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2016/17 £000		2017/18 £000
11,836	Vehicles, Plant, furniture & Equipment	13,257

Obligations under finance leases:

2016/17 £000		2017/18 £000
1,465	Obligations payable within 1 year	1,895
4,783	Obligations payable between 2 and 5 years	5,128
214	Obligations payable after 5 years	431
<b>6,462</b>	<b>Total liabilities as at 31 March</b>	<b>7,454</b>

The aggregate finance charges made during 2017/18 were as follows:

2016/17 £000		2017/18 £000
181	Vehicles, Plant & Equipment	209

## Notes to Group Accounts

### 5. Pensions

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

	2016/17 £000	2017/18 £000
<i>Net Cost of Services</i>		
Past and current service cost and operating charge	44,188	52,668
<i>Net Operating Expenditure</i>		
Interest on net defined benefit liability/(asset)	18,195	14,510
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>62,383</b>	<b>67,178</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(18,340)	(22,320)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	458	582
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>44,501</b>	<b>45,440</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(39,640)	(40,820)
Payments in Respect of Unfunded Pensions Liabilities	(3,230)	(3,210)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,631)	(1,410)
	<b>(44,501)</b>	<b>(45,440)</b>

#### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pension arrangements of Cardiff City Transport Services Ltd. and have been taken directly from their 2017/18 financial statements.

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 City of Cardiff 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.

The total costs charged in the income statement for the money purchase scheme of £613,000 (£707,000 in 2016/17) represents contributions payable during the year. At 31 March 2018, contributions of £80,000 (£85,000 in 2016/17) due in respect of the current reporting period had not been paid over to the scheme.

#### Cardiff City Transport Services Limited Pension Scheme

Since 30 June 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members. The defined contribution section closed to new entrants from 9 April 2013, from which date a money purchase section was introduced. This closed to new members in July 2013.

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 2014, was carried out as at 1 April 2015. 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 0.85% per annum higher than the rate of future annual wage and salary growth and 0.85% per annum higher than the rate of future retail price inflation. The investment return for pension liabilities once in payment was assumed to be 0.15% lower than the rate of future retail price inflation.

The defined benefit schemes are administered by a separate fund that is legally separated from the company. The trustees of the pension fund are required by law to act in the interest of the fund and of

## Notes to Group Accounts

all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The valuation showed that the total market value of the scheme's assets, net of final salary members' AVCs, was £42.1m and that this value represented 95% 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, but allowing for PPF levies, life assurance premiums and expenses, was found to be 18.6% of members' pensionable pay as at 1 April 2015. The company paid 14.9% of members' pensionable pay until 31 December 2016, from which date it increased to 18.9% of members' pensionable pay. This is increased by 0.2% every 1 April, with an effective company contribution rate of 19.3% of pensionable pay from 1 April 2018. Employee contributions are payable in addition. For the majority of defined benefit section members, contributions are 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 sections are payable in accordance with the scheme rules.

An assessment of the liabilities of the defined benefit section of the scheme was carried out as at 31 March 2018 for accounting disclosure purposes by a qualified independent actuary. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit method.

The principal assumptions used by the actuary were:

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.2% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Inflation Assumption (RPI)	3.1% pa	3.3% pa	3.2% pa
Inflation Assumption (CPI)	2.1% pa	2.3% pa	2.2% pa
Pension Increases (CPIS)	2.1% pa	2.3% pa	2.2% pa

### Mortality assumption

The mortality assumptions are based on S2PXA tables, relevant to year of birth rated up two years, with future improvements in line with the CMI2016 projection model with a long-term trend rate of 1.0%. The assumptions are that a member aged 65 at the disclosure date will live on average for a further 20.3 years (2017: 20.3) if they are male and for a further 22.1 years (2017: 22.3) if they are female. For a member who is 45 at the disclosure date and retires at age 65 the assumptions are that they will live on average for a further 21.4 years after retirement (2017: 21.6) if they are male and for a further 23.3 years after retirement (2017: 23.7) if they are female.

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

	2015/16	2016/17	2017/18
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	13,734	14,679	12,980
Diversified Growth	15,348	16,724	13,758
Convertible Bonds	3,759	4,001	6,931
Cash and LDI	83	2,414	4,391
	<b>32,924</b>	<b>37,818</b>	<b>38,060</b>

## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
<b>Net IAS19 Scheme Deficit</b>	<b>878</b>	<b>(641)</b>	<b>(384)</b>

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and administration	(906)	(885)	(914)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,072	1,142	981
Interest on pension scheme liabilities	(1,120)	(1,110)	(995)
<b>Net finance income/(charge)</b>	<b>(48)</b>	<b>32</b>	<b>(14)</b>

### Analysis of amount recognised in the primary statements

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(315)	4,348	(528)
Changes in financial assumptions underlying the scheme/(liabilities)	2,664	(5,985)	612
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>2,349</b>	<b>(1,637)</b>	<b>84</b>

### Movements in scheme deficit during the year

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>At 1 April b/f</b>	<b>(1,481)</b>	<b>878</b>	<b>(641)</b>
Movement in year:			
Total operating charge	(669)	(589)	(618)
Contributions	964	971	1,072
Net finance income/(charge)	(285)	(264)	(281)
Actuarial gain/(loss) in the primary statements	2,349	(1,637)	84
<b>At 31 March c/f</b>	<b>878</b>	<b>(641)</b>	<b>(384)</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 2016.

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 2017 continuing into

## Notes to Group Accounts

2019/20. In addition to this rate, Cardiff City Transport Services Limited is required to pay £360,000 per annum.

The most recent completed valuation was carried out as at 31 March 2016, 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 IAS 19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The contribution rates certified for the company at the 31 March 2016 valuation are 25.4% of pensionable pay plus an additional annual contribution of £360,000 from April 2017 to March 2020.

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:

	31 March 2016	31 March 2017	31 March 2018
Rate of increase in salaries	3.1% pa	3.3% pa	3.3% pa
Discount rate	3.5% pa	2.6% pa	2.6% pa
Rate of increase in pensions in payment	2.1% pa	2.3% pa	2.3% pa
Rate of increase in deferred pensions	2.1% pa	2.3% pa	2.3% pa
Rate of inflation (RPI)	3.1% pa	3.3% pa	3.3% pa
Rate of inflation (CPI)	2.1% pa	2.3% pa	2.3% pa

### Mortality assumption

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.6 years (2017: 20.3) if they are male and for a further 22.4 years (2017: 22.2) 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 21.7 years after retirement (2017: 21.6) if they are male and for a further 23.6 years after retirement (2017: 23.7) if they are female.

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

	2015/16	2016/17	2017/18
	Fair Value £000	Fair Value £000	Fair Value £000
Equities	19,917	23,640	20,130
Government bonds	2,148	2,573	4,661
Corporate bonds	1,909	1,756	3,148
Property	1,936	1,907	1,907
Cash	610	454	424
Other assets	0	(60)	0
	26,520	30,270	30,270

## Notes to Group Accounts

The net pension liability measured under IAS19 comprised the following:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value share of assets	26,520	30,270	30,270
Present value of scheme liabilities	(30,190)	(33,450)	(33,470)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,670)</b>	<b>(3,180)</b>	<b>(3,200)</b>

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Total market value of assets	32,924	37,818	38,060
Present value of scheme liabilities	(32,046)	(38,459)	(38,444)
<b>Net IAS19 Scheme Deficit</b>	<b>878</b>	<b>(641)</b>	<b>(384)</b>

### Analysis of amount charged to operating profit:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Current Service Cost / Past Service Cost	(270)	(210)	(210)
<b>Total Operating Charge</b>	<b>(270)</b>	<b>(210)</b>	<b>(210)</b>

### Analysis of amount credited/ (charged) to interest receivable/payable:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Expected return on pension scheme assets	900	920	780
Interest on pension scheme liabilities	(990)	(1,030)	(850)
<b>Net Finance Income / (Charge)</b>	<b>(90)</b>	<b>(110)</b>	<b>(70)</b>

### Analysis of amount recognised in the primary statements:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actual return less expected return on pension assets	(1,300)	3,580	140
Changes in financial assumptions underlying the scheme/(liabilities)	510	(3,430)	(390)
<b>Actuarial gain/(loss) recognised in the primary statements</b>	<b>(790)</b>	<b>150</b>	<b>(250)</b>

### Movements in scheme deficit during the year:

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
<b>At 1 April</b>	<b>(3,210)</b>	<b>(3,670)</b>	<b>(3,180)</b>
Movement in year:			
Total operating charge	(270)	(210)	(210)
Contributions	690	660	510
Net finance income/(charge)	(90)	(110)	(70)



## Notes to Group Accounts

	31 March 2016 £000	31 March 2017 £000	31 March 2018 £000
Actuarial gain/(loss) in the primary statements	(790)	150	(250)
<b>At 31 March</b>	<b>(3,670)</b>	<b>(3,180)</b>	<b>(3,200)</b>

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

<b>The Group and the Company</b>	<b>31 March 2017 £000</b>	<b>31 March 2018 £000</b>
Cardiff City Transport Scheme	641	383
Cardiff & Vale of Glamorgan Pension Scheme	3,180	3,200
Deferred Tax Asset	(726)	(681)
<b>Total</b>	<b>3,095</b>	<b>2,902</b>

### **6. Exceptional Items**

There are no exceptional items reported in the 2017/18 Cardiff Bus Accounts.

# Notes to Group Accounts

## 7. Non-Current Assets Note

2017/18	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>								
<b>At 1 April 2017</b>	<b>554,803</b>	<b>773,311</b>	<b>76,496</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,113,334</b>
Additions	17,633	32,934	7,905	14,943	84	14	54,899	128,412
Impairment losses/reversals to RR *	0	(361)	0	0	0	0	0	(361)
Impairment losses / reversals to SDPS **	(25)	(7,130)	0	0	0	0	(1,458)	(8,613)
Derecognition - disposals	(1,479)	(1,000)	(5,214)	0	0	(567)	0	(8,260)
Reclassified (to)/from Held for Sale	0	(582)	0	0	0	(5,975)	0	(6,557)
Other reclassifications	3,243	(864)	17	3,746	0	22,348	(28,271)	219
Revaluation increases /(decreases) to RR*	0	27	0	0	0	(844)	0	(817)
Revaluation increases /(decreases) to SDPS**	0	(20,209)	0	0	0	(16,396)	0	(36,605)
<b>At 31 March 2018</b>	<b>574,175</b>	<b>776,126</b>	<b>79,204</b>	<b>624,214</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>2,180,752</b>
<b>Depreciation</b>								
<b>At 1 April 2017</b>	<b>16,941</b>	<b>26,304</b>	<b>45,054</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>399,203</b>
Depreciation charge	9,072	16,678	7,375	22,135	0	0	0	55,260
Depreciation written out on impairment	0	(262)	0	0	0	0	0	(262)
Derecognition - disposals	(42)	(723)	(5,148)	0	0	0	0	(5,913)
Depreciation written out to SDPS **	0	(97)	0	0	0	(27)	0	(124)
Reclassifications	0	(27)	0	0	0	27	0	0
Depreciation written out on revaluation	0	(804)	0	0	0	0	0	(804)
<b>At 31 March 2018</b>	<b>25,971</b>	<b>41,069</b>	<b>47,281</b>	<b>333,039</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>447,360</b>
<b>Net Book Value:</b>								
<b>At 31 March 2018</b>	<b>548,204</b>	<b>735,057</b>	<b>31,923</b>	<b>291,175</b>	<b>19,736</b>	<b>39,572</b>	<b>67,725</b>	<b>1,733,392</b>
<b>At 31 March 2017</b>	<b>537,862</b>	<b>747,007</b>	<b>31,442</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,714,131</b>

\* RR = Revaluation Reserve

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

## Notes to Group Accounts

Comparative Information for 2016/17:

2016/17	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>								
<b>At 1 April 2016</b>	<b>537,762</b>	<b>779,249</b>	<b>76,639</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>2,067,713</b>
Additions	17,980	21,954	6,564	11,093	32	351	33,876	91,850
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	(784)
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	(2,974)
Derecognition - disposals	(1,186)	(25,659)	(6,575)	0	0	(1,430)	0	(34,850)
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	8
Other reclassifications	400	13,291	193	7,088	0	1,074	(22,089)	(43)
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	8,200
Revaluation increases /(decreases) to SDPS**	0	(14,775)	0	0	0	(1,011)	0	(15,786)
<b>At 31 March 2017</b>	<b>554,803</b>	<b>773,311</b>	<b>76,496</b>	<b>605,525</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>2,113,334</b>
<b>Depreciation</b>								
<b>At 1 April 2016</b>	<b>8,298</b>	<b>29,742</b>	<b>44,782</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>371,568</b>
Depreciation charge	8,659	16,746	6,997	22,158	0	0	0	54,560
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	(1,347)
Derecognition - disposals	(16)	(12)	(6,539)	0	0	0	0	(6,567)
Depreciation written out to SDPS **	0	0	0	0	0	0	0	0
Reclassifications	0	(25)	0	0	0	0	0	(25)
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	(18,986)
<b>At 31 March 2017</b>	<b>16,941</b>	<b>26,304</b>	<b>45,054</b>	<b>310,904</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>399,203</b>
<b>Net Book Value:</b>								
<b>At 31 March 2017</b>	<b>537,862</b>	<b>747,007</b>	<b>31,442</b>	<b>294,621</b>	<b>19,652</b>	<b>40,992</b>	<b>42,555</b>	<b>1,714,131</b>
<b>At 31 March 2016</b>	<b>529,464</b>	<b>749,507</b>	<b>31,857</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>30,800</b>	<b>1,696,145</b>

\* RR = Revaluation Reserve

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

## Notes to Group Accounts

### 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.

### 9. Debtors

31 March 2017 Restated £000		31 March 2018 £000
45,535	Central Government Bodies	45,784
9,626	Other Local Authorities	11,304
5,364	NHS Bodies	5,955
14	Public Corporations & Trading Funds	242
24,305	Other Entities and Individuals	24,565
84,844	<b>Total Debtors Net of Impairments</b>	<b>87,850</b>

### 10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.391 million (£2.852 million in 2016/17) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.398 million (£2.859 million in 2016/17) in money market accounts that are not instant access.

### 11. Creditors

31 March 2017 Restated £000		31 March 2018 £000
(16,155)	Central Government Bodies	(12,608)
(7,916)	Other Local Authorities	(9,741)
(1,594)	NHS Bodies	(1,442)
(4)	Public Corporations & Trading Funds	(11)
(64,198)	Other Entities and Individuals	(67,514)
(89,867)	<b>Total Creditors</b>	<b>(91,316)</b>

## Notes to Group Accounts

### 12. Provisions

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance	(9,559)	5,026	(3,860)	(8,393)	(3,900)	(4,493)
Ferry Road Landfill	(8,952)	490	0	(8,462)	(224)	(8,238)
Lamby Way Landfill	(15,286)	4,056	0	(11,230)	(287)	(10,943)
MMI Scheme of Arrangement Levy	(51)	0	(24)	(75)	(10)	(65)
Cardiff Bus Insurance Provision	(2,032)	2,540	(1,919)	(1,411)	(635)	(776)
City Deal	0	0	(427)	(427)	0	(427)
Other	(1,089)	496	(237)	(830)	(584)	(246)
<b>Total Provisions</b>	<b>(36,969)</b>	<b>12,608</b>	<b>(6,467)</b>	<b>(30,828)</b>	<b>(5,640)</b>	<b>(25,188)</b>

Cardiff Bus insurance provision represents the provision for insurance claims payable by the company in respect of outstanding claims.

### 13. Deferred Liabilities

	Balance 1 April 2017 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2018 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(9,667)	1,314	(686)	(9,039)	(1,195)	(7,844)
Rent Smart Wales Income in Advance	(7,200)	1,038	0	(6,162)	(2,000)	(4,162)
Cardiff Bus Finance Lease Liability	(6,462)	1,907	(2,899)	(7,454)	(1,895)	(5,559)
<b>Total Deferred Liabilities</b>	<b>(23,329)</b>	<b>4,259</b>	<b>(3,585)</b>	<b>(22,655)</b>	<b>(5,090)</b>	<b>(17,565)</b>

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

	2016/17 Restated £000	2017/18 £000
Depreciation and impairment	(49,188)	(99,237)
Charges made for retirement benefits (IAS19) less employers contributions	(17,842)	(22,618)
Contributions (to)/from provisions	2,005	5,520
Gain/loss on disposal of fixed assets	(32,204)	(30,862)
Cardiff Bus Taxation	(92)	439
Increase/(decrease) in stock	68	(89)
Increase/(decrease) in debtors (exc capital)	(5,805)	265
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,683	(6,301)
	<b>(98,375)</b>	<b>(152,883)</b>

## Notes to Group Accounts

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

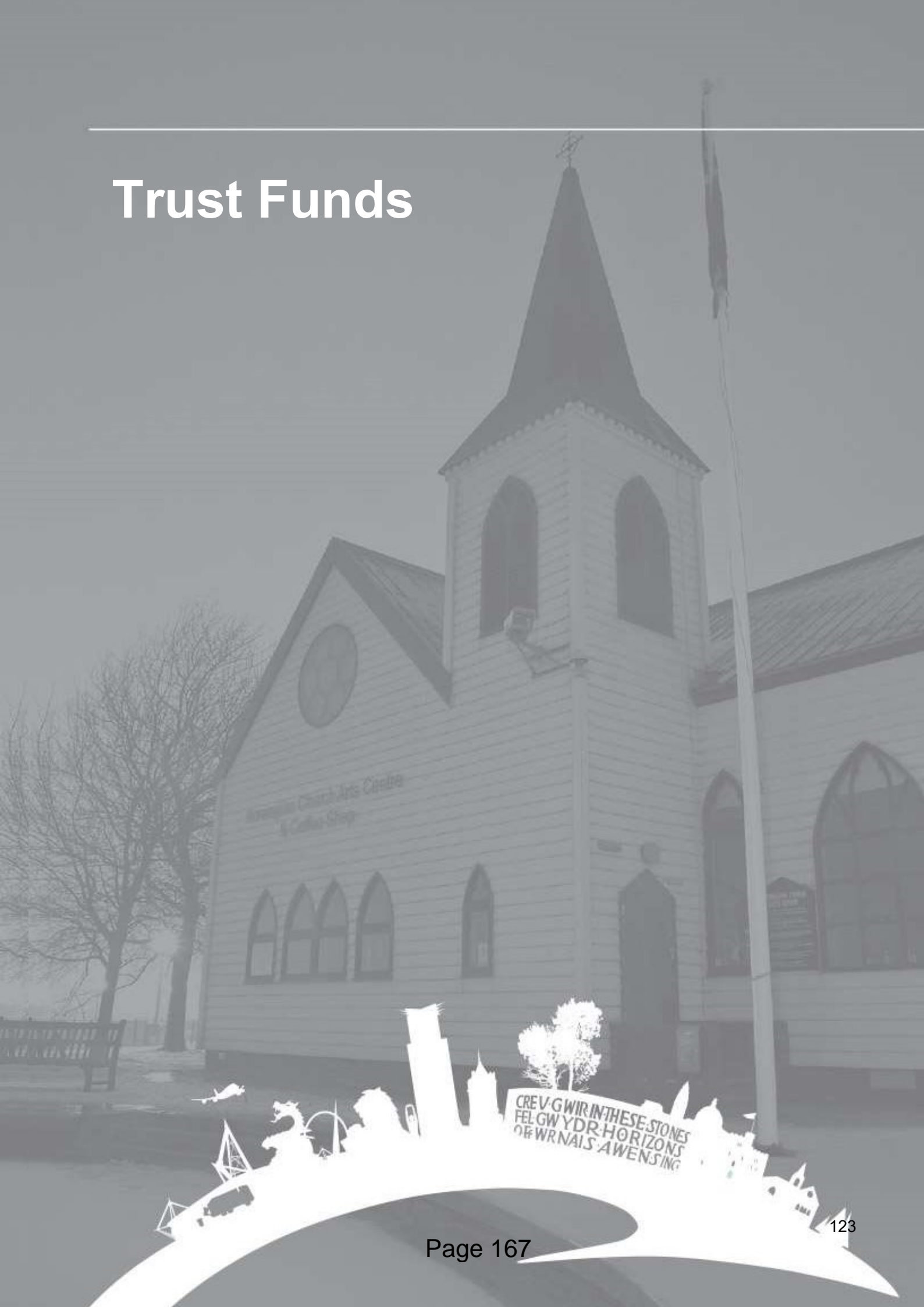
	2016/17 Restated £000	2017/18 £000
Net gain/(loss) on sale of non-current assets	8,946	(4,800)
Repayments of liabilities under finance leases	0	(209)
Capital grants/contributions recognised in I&E	41,191	50,734
Other cash items which affect investing or financing activities	(1,847)	0
	<b>48,290</b>	<b>45,725</b>

### 15. Expenditure and Funding Analysis

Please refer to note 4 in the notes to core financial statements for the Council's expenditure and funding analysis.

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# Trust Funds



## Trust Funds

During 2017/18, 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. Separate financial statements are produced for each, 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) – 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.

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

**Cardiff Further Education Trust Fund/Craddock Wells Trust** (525512) – Provision of premises for educational purposes and grants to eligible students. The property provided by the trust is used by the Council as the site for Cardiff High School.

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 the year ended 31 March 2018 have yet to be examined. This is to be undertaken in January 2019 which is within the statutory deadlines set.

The Council **administers** the following charities, their purpose being:-

**R Fice Memorial Trust** (702695) – Provide financial assistance to those playing brass instruments

**The Howardian Trust** (1019801) – Provide financial support to young people in the former catchment area of Howardian High School.

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 2017 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2018 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,434	5	0	(11)	1,428
Maindy Park Foundation	78,486	158	0	(11)	78,633
Norwegian Church Preservation Trust (restated)	(93,564)	79,700	0	(79,700)	(93,564)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	24,659,954	130,155	(89,354)	(142,835)	24,557,920
<b>Total funds for which the Council is sole trustee</b>	<b>24,646,310</b>	<b>210,018</b>	<b>(89,354)</b>	<b>(222,557)</b>	<b>24,544,417</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	65,417	2,289	(1,989)	(168)	65,549
The Howardian Trust	32,065	965	(80)	0	32,950
<b>Total other funds which are administered by the Council</b>	<b>97,482</b>	<b>3,254</b>	<b>(2,069)</b>	<b>(168)</b>	<b>98,499</b>
<b>Total</b>	<b>24,743,792</b>	<b>213,272</b>	<b>(91,423)</b>	<b>(222,725)</b>	<b>24,642,916</b>

# Cardiff Harbour Authority



## **Narrative Report**

### **Introduction**

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared on an IFRS basis, in line with the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is, therefore, not a company. As a result, this narrative report replaces the Director's report required by the Companies Act 2006.

### **Agreement**

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25 August 2006 and made between the National Assembly for Wales and the Council.
- Dated 27 March 2007 and made between the National Assembly for Wales and the Council.
- Dated 15 September 2009 and made between the Welsh Ministers and the Council.
- Dated 5 April 2011 and made between the Welsh Ministers and the Council.
- Dated 3 April 2014 and made between the Welsh Ministers and the Council.
- Dated 19 April 2016 and made between the Welsh Ministers and the Council.

### **Review of the Financial Year**

Welsh Government funding for Cardiff Harbour Authority is subject to 3-year agreements. The existing agreement was scheduled to expire on 31 March 2017. The Welsh Government advised they would like an opportunity to review current arrangements and wished to extend the previous business period by twelve months, up until 31 March 2018, during which period such a review was intended to take place. This has now been deferred to 2018/19.

The impact of this arrangement was that for the financial year 2017/18, Cardiff Harbour Authority initially operated under the same budget allocation of £5.891 million as in 2016/17. However, in March 2018, Welsh Government awarded an additional asset renewal budget of £97,000 and in the same month, an additional claim for £56,000 in respect of agreed works outside of the fixed costs schedule was approved. This resulted in a total budget of £6.044 million.

The financial deficit for the year ended 31 March 2018 was £1.876 million (£2.432 million in 2016/17).

Total Capital expenditure forms part of an extended programme to 2017/18 for works at the harbour, barrage and surrounding environmental infrastructure. Works included harbour vessel replacement, water quality model, sluice roller replacement, aeration system compressors and playground equipment.

## Key Achievements

During 2017-18 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. Achievements against a Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- operated within a budget reduction and delivered the business plan within budget at year end
- retained Green Flag status for the Barrage and Flat Holm, and secured this for the first time for Cardiff Bay Wetlands
- achieved transition to the new ISO14001 standard as part of environmental management system
- delivered a programme of events including Extreme Sailing Series and International Food and Drink Festival
- delivered an outdoor education programme to schools in conjunction with Parks
- dredging campaigns carried out in July 2017 and January 2018
- maintained statutory water quality standards comprising over 400,000 readings.
- 265 tonnes of litter removed from the rivers and bay
- delivered community projects with Arts and Business funding in partnership with Milford Haven Port Authority, Theatre Na Nog and Wales Millennium Centre benefitting young people from the local area
- community liaison with Butetown residents concerning the end of the Property Protection Scheme
- café facility installed on the Barrage in preparation for operation by the Royal Society for the Protection of Birds from end of April 2018
- provided courses, activities and events at Cardiff International White Water Centre and Cardiff Bay Water Activity and Sailing Centre.

## Guide to the Financial Statements

The main statements provided are shown in the pages that follow along with supporting notes. A Cash Flow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Cash flows of the Harbour Authority are integrated with those of the Council.

### Comprehensive Income and Expenditure Statement

Provides information on how the Harbour Authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit. The Harbour Authority has operated within budget but statutory adjustments including capital charges are the reason the Comprehensive Income and Expenditure Statement is showing a deficit.

### Balance Sheet

Provides a snapshot of the financial position at 31 March, showing what the Harbour Authority owns and owes.

## **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 that are not recognised by International Financial Reporting Standards.

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

### **The Corporate Director Resources Responsibilities**

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources has also:

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

### **The Corporate Director Resources Certificate**

The financial statements for the Cardiff Harbour Authority give a true and fair view of the financial position of the Authority at 31 March 2018 and its income and expenditure for the year ended 31 March 2018.

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

**Date: 27 September 2018**

## **Audit Report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority**

### **Opinion**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Harbour Authority and in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The responsible financial officer is responsible for the other information in the Foreword to the accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Foreword is consistent with the accounting statements and related notes

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Cardiff Harbour Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff  
CF11 9LJ

## **Accounting Policies**

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2017/18 financial year and its financial position at 31 March 2018. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:

### **Accounting policies used when formulating the accounts**

#### **1. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not when the cash payments are made or received. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

#### **2. Employee Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to expenditure.

#### **3. Grants and Contributions - Revenue**

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

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

The accounting treatment will vary depending on whether it is deemed that conditions inherent in the agreement have been complied with. Monies advanced as grants for which conditions have not yet been satisfied are carried in the Balance Sheet as Revenue Grants Receipts in Advance. When conditions have been satisfied, the grant or contribution is credited to the Comprehensive Income and Expenditure Statement. Where there is no reasonable assurance that the conditions will be met, any cash received will not be recognised as a receipt of grant monies but as a repayment due to the awarding body. The cash received is held on the Balance Sheet as a liability.

#### **4. Grants and Contributions – Capital**

Grants and contributions that are applied in the year to fund capital schemes are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement.

#### **5. Inventories**

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

#### **6. Operating Leases**

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

#### **7. Overheads and Support Services Costs**

The Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority. The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.



## **8. Property, Plant, Equipment, Community and Heritage Assets**

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

### **Recognition:**

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

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

### **Measurement:**

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

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

- infrastructure assets, community assets and assets under construction - depreciated historical cost
- Heritage Assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.

### **Revaluation:**

Assets included in the Balance Sheet at fair value are revalued as part of a three year rolling programme.

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 expenditure.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

### **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
- impairment losses on assets where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The Harbour Authority does not receive grant for depreciation or any other accounting adjustments for non-current assets.

### **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, as follows:

- 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 charged to expenditure in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to 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).

Depreciation is calculated on the following bases:

Asset Category	Range of remaining useful life in years
Intangible Assets	5
Land	n/a
Buildings	17-60
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

**9. Reserves**

The Harbour Authority holds one usable reserve - the general reserve for accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. The Harbour Authority only holds one unusable reserve - the revaluation reserve. Unusable reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

**10. Value Added Tax**

The Harbour Authority does not have a separate VAT registration to the Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have been prepared exclusive of this tax.

**Comprehensive Income and Expenditure Statement for the year ended 31 March 2018**

2016/17 £000		2017/18 £000
	<b>Income</b>	
(5,533)	Government Grants	(5,598)
(290)	Capital Grants Applied	(774)
(959)	Fees and Charges	(886)
<b>(6,782)</b>	<b>Total Income</b>	<b>(7,258)</b>
	<b>Expenditure</b>	
2,736	Employees	2,864
1,317	Premises	1,364
92	Transport	76
1,652	Supplies and Services	1,559
475	Support Services	536
2,942	Capital Charges	2,735
<b>9,214</b>	<b>Total Expenditure</b>	<b>9,134</b>
<b>2,432</b>	<b>Net Expenditure for the Year</b>	<b>1,876</b>

**Balance Sheet as at 31 March 2018**

31 March 2017 £000		Note	31 March 2018 £000
167,278	Property ,Plant and Equipment	2	165,540
56	Heritage Assets	2	56
0	Intangible Assets	2	0
<b>167,334</b>	<b>Total Long-term Assets</b>		<b>165,596</b>
343	Stocks and Work in Progress	3	362
30	Debtors	4	56
497	Cash		312
<b>870</b>	<b>Current Assets</b>		<b>730</b>
(399)	Creditors	5	(397)
<b>(399)</b>	<b>Current Liabilities</b>		<b>(397)</b>
<b>167,805</b>	<b>Net Assets</b>		<b>165,929</b>
	<b>Reserves:</b>		
163,217	General Reserve	1	161,341
4,588	Revaluation Reserve	1	4,588
<b>167,805</b>	<b>Total Reserves</b>		<b>165,929</b>

**Notes to the Financial Statements****1. Reserves**

2016/17			2017/18	
General Reserve £000	Revaluation Reserve £000		General Reserve £000	Revaluation Reserve £000
<b>165,649</b>	<b>4,588</b>	<b>Balance at 1 April</b>	<b>163,217</b>	<b>4,588</b>
(2,432)	0	Movements in Reserves	(1,876)	0
<b>163,217</b>	<b>4,588</b>	<b>Closing Balance at 31 March</b>	<b>161,341</b>	<b>4,588</b>

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £382,000 as at 31 March 2018 (£479,000 as at 31 March 2017).

2. Movements in Property, Plant, Equipment & Other Long Term Assets

Long term assets are primarily Property, Plant and Equipment, with movements analysed in the table that follows.

2017/18	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	PP&E under construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
<b>At 1 April 2017</b>	<b>6,749</b>	<b>996</b>	<b>218,658</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>228,015</b>	<b>56</b>	<b>319</b>
Additions	0	361	591	0	0	46	998	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to CIES **	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>6,749</b>	<b>1,357</b>	<b>219,249</b>	<b>1,103</b>	<b>333</b>	<b>222</b>	<b>229,013</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
<b>At 1 April 2017</b>	<b>115</b>	<b>403</b>	<b>60,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,737</b>	<b>0</b>	<b>319</b>
Depreciation charge	57	194	2,485	0	0	0	2,736	0	0
Depreciation written out on impairment	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Depreciation written out on revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>172</b>	<b>597</b>	<b>62,704</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>63,473</b>	<b>0</b>	<b>319</b>
<b>Net Book Value:</b>									
<b>At 31 March 2018</b>	<b>6,577</b>	<b>760</b>	<b>156,545</b>	<b>1,103</b>	<b>333</b>	<b>222</b>	<b>165,540</b>	<b>56</b>	<b>0</b>
<b>At 31 March 2017</b>	<b>6,634</b>	<b>593</b>	<b>158,439</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>167,278</b>	<b>56</b>	<b>0</b>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

## Cardiff Harbour Authority

Comparative movements for 2016/17:

2016/17	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Investment Assets	PP&E under construction	Total Property, Plant & Equipment	Heritage Assets	Intangible Assets
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>									
<b>At 1 April 2016</b>	<b>6,749</b>	<b>665</b>	<b>218,658</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>227,533</b>	<b>56</b>	<b>319</b>
Additions	0	331	0	0	0	176	507	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	0	0	0	0
Impairment losses/reversals to CIES **	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	(25)	0	(25)	0	0
<b>At 31 March 2017</b>	<b>6,749</b>	<b>996</b>	<b>218,658</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>228,015</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
<b>At 1 April 2016</b>	<b>58</b>	<b>261</b>	<b>57,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,101</b>	<b>0</b>	<b>255</b>
Depreciation charge	57	142	2,437	0	0	0	2,636	0	64
Depreciation written out on impairment	0	0	0	0	0	0	0	0	0
Derecognition - disposals	0	0	0	0	0	0	0	0	0
Depreciation written out on revaluation	0	0	0	0	0	0	0	0	0
<b>At 31 March 2017</b>	<b>115</b>	<b>403</b>	<b>60,219</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>60,737</b>	<b>0</b>	<b>319</b>
<b>Net Book Value:</b>									
<b>At 31 March 2017</b>	<b>6,634</b>	<b>593</b>	<b>158,439</b>	<b>1,103</b>	<b>333</b>	<b>176</b>	<b>167,278</b>	<b>56</b>	<b>0</b>
<b>At 31 March 2016</b>	<b>6,691</b>	<b>404</b>	<b>160,876</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>169,432</b>	<b>56</b>	<b>64</b>

\* RR = Revaluation Reserve

\*\*CIES = Comprehensive Income and Expenditure Statement

**3. Stock**

Movements in stock during the financial year are as follows:

	2016/17 £000	2017/18 £000
<b>At 1 April 2017</b>	<b>382</b>	<b>343</b>
Stock written off to the CIES	(39)	19
<b>Balance carried forward</b>	<b>343</b>	<b>362</b>

**4. Debtors**

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	30	56
Trade Receivables	0	0
<b>Total</b>	<b>30</b>	<b>56</b>

**5. Creditors**

	31 March 2017 £000	31 March 2018 £000
Central Government Bodies	(77)	(30)
Trade Payables	(322)	(367)
<b>Total</b>	<b>(399)</b>	<b>(397)</b>

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# Cardiff Port Health Authority



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## Narrative Report

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 Shared Regulatory Service, 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 County Council of the City and County of Cardiff 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.

In the absence of a delegation to another body, full Council of the County Council of the City and County of Cardiff are the body that approves the accounts of the Port Health Authority.

## 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 2014 (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.

## Accounting statements for Cardiff Port Health Authority:

	Year Ending	
	31 March 2017 (£)	31 March 2018 (£)
<b>Statement of Income and Expenditure/Receipts and Payments</b>		
1. Balances brought forward	151,221	136,479
2. (+) Income from local taxation and/or levy	127,876	126,596
3. (+) Total other receipts	1,115	1,505
4. (-) Staff costs	129,337	124,721
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	14,396	19,438
7. (=) Balances carried forward	136,479	120,421
<b>Statement of Balances</b>		
8. (+) Debtors and stock balances	0	0
9. (+) Total cash and investments	139,810	123,230
10. (-) Creditors	3,331	2,809
11. (=) Balances carried forward	136,479	120,421
12. Total non-current assets and long-term assets	0	0
13. Total borrowing	0	0

## Annual Governance Statement (Part 1)

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2018, that:

	Agreed?	
	Yes	No
1. We have put in place arrangements for: <ul style="list-style-type: none"> <li>• effective financial management during the year; and</li> <li>• the preparation and approval of the accounting statements.</li> </ul>	Yes	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes	
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	Yes	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes	

## Annual Governance Statement (Part 2)

	Agreed?	
	Yes	No
1. We have considered the adequacy of reserves held by the body in setting the budget for 2017-18 and 2018-19 and have appropriate plans in place for the use of these reserves.	Yes	
2. When awarding grants under section 137 of the Local Government Act 1972, we have kept a separate account of such grants and considered whether or not the benefits arising from such payments are commensurate with the sums paid.	N/A	
3. The council has no obligation or intention to pay a gratuity to employees.	Yes	

## Body Certification and approval

### **Approval and certification of the accounts and annual governance statement**

The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return which:

<b>Certification by the RFO</b> I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2018.	<b>Approval by the Body</b> I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
<b>RFO signature:</b>	<b>Chair signature:</b>
<b>Name: Christine Salter</b>	<b>Name: Councillor Dianne Rees, Lord Mayor</b>
<b>Date:</b>	<b>Date:</b>

### **External Audit Certificate**

The external auditor, being the Wales Audit Office, conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

### **External Auditor's Report**

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2018 of Cardiff Port Health Authority.

On the basis of our review, in our opinion;

- the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met
- there are no matters or recommendations to draw to the attention of the body.

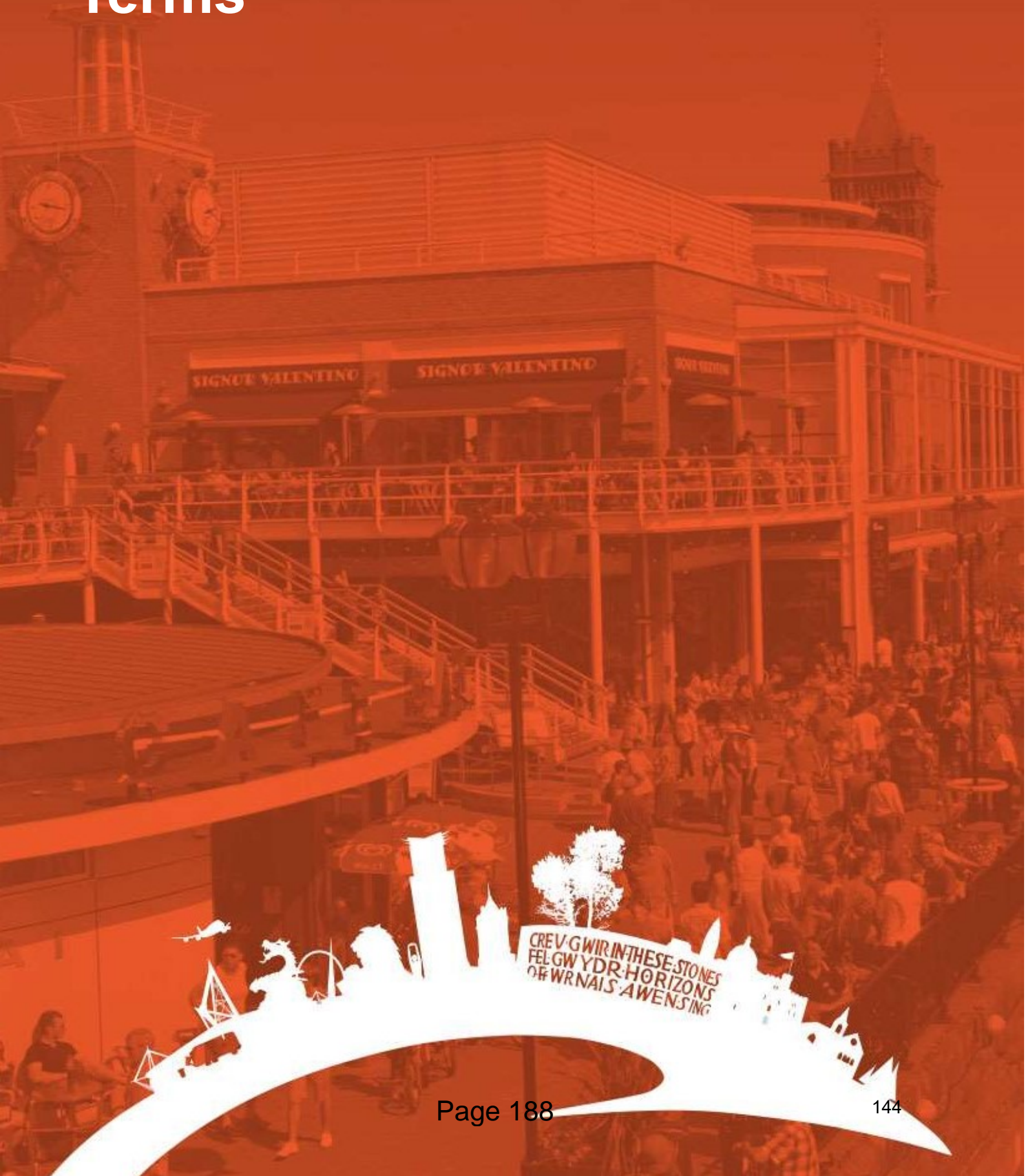
**External Auditor's name:**

External Auditor's signature

Date:

For and on behalf of the Auditor General for Wales

# Glossary of Accounting Terms



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

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Actuarial Gains and Losses**

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### **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.

### **Assets Held for Sale**

Assets meeting all the criteria of: - immediately available for sale, where the sale is highly probable, actively marketed and expected to be sold within 12 months.

### **Asset Under Construction**

An asset that is not yet complete.

### **Borrowing**

Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

### **Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

### **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**

A Council'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.

## Glossary of Accounting Terms

### 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 or where a ministerial permission allows.

### Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

### Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

### Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines 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.

### Community Assets

These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

### Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### Council Dwellings

Flats and Houses owned by the Council as part of its Housing Revenue Account and provided at an affordable level of rent which is lower than market rent.

### 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.

### Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

### Current Service Cost (Pensions)

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

## Glossary of Accounting Terms

### **Current Value**

The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

### **Curtailment (Pensions)**

For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

### **Debtors**

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

### **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place.

### **Defined Benefit Scheme (Pensions)**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### **Defined Contribution Scheme (Pensions)**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### **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.

### **De-recognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

### **Direct Revenue Financing**

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

### **Earmarked Reserves**

Amounts set aside to be used to meet specific, known or predicted future expenditure.

### **External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

### **Fair Value**

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### **Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade

## Glossary of Accounting Terms

receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Revenue Account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **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.

### **Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

### **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.

### **Levy**

An amount of money which a Local Authority is required to collect on behalf of another organisation.

### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Materiality**

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.



## Glossary of Accounting Terms

### **Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

### **Net Book Value (NBV)**

The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **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.

### **Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

### **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.

### **Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### **Projected Unit Method (Pensions)**

An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service

### **Property, Plant and Equipment (PPE)**

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

### **Provisions**

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.

### **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 expenditure. 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.

### Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### Reserves

Reserves are also amounts set aside for future use. 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 Council must maintain as a matter of prudence.

### Revaluation Reserve

The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

### 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 Council 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.

### Settlement (Pensions)

An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

### 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 Assets Held for Sale.

### 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.

### Treasury Management

The process by which the Council controls its cash flow and its borrowing and lending activities.

### Trust Funds

Funds held in trust which are administered by the Council.



Cardiff & Vale of Glamorgan

**Pension Fund**  
**Cronfa Bensiwn**

Caerdydd a Bro Morgannwg



# Statement of Accounts 2017/18



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## Narrative Report

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 LGPS is the statutory occupational pension scheme for all local government employees (except teachers) and the regulations are determined by the UK Government.

The Council's responsibilities as manager of the Fund are discharged through the Pensions Committee which has oversight of the Fund's strategies and policies. Operational management of the Fund has been delegated to the Corporate Director Resources. The Local Pension Board assists the Council to secure compliance with the LGPS regulations and the requirements of the Pensions Regulator and to ensure the effective and efficient administration of the scheme.

Membership of the Fund continued to increase over the year. There are now over 16,000 contributing employees and more than 11,000 pensioners and dependents receiving benefits from the Fund.

The Pension Fund's assets rose by 3.2% during 2017/18, from £2.002 billion to £2.067 billion. Investment returns over the year were variable with gains in asset values achieved during the first nine months of the year being partly given up as markets became more volatile in January. Over the longer term, returns on the Fund's investments have averaged around 8% per annum.

The eight LGPS funds in Wales achieved a number of significant milestones during the year in the development of the Wales Investment Pool. In June 2017 an Inter Authority Agreement was signed by the eight administering authorities, establishing the Wales Pension Partnership (WPP). The WPP is overseen by a Joint Governance Committee (JGC), comprising the chairs of the eight Pensions Committees, and is supported by an Officer Working Group comprising the fund treasurers and investment officers. Following a joint procurement exercise overseen by the JGC, the eight authorities appointed Link Fund Solutions as the Pool Operator and an Operator Agreement with Link was signed in December 2017. Link will establish a Financial Conduct Authority approved Authorised Contractual Scheme (ACS) during 2018 to enable the eight funds to begin pooling their investments. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

Cardiff Council published its Capital Ambition statement during the year which included a commitment to work with the Pensions Committee to consider divesting Council investments from fossil fuel companies. In line with the Council's Corporate Plan for 2018-2021, the Fund will develop a Climate Change Investment Policy during 2018 in consultation with its advisers and the other LGPS funds in Wales.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 40,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

The Annual Governance Statement for Cardiff Council discloses the findings of a review of the Council's governance. It includes an Action Plan for significant governance issues identified as part of the review, to be progressed by Senior Management. This is a separate document and is available on the Council's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Managing-the-Councils-Finances/Documents/2017-18/Draft%20Annual%20Governance%20Statement%202017-18.pdf>

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

# Actuarial Statement

## 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 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

## Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation, with the market value of the Fund's assets as at 31 March 2016 (of £1.653 million) covering 85% of the liabilities allowing, in the case of pre-1 April 2014 membership for 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 2017 was:
  - 16.6% 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, (the primary rate).

### Plus

- Contributions to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.4% of pensionable pay (or £17.4 million in 2017/18, and increasing by 3.0% p.a. thereafter), before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 23.0% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.0% p.a.

3. In practice, each individual employer's or group of employers' position is assessed separately, and contributions are set out in Aon Hewitt's report dated 31 March 2017 (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 or group was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, was agreed with the administering authority reflecting the employers' circumstances.
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	4.6% p.a.
Admission Bodies	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	2.5% p.a.
Rate of pay increases	3.0% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

*In addition, the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% p.a. in-service and left-service.*

## Actuarial Statement

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables, with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.9	25.6
Future pensioners aged 45 at the valuation date	23.9	27.0

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 2016. 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 2017 to 31 March 2020 were signed on 31 March 2017. Other than as permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. Since the date the valuation report was signed, HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, has made an announcement to extend the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off before the announcement, but the increase in liability is not expected to be material.

In addition, amendment Regulations have been laid which provide for exit credits to be repaid to employers on exit, effective from 14 May 2018. It is anticipated that the Administering Authority will consider whether its Funding Strategy Statement should be revised on account of these changes but it is not expected that any surplus repayable to employers on exit will be material to the funding position of the Fund.

9. 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 2016. 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.

10. The report on the actuarial valuation as at 31 March 2016 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%20as%20at%2031%20March%202016%20%28Final%29.pdf>

**Aon Hewitt Limited**

**June 2018**



# Statement of Responsibilities

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

### The Council's responsibilities

As administering Authority of the Cardiff and Vale of Glamorgan Pension Fund, the County Council of the City and County of Cardiff 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 2017/18 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.

**Councillor Dianne Rees**  
**Lord Mayor**

**Date: 27 September 2018**

### 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 Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code).

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

- selected suitable accounting policies and then applied them consistently, except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for the Council give a true and fair view of its income and expenditure for the financial year 2017/18 and financial position of the Cardiff and Vale of Glamorgan Pension Fund at 31 March 2018.

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

**Date: 27 September 2018**

# Audit Report

## **Audit Report of the Auditor General to the Members of the County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund**

### **Opinion**

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 20-18 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### **Other information**

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I

# Audit Report

become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

### Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative report.

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

I certify that I have completed the audit of the accounts of [name of pension fund] in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

### Responsibilities

Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Audit Report

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
Date:

24 Cathedral Road  
Cardiff  
CF11 9LJ

## Fund Account

2016/17		Note	2017/18
£000			£000
	<b>Dealings with members, employers and others directly involved in the fund</b>		
	<b>Contributions</b>		
(61,674)	From employers	5	(65,638)
(16,862)	From employees	5	(17,675)
0	Group transfers from other schemes or funds		(1,088)
(3,241)	Individual transfers from other schemes or funds		(3,846)
(1,460)	Other income (capitalised payments and interest on deficit funding)		(2,633)
<b>(83,237)</b>			<b>(90,880)</b>
	<b>Benefits Payable</b>		
60,659	Pensions	6	62,507
13,468	Lump sums, grants and other payments	6	14,256
	<b>Payments to and on account of leavers</b>		
117	Refunds of contributions		114
119	Group transfers to other schemes or funds		9,694
4,688	Individual transfers to other schemes or funds		6,315
<b>79,051</b>			<b>92,886</b>
<b>(4,186)</b>	<b>Net (additions)/withdrawals from dealings with members of the Fund</b>		<b>2,006</b>
13,370	Management expenses	8	7,902
<b>9,184</b>	<b>Net (additions)/withdrawals including fund management expenses</b>		<b>9,908</b>
	<b>Returns on Investment</b>		
(19,115)	Investment income	9	(21,247)
(338,888)	Change in market value of investments	10	(53,567)
<b>(358,003)</b>	<b>Net returns on investments</b>		<b>(74,814)</b>
<b>(348,819)</b>	<b>Net (increase)/decrease in the Fund during year</b>		<b>(64,906)</b>
(1,652,859)	Opening net assets of the scheme		(2,001,678)
<b>(2,001,678)</b>	<b>Closing net assets of the scheme</b>		<b>(2,066,584)</b>

## Net Assets Statement

2016/17 £000		Notes	2017/18 £000
1,937,128	Investments at market value	10	2,011,844
44,861	Cash and investment proceeds due	10	37,826
<b>1,981,989</b>	<b>Total investments</b>		<b>2,049,670</b>
147	UK & overseas tax		153
4,588	Contributions due from employers and deficit funding		4,716
986	Sundry debtors	14	278
1,806	Pension strain costs due within one year		2,152
<b>7,527</b>	<b>Total current assets</b>		<b>7,299</b>
11,154	Deficit funding (former employers)		8,922
3,222	Pension strain costs due after one year		2,794
<b>14,376</b>	<b>Total non-current assets</b>		<b>11,716</b>
(1,053)	Unpaid benefits		(838)
(1,161)	Sundry creditors	14	(1,263)
<b>(2,214)</b>	<b>Total current liabilities</b>		<b>(2,101)</b>
<b>2,001,678</b>	<b>Net assets of the scheme</b>		<b>2,066,584</b>

## Notes to the Accounts

1. The Statement of Accounts summarises the transactions and net assets of the Fund for the financial year 2017/18. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2017/18 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 2016 as £2.273 million, with a comparator value as at the 31 March 2013 valuation of £2.029 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 3 and 4. This shows that the overall funding level as at 31 March 2016 is 85%.

## 2. Accounting Policies

### Accounting policies that have been issued but not yet adopted

At the balance sheet date, the following new standard and amendment to existing standards had been published but not yet adopted by the Code of Practice on Local Authority Accounting in the United Kingdom:

International Financial Reporting Standard 9 Financial Instruments which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. This standard is due to be introduced in the 2018/19 code but is not expected to have a material impact on the financial statements.

#### (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 2018 (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.

## Notes to the Accounts

### (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 2018 was £79 million (£88 million at 31 March 2017).

Pension fund liability -This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 3 and 4. 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 £79 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 Council is the administering Authority, VAT is recoverable on all Fund activities.

### (c) Overseas Withholding Tax



## Notes to the Accounts

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 2018 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

## Notes to the Accounts

### 5. Employing Bodies – Contributions

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
<b>Scheduled Bodies:</b>						
Barry Town Council	21	25.0%	(105)	(26)	(131)	0
Cardiff and Vale College	382	14.6%	(1,422)	(566)	(1,988)	(149)
Cardiff City Transport	16	25.4%	(511)	(41)	(552)	(360)
Cardiff Council	10,121	23.3%	(39,310)	(10,501)	(49,811)	0
Cardiff Metropolitan University	857	14.6%	(3,710)	(1,435)	(5,145)	(645)
Cowbridge Town Council	2	25.0%	(18)	(4)	(22)	0
Dinas Powys Community Council	0	25.0%	(1)	0	(1)	0
Lisvane Community Council	1	25.0%	(3)	(1)	(4)	0
Llantwit Major Town Council	5	25.0%	(21)	(5)	(26)	0
Penarth Town Council	17	25.0%	(96)	(22)	(118)	0
Penllyn Community Council	1	25.0%	(1)	0	(1)	0
Pentyrch Community Council	4	25.0%	(13)	(3)	(16)	0
Public Services Ombudsman for Wales	1	N/A	0	(4)	(4)	0
Radyr and Morganstown Community Council	2	25.0%	(5)	(1)	(6)	0
St Davids Sixth Form College	51	14.6%	(161)	(60)	(221)	(21)
Stanwell School	86	17.2%	(207)	(64)	(271)	(19)
Vale Of Glamorgan Council	3,878	23.1%	(13,837)	(3,802)	(17,639)	(4)
Wenvoe Community Council	1	25.0%	(3)	(1)	(4)	0
<b>Sub-total</b>	<b>15,446</b>		<b>(59,424)</b>	<b>(16,536)</b>	<b>(75,960)</b>	
<b>Admitted Bodies:</b>						
A&R Cleaning	1	23.3%	(2)	0	(2)	0
Adult Learning Wales	52	25.6%	(356)	(88)	(444)	(22)
APP Clean UK - Grangetown	3	23.3%	(1)	0	(1)	0
APP Clean UK - St Teilos	3	21.5%	(4)	(1)	(5)	0
Cardiff Business Technology Centre	6	26.4%	(32)	(7)	(39)	0
Cardiff University	42	27.7%	(1,508)	(71)	(1,579)	(1,200)
Careers Wales	73	17.3%	(356)	(132)	(488)	0
Children In Wales	29	29.9%	(203)	(45)	(248)	0
Circle IT - Cowbridge	0	23.1%	(2)	(1)	(3)	0
Colleges Wales	8	21.7%	(104)	(26)	(130)	(34)
Design Commission for Wales	4	23.9%	(42)	(14)	(56)	0
Glen Cleaning - Barry Comprehensive	3	27.0%	(8)	(2)	(10)	0
Glen Cleaning - Llandough	0	23.1%	(2)	0	(2)	0
Greenwich Leisure Limited	243	18.0%	(655)	(219)	(874)	0
Mirus Wales	6	23.7%	(60)	(23)	(83)	0
National Trust	5	20.7%	(23)	(7)	(30)	0

## Notes to the Accounts

2017/18	No. of contributors at 31.03.18	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
One Voice	2	22.2%	(27)	(8)	(35)	(7)
Play Wales	6	23.9%	(52)	(10)	(62)	(13)
National Eisteddfod of Wales	15	25.5%	(131)	(39)	(170)	0
Sport Wales	112	24.2%	(1,878)	(288)	(2,166)	(888)
Supacleen	0	22.9%	(1)	0	(1)	0
Wales & West Housing	1	26.7%	(125)	(15)	(140)	(90)
Welsh Council For Voluntary Action	68	24.7%	(642)	(143)	(785)	(190)
<b>Sub-total</b>	<b>682</b>		<b>(6,214)</b>	<b>(1,139)</b>	<b>(7,353)</b>	
<b>Total</b>	<b>16,128</b>		<b>(65,638)</b>	<b>(17,675)</b>	<b>(83,313)</b>	

### Additional deficit funding

There was no additional deficit funding in 2017/18.

Comparative note for 2016/17.

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	18	27.0%	(84)	(20)	(104)	0
Cardiff and Vale College	415	13.6%	(1,343)	(519)	(1,862)	(238)
Cardiff City Transport	21	25.4%	(661)	(48)	(709)	(480)
Cardiff Council	9,271	22.9%	(36,470)	(9,950)	(46,420)	0
Cardiff Metropolitan University	756	13.6%	(3,437)	(1,454)	(4,891)	(527)
Cowbridge Town Council	4	27.0%	(160)	(43)	(203)	0
Dinas Powys Community Council	1	27.0%	(7)	(2)	(9)	0
Lisvane Community Council	1	27.0%	(3)	(1)	(4)	0
Llantwit Major Town Council	5	27.0%	(20)	(5)	(25)	0
Penarth Town Council	14	27.0%	(101)	(21)	(122)	0
Penllyn Community Council	1	27.0%	(1)	0	(1)	0
Pentyrch Community Council	3	27.0%	(3)	(1)	(4)	0
Public Services Ombudsman for Wales	1	32.3%	(294)	(4)	(298)	(279)
Radyr and Morganstown Community Council	0	27.0%	(4)	(1)	(5)	0
St Davids Sixth Form College	37	13.6%	(125)	(52)	(177)	(14)
Stanwell School	79	16.4%	(178)	(59)	(237)	(13)

## Notes to the Accounts

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
Vale Of Glamorgan Council	3,702	22.7%	(13,211)	(3,672)	(16,883)	0
Wenvoe Community Council	1	27.0%	(3)	(1)	(4)	0
<b>Sub-total</b>	<b>14,330</b>		<b>(56,105)</b>	<b>(15,853)</b>	<b>(71,958)</b>	
<b>ADMITTED BODIES:</b>						
Adult Learning Wales	50	22.3%	(268)	(77)	(345)	(6)
APP Clean UK - St Teillos	3	21.5%	(5)	(1)	(6)	0
Cardiff Business Technology Centre	6	28.7%	(32)	(7)	(39)	0
Cardiff University	47	27.3%	(1,637)	(78)	(1,715)	(1,300)
Careers Wales	75	18.1%	(378)	(136)	(514)	0
Children In Wales	33	27.3%	(219)	(48)	(267)	0
Colleges Wales	6	19.8%	(56)	(23)	(79)	0
Design Commission for Wales	4	20.3%	(36)	(14)	(50)	0
Glen Cleaning - Barry Comprehensive	3	27.0%	(8)	(1)	(9)	0
Greenwich Leisure Limited	288	18.0%	(221)	(75)	(296)	0
Mirus Wales	6	23.4%	(289)	(23)	(312)	(231)
National Trust	8	20.7%	(27)	(8)	(35)	0
One Voice	2	19.4%	(26)	(8)	(34)	(9)
Play Wales	5	24.0%	(60)	(14)	(74)	(13)
National Eisteddfod of Wales	16	25.5%	(160)	(38)	(198)	(32)
Sport Wales	137	20.2%	(1,546)	(307)	(1,853)	(670)
Supacleen	1	22.9%	(1)	0	(1)	0
Wales & West Housing	1	20.6%	(137)	(16)	(153)	(109)
Welsh Council For Voluntary Action	69	21.4%	(463)	(135)	(598)	(42)
<b>Sub-total</b>	<b>760</b>		<b>(5,569)</b>	<b>(1,009)</b>	<b>(6,578)</b>	
<b>Total</b>	<b>15,090</b>		<b>(61,674)</b>	<b>(16,862)</b>	<b>(78,536)</b>	

### Additional deficit funding

There was no additional deficit funding in 2016/17

### 6. Employing Bodies - Benefits Paid

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>Scheduled Bodies:</b>				
Barry Town Council	103	0	0	0
Cardiff City Transport	2,317	443	0	0
Cardiff Council	39,968	6,521	561	297
Cardiff and Vale College	662	170	31	18

## Notes to the Accounts

2017/18	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Cardiff Metropolitan University	1,906	927	111	18
Cowbridge Town Council	16	11	0	0
Dinas Powys Town Council	17	18	0	0
Llantwit Major Town Council	19	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	62	0	0	0
Public Services Ombudsman for Wales	232	0	0	0
Radyr & Morganstown	0	0	0	0
Royal Welsh College of Music & Drama	78	24	0	0
S Wales Magistrates Courts	539	260	0	0
St Cyres School	57	0	0	0
St Davids Sixth Form College	71	0	0	0
Stanwell School	67	0	0	0
Vale of Glamorgan Council	11,997	2,807	509	173
<b>Sub-total</b>	<b>58,119</b>	<b>11,181</b>	<b>1,212</b>	<b>506</b>
<b>Admitted Bodies:</b>				
A&R Cleaning Lansdowne Primary	0	1	0	0
Adult Learning Wales	42	0	0	0
APP Clean UK - St Teilos	1	0	0	0
Barry College	5	6	0	0
Cardiff Bay Arts Trust	16	45	0	0
Cardiff Bay Development Corporation	494	0	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	1	0	0	0
Cardiff Gypsy & Traveller Project	14	0	0	0
Cardiff Institute for Blind	62	0	0	0
Cardiff University	1,077	372	0	0
Careers Wales	359	23	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	24	6	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	76	0	0	0
Coleg Glan Hafren	10	3	21	0
Community Relations	1	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Glamorgan & Gwent Housing Association	66	0	0	0
Greenwich Leisure Limited	31	326	49	0
Higher Education Development Wales	3	0	0	0
Housing for Wales	221	0	0	0

## Notes to the Accounts

2017/18	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Intervol	25	19	0	0
Land Authority for Wales	303	12	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	21	15	0	0
National Eisteddfod of Wales	59	11	0	0
National Trust	23	12	0	0
Play Wales	41	94	0	0
Porthcawl Holiday Home	63	0	0	0
S E Wales Community Foundation	7	0	0	0
Sport Wales	870	66	157	0
STAR	7	0	0	0
Wales & West Housing	134	0	0	0
Wales Youth Agency	57	0	0	0
Welsh Council for Voluntary Action	189	15	104	0
<b>Sub-total</b>	<b>4,388</b>	<b>1,026</b>	<b>331</b>	<b>0</b>
<b>TOTAL</b>	<b>62,507</b>	<b>12,207</b>	<b>1,543</b>	<b>506</b>

Comparative note for 2016/17.

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>Scheduled Bodies:</b>				
Barry Town Council	102	0	0	0
Cardiff City Transport	2,284	438	45	0
City of Cardiff Council	38,977	6,037	1,209	314
Cardiff and Vale College	622	227	0	22
Cardiff Metropolitan University	1,718	161	412	0
Cowbridge Town Council	15	0	0	0
Dinas Powys Town Council	8	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	61	16	0	0
Public Services Ombudsman for Wales	18	0	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	486	398	0	0
St Cyres School	55	10	0	0
St Davids Sixth Form College	70	19	0	0
Stanwell School	65	40	0	0
Vale of Glamorgan Council	11,559	2,625	607	85
<b>Sub-total</b>	<b>56,143</b>	<b>9,971</b>	<b>2,273</b>	<b>421</b>
<b>Admitted Bodies:</b>				

## Notes to the Accounts

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
Adult Learning Wales (formerly Workers Education Association)	38	36	0	0
Barry College	3	3	0	0
Cardiff Bay Arts Trust	12	0	0	0
Cardiff Bay Devt Corp	499	5	106	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	15	0	0	0
Cardiff Gypsy & Traveller Project	13	0	0	0
Cardiff Institute for Blind	67	0	2	0
Cardiff University	1,036	158	0	0
Careers Wales (Cardiff & Vale)	351	2	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	28	43	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	0	0	0	0
Community Relations	1	0	0	0
Council For Admin In Wales	212	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Fforwm	75	0	0	0
Glamorgan & Gwent Housing Association	59	45	0	0
Higher Education Development Wales	3	0	0	0
Housing for Wales	216	46	0	0
Intervol	22	0	0	0
Land Authority for Wales	332	22	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
National Eisteddfod of Wales	63	0	13	0
National Trust	19	0	0	0
New Theatre	5	0	0	0
Play Wales	20	0	0	0
Porthcawl Holiday Home	62	0	0	0
S E Wales Community Foundation	7	0	0	0
Sport Wales	862	103	104	0
STAR	7	0	0	0
Wales & West Housing	126	50	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	201	26	39	0
<b>Sub-total</b>	<b>4,516</b>	<b>539</b>	<b>264</b>	<b>0</b>
<b>TOTAL</b>	<b>60,659</b>	<b>10,510</b>	<b>2,537</b>	<b>421</b>

## Notes to the Accounts

### 7. Membership of the Fund

Fund membership at 31 March 2018 is as follows:

	2016/17	2017/18
Contributing employers	37	37
Contributors	15,090	16,128
Pensioners	10,846	11,128
Deferred pensioners	12,697	12,757
<b>Total membership</b>	<b>38,633</b>	<b>40,013</b>

### 8. Management Expenses

Management Expenses fully charged to the Fund are:

	2016/17 £000	2017/18 £000
Administration costs	945	868
Investment management expenses*	12,297	6,925
Oversight and governance costs	128	109
<b>Total</b>	<b>13,370</b>	<b>7,902</b>

\*2016/17 investment management expenses are overstated by £5.505 million due to private equity expenses being included on a cumulative basis rather than just the fees that related to 2016/17. Due to materiality this has not required a prior period adjustment.

### 9. Investment Income

	2016/17 £000	2017/18 £000
UK fixed interest securities	(5,325)	(5,964)
Overseas fixed interest securities	(1,546)	(2,570)
UK equities and private equity funds	(3,808)	(3,960)
Pooled investments	(1,588)	(1,715)
Overseas equities (net of irrecoverable tax)	(4,567)	(4,652)
Property unit trust income	(2,113)	(2,207)
Interest on UK cash	(76)	(83)
Securities lending	(92)	(96)
<b>Total</b>	<b>(19,115)</b>	<b>(21,247)</b>



## Notes to the Accounts

### 10. Investments at Market Value

2016/17 £000		2017/18 £000
41,541	Public Sector	76,907
140,330	Other (Pooled)	332,432
<b>181,871</b>	<b>UK Fixed Interest:</b>	<b>409,339</b>
96,843	Public Sector (Pooled)	143,580
<b>96,843</b>	<b>Overseas Fixed Interest:</b>	<b>143,580</b>
116,358	UK quoted Equities & Convertibles	116,033
212,725	Foreign quoted Equities	178,074
<b>329,083</b>		<b>294,107</b>
562,509	UK	499,108
552,195	Overseas	452,231
<b>1,114,704</b>	<b>Pooled Funds</b>	<b>951,339</b>
126,298	UK & Global Property (Pooled)	134,177
88,328	Private Equity	79,302
933	Derivatives: Forward Currency contracts	1,237
	<b>Cash:</b>	
22,863	UK	24,673
19,073	Overseas	9,739
1,993	Net investment proceeds due	2,177
<b>1,981,989</b>	<b>TOTAL</b>	<b>2,049,670</b>

#### Reconciliation in movement in investments

2017/18	Value at 31/03/17 £000	Purchases at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/18 £000
Fixed interest securities	278,714	591,905	(308,876)	(8,824)	552,919
Equities	329,083	70,577	(117,480)	11,927	294,107
Pooled funds	1,114,705	956	(190,000)	25,678	951,339
Property unit trusts	126,298	857	0	7,022	134,177
Private equity	88,328	7,802	(25,933)	9,105	79,302
<b>Sub-total</b>	<b>1,937,128</b>	<b>672,097</b>	<b>(642,289)</b>	<b>44,908</b>	<b>2,011,844</b>
Forward currency	933	2,315,248	(2,321,678)	6,734	1,237
<b>Total derivatives</b>	<b>933</b>	<b>2,315,248</b>	<b>(2,321,678)</b>	<b>6,734</b>	<b>1,237</b>
Debtors	1,993				2,177
Managers' cash	11,698				7,683
Internal/custodian cash	30,237			1,925	26,729
<b>Total cash</b>	<b>43,928</b>			<b>1,925</b>	<b>36,589</b>
<b>Total</b>	<b>1,981,989</b>			<b>53,567</b>	<b>2,049,670</b>

## Notes to the Accounts

Comparative note for 2016/17.

2016/17	Value at 31/03/16 £000	Purchase at cost £000	Sale proceeds £000	Change in market value £000	Value at 31/03/17 £000
Fixed interest securities	247,034	224,136	(210,599)	18,143	278,714
Equities	257,382	73,299	(81,827)	80,229	329,083
Pooled funds	893,729	144,934	(243,495)	319,537	1,114,705
Property unit trusts	118,632	763	0	6,903	126,298
Private equity	83,101	2,735	(24,619)	27,111	88,328
<b>Sub-total</b>	<b>1,599,878</b>	<b>445,867</b>	<b>(560,540)</b>	<b>451,923</b>	<b>1,937,128</b>
Forward currency	(2,273)	2,573,915	(2,546,860)	(23,849)	933
<b>Total derivatives</b>	<b>(2,273)</b>	<b>2,573,915</b>	<b>(2,546,860)</b>	<b>(23,849)</b>	<b>933</b>
Debtors	1,949				1,993
Managers' cash	5,004				11,698
Internal/custodian cash	24,322			(89,186)	30,237
<b>Total cash</b>	<b>31,275</b>			<b>(89,186)</b>	<b>43,928</b>
<b>Total</b>	<b>1,628,880</b>			<b>338,888</b>	<b>1,981,989</b>

### 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.

## Notes to the Accounts

### 11. Summary of manager's portfolio values

2016/17		Fund Manager	2017/18	
£000	% of Fund		£000	% of Fund
279,696	14.1	Aberdeen Asset Management	555,569	27.1
74,215	3.7	Aberdeen Emerging Markets	74,758	3.6
626,980	31.7	Blackrock Investment Management	510,767	24.9
101,741	5.1	Invesco Perpetual	95,505	4.7
81,838	4.1	J P Morgan	87,414	4.3
123,283	6.2	Majedie	121,052	5.9
113,335	5.7	Nikko	95,323	4.7
105,524	5.3	Schroder Investment Managers	86,144	4.2
229,929	11.6	State Street Global Advisers	182,895	8.9
126,298	6.4	Property	134,177	6.5
88,328	4.5	Private Equity Managers	79,302	3.9
7,960	0.4	Mesirow currency overlay & cash with custodian	2,090	0.1
22,862	1.2	Internally managed (Cash)	24,674	1.2
<b>1,981,989</b>	<b>100.0</b>	<b>Total</b>	<b>2,049,670</b>	<b>100.0</b>

#### 11a. Investments exceeding 5% of net assets

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	316,190	15.4
BlackRock Aquila Life US Equities Indexed Fund	194,577	9.5
SSGA MPF Europe ex UK Equities Active Fund	182,895	8.9
Aberdeen Corporate Bond Fund	165,743	8.1
Aberdeen Target Return Bond Fund	111,342	5.4
Aberdeen Global Government Bond Fund	110,313	5.4

Comparative data for 2016/17:

Fund Manager	£000	%
BlackRock Aquila Life UK Equities Indexed Fund	378,930	19.1
BlackRock Aquila Life US Equities Indexed Fund	247,050	12.5
SSGA MPF Europe ex UK Equities Active Fund	229,929	11.6
Invesco Perpetual Income Fund	101,741	5.1

## Notes to the Accounts

### 12. Financial Instruments

#### a) Classification of financial instruments

31/03/2017				31/03/2018		
Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000		Fair value through profit and loss £000	Loans and receivables £000	Financial liabilities at amortised costs £000
278,714	0	0	Fixed interest securities	552,919	0	0
329,083	0	0	Equities	294,107	0	0
1,114,705	0	0	Pooled funds	951,339	0	0
126,298	0	0	Property unit trusts	134,177	0	0
88,328	0	0	Private equity	79,302	0	0
158,033	0	0	Derivatives	147,144	0	0
0	41,935	0	Cash	0	36,589	0
1,993	0	0	Other investments	1,237	0	0
0	21,903	0	Debtors	0	19,015	0
<b>2,097,154</b>	<b>63,838</b>	<b>0</b>	<b>Total financial assets</b>	<b>2,160,225</b>	<b>55,604</b>	<b>0</b>
(158,033)	0	0	Derivatives	(145,805)	0	0
0	0	0	Other investments	0	0	0
0	0	(2,214)	Creditors	0	0	(2,101)
0	0	0	Borrowings	0	0	0
<b>(158,033)</b>	<b>0</b>	<b>(2,214)</b>	<b>Total financial liabilities</b>	<b>(145,805)</b>	<b>0</b>	<b>(2,101)</b>
<b>1,939,121</b>	<b>63,838</b>	<b>(2,214)</b>	<b>Net financial assets</b>	<b>2,014,420</b>	<b>55,604</b>	<b>(2,101)</b>

#### b) Net gains and losses on financial instruments

31/03/2017 £000		31/03/2018 £000
352,512	Fair value through profit and loss	65,682
<b>352,512</b>	<b>Total financial assets</b>	<b>65,682</b>
(13,222)	Fair value through profit and loss	(12,228)
(402)	Loans and receivables	113
<b>(13,624)</b>	<b>Total financial liabilities</b>	<b>(12,115)</b>
<b>338,888</b>	<b>Net financial assets</b>	<b>53,567</b>

#### c) 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.

## Notes to the Accounts

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 31 March 2018	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	1,029,921	768,444	361,860	2,160,225
Loans and receivables	55,604	0	0	55,604
<b>Total financial assets</b>	<b>1,085,525</b>	<b>768,444</b>	<b>361,860</b>	<b>2,215,829</b>
Financial liabilities at fair value	0	0	(145,805)	(145,805)
Financial liabilities at amortised cost	(2,101)	0	0	(2,101)
<b>Total financial liabilities</b>	<b>(2,101)</b>	<b>0</b>	<b>(145,805)</b>	<b>(147,906)</b>
<b>Net financial assets</b>	<b>1,083,424</b>	<b>768,444</b>	<b>216,055</b>	<b>2,067,923</b>

Comparative data for 2016/17:

Values as at 31 March 2017	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
Financial assets at fair value	837,726	884,776	374,652	2,097,154
Loans and receivables	63,838	0	0	63,838
<b>Total financial assets</b>	<b>901,564</b>	<b>884,776</b>	<b>374,652</b>	<b>2,160,992</b>
Financial liabilities at fair value	0	0	(158,033)	(158,033)
Financial liabilities at amortised cost	(2,214)	0	0	(2,214)
<b>Total financial liabilities</b>	<b>(2,214)</b>	<b>0</b>	<b>(158,033)</b>	<b>(160,247)</b>
<b>Net financial assets</b>	<b>899,350</b>	<b>884,776</b>	<b>216,619</b>	<b>2,000,745</b>

### 13. Nature and extent of risks arising 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

## Notes to the Accounts

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** is the risk that the fair value or future cash flows 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 Asset Management, 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 31.03.2018	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,826	378	(378)
Fixed interest securities	552,919	5,529	(5,529)
<b>Total</b>	<b>590,745</b>	<b>5,907</b>	<b>(5,907)</b>

2016/17 Comparative:

Asset Type	Carrying amount as at 31.03.2017	Change to the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	44,861	449	(449)
Fixed interest securities	278,714	2,787	(2,787)
<b>Total</b>	<b>323,575</b>	<b>3,236</b>	<b>(3,236)</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 9.30%. A 9.30% 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:

## Notes to the Accounts

Currency exposure – asset type	Asset value as at 31.03.2018	Change to net assets available to pay benefits	
		9.30%	9.30%
	£000	£000	£000
Overseas quoted securities	644,105	584,203	704,007
<b>Total change in assets available</b>	<b>644,105</b>	<b>584,203</b>	<b>704,007</b>

Comparative data for 2016/17:

Currency exposure – asset type	Asset value as at 31.03.2017	Change to net assets available to pay benefits	
		6.36%	6.36%
	£000	£000	£000
Overseas quoted securities	771,053	820,092	722,014
<b>Total change in assets available</b>	<b>771,053</b>	<b>820,092</b>	<b>722,014</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. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2018 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	620,161	8.70%	674,115	566,207
Overseas Equities	633,697	10.50%	700,235	567,159
Total Bonds	555,569	4.70%	581,681	529,457
Cash	26,764	0.10%	26,791	26,737
Alternatives	79,302	9.00%	86,439	72,165
Property	134,177	3.90%	139,410	128,944
<b>Total Assets</b>	<b>2,049,670</b>	<b>6.80%</b>	<b>2,189,048</b>	<b>1,910,292</b>

## Notes to the Accounts

Comparative data for 2016/17:

Asset type	Value as at 31.03.2017 £000	Percentage change %	Value on increase £000	Value on Decrease £000
UK Equities	685,792	9.99%	754,303	617,281
Overseas Equities	771,053	10.05%	848,544	693,562
Total Bonds	279,696	4.74%	292,954	266,438
Cash	30,822	0.01%	30,825	30,819
Alternatives	88,328	2.12%	90,201	86,455
Property	126,298	3.18%	130,314	122,282
<b>Total Assets</b>	<b>1,981,989</b>	<b>7.34%</b>	<b>2,127,467</b>	<b>1,816,837</b>

**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 Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2018 was £24.673 million (£22.244 million at 31.03.2017). This was held with the following institutions:

	Rating	31.03.2017 £000	31.03.2018 £000
<b>Money market funds</b>			
Ignis	AAA	12,000	12,025
Blackrock	AAA	10,170	11,925
<b>Bank current account</b>			
Lloyds Bank	A	74	723
<b>Total</b>		<b>22,244</b>	<b>24,673</b>

**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 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

	31.03.2017 £000	31.03.2018 £000
Miscellaneous	986	278
<b>Debtors</b>	<b>986</b>	<b>278</b>
Management expenses	(1,161)	(1,263)
<b>Creditors</b>	<b>(1,161)</b>	<b>(1,263)</b>
<b>Total</b>	<b>(175)</b>	<b>(985)</b>



## Notes to the Accounts

### 15. Additional Voluntary Contributions (AVC)

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 £721,000 (£508,000 in 2016/17) and the market value of separately invested AVC's as at 31 March 2018 was £3.700 million (£3.620 million in 2016/17).

### 16. Commitments

As at 31 March 2018 the Fund had outstanding private equity commitments of a maximum of £47.137 million (£43.620 million at 31 March 2017).

As at 31 March 2018 the Fund had forward currency contracts amounting to £147.144 million of purchases and £145.805 million of sales, showing an unrealised gain of £1.339 million.

### 17. Securities Lending

At the year end the value of quoted equities on loan was £108.126 million (£44.66 million at March 2017) in exchange for which the custodian held collateral of £114.020 million (£48.26 million at March 2017). For the year ending 31 March 2018, the Fund received income of £129,000 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 Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 11;
- 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 Cardiff Council.

### 20. Post Balance Sheet Events

There are no post balance sheet events to report.

## Glossary

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

### Accruals Basis

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### Active / Passive Management

Active management is the traditional form of investment management involving a series of individual investment decisions that seek to maximise returns by exploiting price inefficiencies i.e. 'beat the market'.

Passive management is a low cost alternative where managers normally hold stocks in line with a published index, such as the FTSE All-Share, not seeking to outperform but to keep pace with the index being tracked.

### Actuary

An independent consultant who advises on the long-term viability of the Fund. Every three years the Fund actuaries review the assets and liabilities of the Fund and report to the Council on the financial position and recommended employer contribution rates. This is known as the actuarial valuation.

### Actuarial Gains and Losses

For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

### Active Member

Current employee who is contributing to a pension scheme

### Admitted Body

An organisation, whose staff can become members of the Fund by virtue of an admission agreement made between the Council and the organisation. It enables contractors who take on the Council's services with employees transferring, to offer those staff continued membership of the Fund.

### Asset Allocation

Apportionment of investment funds among categories of assets, such as Bonds, Equities, Cash, Property, Derivatives, and Private Equity. Asset allocation affects both risk and return.

### Benchmark

A measure against which the investment policy or performance of an investment manager can be compared

### Bonds

Investments, mainly in government stocks, which guarantee a fixed rate of interest. The securities represent loans which are repayable at a future date but which can be traded on a recognised stock exchange in the meantime.

### Cash and Cash Equivalents

Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

### Chartered Institute of Public Finance & Accountancy (CIPFA)

CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

## Glossary

### Contingent Liabilities or Assets

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### Creditors

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

### Custodian

Bank or other financial institution that keeps custody of stock certificates and other assets of a client, collects dividends and tax refunds due, and settles any purchases and sales.

### DCLG

The Department for Communities and Local Government, the department of the UK Government responsible for the LGPS in England and Wales.

### Debtors

These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

### Defined Benefit Scheme (Pensions)

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

### Defined Contribution Scheme (Pensions)

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

### Derivative

A derivative instrument is a contract whose value is based on the performance of an underlying financial asset, index, or other investment.

### Emerging Markets

Relatively new and immature stock markets for equities or bonds. Settlement and liquidity can be less reliable than in the more established 'developed' markets, and they tend to be more volatile.

### Employer Contribution Rates

The percentage of the salary of employees that employers pay as a contribution towards the employees' pension.

### Equities

Ordinary shares in UK and overseas companies traded on a recognised stock exchange. Shareholders have an interest in the profits of the company and may normally vote at shareholders' meetings.

### Fair Value

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Glossary

### Financial Assets

Financial assets are cash, equity instruments within another entity (e.g. shares) or a contractual right to receive cash or another asset from another entity (e.g. debtors) or exchange financial assets or financial liabilities under potentially favourable conditions (e.g. derivatives).

### Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### Financial Liabilities

Financial assets are contractual obligations to deliver cash or another financial asset (e.g. creditors) or exchange financial assets or financial liabilities under potentially unfavourable conditions (e.g. derivatives).

### Fixed Interest Securities/Bonds

Investments, especially in government stocks, with a guaranteed rate of interest. Conventional bonds have fixed rates, whilst Index Linked vary with inflation. They represent loans repayable at a stated future date, and which can be traded on a stock exchange in the meantime.

### Fund of Funds

A pooled fund that invests in other pooled funds. They are able to move money between the best funds in the industry, and thereby aim to lower stakeholder risk with greater diversification than is offered by a single fund.

### Impairment

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in an asset's market value.

### Index

A calculation of the average price of shares, bonds, or other assets in a specified market to provide an indication of the average performance and general trends in the market.

### ISS

The Investment Strategy Statement which each LGPS fund is required to prepare and keep under review.

### Liabilities

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### LGPS

The Local Government Pension Scheme, governed by regulations issued by the Department for Communities and Local Government.

### Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

### Myners Principles

The six principles which a LGPS Fund must comply with:

1. Effective decision making
2. Clear objectives

## Glossary

3. Risk and liabilities
4. Performance assessment
5. Responsible ownership
6. Transparency and reporting

### Pension Fund

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

### Pooled Funds

Pooled investment vehicles issue units to a range of investors. Unit's prices move in response to changes in the value of the underlying portfolio, and investors do not own directly the assets in the fund. The main types are: unit trusts, open-ended investment companies (OEICs), insurance linked vehicles and investment trusts.

### Portfolio

A collective term for all the investments held in a fund, market or sector. A segregated portfolio is a portfolio of investments of a specific type held directly in the name of the investor e.g. Global Bonds, or a specific market e.g. UK Equities, Far East Equities.

### Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### Private Equity

Investments made by specialist managers in all types of unlisted companies rather than through publicly tradable shares.

### Provisions

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.

### Related Parties

Related parties are Central Government, other local authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### Return

The total gain from holding an investment, including both income and any increase or decrease in market value. Returns over periods longer than a year are usually expressed as an average annual return.

### Scheme Employers

Local authorities and bodies specified in the LGPS Regulations, whose employees are entitled automatically to be members of the Fund, and Admission Bodies including voluntary, charitable and similar bodies, carrying out work of a public nature, whose staff can become members of the Fund by virtue of an admission agreement with the Council.

### Scheduled Body

An organisation that has the right to become a member the Local Government Pension Scheme under the scheme regulations. Such an organisation does not need to be admitted, as its right to membership is automatic.

## Glossary

### Unrealised Gains / Losses

The increase or decrease in the market value of investments held by the fund since the date of their purchase. Note: values throughout these accounts are presented rounded to whole numbers. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

# Cardiff Council Annual Governance Statement 2017/18

This document is available in Welsh / Mae'r ddogfen hon ar gael yn Gymraeg.



## 1. Scope of Responsibility

1. 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, having regard to a combination of economy, efficiency and effectiveness. 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.
2. The Council is responsible for the Cardiff Harbour Authority, which is subsumed in the Council. The Council is also the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA), and is the Accountable Body for the Cardiff Capital Region (CCR) City Deal. The governance arrangements detailed in this Annual Governance Statement (AGS) are documented in consideration of the Council's areas of responsibility, and the extent to which the Council is charged with governance.
3. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014, as amended by the Accounts and Audit (Wales) (Amendment) Regulations 2018.
4. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2017/18, namely Cardiff City Transport Services Ltd. (Cardiff Bus) Cardiff Business Technology Centre (CBTC) and Atebion Solutions are subject to periodic review. These were not reviewed by the Council in 2017/18. The Council also has an interest in a special purpose vehicle (CSC Foundry Limited) which is governed by a Joint Committee for the CCR City Deal.

## 2. The Purpose of the Governance Framework

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution sets out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.
6. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.
7. A draft Code of Corporate Governance (Code) has been developed this year which documents how we apply the principles of good governance (*as summarised in Section 4 of the AGS – Assessment Process and Summary*). The draft Code was reviewed by the Audit Committee in January 2018 and will be considered by the Constitution Committee following the financial year end. Once the full approval process has completed, the Code will be included in the Council's Constitution.



### 3. The Governance Framework

8. The Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the Council as a whole is committed to improving governance on a continuing basis through a process of evaluation and review.

#### ***Core principles***

- a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- b. Ensuring openness and comprehensive stakeholder engagement.

#### ***Supporting Principles***

- c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
- d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
- e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
- f. Managing risks and performance through robust internal control and strong public financial management;
- g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

### 4. Assessment Process and Summary

9. The AGS summarises the assessment of governance against the governance framework and comprises three elements:
- 1) Statements from Senior Management, the Audit Manager and the Audit Committee;
  - 2) Supporting information and evidence mapped to the core and supporting good governance principles;
  - 3) A Senior Management review of the Council's significant governance issues.
10. The three elements above when taken together represent the assessment of governance, through the perspectives of the Senior Management Team (SMT) and the independent opinions of the Internal Audit Manager and Audit Committee based on their respective programmes of work and an assessment of the system of internal control.
11. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the SMT of the significant governance issues affecting the organisation as summary actions to take forward and address.
12. The diagram below sets out the components of this assessment.



### i) Assurance Statements

13. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

#### Senior Management Statement

14. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2017/18. The assessment was based on the governance maturity which we could evidence within each Directorate Management Team against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2018, from which the Chief Executive authorised the overall position.
15. We can report an overall assessment of 'strong' application of good governance across the assurance areas. This was based on a self-assessment using a 5-point rating system ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. The greatest maturity was identified in relation to performance and risk management.
16. The maturity assessment highlighted opportunities to enhance the discipline of partnership governance, for which there was a higher incidence of mixed application and evidence than other areas. We have also identified opportunities in some directorates to target improvements in internal controls, compliance, the prevention and detection of fraud, budget monitoring, aspects of business planning and programme and project assurance. The Senior Management

Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward. All Directorates are taking ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity based on their respective assessments as we move into 2018/19.

17. The Senior Management Team collectively own the Corporate Risk Register and have reviewed all corporate risks on a quarterly basis in 2017/18. Each Director has been proactive in their approach to systematic early identification and awareness of the most significant risks facing the organisation. A proportionate approach is taken to manage risks and allocate resources based on their assessed risk ratings.
18. The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2017/18. The action plan is included in the annual governance statement 2017/18.

### **Audit Manager Statement**

*(Public Sector Internal Audit Standards (PSIAS) - 2450)*

19. The PSIAS state that the “Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.” This must be based upon an objective assessment of the framework of governance, risk management and control. It must also include an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems.
20. This opinion has been prepared by the Audit Manager, based on the provisions of the PSIAS. In preparing and forming this opinion, assurance has been taken 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. This does include some unplanned audits, undertaken at the request of Senior Management.
  - *Selected Value For Money studies.*
  - *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 design and development of new systems, such as Procure to Pay (P2P) and Corporate Landlord.
  - *Risk & Governance* – work undertaken auditing the co-ordination of the Corporate Risk Register, the Annual Governance Statement and associated documents, and the use of these documents to inform the audit planning process. Other work has also been undertaken on areas of corporate governance (such as ethics and values and performance management).
21. Based on the programme of audit work undertaken and considered review of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the application of the overall framework for control within the Council for 2017/18 is **effective with opportunity for improvement**. This opinion is based with an acknowledgment of the increasing pressure on resources in both demand and budgets which is managed by a robust performance culture. It is noted that a number of audits in the Council have been given an audit opinion of “insufficient with major improvement needed” with one audit being given unsatisfactory. Work will continue to be undertaken to monitor the implementation of the recommendation and assess improvements in the controls in these areas.

## Audit Committee Statement

22. Based on the evidence presented to the Audit Committee during 2017/18, it is the considered view of the Committee that the Council does have, for the most part, sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee continues to have concerns, which will be incorporated into the Committee's Work Programme for 2018/19, include:

<p>Budget Prioritisation / Control</p>	<p>The Audit Committee recognises the sustained financial pressure that the Council is under and has received reports detailing the challenges in respect to the prioritisation and control of budgets. Whilst the Committee notes that the overall financial position was projected to be balanced, there were some significant overspends projected across particular directorates. The Corporate Director Resources has reported the outturn position in each finance update at Audit Committee this year.</p> <p>The Audit Committee continues to raise concern about directorates' ability to achieve budget savings proposals put forward, which will become an increasingly pressing issue as the financial parameters within which the Council operate become further constrained. It is positive that an increasing number of budget proposals are accompanied with detailed plans and the Committee will be interested in the level of savings achieved in 2018/19.</p>
<p>Financial / Internal Control</p>	<p>The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls integrate within new or reformed processes and systems. At a time when many decisions have to be finance driven, it is essential that internal controls are not neglected or impaired.</p> <p>The Committee's focus this year has been to invite each Director to account for their services in respect to risk management, governance and assurance of financial internal controls. In addition, the Audit Committee receives a regular list of completed audits with the assurance rating given for each. The Committee receives a list of all audit recommendations, which detail the action proposed, and whether or not the deadlines set will be met for implementation. Whilst the Audit Committee has an overall assurance of internal control we will continue to receive this information and use it in order to provide assurance that internal controls across the Council remain fit for purpose and, where not, are identified and mitigating action put in place quickly. The Committee will continue to hold officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions.</p> <p>The Audit Committee has approved the 2018/19 Audit Plan and will closely monitor its progress over the year. Particular attention will be given to seeing how officers have used the revised Financial Procedure Rules and Contract Standing Orders &amp; Procurement Rules.</p>

<p>Financial Resilience (including Treasury Management).</p>	<p>In a position of austerity, the Audit Committee is focussed on ensuring that financial decisions are made which will benefit the organisation over the medium and long term, in addition to meeting current service needs.</p> <p>The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2017/18. Whilst the regular reports provide assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control.</p> <p>The Audit Committee will continue to look to gain assurance of sound treasury management practices and strategy. This is vital work, which will both safeguard and deliver best value from the Council's borrowing and investments. The Audit Committee has and will continue to satisfy itself that the levels and profiles of investments and borrowing throughout the year are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented. This will continue to be a key area of focus going into 2018/19.</p>
<p>Schools Governance &amp; Compliance</p>	<p>Historically, Audit Committee has raised concerns about governance and compliance matters in schools, which are responsible for a greater proportion of audit reports giving concern. This trend has improved in 2017/18 in particular across the themed audits that have been carried out, which sampled at least half of the schools in Cardiff. This wider sample, albeit on targeted areas of internal control, has provided a level of comfort but there remains more work to be done and this will continue to be a focus of Audit Committee in 2018/19</p> <p>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. This area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.</p>

## ii) Governance Framework - Supporting Information

### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

23. All Members and Officers in the Council are required to comply fully with Codes of Conduct as set out in the Constitution, which sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:

- Functions and subsections delegated to Officers;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Protocol on Member / Officer Relations;
- Cardiff Undertaking – signed by all Members upon election and underlines their duties to the City and its citizens.

24. The Director of Governance and Legal Services is the Monitoring Officer, with the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000.
25. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Authority, its Members, employees and any associated providers of the Authority's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures. There were eight complaints raised against Members in 2017/18 of which two were from other Members, one was from an Officer, and five were from members of the public. The outcomes / status of each complaint is reported to the Standards and Ethics Committee each quarter.
26. A strong commitment is made to ensuring the Council's Codes of Conduct are upheld. In 2015, complaints about a Councillor's conduct were referred by the Monitoring Officer to the Public Services Ombudsmen for Wales. This resulted in the conclusion in March 2017 through a Case Tribunal by the Adjudication Panel for Wales (APW) that the Member had failed to comply with the Council's Code of Conduct. The Councillor was suspended from acting as a member of the Council for one month.
27. In May 2017, Councillor Huw Thomas was elected as the new Leader of the Council and appointed a new Cabinet. In order to learn lessons from the experiences of those who had held the office of Councillor over the five year term, they were invited to complete a Member Exit Survey in February 2017. 61% of respondents reported that they would stand for re-election, with those standing down citing 'retirement', 'work-life balance/time pressures', 'dissatisfaction with role' and 'other' reasons as most related to their decision. Questions on personal experience of bullying and discriminatory behaviours had been included in the Exit Survey at the request of the Standards & Ethics Committee. Personal experience of bullying and discriminatory behaviours were reported at rates of 36% and 31% respectively, and other unacceptable behaviour 15%. Witnessing bullying and discriminatory behaviours between Councillors were reported at 68% and 79% respectively and at 32% and 21% respectively between Councillors and Officers.
28. To address the matters raised in the Member Exit Survey, the employee HR counselling service has been made available to all Members. The survey findings were also taken into account in the development of a Member Induction Programme for new Members from May 2017. A follow up Member Survey was undertaken in December 2017 to seek feedback on the quality and completeness of the Member Induction, and to identify Member experiences of bullying and other unacceptable behaviours. In February 2018, the Democratic Services Committee received the findings of the survey relating to the Member induction, through which 97% of respondents rated the induction day as useful or very useful and 96% found the formal training / facilitated group training useful. Actions were identified in relation to technology support, mentoring / peer support and administrative processes, which have been considered by the Director of Governance and Legal Services for further development.
29. The Standards and Ethics Committee received analysis of the responses relating to Member conduct and behaviour in June 2018. Personal experience of bullying and discriminatory behaviours were reported at rates of 21% and 15% respectively and other unacceptable behaviour 21%. More detailed analysis of the results by gender and age had been undertaken and it had been found that more female respondents (56%) had experienced bullying and discriminatory or some form of unacceptable behaviours than their male colleagues (50%). This matter has been referred to the All Party Women's Group to consider.

30. For Members, the 'Cardiff Undertaking' sets out expectations of conduct in accordance with the 'Principles of Public Life'. The Corporate Assessment Follow-on, issued by the Wales Audit Office (WAO) in February 2016, recognised these governance arrangements, but concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking. To address this recommendation the Standards & Ethics Committee introduced biannual Member Briefings which have continued to report on the work of the committee and underline the importance of the Cardiff Undertaking, Member conduct and behaviour.
31. Members and Co-opted Members are required to register their personal interests in any business of the authority, and to adhere to associated practices in accordance with the Member Code of Conduct. The disclosures are published on the Council's website within member profile information. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflicts with their duties to the Council and all secondary employment. The policy sets out how 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. The procedures for managing officer's personal interests are due to be reviewed by SMT and the Standards and Ethics Committee next year.
32. The Council's Corporate Values focus 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. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.
33. An Employee Survey 2017 has demonstrated an improvement in staff experiences and perceptions across all 10 response statements since last conducted in 2015. The survey which excluded school-based employees covered matters including information, communication and engagement, learning and development, performance management, health and wellbeing, Council values, priorities and the employee charter. For each best practice statement a 'high level' of agreement was the most frequent response, with an average (mean) response of 'medium level' of agreement.
34. Whilst Employee Survey responses have been positive, the response rate of 33.9% was a decrease from the 2015 response rate of 51.6%. The factors which led to the higher response rate in 2015 will be reviewed in the planning of future surveys, such as the parallel running of the survey with Chief Executive Roadshows and Ambassador participation. In order to increase the response rate further, future Employee Surveys and engagement activity will include a renewed emphasis on the vital role managers play in communicating regularly with staff and building an engaged team / workforce.
35. The Workforce Strategy and Employee Charter have been in place throughout 2017/18 and are underpinned by the Council's vision and values and aligned to the Corporate Plan:
- The Employee Charter sets out the expectations of all staff (employees, managers and senior managers) and has formed part of the objective setting process for personal reviews. It aims to address the issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier Welsh Local Government Association (WLGA) Peer Review.
  - The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.

36. The Council takes fraud, corruption and maladministration very seriously supported by the following policies to prevent, and manage such occurrences:
- Financial Procedure Rules;
  - Contract Standing Order and Procurement Rules;
  - Whistleblowing Policy;
  - Fraud, Bribery and Corruption Policy;
  - Money Laundering Policy and Procedure;
  - ICT Security Policy;
  - Data Protection Policy & Procedure;
  - HR policies regarding investigation and discipline of staff.
37. Induction training is undertaken by staff to ensure awareness and understanding on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security. Induction training also ensures that staff are aware of the corporate values and how they should be applied.
38. The Council has a Whistleblowing Policy in place through which staff and contractors are encouraged to speak out on misconduct or illegal behaviour within the organisation, which affects the public or other people (making a disclosure in the public interest). There have been four whistleblowing cases reported to the Monitoring Officer in 2017/18.
39. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

## **B. Ensuring openness and comprehensive stakeholder engagement.**

40. Through its Corporate Values, the Council outlines a commitment to being "open and honest about the difficult choices we face, and allowing people to have their say on what's important to them and their communities." Consultation, engagement and joint working with citizens are central to delivering this value and are outlined as follows.
41. To support openness, the Council is focusing on publishing increasing amounts of data through the development of an Open Data Strategy as part of the Council's Publication Scheme. It has adopted the UK government's approach to publishing data to a minimum of 3 stars out of a 5 star scale. This means data should be easily accessible and available to re-use as required (subject to terms outlined in the Open Government Licence). This year, the Information Governance Team has continued to identify data sets for publication and maintain the publication of existing data sets.
42. There is open debate and challenge on performance and risk management with quarterly reporting and review in Senior Management Team (SMT) and further challenge and oversight in Cabinet, Scrutiny and Audit Committee meetings. A Risk Management Steering Group is in place to develop and review risk management policy and accountability frameworks and to support SMT in identifying new and emerging corporate risks. A 'Star Chamber' is used by the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges.
43. Meetings of the Council, Cabinet and Committees are generally open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. 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 Committees. Throughout



2017/18 the Council has webcast Council and Planning Committee meetings and webcasting has been introduced for three Scrutiny Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website.

44. The public and other stakeholders are given the opportunity to tell the Council what they think about the services provided through the Council's Comments, Complaints and Compliments Policy. It reflects 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 places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.
45. Citizens, communities and partners have been engaged in a three year conversation 'The Cardiff Debate' about the future of public services in Cardiff. Consultation on the 2017/18 budget involved 2,520 people completing a 'Changes for Cardiff' survey and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The consultation ran for more than five weeks and included eighteen community engagement events, an online questionnaire, social media promotion and hard copy questionnaires distributed across the city.
46. Regular meetings are held with institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Wales Audit Office). Efforts have also been made to foster open and effective relationships between the County Council and the six Community Councils in Cardiff through a Community Councils Charter ("the Charter"). It reflects the model Charter issued by the Welsh Government in the Local Government (Wales) Measure 2011 and is based on equality of partnership between the two tiers of local government.
47. The Cardiff Public Services Board (PSB), represents a statutory partnership of public and voluntary sector organisations, chaired by the Leader of the Council to deliver the requirements of the Wellbeing of Future Generations Act 2015 and the 'What Matters' single integrated partnership strategy. This year, the strategic focus of the PSB has been the development of a statutory local Well-being Plan, in which well-being objectives have been established to support the delivery of national well-being goals. The Well-being Plan responds to the evidence set out in a Well-being Assessment and focusses on the areas of public service delivery which fundamentally require partnership working between public and community services, and the citizens of Cardiff. The Draft Well-being Plan was subject to Policy Review and Performance Scrutiny in November 2017, and 12-weeks of consultation and engagement through locality events. Final approval was given by the PSB, Full Council and statutory member organisations prior within the statutory deadline of May 3<sup>rd</sup> 2018.
48. Neighbourhood Partnerships of multi-agency staff are currently under review. Work has been scaled back this year and new arrangements are still under consideration for next year. The intention of the review is to understand how locality based partnership working and Council resources can be better aligned and managed so as to deliver person centred, joined up and complementary services in our communities.
49. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This supports the Council's Leader, Cabinet and Trade Unions in working together to reform Council services in a cost effective manner, providing a level of certainty for staff on major issues and protecting jobs wherever possible.

### C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

50. The Corporate Plan sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. It was approved by Council in February 2017 for the period 2017 – 2019, informed by the consultation on budget proposals for 2017/18. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities were maintained from last year as below:

- Better education and skills for all
- Supporting vulnerable people
- Creating more jobs and better paid jobs
- Working together to transform services

51. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:

- Performance Challenge sessions of the Council's Senior Management Team
- Joint Cabinet and Senior Management Team Performance Challenge meetings
- A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan.

52. Following the election of a new leader in May 2017, the 'Capital Ambition' was approved as a statement of the new administration's priorities in July 2017, which includes "commitments for Cardiff" which cover all of the Council's services. The Capital Ambition sets out how a series of principles will underpin the development of the Council in the coming years, namely: getting the basics right, digital first, putting communities front and centre, joining-up of frontline services, purposeful partnerships and a new deal for citizens. The four priorities are:

- Working for Cardiff: Making sure that all our citizens can contribute to, and benefit from, the city's success
- Working for Wales: A successful Wales needs a successful capital city
- Working for the Future: Managing the city's growth in a sustainable way
- Working for Public Services: Making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets.

53. In December 2017, Cabinet approved a four year Capital Ambition Delivery Programme to replace the Council's Organisational Development Programme (ODP). The establishment of the Capital Ambition Delivery Programme followed an independent review of the ODP in May 2017, which concluded that the change programme had effectively served its purpose and should allow the Council to respond and adapt to the changing operational environment. In line with the recommendations of the independent review, the new programme focusses on a smaller number of transformational programmes which are aligned to the delivery of corporate priorities and budgets. The Capital Ambition Delivery Programme is composed of two discrete components:

- Modernisation: Transformation of corporate systems and processes that support service delivery, led by the Corporate Director - Resources; and
- Resilient Services: Transformation of front-line services, led by the Corporate Director - People and Communities.

54. The Council has committed to the Sustainable Development Charter and making decisions that produce the best long-term outcomes for Cardiff and the future of Wales. The Council participates in the CCR City Deal, which aims to enhance development, infrastructure, land use, economic development and employment. Its proposals are supported by a £1.2bn fund

with a target of creating 25,000 jobs by 2036, leveraging £4bn of private sector investment and securing economic growth. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise.

55. A CCR City Deal five year strategic business plan was approved by the Regional Cabinet of 10 local authority leaders in February 2018, to detail how £495 million of the funding will be used to deliver its outcomes. Two significant investments have been approved by Regional Cabinet this year. Funding of £37.9 million has been allocated to support the development of a semiconductor industry cluster in the region, which aims to leverage up to £375 million of private sector investment, and create up to 2,000 high value jobs. The Regional Cabinet has also agreed to commit £40 million in principle to support the £180 million Metro Central Development, a project to deliver a new Central Transport Interchange in Cardiff's core employment zone.
56. The Final Local Government Settlement for 2017/18 for Cardiff was received in December 2016, equating to a funding increase of 0.5%. Additional cash of £2.3 million was allocated compared with 2016/17, but the actual increase in spending power was £294,000 once new responsibilities and other differentiating year on year factors were taken into account. The Council has continued to focus on using the resources available to deliver corporate priorities within a balanced budget.
57. Consultation on the Council's 2017/18 budget proposals "Changes for Cardiff" ran from 10 November 2016 – 16 December 2016. As outlined under principle *B. Ensuring openness and comprehensive engagement* of this AGS, a number of mechanisms were used to ensure the consultation was as accessible as possible. The consultation enabled members of the public to communicate their views on the budget proposals. It informed the final decisions on service changes, which focussed on delivering valued public services in the face of ongoing austerity.
58. The Council has a budget gap of £91 million for the period 2019/20 to 2021/22. The outlook over the medium term remains a matter of concern and the Budget Report 2018/19 details the challenges in respect of ongoing financial austerity, increasing financial pressures and the difficulty offsetting and realising year on year budget savings. A deliverable Budget Strategy has been a key document for meeting the radical changes which must continue to be made to the shape of the organisation in order for it to remain operational and resilient.

#### **D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

59. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from Officers on the legal, HR and financial implications arising from the decision. These reports are also required to outline the economic, social and environmental outcomes, the key risks and alternative courses of action which are available.
60. To support delivery of the requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has developed well-being objectives and a well-being statement as part of the development of the annual Corporate Plan. This process has helped to integrate the sustainable development principle and the Act in organisational processes and decision making.
61. 'Ask Cardiff' is the Council's largest and longest running engagement activity, and since 2002 it has enabled citizens to share their views of the city and a wide variety of public services. The Corporate Plan 2017-19 has been informed by the views of over 4,000 people who took part in 'Ask Cardiff', together with the 2,520 people who took part in the 'Changes for Cardiff' budget consultation.

62. To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars. A Council Ambassador Network has employees at all levels from across the Council helping to take forward the four corporate commitments from the Employee Survey namely: Health and Wellbeing; Performance Management; Learning and Development; and Employee Voice.
63. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The Cardiff Debate and 'Changes for Cardiff' communications with citizens have been an important means of identifying and designing services to meet the needs and expectations of service users and citizens in Cardiff in the context of budgetary constraints. To support robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies.
64. The Council has a performance management framework to facilitate and measure the delivery of priorities at City, Council, Directorate and officer levels. The framework includes statutory National Strategic Indicators (NSI) together with local indicators to support a wide understanding of performance. The annual performance against these indicators is submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as a result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets, and that objectives are reported publicly on a quarterly and annual basis.
65. The Council's Budget Strategy has developed from an incremental budgeting approach, to one where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation. The change in approach was first made to inform the 'Budget Strategy 2016/17 and the Medium Term', from which the momentum for forward planning continued in preparing the 2017/18 budget, by bringing forward the usual focus of budget strategy tasks by at least one quarter.
66. The themes for savings in the Budget Strategy for 2017/18 were aligned with general budgetary questions that formed part of the Ask Cardiff consultation, in synergy with the Council's corporate plan priorities, as follows.
- Income generation
  - Working with partners and others
  - Use of technology
  - Review of subsidies and grants
  - Internally facing proposals
  - Second / third year of proposals
  - Service reduction / redesign
67. To provide greater confidence in the delivery of savings, the 2017/18 directorate proposals were submitted, and subject to challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.
68. The Wales Audit Office (WAO) conducted a review into the financial resilience in Cardiff Council in March 2016, to assess whether the council effectively manages budget reductions in order to ensure ongoing financial resilience. The conclusion was that

*'The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals.'*

69. The Council's financial control and governance arrangements were assessed as low risk, and financial planning as medium risk. This was consistent with the findings of the WAO follow on report published on 26 February 2016, which recognised that the Council has improved its Medium Term Financial Plan / Programme (MTFP) arrangements and had raised the profile of financial resilience but through which four specific recommendations were made to further strengthen financial planning processes.
70. The Council's risk management guidance emphasises the requirement to incorporate risk management into all levels of business, including the management of shared risks through programme, project and partnership arrangements.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

71. The Council has put in place a commitment to effective leadership, recognised in the WAO Corporate Assessment Follow On 2016, which concluded that:

*'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'.*

72. WAO recognised a more engaged culture, with good Member and Officer commitment to attending and engaging in full Council meetings. HoHhhThey reported a need to improve more variable Member engagement observed in Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. The requirement to clarify some roles and responsibilities within the Council's decision making framework was also reported.
73. The Council developed a Statement of Action to respond to the Follow On Corporate Assessment and a Performance and Governance Programme to further develop and embed performance management arrangements. Between February and May 2017, the Wales Audit Office reviewed the Council's progress in relation to its Statement of Action. The subsequent report of this work concluded that the Council has demonstrated sufficient progress in implementing the 2016 proposals for improvement and is in the process of embedding new performance management and reporting arrangements.
74. Decision making responsibilities and authority are clearly set out in the Council's Constitution. It documents the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.
75. Following election as Leader of the Council in May 2017, Cllr Huw Thomas formed a new Cabinet. The Cabinet is the part of the Council which is responsible for most major decisions. The Cabinet is made up of the Leader elected by the Council, and up to nine other councillors whom he/she nominates for approval by the Council. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.
76. The Council's programme of strategic business change has been aligned with the priorities of the new administration through the four year Capital Ambition Delivery Programme, which uses a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Governance arrangements have been put in place for the Capital Ambition Delivery Programme, which include regular updates to the Senior Management Team and quarterly updates to a Cabinet Performance and Delivery Group. An annual review of the Programme will be reported into Cabinet and Scrutiny.

77. The senior management structure of the Council has also been reviewed to align with and support the delivery of the Capital Ambition. The Chief Executive (Head of Paid Service) is the most senior member of the Council's staff and has responsibility for overall management supported by a number of Directors and Assistant Director / Chief Officer posts. A revised senior management structure was approved by Council in November 2017, which was developed within the existing senior management budget and informed by Hay Group benchmarking analysis undertaken in July 2017 which compared the management structure of Cardiff Council to other Core City Councils and other large Unitary Councils. The approved changes to the senior management model were as follows.

New Posts	Deleted Posts
<ul style="list-style-type: none"> <li>• Corporate Director, People and Communities</li> <li>• Director Planning, Transport and Environment (previously Director, City Operations)</li> <li>• Chief Digital Officer</li> <li>• Assistant Director, Corporate Landlord</li> <li>• Assistant Director, Street Scene</li> <li>• Head of Democratic Services</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Communities, Housing and Customer Services</li> <li>• Director, City Operations</li> <li>• Assistant Director, Children's Services</li> <li>• Assistant Director, Commercial Services</li> <li>• Enterprise Architecture Operational Manager</li> </ul>

78. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained, competent people. New staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme is well embedded, having trained more than 500 staff in key management and finance skills since it commenced in 2014. Approximately 250 managers have completed an ILM level 3 qualification following participating in the programme.

79. A Member Learning and Development Programme aims to provide Members with access to a range of development opportunities to assist them in delivering their roles as Community Leaders and Council representatives. The programme is informed by the WLGA Continuing Professional Development for Councillors Competency Framework, which sets out the range of skills and knowledge required by Members. The 2017/18 induction programme was developed by a Member Development Steering Group as part of a Member Support and Induction Project and approved by the Democratic Services Committee. The programme was developed to include induction sessions in May 2017, a series of essential sessions in the first 12 weeks and further development and information sessions on specific topics until December 2017.

80. Performance is primarily evaluated through the Council's Personal Review process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be 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. Member Personal Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy provides a number of learning and development programmes and courses.

81. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, and during 2017/18 has been

recognised as a Disability Confident Employer, signed the Dying to Work Charter, is working towards being a Dementia Friendly organisation and achieving the Health Standard Silver Award. The Council continues to deliver the Employee Health and Wellbeing Strategy 2016-19 which provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing.

82. The Council has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2016/17 as required by the Local Government (Wales) Measure 2009. In assessing progress against Improvement Objectives, a number of sources of information were used including reviews of inspection reports, surveys, feedback, case studies and performance measures. A positive performance trend can be reported as 60% of National Indicator results were better than the Wales average, compared to 48% in 2015/16. However, it is recognised that the Council will need to continue to address areas of underperformance through future planning arrangements.
83. The Wales Audit Office published an Annual Improvement Report 2016/17 in September 2017, which is a forward-looking assessment that considers the likelihood of compliance with the Council's duty to make arrangements to secure continuous improvement. The report did not raise any formal recommendations, but it made proposals for improvement, relating to good governance when determining service changes and financial planning arrangements. The report concluded that:

*'Based on, and limited to the work carried out by the Wales Audit Office and relevant regulators, the Auditor General believes that the Council is likely to comply with the requirements of the Local Government Measure (2009) during 2017-18'*

#### **F. Managing risks and performance through robust internal control and strong public financial management.**

84. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, programme and project considerations. A Corporate Risk Register (CRR) is maintained and reviewed by SMT each quarter to ensure it includes key risks to the corporate vision, objectives and priorities. A Corporate Risk Map has also been used throughout 2017/18 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
85. The risk management process is led by the Information Governance and Risk Management Team, and supported by a nominated Member Risk Champion, Senior Officer Risk Champion and a network of Directorate Risk Champions. This process is designed to ensure clear ownership of risks which are identified, reviewed and escalated systematically each financial quarter.
86. Following a strategic risk management review, a draft Risk Management Strategy and Policy has been developed by the risk management network and considered by the Audit Committee in January 2018. A process of consultation and review by the Cabinet has commenced at the financial year-end. It is anticipated that the Risk Management Strategy and Policy will be approved and operational in the second financial quarter of 2018/19.
87. Decisions are made based on reports from Officers which include assessments of the legal, HR and financial implications arising from the decision. Service delivery is monitored through risk registers and performance information and reports. The Cardiff's Statutory Improvement Report provides an annual summary of performance against Welsh Government indicators and corporate priorities and commitments. Projects and Programmes are monitored using PQA criteria, including use of milestones, risk and issue registers and lessons learned methodologies.

88. The Council's five standing Scrutiny Committees are designed to support the Cabinet in providing accessible, efficient and effective services for citizens. They meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. The majority of recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. A number of the Council's collaborative activities are governed by Joint Committees, examples include the CCR City Deal Joint (Regional) Cabinet, Wales Pension Partnership Joint Governance Committee, Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.
89. The Audit Committee provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements through a wide ranging programme of work. 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 Audit Manager reports functionally to the Audit Committee and administratively to the Council's Section 151 Officer.
90. The Internal Audit Team assesses governance as part of the majority of audit engagements and the overall review of governance, risk management and control has informed the annual assurance statement from the Audit Manager. All recommendations issued by Internal Audit are reported to the Audit Committee and tracked to provide assurance that they are acted upon.
91. Performance is monitored regularly within directorates on an ongoing basis. Members and senior managers are provided with quarterly performance information on a balanced scorecard basis, with performance measured against performance indicators which are aligned to corporate plan priorities. The standard corporate risk scoring approach is used to measure performance and enable consistency of understanding. The financial element of the balanced scorecard quantifies variances between the budget and actual position for each Directorate in respect of the overall budget position, savings delivery and staff costs.
92. The Council has robust arrangements for internal control. The risk management policy, strategy and methodology enables consistency in risk assessments across the Council, supported by a portfolio of policies and procedures to ensure effective stewardship of public monies, address maladministration, corruption and fraud, as summarised under Principal B *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*
93. Effective arrangements are in place to safeguard personal data. During 2017/18, the Council has been preparing for the General Data Protection Regulation which will come into force next year. An action plan setting out the changes in legislation has provided the focus of the work from aligning policies and processes through to raising awareness. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by a dedicated team who manage the overall Council approach to information management. An Information Governance Strategy contains a suite of information governance policies, procedures and guidance information to support compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, Privacy and Electronic Communication Regulations and Protection of Freedoms Act.
94. An Information Governance Training Strategy sits alongside the Information Governance Strategy to enable clear understanding of corporate and individual responsibilities. A risk assessment determines the extent of staff training, information and support required to provide the Council and the Information Commissioner's Office with the required assurance. Members are registered with the Information Commissioner's Office as individual Data Controllers.



95. As outlined in the section on *Principle D. 'Determining the interventions necessary to optimise the achievement of the intended outcomes'* significant attention has been given to financial management to support both long term and operational performance, through medium term financial planning and robust financial resilience mechanisms. This is integrated into all levels of planning and control, and is tracked both through performance monitoring of outcomes and through the corporate risk management mechanisms.

## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

96. The Council aims for all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. This is to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.
97. The Council also aims for information to be easy for the Council and the public to find and use. It has adopted the Information Commissioner's model publication scheme, which sets out the classes of information that should be routinely available.
98. The Council's Annual Statutory Improvement Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the What Matters, equality, sustainability and scrutiny measures.
99. The AGS is an assessment of the governance of the Council applied to the 'Delivering Good Governance in Local Government' CIPFA / SOLACE framework, as outlined in the *Assessment Process and Summary*.
100. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by each Director twice a year to self-assess performance against a set of governance, risk management and internal control statements. The overall position is reviewed and authorised by the Chief Executive following the financial year end, at which point the overall Senior Management Statement is included within section 4) *Assessment Process and Summary*. Collectively, SMT hold an action plan of significant governance issues, representing an open disclosure of the most prominent issues of governance which require attention following the SMAS review. The AGS Action Plan is included in the following section.
101. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Risk Management Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.
102. 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. A number of Committees have been appointed by Council to discharge regulatory and scrutiny services and they deliver annual reports on their performance and findings.
103. Prior to services being delivered through third parties or via joint working arrangements, the Legal Services Team assist directorates to ensure responsibilities and accountabilities for governance and risk management are adequately documented. The risk management policy

strategy and methodology requires clear risk management arrangements in whichever model of service delivery is used.

104. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. Where these indicators and measures are relevant to the progress made against the Council's Improvement Objectives and Outcome Agreement they are included in Council's Improvement Report. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.
105. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, such as the development of a statement of action for the Corporate Assessment Follow-on published in February 2016, and targeted governance projects to deliver the required improvements. Opportunities to learn from wider studies from the WAO are taken through the use of a tracker system to identify and summarise a range of their publications for the information and consideration of the Audit Committee.
106. The Council has an effective Internal Audit Service, as supported by performance information and reporting, which has been externally assessed as conforming with the the Public Sector Internal Audit Standards (PSIAS) in all material respects. The PSIAS is a central measure of the effectiveness of the Internal Audit function against the mandatory elements of the International Professional Practices Framework, for which an external assessment was completed in quarter 3 2017/18 by Rhondda Cynon Taf CBC. It offered a small number of recommendations to enhance information in the Internal Audit Charter, which have been progressed by the Audit Manager. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee.
107. Peer challenges, reviews and inspections from regulatory bodies are welcomed by Cardiff Council as a means to provide assurance over service delivery or identify opportunities for improvement.

### iii) AGS Action Plan – Significant Governance Issues

108. An Action Plan of Significant Governance issues is owned by the SMT, and formally reviewed and updated on a bi-annual basis. On review of the seven director SMAS returns in May 2018, SMT decided to retain the five governance issues from the prior year on the ongoing AGS Action Plan. The decision was made as it was considered that these issues continue to represent the key areas for development and ongoing monitoring.
109. Each member of the SMT was asked to put forward suggestions of new significant governance issues. The new issues presented were also discussed in SMT in May 2018, and upon review they were considered to be either subsets of existing governance issues from the current action plan, or having a link to a corporate risk, through which they already being managed and reported.
110. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in the table below. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2018/19.

Brought Forward	Year End Position 2017/18
<p><b>Capacity &amp; Decision Making</b></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>The capacity and decision making of the Council is being developed through both a review of management structures and workforce development.</p> <p><b>Restructures</b> have been agreed and appointments have been made to the following posts:</p> <ul style="list-style-type: none"> <li>• Corporate Director People &amp; Communities</li> <li>• Chief Digital Officer</li> <li>• Director Social Services</li> <li>• Further appointments will be expected during Q1 2018/19</li> </ul> <p><b>Staff development</b> is an important area of focus through Workforce Planning. To support and upskill existing officers:</p> <ul style="list-style-type: none"> <li>• courses are being designed by the Academy.</li> <li>• Financial Procedure rules and Contract Standing Orders have been reviewed during 2017/18 and have been approved by Constitution Committee. Roll out of the changes will commence in Q1 2018/19</li> <li>• Themed Audits on decision Making and governance have taken place for each directorate during 2017/18 and common findings of those audits will be shared with SMT during Q1 2018/19</li> </ul>
<p><b>Commissioning Capability and Capacity</b></p> <p>In the new Organisational Framework it is critical that we challenge current service provision and priorities. 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>The importance of Commissioning remains key not only in everything the Council does, but also in the success of delivering Capital Ambition.</p> <p>The Council needs to improve its understanding of Commissioning as a whole in terms of undertaking meaningful analysis to understand need and inform outcomes, redesigning service delivery around those outcomes, reviewing the performance of current services, consideration of alternative delivery models or ensuring our third party spend and related markets is appropriately managed.</p> <p>Although commissioning capability and capacity will not specifically feature in the new change programme, some elements will:</p> <ul style="list-style-type: none"> <li>• <b>Data analysis</b> to understand needs will feature as part of the Digital programme</li> <li>• <b>A programme of service reviews</b> will be performed across all Directorates building on work previously undertaken which will also consider third party spend arrangements and consideration of alternative delivery models.</li> </ul>

	<p>The Service Review process has now been designed and implemented, with governance established (the Service Review Steering Group, chaired by the Corporate Director – Resources) and the first reviews are now underway. Work is being done to establish data baselines for service areas and functions across the Council to ensure proper sequencing of future reviews.</p>
<p><b>Relevant Costs and Decision Making</b></p> <p>Internal function activities and performance needs to be accounted for more transparently within the corporate whole. This includes ensuring greater cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.</p>	<p>Work is progressing to improve cost awareness in projects, with the support of finance staff.</p> <p><b>Investment Review Board</b> has met regularly during the year receiving Business Cases and progress reports in respect of individual projects. The financial focus is on value for money, financial return on investment, funding identification and the capturing of financial savings.</p> <p><b>knowledge transfer</b> - There is a need to ensure that there is strong knowledge transfer from both internal managers involved in project support from the external organisations that we work with. Knowledge Transfer has progressed during 2017/18 in respect in project work undertaken within the Corporate Landlord Function area. Other informal knowledge transfer work has been undertaken in other areas.</p>
<p><b>Partnership / Collaborative Governance</b></p> <p>The level of governance, assurance and reporting required for the Council's partnership and collaborative activities needs to be more fully determined and defined to ensure a consistent and proportionate approach is applied.</p>	<p>The required governance arrangements across key partnership and organisational development activity are being developed and considered by the corporate Senior Management Team (SMT) / Public Service Board (PSB).</p> <p><u>Corporate Partnership Working</u></p> <p>The Public Services Board is now fully established with a two-tier model (the overall Public Services Board – chaired by the Leader of the Council – underpinned by the Public Services Delivery Board – chaired by the Council's Chief Executive) in place.</p> <p>Subsequent to this, two related pieces of work are happening. Firstly, the governance structures and arrangements underneath the Public Services Delivery Board have been reviewed, with changes made where necessary. The most significant example of this is the imminent recalibration of the community safety partnership arrangements for the city. This – and other changes – will ensure the PSB has the governance necessary to deliver the challenging ambitions set out in the city's Wellbeing Plan.</p> <p>The second piece of work nearing completion is the review of the Council's governance structures to enable the successful delivery of Capital Ambition. This has included the development of new groups (such as the Digital Cardiff Board, chaired by the Council's Chief Executive), the continued development of other groups (e.g. the Council's Performance Support Group) and the integration of existing partnership structures into the core business of the Council's Senior Management Team. These arrangements will give the Council's Senior Management Team the tools and assurance necessary to deliver the stretching objectives set out in the Corporate Plan and, ultimately, Capital Ambition, working in partnership with those agencies and organisations that are pivotal to the overall success of Cardiff.</p> <p><u>Directorate Partnership Working</u></p> <p>At a directorate level there are a vast number of partnerships and collaborative working arrangements across a range of functions. Many of these partnership and collaborative working arrangements are our mechanism to mitigate significant risk, for example, the Welfare Reform Partnership group, is a means of coordinating activity to reduce the impact of those changes across the City. Due to the vast number and the organic way in which some arrangements have been formed there may be some where appropriate governance such as documented Terms of Reference have not been established.</p>

	As a guiding principle, the scope and level of decision making capabilities is used to determine the level and extent of partnership / collaborative governance. Senior officers have recognised that further work is required to define and communicate the required levels of governance based on the nature and scope of different forms of collaboration to support consistency.
<p><b>Robust and Sustainable Savings</b></p> <p>There is a need to ensure robust business cases consistently underpin achievable savings proposals. In ensuring decisions encompass future generation needs there is also a need to ensure there is documented consideration of the sustainability of services and the mitigation of risks (e.g. assets, technology, HR and service delivery).</p>	<p><b>Business Cases</b> - Work is ongoing to ensure that detailed business cases, which include strong supportive financial and non-financial information, consistently underpin all savings proposals.</p> <ul style="list-style-type: none"> <li>• Service and Digital solution reviews will begin in early Q1 in order to provide further evidence and detail to new and existing savings proposals put forward for 2018/19 and to be considered for 2019/20.</li> <li>• As reported in the 2018/19 Budget Report 90% of proposals were either realised or with a detailed plan in place. Further work continued in March to further reduce the value of savings proposals that did not have a plan.</li> <li>• 52% of 2017/18 Budget proposals have an achievability risk rating of Amber / Green or below. Work will continue in order to increase this figure during the year for 2018/19 proposals and provide further mitigations into 2019/20 saving proposals.</li> </ul> <p><b>Enhanced Risk Review</b> - An enhanced risk review was completed for capital funding requests for 2018/19 onwards to improve the supporting information provided as part of the decision making process.</p> <ul style="list-style-type: none"> <li>• Further work is underway to consider and refine the appropriate level and breadth of risk information and analysis required to support decision makers.</li> <li>• Building on 2018/19 budget process, the risk assessment methodology for capital funding requests of ongoing and new schemes will be further improved and embedded into the budget strategy for 2019/20.</li> </ul>

### Significant Issues – The Cardiff and Vale of Glamorgan Pension Fund.

111. During 2017/18, the Council entered into an Inter Authority Agreement (IAA) with the other seven LGPS administering authorities in Wales to establish the Wales Pension Partnership (WPP). The WPP manages the pooling of investments for the LGPS pension funds in Wales and is overseen by a Joint Governance Committee (JGC) comprising one elected member from each authority. The JGC is supported by an Officer Working Group made up of the funds' Treasurers and Investment Officers.
112. The IAA sets out the decision making powers of the JGC and the powers reserved to the constituent authorities. Each authority retains ultimate responsibility for the management of its pension fund under the LGPS Regulations.
113. It is considered the following may have potential implications on future financial periods and are worthy of note in this statement

Significant Issue	Year End Position 2017/18	Responsible Officer
<p><b>Wales Pension Partnership – Wales Investment Pool.</b></p> <p>The eight Welsh LGPS administering authorities entered into a contract in December 2017 with Link Fund Solutions. Link and their partners Russell Investments will set up and operate the pooling vehicles required by the WPP.</p> <p>The initial pooled funds will be created during 2018/19.</p>	<p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of investment pooling arrangements through the Joint Governance Committee and the Officer Working Group.</p> <p>Developments are reported regularly to the Pensions Committee, the Investment Advisory Panel and the Local Pension Board</p>	<p>Corporate Director Resources</p>

### Certification by the Leader of the Council and the Chief Executive

**Councillor Huw Thomas, Leader of Cardiff Council**

**Date:**

**Paul Orders, Chief Executive**

**Date:**



WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – **Cardiff & Vale of Glamorgan Pension Fund**

Audit year: 2017-18

Date issued: September 2018

Document reference: 801A2018-19

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

This document is also available in Welsh.



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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff & Vale of Glamorgan Pension Fund (the Pension Fund) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Pension Fund is £20.667 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund, for 2017-18, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 18 June, in line with the agreed deadline, and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

## Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).

## Significant issues arising from the audit

### Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

- 11 There are minor misstatements that have been corrected by management which are shown below. In addition, following the receipt of updated information from the actuary, the actuarial statement that was included within the draft financial statements has been revised. The minor misstatements are:
- there were a number of narrative changes including an enhanced footnote to note 8 Management Expenses to provide greater clarity and the addition of an accounting policy in note 2 Accounting Policies to consider accounting standards issued but not yet adopted.
  - there were amendments to prior year balances for Note 10 Investments at Market Value, Note 12 Financial Instruments and Note 13 Nature and Extent of Risks Arising from Financial Instruments as they did not agree with the audited version of 2016-17 financial statements. A transposition error on membership numbers within note 7 Membership of the Fund has also been amended.
  - Note 14 Creditors increased by £156,000 as a result of a debtor balance being netted off against creditor balances with a corresponding increase within the debtors.

### Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:
- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
  - **We did not encounter any significant difficulties during the audit.** Generally, we found the draft financial statements to be of a good quality and received information in a timely and helpful manner and were not restricted in our work. There are some areas where the working papers provided could be improved (eg providing a mapped trial balance which reconciles to each primary statement and note the accounts and greater use

of electronic linkages between working papers and underlying calculations) and we will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process for 2018-19.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. There was one potential conflict of interest that I brought to your attention in my Audit Plan that was issued in March 2018, but I can confirm that, as planned, this member of staff did not undertake any final accounts work on the pension fund. Therefore, there are no relationships between the Wales Audit Office and the Pension Fund that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

27 September 2018

### Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff & Vale of Glamorgan Pension for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

### Management representations

#### Responsibilities

I have fulfilled my responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and the 2017-18 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff and Vale of Glamorgan Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. The effects of uncorrected misstatements identified during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the County Council of the City and County of Cardiff on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of  
management]

Date: 27 September 2018

Signed by:

[Officer or Member who signs on behalf  
of those charged with governance]

Date: 27 September 2018

# Appendix 2

## Proposed audit report of the Auditor General to the Members of the County Council of the City and County of Cardiff

## The independent auditor's report of the Auditor General for Wales to the members of County Council of the City and County of Cardiff as administering authority for the Cardiff and Vale of Glamorgan Pension Fund

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of Cardiff and Vale of Glamorgan Pension Fund for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004. Cardiff and Vale of Glamorgan Pension fund's financial statements comprise the fund account, the net assets statement and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018, and of the amount and disposition at that date of its assets and liabilities; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the pension fund in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the pension fund's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

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

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the annual report has been prepared in accordance with the Local Government Pension Scheme Regulations 2013.

### Matters on which I report by exception

In the light of the knowledge and understanding of the pension fund and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative report.

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

I certify that I have completed the audit of the accounts of [name of pension fund] in accordance with the requirements of the Public Audit (Wales) Act 2004 and the Auditor General for Wales' Code of Audit Practice.

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the financial statements set out on page 5, the responsible financial officer is responsible for the preparation of the financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the responsible financial officer is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
September 2018

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – The County Council of the City and County of Cardiff

Audit year: 2017-18

Date issued: September 2018

Document reference: 802A2018-19

This document has been prepared as part of work performed in accordance with statutory functions.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg. This document is also available in Welsh.

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

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# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the County Council of the City and County of Cardiff (the Council) at 31 March 2018 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for the Council's accounts is £12,429,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2017-18, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2018 on 15 June 2018, in line with the agreed deadline which is almost two weeks in advance of the statutory deadline of 30 June 2018.
- 7 We have now substantially completed the audit work and we are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with the Corporate Director Resources and Head of Finance.

## Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#).



## Significant issues arising from the audit

### Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. We comment below on significant matters that arose, and also on matters that we are required to report to you:

- **The Council has generally sound accounting and financial reporting practices although there is scope for continued improvement to the quality and timeliness of some of the working papers submitted to us to support the draft financial statements.** Overall, we found that the quality of the draft financial statements presented to us for audit was good. We were particularly grateful to the Council for bringing forward some elements of the final accounts preparation work (eg a review of investment properties, accounting policies, disclosure checklist and a skeleton version of the accounts, median remuneration calculation) which meant that we were able to commence our year-end audit work earlier. However, further improvements can be made to the quality and timeliness of some of the working papers compiled to support the draft financial statements. In April 2018, we agreed a 'Schedule of Deliverables' with the finance team with the aim of ensuring that appropriate working papers were available at the commencement of the audit. With a few exceptions (analytical review, Precepts & Levies, Council Tax, NDR and Group PPE consolidation) most of these working papers were available at the agreed time, although not all were located in the expected electronic working paper folder. We agreed that both parties would assess the success of introducing this schedule and that we would look to refine and improve the clarity of the 'deliverables' going forward.

- **We did not encounter any significant difficulties during the audit, however we experienced some delays in receiving supporting documentation requested during the audit process.** We are grateful for the help and assistance provided to us by the staff of the Finance and other departments throughout our audit and we were not restricted in our work. However, we continued to experience some lengthy delays in obtaining appropriate evidence (eg invoices and other documents) to support our expenditure testing during our interim audit. For example, information for over 60% of our sample was not provided within a week of being requested and there were numerous occasions where the initial information provided was not of the required standard resulting in further information requests/ delays. Following a workshop with a number of the Group Accountants in May, the Council took action to try and improve this position for the final audit, nominating a single point of contact who was responsible for contacting departments to obtain information in respect of our cut-off, debtor and creditor testing. This action achieved some improvement, but the quality of the initial information provided by departments can be further improved upon.

It was also evident that whilst information requested directly from finance staff was received in a timely manner this was not always the case where information was requested from other parts of the organisation. To achieve the early closure deadlines going forward, it will be important for the Council to ensure that all directorates provide information that is both timely and of appropriate quality and that the final accounts production process is seen as a corporate priority and not just the responsibility of Finance.

We also continue to experience some difficulty in identifying individual debtor and creditor transactions for testing as a result of the content and manner in which the transaction reports are produced.

We will work with the Council going forward to explore ways in which some of the difficulties experienced can be resolved more quickly in future years.

- **There was one significant matter discussed and corresponded upon with management which we need to report to you.** The Council have brought one further matter to our attention that has emerged following the completion of the draft financial statements. This issue relates to potentially significant liabilities arising from a purportedly undeclared landfill tax assessment which is disclosed in Note 31 to the accounts 'Contingent Assets/Liabilities'. At the time of writing this report, this would appear to be the most appropriate accounting treatment. However, we understand that the Council continue to discuss the issue with HMRC and so it is possible that the accounting treatment will need to change based on more up to date information. We will provide the Audit Committee with a further update at its meeting on 18 September 2018.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance**

## Amendments to the accounts and audit deadlines going forward

- 13 Under the Accounts and Audit (Wales) (Amendments) Regulations 2018<sup>1</sup>, in the future the Council and the Auditor General are required to meet earlier statutory deadlines. Under the amended regulations the new deadlines are due to change in stages, with the final change taking effect from 2020-21. **Exhibit 1** sets out the new deadlines.

### Exhibit 1: changes in deadlines introduced by the amended regulations

Annual financial statements year	Financial statements signed by the responsible finance officer (Section 151 Officer)	Financial statements approved by the Council and published (with the signed audit certificate or an explanation for its absence)
2017-18	30 June 2018	30 September 2018
2018-19	15 June 2019	15 September 2019
2019-20	15 June 2020	15 September 2020
2020-21 and thereafter	31 May 2021	31 July 2021

- 14 In terms of the 2017-18 financial statements, the Council has made good progress in producing its draft financial statements almost two weeks earlier than the current statutory deadline without sacrificing the quality of the draft financial statements. The date of the Audit Committee meeting at which the audited financial statements are to be considered remains in line with the 2016-17 timetable (ie 18 September). Going forward the Council will need to review its governance arrangements and proposed dates of meetings at which the final accounts are to be approved.
- 15 Given this year's successful outcome, discussions with officers have highlighted their intent to work towards producing the 2018-19 draft financial statements in early June 2019 which will be closer to the statutory deadline that the Council will be required to meet going forward. We will also aim to have our audit substantially complete by early August. To achieve these earlier timescales, we will continue to

<sup>1</sup> <http://www.legislation.gov.uk/wsi/2018/91/contents/made>

work closely with officers throughout the autumn to ensure that the further improvements required to the accounts production process are implemented. A key aspect of these improvements will be to continue to look for opportunities to bring additional audit work forward.

- 16 In addition, we plan to issue a separate Accounts Memorandum report in the autumn which will contain other recommendations arising from the results of our audit work for management to consider where further improvements could be made for 2018-19.

## Independence and objectivity

- 17 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 18 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. As reported in our Audit Plan dated March 2018, there are some potential conflicts of interest that were brought to your attention. The Audit Manager is a former colleague and friend of the Council's Programme Manager within the Corporate Resources Directorate. In addition, one member of the team's wife works within the Council's Housing Development & Enabling Department and another member of the team's close relatives work within the Council's Electoral Division. I can confirm that appropriate arrangements were introduced to ensure that these officers did not undertake any audit work in respect of the area of the Council's operations where potential conflicts of interest could be perceived to exist. With the exceptions of the above, all other members of my team are independent of the Council and your officers. perceived to exist and there are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

27 September 2018

### Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements (including that part of the Remuneration Report that is subject to audit) of the County Council of the City and County of Cardiff (the Council) for the year ended 31 March 2018 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

### Management representations

#### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and [insert relevant code]; in particular the financial statements give a true and fair view in accordance therewith; and
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

#### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There are no uncorrected misstatements.

### Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for ensuring that the Council maintains adequate accounting records.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

[Officer who signs on behalf of management]

Date: 27 September 2018

Signed by:

[Officer or Member who signs on behalf of those charged with governance]

Date: 27 September 2018

# Appendix 2

## The independent auditor's report of the Auditor General for Wales to the Members of the County Council of the City and County of Cardiff

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of:

- The County Council of the City and County of Cardiff; and
- The County Council of the City and County of Cardiff Group

for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement and the related notes, including a summary of significant accounting policies.

The County Council of the City and County of Cardiff's Group financial statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement and the related notes, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff's and the County Council of the City and County of Cardiff's Group as at 31 March 2018 and of their income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical



responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's or group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit:

- the information contained in the Narrative Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Narrative Report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18;
- The information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Governance Statement has been prepared in accordance with guidance.

### Matters on which I report by exception

In the light of the knowledge and understanding of the council and the group and its environment obtained in the course of the audit, I have not identified material misstatements in the Narrative Report or the Governance Statement.

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

### Certificate of completion of audit

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

### Responsibilities

#### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group financial statements, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing the council's and group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

#### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
September 2018

24 Cathedral Road  
Cardiff  
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# Appendix 3

## Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 2: summary of corrections made to the draft financial statements

Note number and value of correction	Nature of correction	Reason for correction
<b>Expenditure and Funding Analysis Note 4.2 – Expenditure and Income Analysed by Nature</b>	Several amendments to income and expenditure disclosures on the draft note. Prior year figures restated for consistency.	The note did not agree to CIES, plus a number of balances were disclosed as net balances as opposed to having the relevant income and expenditure elements disclosed separately.
<b>Note 6 Participation in Joint Committees £5,744,000</b>	Additional disclosure of capital contribution relating to Cardiff Capital Region City Deal.	This capital contribution was omitted from Note 6.
<b>Note 10.2 Remuneration banding</b>	One employee moved from band £75,000-£79,999 to £105,000-£109,999.	Due to a redundancy payment being processed through the creditor payment system which was omitted from initial salary information.
<b>Note 12 Related Parties £15,990,000</b>	Additional disclosure of income received from organisations in which members have declared an interest.	Disclosure omitted from draft financial statements.

Note number and value of correction	Nature of correction	Reason for correction
<p><b>Note 18 Non-Current Assets (Non-Current Assets Valuation table)</b></p> <p><b>Various</b></p>	<p>'Surplus Assets' in-year movements revised to record correct signage of 'Reclassified to Held for Sales' ie -£5,975,000 instead of £5,795,000.</p> <p>Associated impact on 'Other Reclassifications' to increase by £11,950,000.</p> <p>Depreciation movements on 'Other Land and Buildings' revised by assorted amounts to record the correct write-outs, de-recognition on disposals and reclassifications.</p> <p>A number of other trivial adjustments relating to specific Non-Current Assets depreciation, revaluation, reclassification and impairment have also been processed.</p>	<p>Incorrect presentation within the Non-Current Asset movement table.</p>
<p><b>Note 18 Non-Current Assets (Investment properties table)</b> <b>£707,000</b></p>	<p>Balance impaired by an additional £707,000 to increase impairment to £2,502,000.</p>	<p>Investment property lease reassignment had not been recognised as an impairment.</p>
<p><b>Note 18 Non-Current Assets (Significant Capital Expenditure Contractual Commitments table)</b> <b>£14,417,000</b></p>	<p>Value of commitments increased by £14,417,000.</p>	<p>Omission of contracts associated with Cardiff Living new-build housing project from draft financial statements disclosure.</p>

Note number and value of correction	Nature of correction	Reason for correction
<p><b>Note 21 Debtors analysis and Note 30 Grant Income (Credited to Taxation and Non-Specific Grant Income table)</b>  <b>£6,381,000</b></p> <p><b>Note 18 Non-Current Assets (Capital Expenditure and Capital Financing table)</b></p>	<p>‘Capital Grants’ disclosed in the Note 30 ‘Credited to Taxation and Non-Specific Grant Income’ analysis reduced by £6,361,000, with associated decrease in Note 21 ‘Central government body’ Debtors analysis of £6,381,000.</p> <p>The changes impact on a number of other disclosures - the most significant being the decrease in ‘Grant Income’ affecting the Closing Capital Financing Requirement to reflect the £6,381,000 increase in borrowing unsupported by government financial assistance.</p>	<p>21<sup>st</sup> Century schools Welsh Government grant debtor overstated by £6,381,000. This amount should have been recognised as being funded from Welsh Government Local Government Borrowing Initiative.</p>
<p><b>Note 21 Debtors analysis</b>  <b>£907,000</b></p>	<p>Reclassification of one specific Bad Debt Provision charged against the analysis of Note 21 Debtor balances - increase of £907,000 ‘Central Government Bodies’ and matching decrease within ‘Other Entities and Individuals’.</p> <p>One other trivial adjustment relating to a specific Debtor balance has also been processed.</p>	<p>Bad debt provision reclassified between sectors.</p>
<p><b>Note 22 Cash and Cash Equivalents analysis</b>  <b>£19.6 million</b></p>	<p>Reclassification – ‘Bank’ increases by £19.6 million, ‘Short-term Deposits’ decreases by £19.6 million.</p> <p>One other trivial adjustment to year-end Cash balances has also been processed.</p>	<p>Adjustment to cash balance, relating to intra-company cash held by the Council on behalf of bodies it acts as Accountable Body for, was incorrectly classified within the Cash and Cash Equivalents analysis.</p>

<b>Note number and value of correction</b>	<b>Nature of correction</b>	<b>Reason for correction</b>
<b>Note 30 Grant Income (Credited to Taxation and Non-Specific Grant Income table) £5,744,000</b>	Reclassification – ‘Developers’ Contributions’ reduces by £5,744,000. ‘Capital Grants’ increases by £5,744,000.	Consolidation of the Cardiff Capital Region City Deal accounts credited the Council share of the grant income held at year-end to Developers’ Contributions rather than Capital Grants.
<b>Cash Flow Statement and Note 32 Notes to Cash Flow Statement</b>	Some amendments to the Cashflow Statement and supporting Note 32.	Cash Flow Statement and supporting Note were not consistent with other disclosures within the financial statements.
<b>Various narrative amendments throughout the accounts</b>	A number of amendments to narratives and notes to the financial statements have been made to provide additional clarity, correct transposition errors, cross referencing etc.	To ensure correct narrative disclosures and cross references within the body of the financial statements.
<b>Group Accounts - Note 4 Leasing – Finance Leasing table £1,330,000</b>	Disclosure relating to Vehicles, Plant, Furniture and Equipment overstated by £1,330,000.	Error in extracting information from subsidiary accounts.

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WALES AUDIT OFFICE  
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru  
Auditor General for Wales

# Audit of Financial Statements Report – **Cardiff Harbour Authority**

Audit year: 2017-18

Date issued: September 2018

Document reference:

This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000.

The section 45 code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties. In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at

[infoofficer@audit.wales](mailto:infoofficer@audit.wales).

We welcome correspondence and telephone calls in Welsh and English. Corresponding in Welsh will not lead to delay. Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg. Ni fydd gohebu yn Gymraeg yn arwain at oedi.

# Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

## Summary report

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Appendix 3 – summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance	13

# Summary report

## Introduction

- 1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff Harbour Authority (the Authority) at 31 March 2017-18 and its income and expenditure for the year then ended.
- 2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.
- 3 The quantitative level at which we judge such misstatements to be material for Cardiff Harbour Authority is £183,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity
- 4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
- 5 This report sets out for consideration the matters arising from the audit of the financial statements of the Authority, for 2017-18, that require reporting under ISA 260.

## Status of the audit

- 6 We received the draft financial statements for the year ended 31 March 2017-18 on 15 June 2018 in line with our agreed deadline and have now substantially completed the audit work.
- 7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

## Proposed audit report

- 8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in [Appendix 1](#).
- 9 The proposed audit report is set out in [Appendix 2](#)

## Significant issues arising from the audit

### Uncorrected misstatements

- 10 There are no misstatements identified in the financial statements, which remain uncorrected.

### Corrected misstatements

- 11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in [Appendix 3](#).

### Other significant issues arising from the audit

- 12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received most of the required information in a timely and helpful manner and were not restricted in our work. However, we experienced delays in receiving supporting documentation for our expenditure and creditor testing due to the fact that a number of invoices requested could not be located. In addition, although we were provided with a manual working paper file which was helpful, there are opportunities to improve the co-ordination of the information provided in respect of Plant, Property and Equipment transactions and disclosures.

We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process and we will also look to issue a separate audit deliverables document prior to the final audit commencing which will identify specific working paper requirements.

- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**

- **We did not identify any material weaknesses in your internal controls that we have not reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

## Independence and objectivity

- 13 As part of the finalisation process, we are required to provide you with representations concerning our independence.
- 14 We have complied with ethical standards and in our professional judgment, we are independent, and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Cardiff Harbour Authority that we consider to bear on our objectivity and independence.

# Appendix 1

## Final letter of representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

27 September 2018

## Representations regarding the 2017-18 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018, for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

## Management representations

### Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements and [insert relevant code]; in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Cardiff Harbour Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working / collaborative arrangements that would impact on the financial statements.

### Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions.



## Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on 27 September 2018.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Officer who signs on behalf of management

Date: 27 September 2018

Signed by:

Officer or Member who signs on behalf of those charged with governance

Date: 27 September 2018

# Appendix 2

## Proposed audit report of the Auditor General to the those charged with governance of Cardiff Harbour Authority

## The independent auditor's report of the Auditor General for Wales to the members of Cardiff Harbour Authority

### Report on the audit of the financial statements

#### Opinion

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2018 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18 based on International Financial Reporting Standards (IFRSs).

In my opinion the financial statements:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2018 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and the Code of Practice on Local Authority Accounting in the United Kingdom.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of Cardiff Harbour Authority and in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the responsible financial officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The responsible financial officer is responsible for the other information in the Foreword to the accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated later in my report, I do not express any form of assurance conclusion thereon.

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

## Report on other requirements

### Opinion on other matters

In my opinion, based on the work undertaken in the course of my audit, the information contained in the Foreword is consistent with the accounting statements and related notes

### Matters on which I report by exception

In the light of the knowledge and understanding of the Council and Cardiff Harbour Authority obtained in the course of the audit, I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

## Certificate of completion of audit

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

## Responsibilities

### Responsibilities of the responsible financial officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the responsible financial officer is responsible for the preparation of the statement of accounts, which give a true and fair view, and for such internal control as the responsible financial officer determines is necessary to enable the preparation of statements of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the statement of accounts, the responsible financial officer is responsible for assessing Cardiff Harbour Authority's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

Anthony J Barrett  
For and on behalf of the Auditor General for Wales  
September 2018

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

### Exhibit 1: summary of corrections made to the draft financial statements

Note Number and Value of correction	Nature of correction	Reason for correction
<b>Comprehensive Income &amp; Expenditure Statement</b> £112,000	Capital Grants Applied overstated/Fees and Charges understated.	Figures from the ledger were transposed.
<b>Note 1 and Balance Sheet</b> £186,000	Cash understated/General Reserve understated.	Reserves not updated for final adjustments.
<b>Note 5 - Creditors</b> £19,000	Creditors' Central Government Bodies understated/Trade Payables overstated.	Testing of creditors identified amounts due to Welsh Government classified as Trade Payables.

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**Reference:** 2018.amh.cphaletter

**Date issued:** 20 September 2018

Dear Committee Members

## Cardiff Port Health Authority Annual Return for the year ended 31 March 2018

The Auditor is responsible for providing an opinion:

- on whether the information contained in the Joint Committee's Annual Return for the year ended 31 March 2018 is in accordance with the Auditor General for Wales' requirements; and
- if any matters have come to the Auditor's attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

We received the draft Annual Return for the financial year ended 31 March 2018 in line with the agreed deadline, and have now completed our audit work. We are reporting to you the issues arising from our work.

### Audit certificate and opinion

It is our intention to issue an unqualified certificate and report for the year ended 31 March 2018 and there are no matters in respect of the opinion which we wish to draw to your attention.

### Qualification issues

There are no qualification issues to report.

### Misstatements in the Statement of Accounts

There were no misstatements found in Section 1: the Statement of Accounts.

Page 1 of 2 - Cardiff Port Health Authority Annual Return for the year ended 31 March 2018 - please contact us in Welsh or English / cysylltwch â ni'n Gymraeg neu'n Saesneg.

**Other matters not affecting our opinion**

There are no other issues outside the scope of our opinion that we wish to draw the attention of the Cardiff Port Health Authority.

Yours sincerely



PP

Ann-Marie Harkin

Engagement Director



# The County Council of the City and County of Cardiff

## Summary Statement of Accounts 2017/18

### Income and Expenditure

The Income & Expenditure Account below presents the cost of running Council Services for the 2017/18 financial year. It also shows where the money came from to finance these costs.

#### Council Tax:

Council Tax is collected by the Council and includes precepts for the police and community councils where applicable. These precepts are then passed onto the relevant bodies.

<b>Band D Council Tax</b>	<b>£</b>
Cardiff Council	1,099.52
Police & Crime Commissioner for South Wales	218.24
<b>Total</b>	<b>1,317.76</b>
<b>Net Proceeds from Council Tax</b>	<b>£000</b>
Council Tax Collectible	(191,095)
Provision for Non-Payment	2,070
<b>Total Council Tax Income</b>	<b>(189,025)</b>

Total Council Tax income funds just over a quarter of the Council's net expenditure.	At the end of March 2018 the provision for bad debt relating to council tax was £7m.	The council tax collection rate for 2017/18 was 97.7%.
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#### Non-Domestic Rates:

Non-Domestic Rates (NDR) are taxes levied based on the value of buildings used in business or for non-domestic purposes. The rates are set by the Welsh Government but collected by the Council. The funds are collected in one pool and redistributed to Councils on the basis of adult population.

	<b>£000</b>
Non-Domestic Rates Collectible	184,953
Cost of Collection Allowance	(893)
Provision for Non-Payment of NDR	(1,459)
<b>Payment into National Pool</b>	<b>182,601</b>
<b>Redistribution from National pool</b>	<b>(115,480)</b>

The Welsh Government 2017/18 NDR rate is 49.9p per pound of the business' rateable value.	The net NDR collected by Cardiff for 17/18 totalled £183m. Cardiff received £115m after Redistribution.	The majority – 53% of total funding for the year 2017/18 is received through Grant from the Welsh Government.
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Income and Expenditure	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
City Operations	99,912	(45,371)	<b>54,541</b>
Communities, Housing & Customer Services	239,651	(191,395)	<b>48,256</b>
Corporate Management	13,455	(3,164)	<b>10,291</b>
Economic Development	85,033	(48,519)	<b>36,514</b>
Education & Lifelong Learning	385,757	(100,473)	<b>285,284</b>
Governance & Legal Services	8,911	(1,896)	<b>7,015</b>
Harbour Authority	9,134	(6,484)	<b>2,650</b>
Housing Revenue Account	53,836	(72,896)	<b>(19,060)</b>
Resources	29,681	(8,287)	<b>21,394</b>
Social Services	189,194	(31,610)	<b>157,584</b>
Summary Revenue Account	2,701	(5,813)	<b>(3,112)</b>
<b>Net Cost of Services</b>	<b>1,117,265</b>	<b>(515,908)</b>	<b>601,357</b>
Police & Crime Commissioner Precept	31,216	0	<b>31,216</b>
Community Council Precepts	310	0	<b>310</b>
Levies & Contributions	17,115	0	<b>17,115</b>
(Gain)/loss on sale of fixed assets	29,135	(27,146)	<b>1,989</b>
<b>Other Operating Expenditure</b>	<b>77,776</b>	<b>(27,146)</b>	<b>50,630</b>
Interest Payable on debt	31,781	0	<b>31,781</b>
Pensions Interest Cost	14,690	0	<b>14,690</b>
Interest & Investment Income	0	(700)	<b>(700)</b>
Change in fair value of Investment Properties	2,502	(38)	<b>2,464</b>
<b>Financing /Investment Income &amp; Expenditure</b>	<b>48,973</b>	<b>(738)</b>	<b>48,235</b>
Recognised Capital Grants & Contributions	0	(50,734)	<b>(50,734)</b>
Revenue Support Grant	0	(312,736)	<b>(312,736)</b>
Non-Domestic Rates	0	(115,480)	<b>(115,480)</b>
Council Tax Income	2,070	(191,095)	<b>(189,025)</b>
<b>Taxation &amp; Non-Specific Grant Income</b>	<b>2,070</b>	<b>(670,045)</b>	<b>(667,975)</b>
<b>(Surplus) on Provision of Services</b>			<b>32,247</b>
Revaluation Gains			<b>(2,262)</b>
Revaluation Losses			<b>2,128</b>
Impairment losses on non-current assets charged to the Revaluation Reserve			<b>361</b>
Deficit on revaluation of available for sale financial assets			<b>(305)</b>
Actuarial (gains)/losses on pension assets/liabilities			<b>33,581</b>
<b>Other Comprehensive Income &amp; Expenditure</b>			<b>33,503</b>
<b>Total Comprehensive Income &amp; Expenditure</b>			<b>65,750</b>

Balance Sheet	31 March 2018	£000	£000
Property Plant & Equipment		1,711,579	
Heritage & Intangible Assets		56,800	
Investment Property		103,820	
Long-term Investments		13,996	
Long-term Debtors		8,087	
<b>Total Long Term Assets</b>			<b>1,894,282</b>

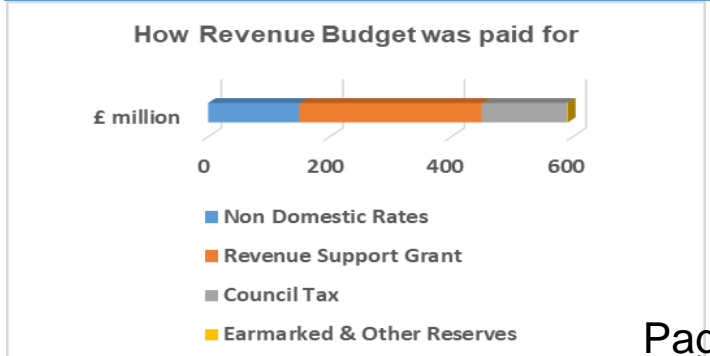
Short-term Investments	34,033	
Held for Sale Assets	6,375	
Inventories	2,129	
Short-term Debtors	86,927	
Cash and Cash Equivalents	54,057	
<b>Total Current Assets</b>		<b>183,521</b>

Short Term Borrowing	(13,440)	
Short Term Creditors	(87,928)	
Pension Strain	(1,884)	
Provisions	(5,005)	
Deferred Liabilities	(3,195)	
<b>Total Current Liabilities</b>		<b>(111,452)</b>

Long Term Borrowing	(688,713)	
Provisions	(24,412)	
Deferred Liabilities	(12,006)	
Capital Contributions Receipts in Advance	(9,961)	
Revenue Grants Receipts in Advance	(6,484)	
Capital Grants Receipts in Advance	(412)	
Pensions Strain	(2,794)	
Net Pensions Liability	(643,282)	
<b>Total Long Term Liabilities</b>		<b>(1,388,064)</b>
<b>NET ASSETS</b>		<b>578,287</b>

Financed by:	
Council Fund Balance	14,255
Council Fund Earmarked Reserves	61,843
Housing Revenue Account Balance	8,983
HRA Earmarked Reserves	3,223
Capital Receipts Reserve	21,320
<b>Usable Reserves</b>	<b>109,624</b>

Revaluation Reserve	255,582
Capital Adjustment Account	852,323
Deferred Capital Receipts	4,511
Available for Sale Financial Instruments Reserve	13,540
Pensions Reserve	(647,960)
Accumulated Absences Adjustment	(9,333)
<b>Unusable Reserves</b>	<b>468,663</b>
<b>TOTAL RESERVES</b>	<b>578,287</b>



Movement on Council Fund Balance	£000
<b>Balance at the end of the previous year</b>	<b>14,255</b>
Surplus or (deficit) on the provision of Services (exc. Housing Revenue Account)	(53,869)
Adjustments between accounting basis & funding basis under regulations	56,321
Transfers to/(from) Earmarked Reserves	(2,452)
<b>Increase/(Decrease) in 2017/18</b>	<b>0</b>
<b>Balance at the end of the current year</b>	<b>14,255</b>

<b>The Council Fund Balance of £14.255m represents accumulated surpluses retained by Cardiff Council.</b>	<b>Earmarked Reserves for 17/18 totalled £65.066m, including £11.660m of Schools Reserves.</b>	<b>Earmarked Reserves are sums of money put aside for specific uses. A detailed list can be found in the full Statement of Accounts.</b>
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Housing Revenue Account (HRA)	£000
<b>Income</b>	
Dwelling rents	(66,105)
Non-dwelling rents	(80)
Charges for services and facilities	(6,711)
<b>Total Income</b>	<b>(72,896)</b>

<b>Expenditure</b>	
Repairs and maintenance	20,697
Supervision and management	22,078
Rents, rates, taxes and other charges	96
Provision for bad and doubtful debts	701
Depreciation, impairment and revaluation of non-current assets	10,164
Sums directed by the Welsh Government that are expenditure in accordance with the Code	55
Debt management costs	45
<b>Total Expenditure</b>	<b>53,836</b>

<b>Net Cost for HRA Services</b>	<b>(19,060)</b>
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<b>HRA share of the operating income and expenditure</b>	
(Gain)/loss on sale of HRA non-current assets	(2,485)
Interest payable and similar charges	11,779
Changes in fair value of investment properties	0
Interest and Investment income	(1)
Capital grants and contributions applied	(11,855)
<b>(Surplus) for year on HRA services</b>	<b>(21,622)</b>

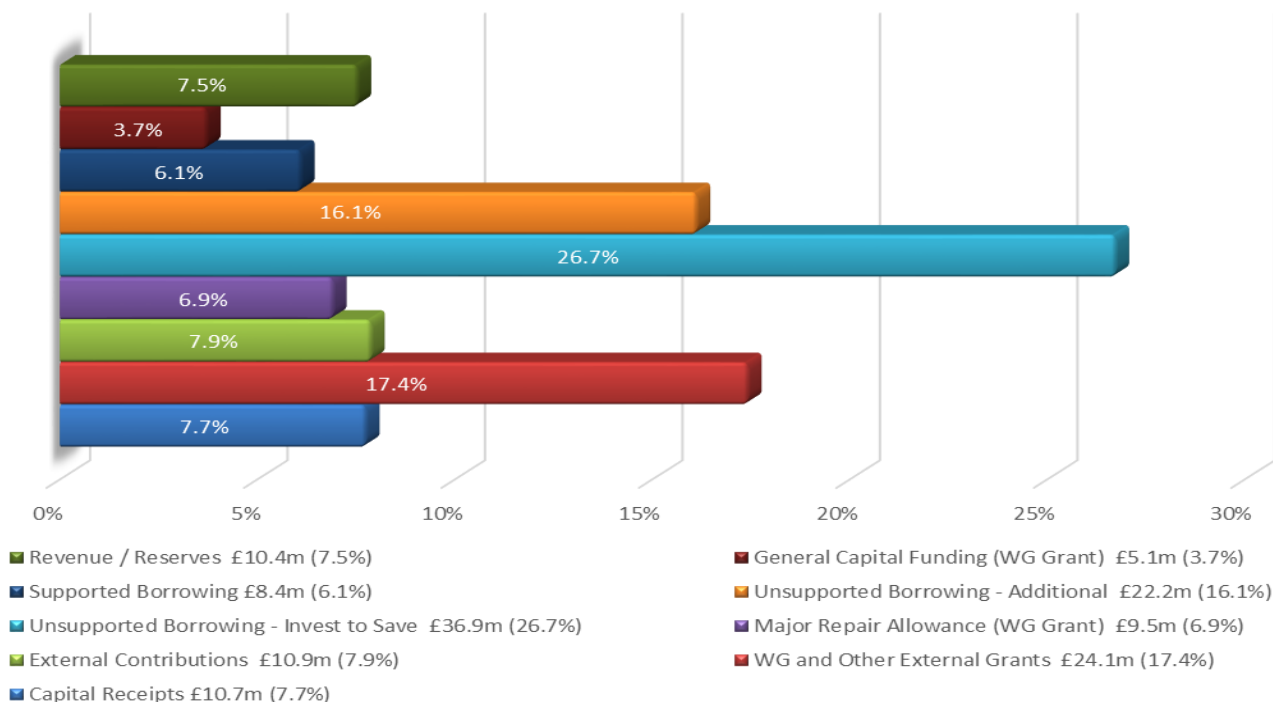
<b>Balance on HRA at end of previous year</b>	<b>(8,438)</b>
(Surplus) for year on HRA services	(21,622)
Adjustments between accounting basis and funding basis under regulations and reserves	21,940
Transfers to/(from) Reserves	(863)
<b>Net increase in the year on the HRA</b>	<b>(545)</b>
<b>Balance on HRA at end of current year</b>	<b>(8,983)</b>

## Capital Expenditure:

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 £138.265 million, with the main items of expenditure described in the table below:

		£m
<b>Housing, Neighbourhood Regeneration &amp; Hubs</b>	Disabled adaptation grants, allowing people to live independently in their homes; environmental and shop front improvements; a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn; opening of hubs in Llanishen, Llandaff North and Llanedeyrn.	10.9
<b>Education &amp; Lifelong Learning</b>	Completion of the new Eastern Community Campus; start of construction of a new high school in the West, three new primary schools and extensions of facilities at a number of schools; investment in the condition of school buildings to address electrical and other safety compliance works.	57.9
<b>Highways &amp; Transportation</b>	Road and footpath reconstruction and resurfacing; LED street lighting energy efficiency, Greener Grangetown rainwater management scheme; public transport and road safety improvements; cycling strategy implementation and cycle new hire scheme; investment in safe routes in communities.	16.2
<b>Leisure Facilities &amp; Parks</b>	Investment in leisure sites retained by the Council as well as sites operated by external partner; parks play equipment replacement and infrastructure improvements.	3.8
<b>City Development &amp; Major Projects</b>	Public realm improvements at Central Square and pre development costs towards central square and new transport interchange; Alexandra Head events area infrastructure.	11.5
<b>City Deal</b>	Contribution towards first project of Cardiff Capital Region City Deal – Semiconductor facility. This is part of the Council commitment of £28.4 million towards the £120 million Investment Fund.	5.7
<b>Other</b>	Modernising ICT to improve business process; Energy efficiency measures in Council buildings; harbour asset renewal; completion of new Lamby Way Household Waste Recycling Centre; day centre improvements; new facilities to support service delivery for children.	7.3
<b>Public Housing</b>	Investment and improvement of current housing stock and the creation of new housing through the delivery of the Cardiff Living Programme.	24.8

## Funding of Capital Expenditure



## Treasury Management:

The Council follows the CIPFA Treasury Management Code of Practice. At 31 March 2018, investments of £59m are deposited for various maturities with Financial Institutions and borrowing totals £693.3 million.

### Borrowing 31 March 2018

	<b>Principal (£m)</b>
Public Works Loan Board	631.8
Market and Other	61.5
<b>Total Fixed Debt</b>	<b>693.3</b>

The information contained in this summary is from the 2017/18 Statement of Accounts of Cardiff Council. The Accounts are available on the Cardiff Council website [www.cardiff.gov.uk](http://www.cardiff.gov.uk).

Annexes B & C to this Appendix are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

**Cardiff Council**  
**Treasury Management Annual Report 2017/18**



## **Introduction**

1. Treasury management activities are the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. The Council carries out its treasury management activities in accordance with a code developed for public services and updated in 2017 by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. On 25<sup>th</sup> February 2010, Council approved policies and adopted the four clauses of the treasury management code which are replicated in **Annexe A** for information. Council received a report in February 2017 on the Council's Treasury Management Strategy for 2017/18 and a mid-year review in November 2017.
4. This report provides members with an annual report for the Council's Treasury Management activities for 2017/18. It covers:-
  - the economic background to treasury activities
  - treasury investment strategy and outturn for 2017/18
  - borrowing strategy and outturn for 2017/18
  - debt rescheduling
  - compliance with treasury limits and prudential indicators
  - treasury management issues for 2018/19
5. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and practices to be undertaken by the Council's Audit Committee. A number of reports were submitted to the Committee to note and review during the year, with each committee receiving a report on the position and performance of treasury investments and borrowing. Member training has also been undertaken to support Members' scrutiny role.

## **Economic Background**

Growth at the start of the year remained weak as a result of inflation caused by increases in the cost of imported goods feeding through into prices and consequently impacting on consumer disposable income. Market speculation about the timing of increases in UK base rate continued during the year given the series of increases in the United States. The Monetary Policy Committee (MPC) increased bank rate from 0.25% to 0.50% in November 2017 and the Bank of England ended the term funding scheme in February 2018 which had been a cheap source of funds to Banks.

The increase in base rate resulted in increases in investment deposit rates primarily for longer periods. The increase in base rate has also increased shorter term borrowing rates, however longer term rates, whilst volatile, ended the year where they started.

## Investments and Outturn

6. The Council's treasury investments include those arising from its own temporary cash balances as well as balances held from activities of Joint Committees for which it is the accountable body.
7. The management of the day-to-day cash requirements of the Council is undertaken in-house with credit advice from Link Asset Services, the Council's Treasury Management advisors. This may involve temporary borrowing pending receipt of income/long-term funds or the temporary lending of surplus funds. These fluctuate daily and arise from a number of sources including differences in timing of revenue and capital cash flows, reserves, provisions and other balances held for future use.
8. The Council invests with institutions listed on the Council's approved lending list and in accordance with investment guidelines established by the Welsh Government as reflected in the Council's investment strategy. Lending to these institutions is subject to the time and size limits laid down on that list. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Section 151 Officer under delegated powers and are monitored closely in conjunction with the Council's treasury advisors.
9. From January 2018, the Council was required to comply with the Markets and Financial Instruments Directive II (MIFID II). Under these regulations, which govern the relationship between the Council and financial institutions we lend to and borrow from, the Council elected for 'professional' status. Whilst this increased administration, this had little impact on the Council.
10. An extract from the investment strategy approved by Council in February 2017 is shown below.

*Given the likelihood of internal borrowing and the interest rate forecasts identified above, longer-term investments above one year will be unlikely. The Debt Management Agency Deposit Facility will be used only as a last resort.*

11. At 31 March 2018, investments stood at £59.1 million, with a short term investment strategy employed for most of the year. The Council's choice of investments maintained an approach of security where the amount invested is that repayable. **Annexe B** shows with whom these investments were held.
12. A selection of performance indicators and benchmarking charts in relation to investments is included in **Annexe C**. The main areas to highlight at 31 March 2018 are as follows:-
  - Counterparty exposure against the maximum allowed directly with an organisation. This shows that at 31 March 2018 no exposure limits set were breached. This was also the case during the course of the year.
  - Investments held with different institutions as a percentage of the total shows that investments are diversified over a number of organisations and this was a strategy applied where possible during the course of the year.

- The geographic spread of investments as determined by the country of origin of relevant organisations. All investments are in sterling and countries are rated AA and above as per our approved criteria.

- Using historic data adjusted for current financial market conditions, the probability of any default is low at circa 0.01% of the investments outstanding, £5,905.
- All investments held at 31 March 2018 are deemed recoverable. Accordingly, no impairment losses are reflected in the Council's 2017/18 Statement of Accounts arising from the Council's treasury management activities.
- The overall level of interest receivable from treasury investments totalled £366,000 in 2017/18. The average returns achieved compared to industry benchmarks are shown in the table below.

	Return on Investment 2016/17		Return on Investment 2017/18	
	Benchmark 7day / 3month (%)	Achieved (%)	Benchmark 7day / 3month (%)	Achieved (%)
In-house	0.20/ 0.32	0.62	0.22/ 0.29	0.44

- The benchmarks are the average of the 7 day London Interbank Bid Rate (LIBID) and 3 month LIBID respectively. These represent the average rate during the course of the year for investments for those periods. Performance exceeded benchmarks, due to availability of notice accounts offering higher deposit rates and undertaking longer term deposits where appropriate.

### **Borrowing and Outturn**

- Long term borrowing is undertaken to finance the Council's capital programme. The main sources of borrowing are currently the Public Works Loan Board (PWLB) and the Money Markets.
- At 31 March 2018, the Council had £693 million of external borrowing. This was predominantly fixed interest rate borrowing payable on maturity.

31 March 2017			31 March 2018	
£m	Rate (%)		£m	Rate (%)
617.2		Public Works Loan Board	631.8	
51.0		Market (Lender Option Borrower Option)	51.0	
3.0		Welsh Government	4.6	
2.8		Other	5.9	
<b>674.0</b>	<b>4.74</b>	<b>Total External Debt</b>	<b>693.3</b>	<b>4.64</b>



19. Total interest payable on external debt during 2017/18 was £31.8 million of which £11.8 million was payable by the Housing Revenue Account (HRA). In total £35.4 million was set aside from General Fund and HRA revenue budgets in line with the Councils approved policy on provision for debt repayment.
20. Extracts from the borrowing strategy approved by Council in February 2017 are shown below.

*The Council will aim to manage its debt portfolio on a long-term basis with a high regard to the effects on current and future Council Tax and Rent Payers.*

*The Council's Borrowing Strategy for 2017/18 and the capital financing revenue budgets included in the MTFP will consider all options to meet the long-term aims of:*

- *Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.*
- *Pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities.*
- *Reduction over time in the average rate of interest on overall Council borrowing*
- *Ensuring any refinancing risk is manageable each financial year, using opportunities to re-profile borrowing where cost effective to do so both in the short and long term.*
- *Ensuring borrowing plans are aligned to known capital expenditure spending plans, the useful life of assets created, financial reserve levels and consistent with the prudent provision for the repayment of any such expenditure paid for by borrowing.*

*External verses internal borrowing*

*Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry), it makes financial sense to use any internal cash balances held in the short-term to pay for capital expenditure and minimise costs (Internal Borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future and so this position is kept under continuous review.*

*The forecast level of internal borrowing at 31 March 2018 in relation to the CFR is deemed manageable. However, based on the current forecasts of future capital expenditure plans and high level analysis of the sustainability of internal borrowing from the Council's balance sheet position for future years, external borrowing will be required to be undertaken in the medium term.*

21. During 2017/18 borrowing of £25.0 million was undertaken. This comprised borrowing of £20 million from PWLB at an average rate of 2.38% and average maturity of 41 years,

also £5.0 million of interest free loans from Welsh Government and Salix for specific capital schemes. Together with the natural maturity of £5.7 million of primarily PWLB loans, the overall effect of new borrowing during the year was to reduce the average rate on the Council's borrowing to 4.64% at 31 March 2018.

22. As part of its loan portfolio, the Council has 6 Lender Option Borrower Option (LOBO) loans totalling £51 million. These are where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan. Apart from the option to increase rates these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.
23. Interest rates on the LOBO's held range between 3.81% and 4.35% which are not unreasonable and are below the Council's average rate of interest payable. Details of the loans are shown in the table below.
24. None of the LOBO's had to be repaid during 2017/18. £24 million of the LOBO loans are subject to the lender having the right to change the rate of interest payable during the next financial year. The Council has the right to refuse the change, triggering early repayment and the need to re-finance. This is a manageable refinancing risk as LOBO's form a relatively low proportion of the Council's overall borrowing at 7.36%.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.28%	21/05/2018	6 months	21/11/2041
6	4.35%	21/05/2018	6 months	21/11/2041
6	4.06%	21/05/2018	6 months	23/05/2067
6	4.08%	01/09/2018	6 months	23/05/2067
22	3.81%	21/11/2020	5 years	23/11/2065
5	4.10%	15/01/2023	5 years	17/01/2078

25. In accordance with the strategy, the Council has been undertaking internal borrowing which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. This is confirmed by a comparison of the Council's external level of debt and Capital Financing Requirement at 31 March 2018 as shown later in this report.

### **Debt Rescheduling**

26. No debt rescheduling or early repayment of debt was undertaken during 2017/18. The main obstacle remains the level of premium (penalty) that would be chargeable on early repayment by the PWLB. The premium payable on the balance of PWLB loans at 31 March 2018, which are eligible for early repayment (£421 million) is £345 million. This premium is payable primarily because:-

- Interest rates on loans of equivalent maturities compared to those held are currently lower

- A penalty rate or lower early repayment rate was introduced by HM Treasury in November 2007, which increased the cost of premiums and reduced flexibility of Local Authorities to make savings. This has been a significant thorn in the ability of local authorities to manage debt more effectively.

27. Whilst the cost of Premiums can be spread over future years, options for restructuring that have been considered previously, but result in an adverse Net Present Value (NPV). Whilst there may have been short terms savings, these were outweighed by potentially longer term costs and not deemed cost effective.

### **Compliance with treasury limits and prudential indicators**

28. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the annual Treasury Management Strategy. The actual outturn for 2017/18 Prudential Indicators is shown in the following paragraphs and compared to the original estimates contained in the 2017/18 Budget Report. Future year's figures are taken from the Budget Report for 2018/19 and will be updated in the Budget Report for 2019/20.

### **Capital Expenditure**

29. The "Prudential Code" requires the Council to estimate the capital expenditure that it plans to incur over the Medium Term. The actual capital expenditure incurred in 2017/18 and reported in the Outturn Report to Cabinet in July 2018 and estimates of capital expenditure for the current and future years as set out in the Budget Report of February 2018 are as follows:-

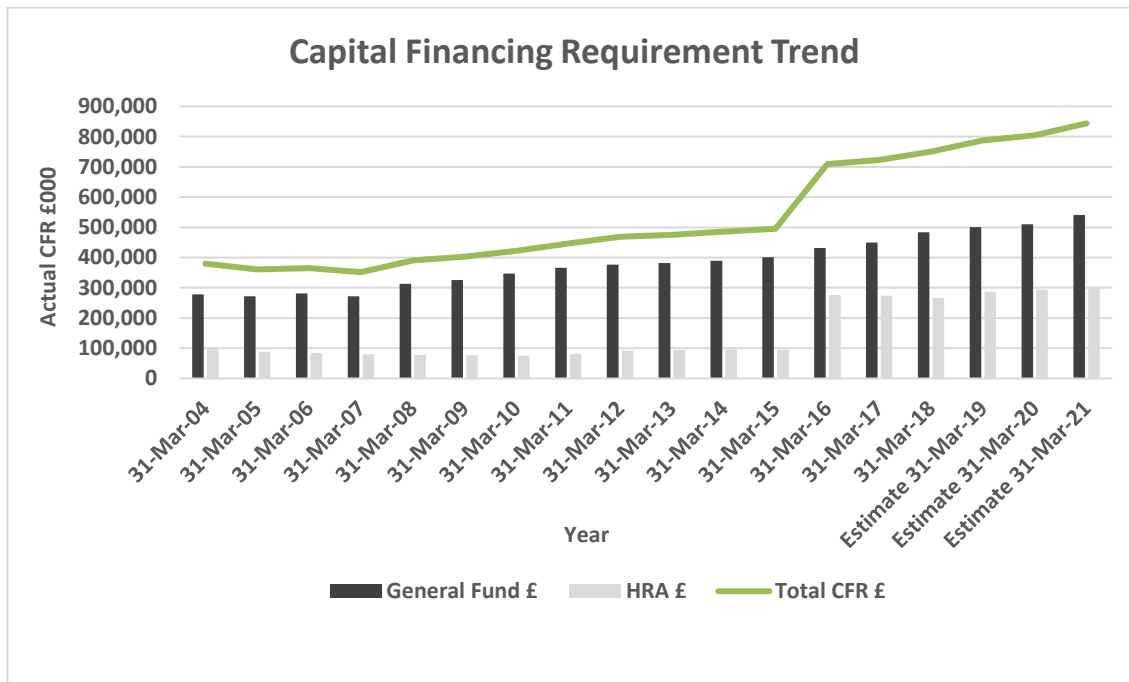
<b>Capital Expenditure</b>					
	<b>2017/18 Actual</b>	<b>2017/18 Original Estimate</b>	<b>2018/19 Estimate Month 4</b>	<b>2019/20 Estimate</b>	<b>2020/21 Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	113	113	106	96	131
HRA	25	30	43	30	39
<b>Total</b>	<b>138</b>	<b>143</b>	<b>149</b>	<b>126</b>	<b>170</b>

### **Capital Financing Requirement (CFR) – The Borrowing Requirement (Excluding Landfill Provision)**

30. Where capital expenditure has been incurred without a resource to pay for it immediately e.g. via capital receipts, grants or other contributions, this will increase what is termed the Council's Capital Financing Requirement (CFR) or its need to undertake borrowing. The Council is required to make an annual prudent provision for the repayment of historic capital expenditure from its revenue budget and set at a level that considers previous and future borrowing commitments as well as the period over which the benefits of capital expenditure are expected. This reduces the CFR. Calculation of the CFR is summarised in the following table and results in the need to borrow money.

	<i>Opening Capital Financing Requirement (CFR)</i>
+	Capital expenditure incurred in year
-	Grants, contributions, reserves and receipts used to pay for capital expenditure
-	Prudent Minimum Revenue Provision & Voluntary Repayment
=	<i>Closing Capital Financing Requirement (CFR)</i>

The historic trend in the CFR is shown below, with the increase in 2015/16 reflecting the Housing Revenue Account subsidy buyout as reported previously.



31. The CFR as at 01 April 2017 was £724 million. The actual CFR as at 31 March 2018, estimates for current and future years (estimated in the February 2018 budget) are shown in the table below and exclude non cash backed provisions in relation to Landfill after care provision:-

<b>Capital Financing Requirement (Excludes landfill provision)</b>					
	<b>31.03.2018</b>	<b>31.03.2018</b>	<b>31.03.2019</b>	<b>31.03.2020</b>	<b>31.03.2021</b>
	<b>Actual</b>	<b>Original</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
	<b>£m</b>	<b>Estimate</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General Fund	484	476	500	510	541
HRA	267	282	287	294	303
<b>Total CFR</b>	<b>751</b>	<b>758</b>	<b>787</b>	<b>804</b>	<b>844</b>
<b>External Debt</b>	<b>693</b>				
<b>Over / (Under) Borrowing</b>	<b>(58)</b>				

32. By comparing the CFR at 31 March 2018 (£751 million) and the level of external debt at the same point in time (£693 million), it can be seen that the Council is temporarily using circa £58 million of internal cash balances to finance the Capital Programme at 31 March 2018 (£50 million at 31 March 2017).
33. As set out in the February 2018 Budget Report, the CFR is forecast to increase over the next three years due to additional borrowing for investment in existing assets, new housing, 21<sup>st</sup> century schools and invest to save schemes. Forecasts will be updated in the 2019/20 Budget Report.
34. The Housing Revenue Account CFR at 31 March 2018 is £267 million. As part of the Housing Finance Reform voluntary agreement with Welsh Government and HM Treasury in 2015/16, a debt cap of £316 million is in place.

#### Actual External Debt

35. The Code requires the Council to indicate its actual external debt at 31 March 2018 for information purposes. This was £693 million as shown in the earlier paragraphs.

#### Affordable Borrowing Limit

36. The Council has a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations to determine and keep under review how much it can afford to borrow and to enter into credit arrangements (the "Affordable Borrowing Limit"). This cannot be breached without Council approval. Council must have regard to the Prudential Code when setting this limit which is intended to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax/rent levels is affordable.
37. During 2017/18 the Council remained within the authorised limit of £776 million set for that year.

#### Operational Boundary

38. The operational boundary is the estimated level of external borrowing and is subject to the timing of borrowing decisions. The boundary was originally estimated at £758 million to match the forecast for the CFR when setting the 2017/18 budget. The actual level of external debt equalled £693 million reflecting the strategy to utilise internal borrowing in the short term.

#### Maturity Structure of Fixed Rate Borrowing

39. The maturity structure remains within the limits below approved as part of the 2017/18 strategy below. These limits are set to avoid having large amounts of debt maturing in a short space of time, thus being exposed to significant liquidity risk and interest rate risk.

	31-Mar-17		Upper limit %	31-Mar-18			
	%	£m		Loans to Maturity		Loans if LOBO's Paid Early	
				%	£m	%	£m
Under 12 months	0.9	6.0	10	0.7	4.5	4.1	28.5
12 months and within 24 months	0.6	4.0	10	0.5	3.3	0.5	3.3
24 months and within 5 years	1.5	9.9	15	1.9	12.9	5.8	39.9
5 years and within 10 years	3.6	24.2	20	5.1	35.4	5.1	35.4
10 years and within 20 years	22.6	152.2	30	22.4	155.5	22.4	155.5
20 years and within 30 years	24.5	165.0	35	23.9	166.0	22.2	154.0
30 years and within 40 years	30.9	208.7	35	30.4	210.7	30.4	210.7
40 years and within 50 years	12.9	87.0	35	14.4	100.0	9.5	66.0
50 years and within 60 years	1.8	12.0	15	0.7	5.0	0.0	0.0
60 years and within 70 years	0.7	5.0	5	0.0	0.0	0.0	0.0

40. The maturity profile of the Council's borrowing as at 31 March 2018 is also shown in a chart in **Annexe D**. Unless the Council's LOBO loans are repaid early, very little debt matures within the next 10 years. In the medium to long term, efforts will be made to restructure loans maturing in 2056/57 and to review LOBO maturities in order to reduce refinancing risk. Benchmarking undertaken during the year has demonstrated that the Council's maturity profile is not inconsistent with other local authorities where information is available.

#### Ratio of financing costs to net revenue stream

41. This indicator identifies the percentage of the net revenue stream that is subsumed each year in servicing debt. Financing costs include, interest payable on borrowing and receivable on treasury investments, prudent revenue budget provision for repayment of capital expenditure paid for by borrowing and re-imburement of borrowing costs from directorates in respect of Invest to Save schemes.
42. For the General Fund, net revenue stream is the sum of non-specific WG Grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers.

Ratio of financing costs to Net Revenue Stream					
	2017/18 Original Estimate %	2017/18 Actual %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund – Net Capital Financing Budget	5.77	5.84	5.76	5.79	5.81
General Fund – Gross Capital Financing Budget	n/a	7.47	7.53	7.69	7.95
HRA	30.53	32.63	31.53	33.58	33.10

43. Whilst the net indicator is required by the Prudential Code, it has a number of limitations:
- it does not take into account the fact that some of the Council's budget is outside of its direct control
  - it is impacted by transfers in and out of the settlement.
  - it includes investment income which is unpredictable, particularly in future years.
  - it does not reflect gross capital financing costs for schemes where additional borrowing is undertaken to be repaid from within directorate budgets. From 2018/19, this has been addressed by calculating a gross ratio. Comparators will then be available for future years.
44. Although there may be short term implications, invest to save schemes are intended to be net neutral on the capital financing budget. However there are risks that the level of income, savings or capital receipts anticipated from such schemes will not materialise and would have a detrimental long term consequence on the Revenue budget. This requires careful monitoring when considering future levels of additional borrowing.
45. Accordingly an additional local indicator is calculated for the general fund to support decision making and is shown in the table below for the period up to 2022/23. These indicators, which will be updated in the budget proposals report for 2019/20, show capital financing costs of the Council as a percentage of its controllable budget and excludes treasury investment income on temporary cash balances:-

<b>Capital Financing Costs as percentage of Controllable Budget</b>									
	2011/12	2017/18	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	Difference
	Actual	Original Estimate	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	11/12-22/23
	%	%	%	%	%	%	%	%	%
Net	13.47	14.77	14.59	13.87	14.49	15.11	16.46	16.65	23.61
Gross	15.17	19.44	18.60	18.07	19.21	20.56	23.38	24.62	62.29

46. An increasing percentage indicates that a greater proportion of the controllable budget is required for capital financing costs which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. This clearly limits the scope for additional borrowing in future years and reduces the Council's overall flexibility when making decisions on the allocation of revenue resources. The percentages take into account the significant level of savings having to be found in 2018/19 and over the medium term. Careful monitoring of these indicators will be required over the life of the Capital Programme and the Medium Term Financial Plan.

#### Principal Invested for over 364 days

47. An upper limit for principal invested over 364 days was set at £60 million and this was not breached during the year, primarily due to the strategy adopted of minimising the period for which investments were made during 2017/18.

## **Treasury Management issues for 2018/19**

48. Whilst this report is primarily backward looking in relation to Treasury Activities for 2017/18, some key issues for 2018/19 are :-

- The timing of external borrowing
- Implementing CIPFA Treasury Management Code updates into the Treasury Management Strategy and Policy for 2019/20.

The code was updated primarily as a result of increasing commercialisation activities undertaken by local authorities e.g. investment in property, shares, loans specifically for the purpose of generating a financial surplus. The Code therefore broadens the definition of investments to include treasury as well as non treasury investments and requires that all investments have an appropriate risk management framework. This includes making it explicit in any decision making:-

- the powers under which investment is made
- the governance process including arrangements in place to ensure appropriate due diligence to support decision making
- the extent to which capital invested is placed at risk
- the impact of potential losses on financial sustainability
- the methodology and criteria for assessing performance and monitoring process
- how knowledge and skills in managing such investments is arranged and that these are monitored, reported and highlighted explicitly in the decision making process and due diligence.

49. In accordance with the Council's Treasury Management Policy, Council will receive a further update on Treasury Management issues as part of the 2018/19 Mid-Year Treasury Management report in November 2018.

### **Christine Salter**

Corporate Director Resources

05 September 2018

The following Annexes are attached:-

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management

\*Annexe B – Investments at 31 March 2018

\*Annexe C – Investment charts at 31 March 2018

Annexe D – Maturity analysis of debt as at 31 March 2018

**\*Annexes B & C 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**



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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## **Annexe A – Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010**

### **Council's treasury management Policy / Activities**

1. This Council defines its treasury management activities as: the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications.
3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

### **Four Clauses of Treasury Management**

4. In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:-
  - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
  - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities
5. In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.
6. In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.
7. In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Panel due to the technical nature of the documents.

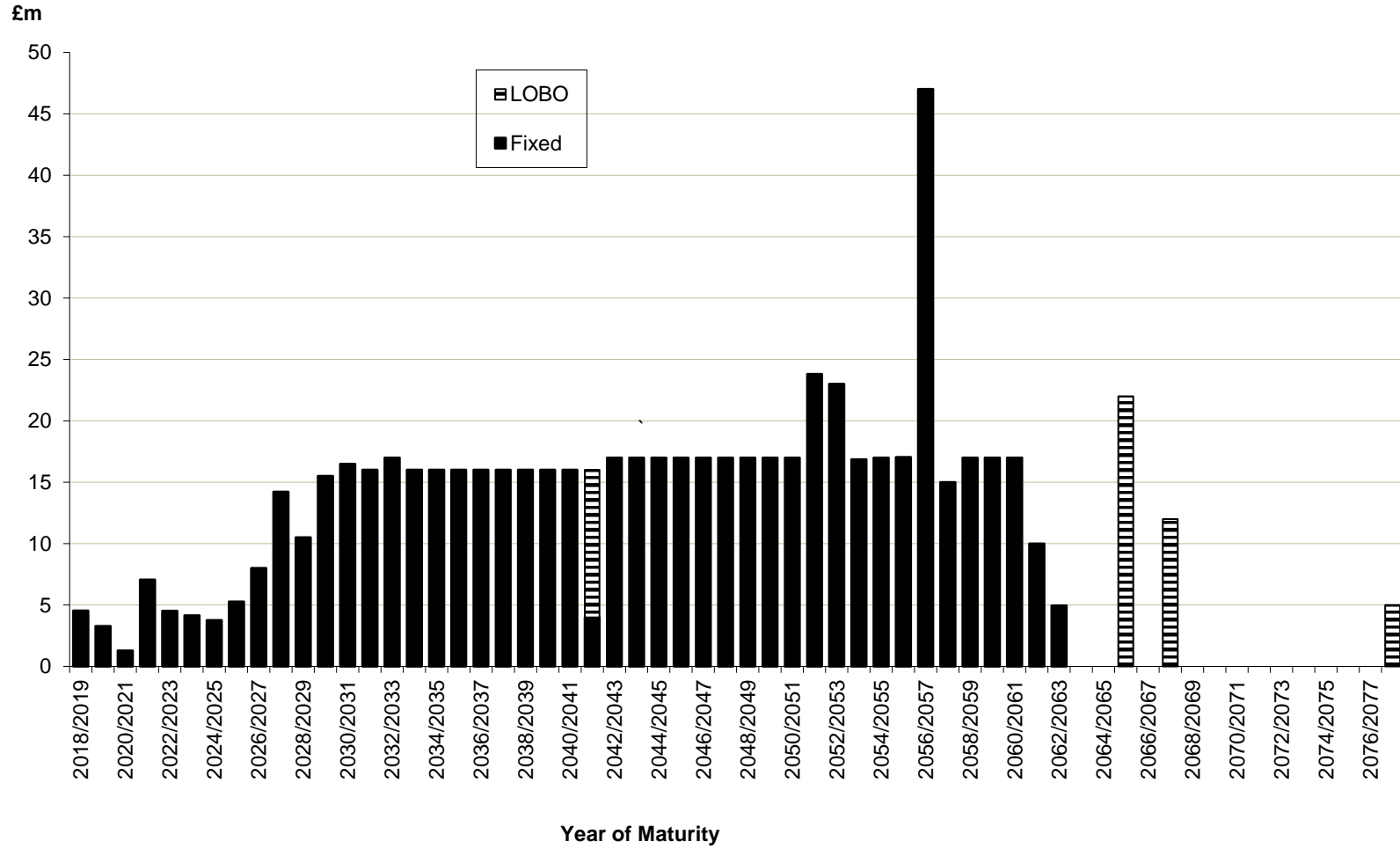
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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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## Annexe D – Maturity Profile of Debt at 31 March 2018



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**CARDIFF COUNCIL  
CYNGOR CAERDYDD****COUNCIL: 27 SEPTEMBER 2018**

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**STATEMENT OF THE LEADER**

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**All-Wales Performance 2017/18**

I am pleased that Cardiff Council is continuing to make improvements in key service areas and is the joint best performing Council in Wales when it comes to improving the services we offer. Annual performance data for all 22 local authorities in Wales in relation to Public Accountability Measures in 2017/18 was published last month by Data Wales. Cardiff was joint first in terms of areas in which performance had improved and we had the joint fewest number of indicators where performance had declined. It is also worth stressing that, for the majority of indicators, we scored higher than the Wales average.

**Visit to Doha and Bucharest**

I led a Council delegation to Qatar and Romania earlier this month in a bid to secure trade and investment deals for the city and to present a significant range of major investment opportunities in Cardiff to leading sovereign wealth funds and potential investors. This followed on from previous discussions between the Council and UK Government Trade Commissioners about the importance of leading British cities seeking out opportunities across the world for trade and inward investment deals post-Brexit. It also follows the launch in May 2018 of the direct daily service by Qatar Airways between Cardiff Airport and Hamad International Airport in Doha.

The visit to Doha in Qatar was facilitated by the UK Government and Welsh Government and included meetings with the British Ambassador to the State of Qatar and representatives from leading financial institutions, among them the Qatar International Islamic Bank, the Qatar National Bank Capital and the Qatar Investment Authority. The Council delegation was able to present a significant range of major investment opportunities in Cardiff to potential Qatari investors. Qatar Airways has also been in discussions with the Council and Welsh Government around developing a new 5-star hotel in Cardiff.

The visit to Bucharest in Romania provided an opportunity to discuss a potential investment in a new leisure facility in Cardiff Bay.

It is important that Cardiff – as the Capital City for Wales – continues to seek out new investment opportunities. We cannot allow the continued uncertainty surrounding Brexit to halt our plans for the city and the city region's future development and growth. Cardiff must continue to be an outward-looking, international city, acting as the connecting point between Wales and the world.

## **Funding for Creative Cluster**

Cardiff is one of nine creative clusters in the UK to have been awarded significant research funding by the Arts and Humanities Research Council (AHRC) as part of its £80million Creative Industries Cluster Programme. This aims to bring together world-class research talent from leading UK universities with companies and organisations from across the creative sector and I was pleased to offer the Council's full support to this endeavor early in the bidding process. The Council will continue to be a key partner in helping to deliver the project and has committed resources over five years in support of the successful bid, which was led by Cardiff University, working closely with University of South Wales, Cardiff Metropolitan University and other institutions and commercial partners, including BBC Cymru, S4C, Boom Cymru, ITV Cymru Wales and Sony UK Technology Centre.

As one of the UK's leading centres for screen production, creativity continues to be at the heart of Cardiff's regeneration agenda and this funding will provide significant investment in research and development within the screen sector in Cardiff and the wider city region. This will be transformational in growing the sector and the Council looks forward to working with the city's three universities and creative industries to support Cardiff's position at the cutting edge of screen innovation and to lead the way in developing new ways to consume digital content and stories.

## **South East Wales and South West England Regional Meeting on Cross Border Working**

I attended a meeting organised by the Secretary of State for Wales, Rt. Hon. Alun Cairns MP, and Welsh Government Cabinet Secretary for Economy & Transport, Ken Skates AM, which was held on 17<sup>th</sup> September 2018. The UK Industrial Strategy refers to 'growth corridors' and 'powerhouse regions', including the 'Western Powerhouse' region. It is anticipated that the Shared Prosperity Fund will make some funding available at this spatial level, specifically for infrastructure, international trade and investment activity. The Western region will, therefore, need to be positioned to influence the development of the UK Government's industrial policy in order to access any associated funding. This is particularly important in the context of investing in regional transport and infrastructure priorities, such as improving journey times between Cardiff and Bristol.

## **Cardiff @ MIPIM Launch Event**

I attended the launch of Cardiff @ MIPIM 2019 on 18<sup>th</sup> September 2018 to promote Cardiff's representation at next year's MIPIM event in Cannes. MIPIM is the world's leading property market event and will bring together the most influential players from international property sectors, offering unrivalled access to the world's investment and development community. It is important that Cardiff is represented and the recent event in Cardiff was an opportunity to promote the benefit of attendance to local businesses. With over 100 exhibiting countries and around 26,000 participants, MIPIM is a unique opportunity to develop new trade and investment propositions with investors from across the world. As the economic powerhouse of the South East Wales city region, and the national economy, attending MIPIM allows Cardiff to showcase the strength and ambition of the UK's

fastest growing city to developers, investors and occupiers. There are a number of packages available to businesses, each granting a delegate pass to the Palais des Festivals, access to the Cardiff promotional HQ and an invite to all events hosted by Cardiff and our sponsors.

I have always been clear that a strong relationship between the Council and the business community is a pre-condition of city success. That is why I look forward to continuing to work with businesses, with MIPIM in Cannes acting as just one in a series of ongoing collaborative arrangements between the Council and the business community.

### **Meeting with Future Generations Commissioner for Wales**

I was pleased to meet with the Future Generations Commissioner for Wales, Sophie Howe, on 18<sup>th</sup> September 2018. It was an important opportunity to outline my ambition for Cardiff – delivering inclusive and resilient growth – and how the Well-being of Future Generations Act can help us deliver this.

**Councillor Huw Thomas**  
**Leader of the Council**  
**21<sup>st</sup> September 2018**

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## **CULTURE & LEISURE STATEMENT**

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### **Flat Holm Heritage Lottery Funding**

I am delighted to advise Members that the Heritage Lottery Fund (HLF) has confirmed that the Council's funding application under the Heritage Grant Scheme has been approved for progression to Development Phase. The funding will enable the Council, in partnership with the Royal Society for the Protection of Birds (RSPB) and the Flat Holm Society, to ensure the long-term sustainability of the island through investment in infrastructure, an increase in volunteer activity and the development of educational and tourist engagement programmes. The value of the project, when taking into account other contributions from non-HLF grant sources, has the potential to reach circa £2million.

### **Cardiff Commitment**

I am also pleased that services within my portfolio continue to deliver on the Cardiff Commitment and to provide apprenticeships, traineeships, and a wide and diverse range of work experience opportunities. Working with partner organisations, the Parks, Sport, Harbour Authority & Leisure Services within the Economic Development directorate has, at the close of Quarter 2 in 2018/19, provided 44 such opportunities.

In addition to this, the Council's Leisure Services partner, GLL, has recently appointed six Leisure Apprentices on a one-year basis. The apprentices were inducted on 17<sup>th</sup> September 2018 and, in addition to gaining essential practical experience, will attain a NVQ in Customer Service and the National Pool Lifeguard Qualification.

### **Major Events**

Since the Council last met on 19<sup>th</sup> July 2018, the Council and its officers have been working hard to deliver and support a rich and diverse programme of events and attractions for our residents and visitors. These included the 2018 Adrian Flux British FIM Speedway Grand Prix, the Pride Cymru Big Weekend, the Cardiff Bay Beach, the Cardiff Harbour Festival, the 2018 Extreme Sailing Series and, of course, the National Eisteddfod returned to Cardiff with a new and innovative no-fence model that was very well received by all who attended. I am sure that Members will wish to join me in thanking all those involved in the development and delivery of an exceptional summer of varied and accessible events and activities for our residents and visitors alike.

## **Homecoming Celebration for Geraint Thomas**

Thousands attended the celebrations held in Cardiff on 9<sup>th</sup> August 2018 to welcome home Wales' cycling superstar and 2018 Tour De France winner, Geraint Thomas MBE. He is the first Welshman to win the Tour de France and only the third British cyclist to do so following previous wins by both Sir Bradley Wiggins and Chris Froome OBE. Geraint was given a hero's welcome outside the Senedd in Cardiff Bay before leading a peloton of young riders from Welsh Cycling accredited go-ride clubs up St Mary Street to the front of Cardiff Castle where he went on stage to be presented to the crowds gathered on Castle Street, which was closed for the event.

Born in Birchgrove, Cardiff and educated at Whitchurch High School, Geraint began to cycle at the age of 10 for the Maindy Flyers Cycling Club and has gone on to win three World Championships; two Olympic gold medals; and now the most prestigious cycling race in the world – the Tour de France. Cardiff is immensely proud of his historic sporting achievement and his tremendous contribution to both Welsh sport and to cycling.

## **Cardiff Story Museum**

I am sure that Members will be pleased to learn that the Cardiff Story Museum team are working closely with House of Fraser to ensure that the long history of the store, as well as the stories of those who have lived, worked and shopped there, is not lost following the announcement in June 2018 that store was earmarked for closure in 2019. The museum's manager and curator have met with the store manager to view the store's archive, furniture, objects and photographs, and to discuss plans for preserving and recording the store's heritage. The team has already held two coffee mornings with former Howells and House of Fraser employees so that they could record their stories and memories of working at the Cardiff store. We will continue to liaise with the store over the coming months as its future becomes clearer.

## **Public Space Protection Order Consultation**

The Council has the responsibility for the management and maintenance of public spaces across the city, including parks, adopted highways, sports grounds, schools and cemeteries. We are currently consulting on a proposed Public Space Protection Order (PSPO) that would introduce dog control measures in an effort to tackle anti-social behaviour in the city in relation to dogs and, specifically, dog fouling. The response to date has been good, with over 1,000 responses being submitted in the first three days of the consultation, which started on 10<sup>th</sup> September 2018 and ends on 22<sup>nd</sup> October 2018. Further details relating to the consultation are available on the Council's website at: <https://www.cardiff.gov.uk/ENG/resident/Leisure-parks-and-culture/Public-Spaces-Protection-Orders/Pages/default.aspx>

**Councillor Peter Bradbury**  
**Cabinet Member for Culture & Leisure**  
**21<sup>st</sup> September 2018**

**COUNCIL: 27 SEPTEMBER 2018**

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## **EDUCATION, EMPLOYMENT & SKILLS STATEMENT**

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### **School Results 2017/18**

The provisional results for Cardiff in 2017/18 show a broadly positive picture. Results at the end of primary school have improved from last year's figures and are consistent with the strengthening pattern of provision, as reflected in Estyn inspections and categorisation during the previous school year. The picture at the end of Foundation Phase (Year 2) reflects the changes to the Foundation Phase framework, which inhibit direct comparison with previous years.

In secondary schools, the results for the main indicators show improvement on 2016/17 when the first of the new assessment arrangements in some subjects were introduced. In the Level 2+ measure, there was a 2 percentage point improvement.

Taken together and setting these initial results against the aspirations in Cardiff 2020, there can be assurance that the collective commitment to educational improvement in the city had had significant impact. However, measured by the aspirations for all learners to succeed set out in that vision, we have much more to do.

### **School Holiday Enrichment Programme**

It was a very busy and successful summer for the School Holiday Enrichment Programme (SHEP) Partnership Team, with this year's Food and Fun being delivered in the following 14 Cardiff schools:

- Adamsdown Primary School
- Baden Powell Primary School
- Bryn Celyn Primary School
- Herbert Thompson Primary School
- Hywel Dda Primary School
- Meadowlane Primary School
- Millbank Primary School
- Ninian Park Primary School
- Pentreban Primary School
- Riverbank Primary School
- Severn Primary School
- Springwood Primary School
- St John Lloyd R.C. Primary School
- Ysgol Gymraeg Nant Caerau

Approximately 700 children attended for 12 days of the school holiday period. In some of the schools, the programme was extended this year to include Foundation Phase pupils, in addition to the Key Stage 2 pupils who have attended in previous years. New enrichment activities introduced this year included swimming, cycling

and cricket, with one school visiting Cardiff Metropolitan University as part of the First Campus programme.

The programme has been shortlisted for the Corporate and Social Responsibility Award at the Foodservice Catey Awards. The winner will be announced on 12<sup>th</sup> October 2018.

### **Investors in People Platinum Award**

Ty Gwyn School has achieved the Investors in People Platinum Award following a very detailed and intensive assessment. This is a wonderful achievement that confirms Ty Gwyn School continues to perform at the highest level.

### **Springwood Primary School**

Springwood Primary School in Llanedeyrn has been awarded with an Inclusion Quality Mark and given centre of excellence status in recognition for the work the school has done to create an inclusive school community. The school has been described as a lively, happy school, which has inclusivity at its very heart by the Director of Inclusion Quality Mark (UK) Ltd, Joe McCann.

The school is also one of only 10 schools in Britain to be given a Primary Geography Quality Mark at the gold level by the Geography Association this year. This success means that Springwood Primary joins three other schools from across Britain to achieve the Primary Geography Quality Mark on four separate occasions. The judges for this award stated that the school uses creative approaches to stimulate learning and places a high value on using real-life issues to promote understanding, and they are not afraid to take risks, innovate and challenge to achieve progress in geography.

### **Cardiff Education Convention 2018**

Cardiff's Education Development Board will be hosting a partnership convention on 23<sup>rd</sup> October 2018 at Sophia Gardens Cricket Ground, which is designed to capture perspectives on shaping a new curriculum for Wales. We are facing a once-in-a-generation opportunity to re-frame our approach to education and the curriculum and, whilst teachers and educators have a key role in this work, others too have a major stake in this enterprise. The views of employers, communities, children, young people and parents need to inform and shape its development too – Education is Everybody's Business.

Cardiff is well-placed to bring all these opinions together in one conversation. The Capital City of Wales is one of the fastest growing cities in the UK. It is also an expanding creative and cultural city with a high proportion of sector-leading industries, growing entrepreneurship, thriving arts, sports and leisure sectors, a diverse and active third sector, an improving school system, and strong further and higher education institutions.

### **Adult Community Learning**

Adult Community Learning makes a positive difference to people who have little or no qualifications by offering accredited and non-accredited courses. It supports



people to acquire new skills, achieve qualifications, progress into further learning and employment, and tackles poverty in doing so. This service is funded by the Welsh Government's Community Learning Grant. In 2017/18 825 courses were delivered with 5,624 enrolments and 2,962 individual learners attending. These were run from 63 venues across the city.

The Welsh Government is consulting on significant proposed changes to the Community Learning Grant, which would change dramatically the funding received and the way the service is delivered. This would see the current funding of just over £1 million reduced by over 50%.

The work that Adult Community Learning does is vital to support some of the most vulnerable citizens in Cardiff. A reduction in funding would result in fewer 'hook' courses, which then lead on to more in-depth training and qualifications. There would be a significant reduction in the wide range of courses offered to engage the hardest to reach or more reluctant learners; these include sessions with DICE (Disability Inclusion in Community Education) and courses carried out in hostels. It would also reduce the Into Work Advice Service's capacity to deliver short courses for qualifications that help people to become more employable or to access further training opportunities.

The Council has submitted a response to the Welsh Government's consultation, which disagrees strongly with the proposals and outlines the negative impacts that the proposals would have on some of the most vulnerable people in the city.

### **Rights Respecting Schools Gold Award**

Congratulations to Millbank Primary School and Stacey Primary School who have both achieved the Unicef Rights Respecting Schools Gold Award, the highest stage of the Rights Respecting Schools Award. They are the second and third schools in the city to attain this significant achievement. The Rights Respecting Schools Award is awarded by Unicef UK to schools that have fully embedded children's rights throughout the school in their policies, practice and ethos. Their work to attain the Gold Award contributes to the city's ambition to put children's rights at the heart of the city and our work towards achieving Unicef Child Friendly City status.

As part of the Child Friendly City programme, we have raised the profile of Rights Respecting Schools and have funded a series of training opportunities for schools across the city. We are also piloting a cluster approach in Cardiff West and Fitzalan High School with all schools in the area committing to be Rights Respecting Schools. There are currently 43 schools within Cardiff who are active within the Rights Respecting Schools programme in Cardiff. I want to wish the best of luck to all the schools working towards the award.

**Councillor Sarah Merry**  
**Cabinet Member for Education, Employment & Skills**  
**21<sup>st</sup> September 2018**

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**FINANCE, MODERNISATION & PERFORMANCE STATEMENT**

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**Cardiff Gov Mobile App**

The mobile app has been downloaded by over 2,000 residents and they have been taking advantage of using this new approach to accessing digital services. Over 400 reports of fly-tipping have been made via the App and website using new technology that has been built by our in-house teams. Expanding on the Council Tax information available via the App, the next release includes additional functionality to support sign up for e-billing and to manage Direct Debits, continuing our push to improve digital services for residents.

**Cardiff.gov.uk/Caerdydd.gov.uk Website**

Customers continue to use the website as a way of engaging with the Council, with nearly 5,000 submitted forms reaching services direct. In August 2018, there was also significant website usage as demonstrated by:

- £1.66million in 16,515 online payments
- 693,000 page views by 190,000 visitors (60% from a mobile device)
- 78.3% online requests for waste bags
- 67.4% online parking permit applications
- 62.5% online Penalty Charge Notice appeals
- 22,000 online waste collection lookups (673,000 so far this year)

The Council's online presence continues to expand with individual websites created and launched for Cardiff Dogs Home ([www.CardiffDogsHome.co.uk](http://www.CardiffDogsHome.co.uk)) and the Council's Academy ([www.CardiffCouncilAcademy.co.uk](http://www.CardiffCouncilAcademy.co.uk)).

**Social Media**

There have been substantial and impressive increases in the number of followers across the Council's social media platforms. When compared to this time last year, Facebook followers are up by 62.7%, totalling 18,365, and Twitter followers have increased by 10.3% in a year, totalling 88,294.

C2C continues to see customer habits evolving as social media is used for a wider spectrum of enquiries. For example, during August 2018, the tag 'waste\_Bulky' was used 641 times, its highest use to date. It was second in popularity only to the tag 'Competitions', which tops the figures month on month. The tag 'Consultations' was also popular, with the Ask Cardiff survey being promoted, as well as the Waste Strategy and Pathways consultations.

C2C also handled its highest ever number of webchats in a single month during August 2018, with Council Tax and parking & moving traffic offences the most popular subject types.

### **Stonewall Workplace Equality Index**

I can confirm that the Council has made its submission to the Stonewall Workplace Equality Index 2019 and we expect to see an improvement in our score when the results are announced at the beginning of next year.

### **Ask Cardiff**

'Ask Cardiff' is the Council's annual survey of citizen satisfaction with life in Cardiff and with Council services. The Ask Cardiff survey for 2018, which takes around 10-15 minutes to complete, asks questions on housing, health, employment and community safety as well as other topics. The results of the survey form a key part of the planning, delivery and monitoring of Council services. The survey also provides longitudinal data which allows us to monitor performance and opinions over time, helping the Council identify and respond to the changing needs of the population. Around 3,000 local people have already taken part and the survey remains open until 30<sup>th</sup> September 2018 at: [www.cardiff.gov.uk/haveyoursay](http://www.cardiff.gov.uk/haveyoursay) so a few days remain for residents to get involved.

**Councillor Chris Weaver**  
**Cabinet Member for Finance, Modernisation & Performance**  
**21<sup>st</sup> September 2018**

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## **HOUSING & COMMUNITIES STATEMENT**

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### **Ty Tresillian Football Team**

Two residents of the city's Ty Tresillian homeless hostel have been selected to represent Wales at the 16<sup>th</sup> annual Homeless World Cup in Mexico in November 2018. Kathryn Lewis and Tianna Tenetta, who play for the hostel's football team, have been selected for the first team and as a reserve respectively following the team's success in the Street Football Wales League.

This is an outstanding achievement for these two individuals, as well as being a great success for the Ty Tresillian football team. It is also a testament to the hard work and dedication invested by our staff and I would like to commend the founder of the football team and hostel officer, Keith Hopkins, for his creativity, commitment and drive during this project, which demonstrates the importance that diversionary activities have on service users.

Opportunities like these help to boost skills and knowledge, address isolation and reduce boredom. They also have a positive impact on an individual's well-being, confidence and self-worth, with the aim that they will go on to live independently. Kathryn and Tianna should both feel extremely proud and I wish them all the best for the tournament and their future.

### **Homeless Advocacy Programme**

Homeless Services are piloting a new advocacy service to address the number of clients who are repeatedly being evicted, abandoning placements or experiencing a placement breakdown resulting in them being passed from service to service. The Homeless Advocacy Programme feeds into existing intervention procedures with the purpose of preventing evictions and placement breakdowns by providing additional support to ensure that all options are considered in the best interest of the client. It is intended that the advocacy programme will also identify reasons and triggers for placement breakdown with the intent of avoiding this in the future.

The programme provides a platform for service users who are at threat of losing their temporary accommodation placement by working with the housing provider and client so that they can sustain their placement. The advocate will represent the views of the service user with the view of sustaining the current placement or supporting the client to move to a different support provider if the relationship cannot be repaired.

## **Rent Smart Wales**

The Welsh Government published an evaluation of Rent Smart Wales in June 2018. The report on the implementation and delivery of Rent Smart Wales to date highlighted many positive elements, but also made suggestions for improvement. These included interaction with local authority procedures, funding, resources and training. An action plan has now been developed and shared with Welsh Government officials by Rent Smart Wales.

Rent Smart Wales has also developed an online Fire Safety Continued Professional Development course in conjunction with the three Fire & Rescue Services in Wales. This was launched last month and has received positive feedback on social media.

## **St Mellons Hub**

I am pleased to report that the new St Mellons Hub opened to the public last month following a 12-month construction programme. By providing a full range of services and activities in a modern community setting, the Hub will bring huge benefits to St Mellons and surrounding areas.

The new Hub offers a wide variety of advice and information services delivered by the Council and partner organisations as well as youth service provision, Flying Start childcare, a community café, training rooms, a large community hall, multi-use rooms, and an outdoor games area. It is already proving popular with the local community and has welcomed over 7,750 customers in the first two weeks of opening. We have also received some very positive feedback on the design and layout of the building, and I'm particularly pleased that those who were involved at the consultation stage feel that the Hub meets their expectations.

The new Hub brings services in St Mellons together all under one roof, while releasing surplus sites for new affordable housing development. It is a practical example of our commitment to maintain and improve community services and to deliver them from fewer, but better, community buildings.

## **New Council Housing**

The Council's development partnership with Wates Residential continues to go from strength to strength. This partnership, known as Cardiff Living, will see around 1,500 new homes built across the city on council land, with around 600 of these being new council homes. To date, Wates are on site with 5 schemes, which alone will deliver 135 new council homes, and have a further 5 schemes with planning consent. These 10 sites will deliver 195 new council homes and 291 homes for sale once complete.

Cardiff Living is focused on delivering affordable new homes for sale, as well as new council homes, and our scheme at Braunton Crescent in Llanrumney is proving to be very successful. There will be 66 homes for sale at Braunton Crescent and 30 properties have already been released to the market. All of these have sold off-plan with 13 completions taken place by the end of August. The new homes have been predominantly sold to local buyers who have a link to the area. I am particularly pleased with the success of this development as we have proved there is a local market for affordable, quality new homes in areas not necessarily attractive to private developers.

Wates are also at the design stage with a number of Cardiff Living sites in the future phases of development and, over the last two weeks, the team has undertaken public consultation on our development proposals for the former Rumney High School, Llanrumney High School and Howardian School sites.

I am extremely pleased to see the partnership developing sites and delivering much needed affordable housing at scale and pace. We will have handover of our first new council homes later this year and we will achieve around 65 completions in total through Cardiff Living by March 2019.

Our additional build programme is also now progressing at pace and there are some really exciting schemes being brought forward. We are due to start on site shortly with two innovative schemes to convert former shipping containers into flats for homeless families. Both of these schemes have been awarded Welsh Government Innovative Housing grant funding.

Furthermore, the Welsh Government has shortlisted two more of our new build schemes as part of this year's round of Innovative Housing funding. The first is a scheme to deliver 17 new homes using a 'modular' system – the units will be built off-site, which vastly reduces construction time and improves the quality of the build. The second scheme is the delivery of our PassivHaus compliant scheme at Highfields in Heath. We will find out early next month if our grant bids have been successful.

I am also happy to announce that we are in discussions to see in excess of 400 new council homes built on the Dumballs Road redevelopment site as part of a mixed tenure build programme. This is a significant development opportunity for us to ensure that much needed affordable housing is delivered in an area of high-need.

Finally, we have recently undertaken public consultation on exciting redevelopment proposals for the Channel View estate in Grangetown, replacing the existing housing stock with new, sustainable, energy efficient homes. It is early days for this project, but initial feedback from residents has been largely positive and we will now progress with an outline planning submission and continue detailed consultation with residents.

The Cabinet has set the Housing Development Team a huge target of delivering at least 1,000 new council homes by 2022 and it is pleasing to see the pipeline of development opportunities that are being progressed and work well underway on a number of sites in the city.

**Councillor Lynda Thorne**  
**Cabinet Member for Housing & Communities**  
**21<sup>st</sup> September 2018**

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**COUNCIL: 27 SEPTEMBER 2018**

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**CLEAN STREETS, RECYCLING & ENVIRONMENT STATEMENT**

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**Cardiff Dogs Home**

Cardiff Dogs Home's new website ([www.cardiffdogshome.co.uk](http://www.cardiffdogshome.co.uk)) was launched on 19<sup>th</sup> September 2018. Customers are able to report lost and found dogs online, see all the dogs that are available for rehoming live, book microchipping and neutering, become volunteers and read about responsible ownership. There is a lot of other useful dog-related information on the website. This is an exciting development and we are hoping that the site will become very popular and promote the Dogs Home to a wider audience. Events and ways to support the Dogs Home will be posted on the website and the Council's communications team is going to promote a 'Woof Wednesday' social media push for long-term dogs, as well as covering good news stories and other items of interest.

Cardiff Dogs Home has also been awarded the RSPCA Community Animal Welfare Footprint (CAWF) gold award, recognising Cardiff Dogs Home's continued commitment to animal welfare and improving the service for the welfare of our dogs. Cardiff Dogs Home has won the CAWF gold award five times and the CAWF Innovator Award twice in the last ten years. The award will be presented at a gala dinner held at the Pierhead building in Cardiff Bay on 5<sup>th</sup> November 2018.

**District Heat Network**

On 13<sup>th</sup> September 2018, I travelled to London with the Cabinet Member for Housing & Communities, supported by relevant officers, to visit two established District Heat Networks at the Kings Cross and Olympic Park developments. The visit provided the opportunity to discuss the various financial and governance arrangements used to deliver and manage the heat networks. We were also provided with some useful advice and details of lessons learned.

The findings from the visit will help to inform the development of a detailed business plan for our own heat network in Cardiff following in principle approval of the Outline Business Case by the Cabinet in April 2018. The Cardiff delegation was accompanied by Welsh Government officials with whom we are working to finalise the details of the Welsh Government's support for the Cardiff Heat Network.

## **Glass Recycling Pilot Scheme**

This month, we have started the communications on the pilot scheme for the pilot scheme to collect glass separately from other recyclables, which is designed to provide more sustainable and cost effective services that drive forward our recycling agenda. 17,000 households will be taking part in the scheme and will be provided with a blue caddy for the recycling of glass bottles, jars and other glass packaging, which will be collected fortnightly. This will mean that we can provide high quality glass to the market and, instead of the Council having to pay for this material to be recycled; the market will pay us for the glass.

## **Materials Recycling Facility (MRF)**

I am really pleased that the scheduled tours of the MRF at Lamby Way for Councillors are filling up fast. We will be providing more dates so you can all come and see our recycling facility. Many people have no idea about what happens to their green bags after collection, so the tours form part of our waste education commitment, which starts with all Councillors seeing just how the recycled materials are processed. The tours will provide an opportunity to walk around the facility, to witness first-hand the recycling education issues that we have to overcome, to understand more about why we need to carry out the glass recycling pilot scheme and also to see the new plastics autosorter in action. More dates will be circulated shortly, so if you haven't already booked onto a tour, then I would encourage you to do so.

## **Small Scale Fly Tipping**

Since the introduction of a £400 fine for small scale fly-tipping, the Enforcement Team has been utilising a combination of CCTV cameras and information provided by citizens. Since commencing towards the end of last month, 5 fines were issued in August and 14 fines have been issued to date in September. This work will continue as part of our efforts to reduce fly-tipping across Cardiff.

## **APSE Annual Service Awards 2018**

The APSE Annual Service Awards 2018 were held in Edinburgh on 13<sup>th</sup> September 2018. I am pleased to inform you that the Love Where You Live campaign was a finalist in the Best Community and Neighbourhood Initiative. Cardiff Council was also a finalist for Best Service Team in two different fields: Street Cleansing & Streetscene Service, and Cemetery & Crematorium Service.

## **Thornhill Cemetery**

Thornhill Cemetery has been named as a finalist in this year's national Cemetery of the Year Awards. The results will be announced on 1<sup>st</sup> October 2018.

**Councillor Michael Michael**  
**Cabinet Member for Clean Streets, Recycling & Environment**  
**21<sup>st</sup> September 2018**

**COUNCIL: 27 SEPTEMBER 2018**

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## **CHILDREN & FAMILIES STATEMENT**

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Whilst demand for high intensive support remains high within Children's Services, I continue to remain impressed with the ongoing service development, together with dedication and commitment from staff. I want to provide a brief update for Members on current developments in respect of creating more care placements within Cardiff and bring to your attention the ongoing rising demand upon the service.

### **Residential Placements**

There are currently 63 children placed in residential homes, of these 12 children are placed within Cardiff and 51 are placed out of area/County. Children's Services currently own and run one home in Cardiff, Crosslands. However, officers are actively working to create additional residential capacity within Cardiff by working with the independent sector and supporting them to establish provision locally. As a result, a new children's home has been opened by an independent provider for Cardiff children, and another provider has purchased a property and is working with the council to have this registered as a children's home. In addition, the service is working closely with colleagues within Communities and Housing to explore purchasing properties in the city and commissioning independent providers to deliver a children's home provision.

### **Fostering**

The service has also embarked upon a wholesale review of the fostering service. At this early stage the service will work towards the following three main phases:

- the development of the Fostering Services Business Model for Cardiff;
- the development of a Fostering Services offer for the marketing, recruitment, support and development of Foster Carers; and
- a review of the current Fostering Services structure in Cardiff to support the implementation and delivery of the new business model.

Benefits of the new model include:

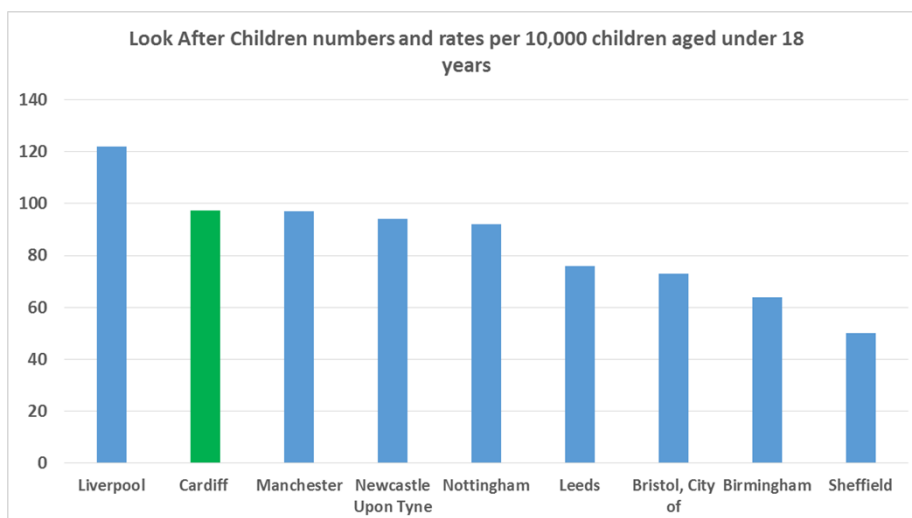
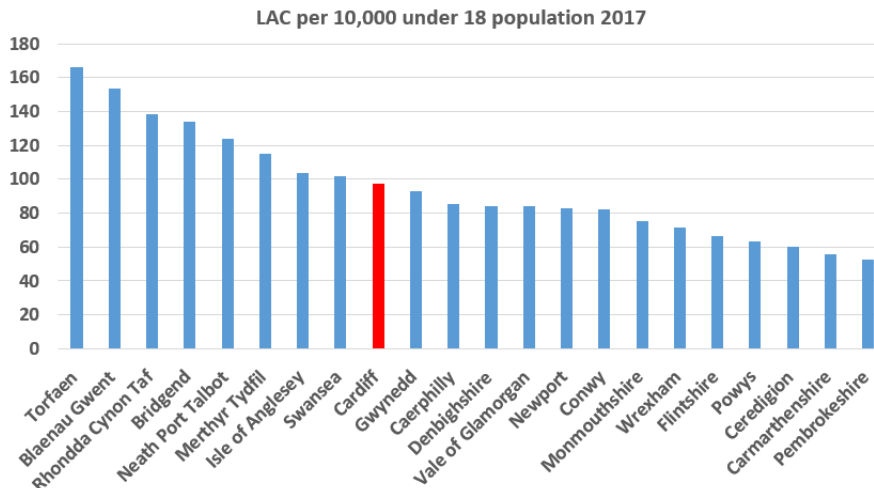
- increasing the number of children who can be placed in Cardiff;
- the continuity of schooling (where appropriate) after being looked after or a placement breakdown; and
- reducing the reliance on residential placements, where a child's needs can be met in foster care (with potential additional wrap around support).

This is work in progress and I look forward to updating Members on this in the near future.

## Increased Demand for Services

During Quarter 1 of 2018/19, the number of open looked after children cases continued to rise, representing a 29% increase in demand over two years. However, Cardiff's level of demand is proportionately in line with the trend across Wales, as well as throughout the Core Cities. The number of contacts and referrals received by Children's Services has also increased by 16.3% in Quarter 1, compared to the previous quarter.

Performance in respect of timely wellbeing assessments has declined since Quarter 4 of 2017/18, reflecting the increase in the number of assessments completed. This is in the context of a 10% increase in the number of contacts requiring assessment. The number of wellbeing assessments that were incomplete at the end of Quarter 1 was 330 down from 401 in Quarter 4, of which 34 and 60 respectively were out of time. Close monitoring will continue to be undertaken in Quarter 2 to attempt to limit the impact of the increase in demand on timeliness of completion. Whilst the number of looked after children has increased, Cardiff is not an outlier in comparison to other Welsh Local authorities and other UK core cities:



The rising demand that Children's Services are experiencing is consistent with the national trend across Wales.

## **Children's Services in Wales**

This month, the Welsh Local Government Association (WLGA), in partnership with the Association of Directors of Social Services (ADSS) Cymru, issued a position statement on the state of Children's Services across Wales. The key messages in this statement further reinforce the pressures that I have previously brought to the attention of Members:

- **Over the last decade the number of children in the care system in Wales has increased significantly.** The reasons why children become looked after and their needs while in the care system are complex and multifactorial.
- **Recent years have seen an increase in expenditure on Children's Services at a time when Councils overall budgets have been cut.** This demonstrates the commitment that has been made by local authorities to meet the demands being placed on services by the rising numbers of looked after children. However, this is becoming unsustainable, with most local authorities now anticipating significant overspends on their children's services.
- **Services for the care and protection of vulnerable children are now, in many areas, being pushed to breaking point.** The huge financial pressures councils are under, coupled with the spike in demand for child protection support, mean that the limited money councils have available is increasingly being taken up with the provision of urgent help for children and families already at crisis point, leaving very little to invest in early intervention. Hence a spiral of uninterrupted and increasing need for services is driving a mounting complexity of challenges for the most vulnerable children.

WLGA and ADSS Cymru have identified four key areas where significant pressures are being experienced in relation to children's services in Wales:

### **1. External demands and complexities**

The on-going introduction of welfare reforms and a decade of austerity has amplified the pressures on families. Increased public awareness and reporting of potential abuse, the impact of poverty and deprivation on families and a lack of funding to help families early on before problems escalate all contribute to this. There is an increased awareness and understanding of issues such as Child Sexual Exploitation (CSE) and an increase in the number of initiatives that are aimed at early identification and intervention such as the evidence based work in respect of Adverse Childhood Experiences (ACEs), Flying Start and Families First.

### **2. Placements**

The increasing complexity of cases and the growing numbers of children coming into care are negatively impacting on both the availability of appropriate placements and the cost of placements. An ageing foster carer population and the increasing costs of providing residential care have a significant impact on the sector.

**3. Legislation and work with the Courts**

The last few years have seen a substantial increase in the number of care applications that have been made, with a significant increase in the number of children subject to care proceedings. Increasing expectations from legal judgements create a challenging environment.

**4. Workforce**

Child and family social work is challenged by high turnover and vacancy rates and a reliance on agency staff, with demand for permanent, experienced workers outstripping supply.

**Councillor Graham Hinchey**  
**Cabinet Member for Children & Families**  
**21<sup>st</sup> September 2018**

**COUNCIL: 27 SEPTEMBER 2018**

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**SOCIAL CARE, HEALTH & WELL-BEING STATEMENT**

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**Telecare**

Cardiff Telecare now offers a personal tracking device called 'Archie', which utilises the latest technology, coupled with GPS and mobile phone functions. Archie is a portable pendant, which provides a perfect solution for anyone that needs either support in the home or when out and about. It is the perfect addition (not replacement) to our Telecare service, which helps citizens remain independent in their own home. Archie is monitored 24/7, 365 days a year by our dedicated trained team who know who you are and what to do.

Telecare has also been successful in bidding for Integrated Care Funding from Welsh Government for the next three years. Telecare will be working closely with Social Services, Independent Living Service and hospital discharge teams to maximise the benefits from this capital funding, which will be used to purchase equipment for technology-enabled care packages – Hospital to Home, Falls Prevention, Home Safety and Dementia. Referrals will come from the First Point of Contact Team and Social Services, and these packages will enable older and vulnerable people to live independently and facilitate hospital discharge. These packages will be used alongside Telecare units and key safes to enable the mobile warden response to assist at home, as well as outside it.

**RISE-Cardiff**

The new commissioned specialist service for female victims of violence against women, domestic abuse and sexual violence was implemented on 1st April 2018. This new service is called RISE-Cardiff (Recovery, Information, Safety, Empowerment) and is already resulting in benefits for victims and partner organisations alike. The dedicated Independent Personal Advocate resource at the Multi-Agency Safeguarding Hub (MASH) is proving effective in sharing real-time information on victim risk with other statutory partners as referrals are received. All adult domestic abuse referrals into the MASH are contacted by the RISE service and, where necessary, visits are arranged with Police Officers to provide advice and options to victims.

Since 1<sup>st</sup> April 2018, the new one-stop shop has triaged 3,009 referrals, 929 of these have been self-referrals from victims. It has also responded to 1,996 referrals from the Police, accommodated 109 women (along with their children where necessary) in emergency/refuge provision and assisted 207 women with representation at criminal and family court hearings.

The service held a soft launch at the one-stop shop on 3<sup>rd</sup> July 2018, which was attended by over 70 partners interested in finding out more about the new service;

what it can offer to victims of violence against women, domestic abuse and sexual violence and an explanation of referral pathways into, and out of, the service.

Other local authorities across South Wales have now shown an interest in being part of the development and delivery of a service for male victims – this includes Swansea, Neath, Merthyr, Rhondda Cynon Taf, Newport, Caerphilly and Bridgend Councils. A survey has now been prepared to elicit views of male victims and a service specification will be designed for a new service to potentially commence in September 2019.

### **A Healthier Wales**

In July 2018, the Welsh Government published the first national plan of its kind, entitled '*A Healthier Wales: our plan for Health and Social Care*'. In response, the Cardiff and Vale of Glamorgan Regional Partnership Board has submitted ambitious transformation proposals for the delivery of '*A Healthier Wales*' across Cardiff and the Vale of Glamorgan. The proposals seek to access the Welsh Government's transformation fund and, if approved, will deliver £6million of investment in the region over the next two years.

The proposals will further develop prevention and resilient communities to deliver the policy commitments in '*A Healthier Wales*' for seamless locality based services, which keep people independent and connected as long as possible. Discharge to assess models will build on the success of the First Point of Contact (FPoC) by enabling more people to be discharged safely through the development of night care services. Investment in attachment will also support the workforce to work in an evidence based way with children, young people and adults who have experienced Adverse Childhood Experiences (ACEs).

### **Domiciliary Care**

The Cabinet approved a new direction for domiciliary care in Cardiff at its meeting on 20<sup>th</sup> September 2018. This will mean that the Council will be one of the first local authorities in Wales to shape domiciliary care to fit the Welsh Government's new plan for health and social care in Wales, as set out in '*A Healthier Wales*', which describes how care providers can work together, at a local level, to keep people as independent as possible.

Following Cabinet approval, detailed work will need to be undertaken with people with care and support needs, their carers and the domiciliary care sector in general to ensure that any future commissioning arrangements reflect what matters to them. To allow time for the detailed preparation work to take place, the current commissioning arrangements, which are due to expire on 3<sup>rd</sup> November 2018, would be extended for a further two years. The new arrangements would then be implemented in November 2020.

The decision builds on the successful commissioning of domiciliary care in Cardiff over the last four years in which the provider base has expanded and contributed significantly to historically low levels of Delayed Transfers of Care (DToC). The number of people receiving domiciliary care is at its lowest since December 2015. This is, in part, a result of the work carried out by Independent Living Services (ILS) to provide advice and support at the First Point of Contact (FPoC) and holistic visits and support to help people remain independent for longer. Effective working



relationships between the Adult Services Social Worker team and ILS within FPoC have also been important.

### **First Point of Contact**

The Council is supporting people to remain independent without intervention from Social Services through the First Point of Contact (FPoC). We are looking to establish a FPoC within hospitals and a mapping exercise of the current service is being undertaken at University Hospital of Wales and University Hospital Llandough. A systems review of the Community Resource Team and how it operates within the wider system of prevention, care and support, will also be undertaken in November 2018 to ensure that the service has a clear purpose, is effective and cost effective going forward.

An Operational Group has been established which meets on a monthly basis. Current arrangements are continually reviewed at these meetings to share good practice and implement continual improvements to our preventative agenda. For example, referrals can now be directly made to Day Opportunities without the need to go via Social Services and improved processes have been implemented with Care and Repair, both resulting in a more timely service to the citizens of Cardiff.

### **Social Work Recruitment Campaign**

The Council has launched a newly refreshed UK-wide recruitment campaign, which aims to recruit Social Workers by highlighting the opportunities available and emphasising the benefits of working for Cardiff Council. 35 posts have been advertised in the first phase. Working together with Human Resources, planning is underway to target Ireland in the second phase and to apply for a Sponsorship License to recruit outside the European Union and the wider European Economic Area. The ambition is to support the workforce by reducing caseloads so that Social Workers can do what they do best; work directly with the citizens of Cardiff. Staff in Social Services have been encouraged to spread the word to family and friends and share the campaign information on social media to maximise publicity. I would encourage members to do spread the word too.

### **Mental Health**

Over the past 12 months, we have continued to develop our adult mental health support for individuals and their carers. Following the review of care and treatment planning across Wales, we have been working to promote and implement outcome focused practice in mental health teams. Ty Canna, our day service in Canton, continues to expand with increased referrals. Their recent successes include assisting someone to apply for a nursing course and working with local businesses to furnish a person's flat who had no recourse to public funds. Ty Canna has also seen an increase in referrals for younger people, particularly those with autism. We have recruited two review workers to work across all the mental health teams ensuring that reviews are timely and identifying outcome focused support for people.

With regard to carers, all Community Mental Health Team workers are now referring to the Council's carers assessment workers to expertly assess informal carers and give them the support that they need to continue in their invaluable role. In terms of workforce development, we continue to support experienced social workers to train as Approved Mental Health Professionals (AMHPs) and, this year, have put forward

four candidates to complete the training. We also have two social work assistants who are due to begin the social work training this year.

### **Dementia Friends**

This month, the Council is helping to mark World Alzheimer's Month by organising the delivery of Dementia friends training for Council employees. City Hall will also be turned blue and yellow on 21<sup>st</sup> September 2018 to help raise awareness of World Alzheimer's Day 2018.

### **Intergenerational Walking Football Event**

Independent Living Services (ILS) have identified that very few men with restricted mobility (older men and men with physical disabilities) take part in exercise classes aimed at promoting strength and balance and, ultimately, helping people stay healthy in their own homes for as long as possible. As a result, ILS will be holding an Intergenerational Walking Football event on Thursday 27<sup>th</sup> September at Channel View Leisure Centre from 10.30am to 3:00pm. Pupils from Grangetown Primary School will also be taking part in the games and will spend time chatting and sharing stories with the older participants. Games will be held over the course of the day and people are welcome to come down at any time and join in, even if it is just for a short time. The event will also include stall holders offering a range of information for older people, including Meals on Wheels, Men in Sheds, Care and Repair, as well as ILS.

### **Rumourless Cities**

I was pleased to participate in the first transnational meeting held as part of phase 1 of the Rumourless Cities project, funded under the auspices of the URBACT III Transfer Networks programme, which took place in Amadora, Portugal last week. The project focuses on the development of local anti-rumours strategies to address misconceptions and stereotypes concerning migrant and minority groups, based on best practice in Amadora as the lead city.

The Rumourless Cities partnership in Amadora was a two-day exchange visit, which included a deep-dive of local best practice and collaborative working to draft the phase 2 application, which, if approved by URBACT, will commence in January 2019.

Rumourless Cities will support Cardiff's communities to become more connected and resilient to anti-migrant and anti-minority rhetoric, which is a key priority in the context of Brexit. The project will also provide additional capacity and expertise to help meet one of the most pressing and complex challenges that Europe faces today and support Cardiff's ambition to be a fair and cohesive city with equality at its core.

**Councillor Susan Elsmore**  
**Cabinet Member for Social Care, Health & Well-being**  
**21<sup>st</sup> September 2018**

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## **STRATEGIC PLANNING & TRANSPORT STATEMENT**

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### **Active Travel Fund**

The Council has secured over £1million from the Welsh Government's Active Travel Fund for delivery of active travel schemes in the current financial year 2018/19. £880,000 of this is funding will go towards the construction of the first section of Cycle Superhighway between St Andrews Crescent and Cathays Terrace, via Senghennydd Road, as well as a feasibility study into establishing a Cycle Superhighway between the city centre and the Ely Mill development via the Leckwith Road area. The funding also includes £178,000 towards the feasibility and design work for cycling and walking improvements in the Roath Park, Lakeside and Cyncoed Road areas. We are continuing to engage with the Welsh Government to make the case for significant additional funding to support the delivery of the city's Cycle Superhighway network and our wider ambition to make Cardiff one of the UK's leading cycling cities.

### **Nextbikes**

The Nextbike on-street cycle hire scheme has proved a huge hit with Cardiff's residents and visitors. Around 20,000 people are now registered as Nextbike users in Cardiff and there have been 80,000 rentals since the scheme was launched in May 2018. Additional bikes are being installed over the next week, which will result in a fleet of 500 bikes in the city. Locations for a further 16 docking stations are under consideration, including a number of locations in the east of Cardiff. We are also currently in dialogue with Welsh Government with a view to securing funding to enable a further expansion of the Nextbike network that would see Nextbikes installed in a number of new locations across the city.

### **Operation Close Pass**

South Wales Police and South Wales Fire & Rescue Service undertake regular joint operations as part of Operation Close Pass approximately every two months and are supported by officers from the Council's Road Safety Education Team. On 31<sup>st</sup> July 2018, an operation was undertaken in the Whitchurch area of Cardiff, which took place over three hours. During the operation, six drivers received educational advice, with a number of drivers commenting that it had benefitted them in terms of a greater awareness of cyclists. In addition, there was one seizure for no motor insurance and a driver was also reported for use of a mobile phone whilst driving.

## **Air Quality**

Following the legal direction from the Welsh Government, the Council commissioned specialist consultants to undertake a city-wide study on air quality. The study is still underway and the results will be provided to the Welsh Government by 30<sup>th</sup> September, as per their formal request. Cabinet will receive a report on the findings of the study at the meeting on 11<sup>th</sup> October.

We understand that the findings of the study will then be reviewed by an expert panel appointed by the Welsh Government. When we have received the response from Welsh Government, which is expected at the beginning of November, we will bring forward a White Paper on Transport and Clean Air. I repeat my commitment to giving all Members a chance to feed into this paper and any key proposals in advance of any decisions being taken.

## **Cities Today Network – Future of Transport Event**

In June 2018, I attended an event in Brussels on the Future of Transport. Attended by over twenty other cities from across Europe, the event was hosted by the [Cities Today](#) network, whose purpose is to exchange best practice and innovative ideas in urban development. I wrote a blog on some of the key issues that were discussed as part of the event, which can be found on the Future Generations Commissioner for Wales' website at: <https://futuregenerations.wales/news/future-transport-in-the-capital-city-guest-blog-by-councillor-caro-wild/>

**Councillor Caro Wild**  
**Cabinet Member for Strategic Planning & Transport**  
**21<sup>st</sup> September 2018**

**COUNCIL: 27 SEPTEMBER 2018**

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## **INVESTMENT & DEVELOPMENT STATEMENT**

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### **Meeting with Her Majesty's Trade Commissioners**

In August, I met with Her Majesty's Trade Commissioners (HMTc) for the Middle East and Europe on their visit to Wales. The Chief Executive and the Head of Economic Development attended with me. The meeting was one of a series of meetings held at the Wales Office in Cardiff Bay brokered by the Secretary of State for Wales. I understand that the HMTcs met separately with leaders of business representative organisations.

The objective of the meeting was to provide the Council with the opportunity to brief the HMTcs about Cardiff, the Council's ambition for the city and the projects that it is currently seeking to deliver. In addition, it provided an opportunity to outline the city's strengths and the trade and investment opportunities that exist in Cardiff, which the HMTcs can promote to interested parties within their respective regions.

There are nine HMTcs responsible for nine distinct regions. They have a particularly important role in promoting trade opportunities for UK based businesses and their role has been enhanced over the recent period to ensure that the UK can take advantage of the significant investment opportunities, which will exist post Brexit.

I informed the meeting that the Leader of the County Council would lead a trade and investment delegation to Qatar in September, which the HMTc for the Middle East was eager to support and, I understand, has shared with his team the "pitch book" that the Leader used to explain the current development opportunities that exist in the city. I agreed to maintain close links with the HMTcs and have already provided their teams with a briefing document on Cardiff and its economy and I will seek to engage with the other seven HMTc's in the near future to ensure that Cardiff is promoted around the world.

### **Core Cities Meeting with the Exchequer Secretary to the Treasury**

Also in August, I represented the Leader of the County Council at a meeting with Robert Jenrick MP, the Exchequer Secretary to the Treasury with leaders of the Core Cities. The Mayor of Liverpool, the Leader of Leeds City Council, the Deputy Leader of Birmingham City Council also attended. The Leader of Leeds Council led the delegation.

The delegation was eager to reinforce the unique links that exist between UK cities and cities across the world and offered to work closely with the UK government to

maximise trade and investment opportunities post Brexit. The Minister was advised that the Core Cities welcomed the publication of the UK Government's Industrial Strategy and suggested that there is an urgent need to develop local industrial strategies based on cities along with greater certainty of budget allocations with advance indicative budgets within Treasury guidelines to facilitate more effective forward planning.

In response, the Minister indicated that the UK government believes that cities will be the key to increasing UK productivity and will want to establish much closer links with cities especially those that have not enjoyed the benefits of having an elected mayor.

The meeting also discussed the proposed Shared Prosperity Fund to be set up post Brexit and, in particular, how it will be administered, that is should allocations be made direct to the devolved administrations or to Local Enterprise Partnerships or to Mayors or via new city deal type solutions working with individual cities. The Minister was advised that it was critical the funding was allocated directly to meet the needs of specific cities to ensure allocations for specific matters such as homelessness or culture was not spread across an entire region where those particular challenges do not exist. I enquired how the Wales voice would be heard in this debate and was informed that the Secretary of State for Wales has been heavily involved in the government's discussions on this matter.

It was a useful meeting and the delegation's representations appeared to be well received by the Minister.

**Councillor Russell Goodway**  
**Cabinet Member (Investment & Development)**  
**21<sup>st</sup> September 2018**

**CYNGOR CAERDYDD  
CARDIFF COUNCIL**



**COUNCIL:**

**27 SEPTEMBER 2018**

**REPORT OF DIRECTOR GOVERNANCE & LEGAL SERVICES**

**APPOINTMENT OF LOCAL AUTHORITY GOVERNORS TO SCHOOL GOVERNING BODIES**

**Reason for this Report**

1. To appoint Local Authority School Governors.

**Background**

2. Section 19 of the Education Act 2002 creates the general ability for the Local Authority to appoint governors to the Governing Bodies of maintained schools, with further detail contained in the Government of Maintained Schools (Wales) Regulations 2005. When Local Authority school governor vacancies arise, either by appointees reaching the end of their term of office or resigning, it is the statutory duty of the Council to fill the vacancies as soon as possible.
3. The Local Authority Governors Panel to oversee this process was constituted at the Annual Council in May 2015 and held its first termly meeting in September 2015.

**Issues**

4. The Local Authority Governors Panel met on 17 September 2018 to consider new applications to current and future vacancies up 30 November 2018. The recommendations of the Panel are contained in Appendix 1 to this report.

**Reasons for Recommendations**

5. To ensure that the Council fulfils its statutory functions in respect of the appointment of local authority governors for maintained schools.

**Legal Implications**

6. As noted in paragraph 2 of the report, the Council is required, pursuant to the Education Act 2002, section 19 and regulations made there under, to appoint local authority governors to the Governing Bodies of maintained schools, in accordance with those statutory provisions.

7. Appointments to outside bodies are a local choice function, which is reserved under the Council's Constitution to full Council. Accordingly, the appointment of local authority governors to Governing Bodies, as recommended in this report, requires the approval of full Council.

### **Financial Implications**

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

### **Recommendation**

9. That Council consider the recommendations of the Local Authority Governor Panel of 17 September 2018 and approve the appointments of Local Authority Governors to the School Governing Bodies as set out in Appendix 1.

**Davina Fiore**

**Director Governance & Legal Services**

20 September 2018

*The following Appendix is attached:*

Appendix 1            List of Local Authority School Governor vacancies and recommendations for appointment by the Local Authority Governor Panel for the period 01 September to 30 November 2018

*The following Background Documents have been taken into account: N/A*



**LA Governor Vacancies - Recommendations from LA Governor Panel  
01 September 2018 to 30 November 2018**

**Appendix 1**

- i. All appointments in the list are recommended by the LA Governor Appointments Panel and will have satisfied the required application process.
- ii. All terms of office unless otherwise stated are for 4 years.

**Existing LA Governor Vacancies**

<b>School</b>	<b>Ward</b>	<b>Start of Vacancy</b>	<b>Applications received</b>
Allensbank Primary School	Gabalfa	12/07/2018	
Baden Powell Primary School	Splott	24/04/2018	Stuart Parsons
Bryn Celyn Primary School	Pentwyn	04/07/2018	Iain MacDonald
Cantonian High School	Fairwater	24/04/2018	Angela Jones - Evans
Fairwater Primary School	Fairwater	03/07/2018	Jayne Barry
Glan-Yr-Afon Primary School	Llanrumney	28/03/2018	
Grangetown Nursery School	Grangetown	02/09/2016	
Llysfaen Primary School	Lisvane	08/12/2017	Carla Giudice
Malborough Primary School	Penylan	01/09/2018	
Meadowlane Primary School x 2 vacancies	Trowbridge	31/01/2018 21/07/2018	
Ninian Park Primary School	Grangetown	06/03/2018	
Pentrebane Primary School	Fairwater	10/07/2018	Doug Corp
Pen-Y-Bryn Primary School	Llanrumney	29/09/2017	
Radyr Primary School	Radyr & Morganstown	27/11/2017	Gerard McNamara
Rhiwbeina Primary School	Rhiwbina	22/11/2017	Kara Conlon
Springwood Primary School	Pentwyn	13/02/2018	
St Alban's R.C. Primary School	Splott	21/09/2017	Emily Zepeda
St Cuthbert's R.C Primary School	Butetown	08/03/2018	
Tremorfa Nursery School	Splott	06/02/2018	

Trowbridge Primary School	Trowbridge	08/03/2017	
Willowbrook Primary School x 2 vacancies	Trowbridge	31/01/2018 20/02/2018	
Willows High School	Splott	12/03/2018	Karen Dummett
Windsor Clive Primary School x 2 vacancies	Ely	10/01/2018 10/03/2018	
Ysgol Gymraeg Bro Eirwg x 2 vacancies	Llanrumney	20/11/2017 23/04/2018	
Ysgol Gyfun Gymraeg Bro Eder	Penylan	22/01/2018	
Ysgol Gymraeg Melin Gruffydd x 3 vacancies	Whitchurch & Tongwynlais	18/02/2017 19/05/2017 27/11/2017	
Ysgol Gymraeg Nant Caerau	Caerau	27/06/2018	
Ysgol Gymraeg Treganna	Canton	25/10/2017	Sion Ap Glyn
Ysgol Gynradd Gwaelod Y Garth	Pentyrch	02/05/2018	

### **Future LA Governor Vacancies**

<b>School</b>	<b>Ward</b>	<b>Start of Vacancy</b>	<b>Re-appointment Requested</b>	<b>New Applications Received</b>
Creigiau Primary School	Creigiau & St Fagans	17/09/18		
Danescourt Primary School	Llandaff	28/11/18	Marie John	
Eastern High	Trowbridge	24/10/18		
Moorland Primary School	Splott	19/11/18		
Ton-Yr-Ywen Primary School	Heath	24/10/18	Cllr. Oliver Owen	
Trowbridge Primary School	Trowbridge	19/11/18		
Ysgol Gymraeg Treganna	Canton	28/11/18	Cllr. Susan Elsmore	



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# CYNGOR CAERDYDD CARDIFF COUNCIL

**COUNCIL:**

**27 SEPTEMBER 2018**

## REPORT OF THE DIRECTOR OF GOVERNANCE & LEGAL SERVICES

### COMMITTEE MEMBERSHIP

#### Reason for Report

1. To receive and approve in accordance with political group wishes nominations to current committee vacancies.

#### Background

2. The Annual Council 24 May 2018 established the Committees and Panels of the Council and their composition. The seats allocated on Committee were made in accordance with political balance and nominations were received to each committee from the political groups.

#### Issues

3. The following Committees currently have vacancies:

Committee	Vacancy
Employment Conditions Committee	1 vacancy
Licensing Committee	1 vacancy
Public Protection	1 vacancy
Pension Committee	1 vacancy

4. In accordance with the Welsh Audit Office Statement of Action membership of Committees is a standing item on monthly Group Whips meetings and Full Council as appropriate.
5. Any nominations to fill existing vacancies on Committees received from political groups prior to Full Council on 27 September, 2018 will be reported on the amendment sheet.

#### Legal Implications

6. The Council is under a duty to make appointments to Committees, in accordance with the approved allocation of seats to political groups, so as to give effect to the wishes of the political groups (pursuant to Section 16 of the 1989 Act).

## **Financial Implications**

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

## **RECOMMENDATIONS**

The Council makes appointments to fill the vacancies on Committees in accordance with approved allocations and political group wishes, as reported on the Amendment Sheet.

### **DAVINA FIORE**

**Director Governance and Legal Services**

17 September 2018

### **Background Papers**

Annual Council reports on Appointments to Committees and Election of Chairs and Deputy Chairs,  
24 May 2018

Minutes of Annual Council 24 May 2018

Minutes Council 21 June 2018

Minutes Council 19 July 2018

**CYNGOR CAERDYDD  
CARDIFF COUNCIL**



**COUNCIL:**

**27 SEPTEMBER 2018**

**REPORT OF THE DIRECTOR OF GOVERNANCE & LEGAL SERVICES**

**APPOINTMENT OF MEMBERS TO SERVE ON OUTSIDE BODIES**

**Reasons for the Report**

1. To receive nominations and make appointments of Council representatives to statutory and non-statutory outside bodies.

**Background**

2. The Constitution provides that the Council will, from time to time, receive nominations and make Member appointments as necessary to serve as representatives of the Council on outside bodies.
3. The Council at its Annual meeting on 24 May 2018 and Ordinary meeting on 21 June 2018 received nominations and agreed appointments of Members to serve on bodies which are required on an annual basis and other vacancies.

**Issues**

4. The Council is asked to receive nominations to the vacancies that exist on the bodies set out in **Appendix A**.
5. The Party Group Whips have been advised of the vacancies and nominations received will be detailed on the Amendment Sheet to be circulated at the Council meeting.
6. The appointments are for the duration of the administration unless stated otherwise.

**Legal Implications**

6. The appointment of individuals to serve on outside bodies is a Local Choice function under the Local Authorities (Executive Arrangements) (Functions and Responsibilities) (Wales) Regulations 2007. In the approved Scheme of Delegations the Council has determined that responsibility for the proposed appointments shall rest with Full Council.

## **Financial Implications**

7. There are no financial implications arising as a direct consequence of this report.

## **RECOMMENDATION**

The Council is requested to receive nominations and approve appointments to outside bodies as listed in Appendix A and as set out on the amendment sheet.

**DAVINA FIORE**

**Director of Governance & Legal Services and Monitoring Officer**

17 September 2018

Appendix A – List of Outside Bodies for Council Nominations

## **Background Papers**

Register of Appointments to Outside Bodies



Organisation	Aims of the Organisation	Number of Representatives	Notes
Cardiff & Vale of Glamorgan Community Health Council	<p>The Cardiff &amp; Vale of Glamorgan Community Health Council (CHC) represents the interests of the patients and public of Cardiff and the Vale of Glamorgan in relation to local health services. The 4 statutory duties/functions of the CHC are to:</p> <ol style="list-style-type: none"> <li>1. Scrutinise the operation of health services in Cardiff &amp; Vale of Glamorgan, to make recommendations for the improvement of that service, and to advise the Cardiff &amp; Vale University Health Board (UHB) upon such matters relating to the operation of the health service.</li> <li>2. To be consulted by the UHB in respect of health services for which it is responsible.</li> <li>3. To enter and inspect NHS premises.</li> <li>4. To provide an independent advocacy service on behalf of the Welsh Ministers for those aged 18 and over.</li> </ol>	<p>3 - representatives <i>(Can be either an Elected Member or an external appointment by the Council).</i></p>	<p>1 vacancy</p>
Standing Advisory Council for Religious Education (SACRE)	<p>SACRE is a statutory body which meets once a school term to advise the Council on matters concerned with collective worship and the provision of religious education</p>	<p>7 – Members (relevant Cabinet Member)</p>	<p>1 vacancy</p>

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