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## AGENDA

**Committee** GOVERNANCE AND AUDIT COMMITTEE

**Date and Time of Meeting** TUESDAY, 19 OCTOBER 2021, 2.00 PM

**Venue** REMOTE VIA MS TEAMS

**Membership** Hugh Thomas (Chairperson)  
Gavin McArthur and David Price  
Councillors Cowan, Cunnah, Goodway, Howells, K Jones, Simmons,  
Singh and Williams

*Time  
approx.*

- |          |  |         |
|----------|--|---------|
| <b>1</b> | <b>Apologies for Absence</b><br><br>To receive apologies for absence.  | 2.00 pm |
| <b>2</b> | <b>Declarations of Interest</b><br><br>To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.            |         |
| <b>3</b> | <b>Draft Audited Statement of Accounts, Audit of Accounts Reports (ISA 260) and Annual Governance Statement for Financial Year 2020-21 (Pages 3 - 224)</b> | 2.05 pm |
| <b>4</b> | <b>Urgent Items (if any)</b>   | 2.35 pm |
| <b>5</b> | <b>Date of next meeting</b><br><br>The next meeting is scheduled for 2 November 2021 (Special Meeting)   |         |

**Davina Fiore**

**Director Governance & Legal Services**

Date: Wednesday, 13 October 2021

Contact: Graham Porter, 02920 873401, g.porter@cardiff.gov.uk

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# CARDIFF COUNCIL CYNGOR CAERDYDD

## GOVERNANCE AND AUDIT COMMITTEE:

19 October 2021

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### DRAFT AUDITED STATEMENT OF ACCOUNTS, AUDIT OF ACCOUNTS REPORTS (ISA 260) AND ANNUAL GOVERNANCE STATEMENT FOR FINANCIAL YEAR 2020/21

### REPORT OF CORPORATE DIRECTOR RESOURCES

#### Reason for this Report

1. The Governance and Audit Committee Terms of Reference sets out their responsibility for Financial Reporting:
  - To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
  - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts

#### Background

2. Governance and Audit Committee received an electronic copy of the signed draft financial statements for comment on 24 June 2021 and this was also considered at its meeting on 20 July 2021 in parallel with the public inspection period. A response to all questions received was circulated to committee in accordance with the actions from that meeting. Following the substantial completion of the audit, attached for 2020/21 are the draft :
  - Statement of Accounts for the County Council of the City and County of Cardiff (Cardiff Council) and Cardiff Harbour Authority – **Appendix 1**
  - Annual Governance Statement (AGS) - **Appendix 2**. The changes following external audit review in relation to the AGS are minimal, compared to the draft considered by Committee at its meeting in July 2021.

The revised drafts include any agreed amendments arising from the audit and feedback from Governance and Audit Committee.

3. Also attached are the draft Audit of Accounts Reports (ISA 260) for 2020/21 in respect of:
  - The County Council of the City and County of Cardiff (Cardiff Council) – **Appendix 3**
  - Cardiff Harbour Authority - **Appendix 4**

4. This report has been prepared to:

- allow Audit Wales to present their audit findings to those charged with governance in accordance with International Standard on Auditing 260 and
- provide Governance and Audit Committee with the opportunity to consider the audit findings, the audit opinion, seek assurances on the delivery of the audit and any resulting adjustments made to the accounts and Annual Governance Statement.

5. The final Audit of Accounts Reports (ISA 260) along with the final audited financial statements and Annual Governance Statement are to be considered by Council at its meeting on 21 October 2021.

### **Legal Implications**

6. No direct legal implications arise from this report.

### **Financial Implications**

7. No direct financial implications arise from this report.

### **RECOMMENDATIONS**

8. That Governance and Audit Committee:

1. Note the 2020/21 Draft Audited Statement of Accounts for Cardiff Council and Cardiff Harbour Authority.
2. Note the 2020/21 Draft Audit of Accounts Reports (ISA 260) for the Statement of Accounts for Cardiff Council and Cardiff Harbour Authority.
3. Note the Draft 2020/21 Annual Governance Statement
4. To ask questions of the auditor in respect to the appendices ahead of the request for Council approval on 21 October 2021.

### **CHRISTOPHER LEE**

Corporate Director Resources  
19 October 2021

Appendix 1 – Draft Audited Statement of Accounts 2020/21 – The County Council of the City and County of Cardiff and Cardiff Harbour Authority.

Appendix 2 – Draft Annual Governance Statement 2020/21

Appendix 3 – Draft Audit of Accounts Report (ISA 260) 2020/21 – The County Council of the City and County of Cardiff

Appendix 4 – Draft Audit of Accounts Report (ISA 260) 2020/21 – Cardiff Harbour Authority



# Statement of Accounts 2020/21

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

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Mae'r ddogfen hon ar gael yn Gymraeg / This document is available in Welsh



# Narrative Report by Council's Statutory Finance Officer



## *Introduction*

This report presents the 2020/21 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 2020/21.

## *Our City*

Cardiff is the Capital City of Wales, covering an area of 140 square kilometres. It is the 11th largest city in the United Kingdom with a population of 367,000 living in approximately 151,000 homes. It is an economic, cultural and political capital city. A city of strong and safe communities, great schools and universities, creative, talented, and welcoming people.

Like all cities, Cardiff has its challenges and health, social and economic inequalities exist within the city. In fact, if the 'Southern Arc' of Cardiff was considered a single Local Authority, it would be identified as the most deprived in Wales. Economic success has brought pressures such as congestion, air pollution and a demand for affordable housing. The Council has declared a Climate Emergency, recognising the conclusions of the Intergovernmental Panel on Climate Change. A One Planet Cardiff strategy will set out an ambition for the Council's operations to be Carbon Neutral by 2030, and to work with city wide partners to develop a road map and action plan for a Carbon Neutral City by 2030.

Cabinet agreed a programme of short term action that would support the city economy's transition from lockdown and the short to medium term impact of the economic crisis created by the Covid-19 pandemic and also approved strategic reports addressing long-term city renewal, aligned to the strategic direction of Welsh and UK Governments. The pandemic will lead to changes in the economy, in the way in which people live, work and travel in and the way in which services are received and delivered. As part of the recovery and renewal programme that will support the future growth of Cardiff's economy, a focus will be on how the city should respond to the economic crisis and the long-term shifts caused by the pandemic in order to build a stronger, more inclusive and sustainable post-pandemic economy.

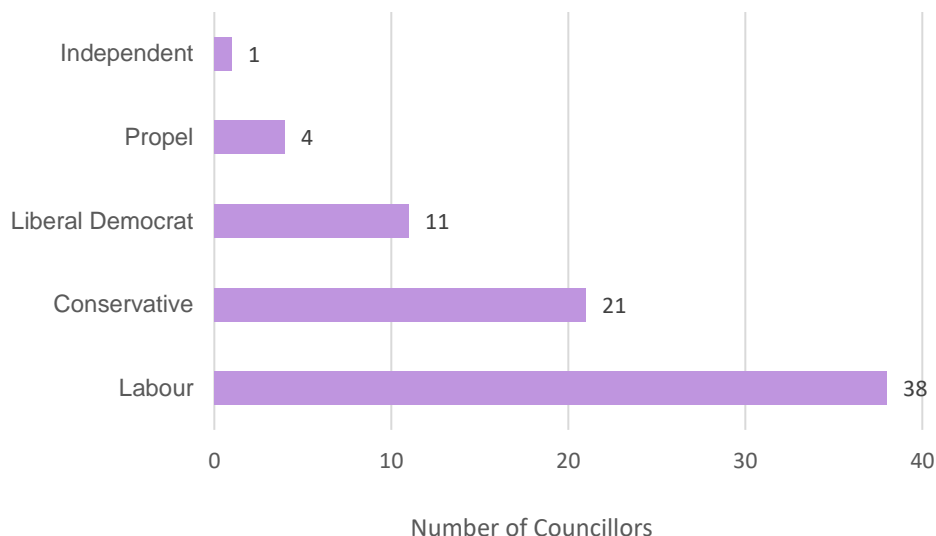
The City's public services have been enduring a long period of financial austerity. During the past ten years, the Council has delivered almost a quarter of a billion pounds in cumulative savings and reduced the number of its non-school staff by 22%. Looking ahead, the Council must close a budget gap of £85m over the next four years. In the medium term, the amount of funding available for 'non-statutory' services like parks, libraries or elements of waste collection will make their continued delivery very challenging. This will form the backdrop to public service delivery as the City responds to the realities of the post-Brexit and post pandemic world and the Council continues to deliver its agenda for the city

## *Our Democracy*

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



## Cardiff Councillors - Political Party Representation



The 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. The Council annually selects a Lord Mayor to perform a civic role, promote the city and chair Council meetings. The Council appoints a Leader of the Council who appoints Cabinet Members, each with responsibility for a specific portfolio of services.

The role of Cabinet is to:

- provide leadership
- be responsible for most major decisions
- 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 say in matters concerning the Council
- producing reports and recommendations to support the development of policies and decisions
- having the ability to review a decision, which has been made but not yet implemented.

Regulatory and other committees support delivery of Council services. Council has given the Governance and Audit Committee the responsibility for the review of the Financial Statements for the Council. The Council's 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 are responsible for:

- providing impartial advice on policy and implementing decisions of the Cabinet and Council; and
- delivery of services and performance.

## *Our Services and the way we work*

The Council provides over 700 services, supporting local communities and improving the lives of local people, some of which are shown below.

|   |   |
|---|---|
| <b>Planning, Transport and Environment</b>  | <b>Economic Development</b>   |
| <ul style="list-style-type: none"> <li>• Bereavement and Registration</li> <li>• Highways infrastructure and street cleaning</li> <li>• Transport and Civil Parking Enforcement</li> <li>• Planning</li> </ul>  | <ul style="list-style-type: none"> <li>• Business and Investment</li> <li>• Regeneration and major projects</li> <li>• Corporate Landlord</li> <li>• Culture, Venues and tourism</li> <li>• Leisure, Parks and Sport</li> <li>• Waste Collection, Recycling, Treatment, Disposal and Education</li> </ul> |
| <b>People and Communities - Housing and Customer Services</b>   | <b>People and Communities - Social Services</b>   |
| <ul style="list-style-type: none"> <li>• Community Hubs and Libraries</li> <li>• Customer facing services e.g. preventive and 'into work' services</li> <li>• Independent living and community alarm</li> <li>• Adult and community learning</li> <li>• Performance, Partnerships and Housing Revenue Account – council dwellings management</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</li> </ul>                  |
| <b>Education and Lifelong Learning</b>  | <b>Resources</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>• Achievement and Inclusion</li> <li>• Schools Catering</li> <li>• Schools Transport</li> </ul>   | <ul style="list-style-type: none"> <li>• Finance</li> <li>• Human Resources</li> <li>• Commissioning and Procurement</li> <li>• ICT, Customer and Digital services</li> <li>• Central Transport Services</li> </ul>   |
| <b>Corporate Management</b>   | <b>Resources - Governance and Legal Services</b>  |
| <ul style="list-style-type: none"> <li>• Precepts, levies and contributions</li> <li>• Corporate initiatives</li> </ul>   | <ul style="list-style-type: none"> <li>• Democratic, electoral and legal services</li> <li>• Scrutiny, member and bilingual services</li> </ul>   |

## *Our Capital Ambition*

The Council, through its Capital Ambition, explains how it aims to address the above challenges by embarking on a programme of action, with commitments and targets to move forward in the face of significant budgetary constraints.

Its four priorities are driven by the ambition to maintain momentum in city regeneration and economic development, tackle inequality and inclusive growth, and respond to the climate emergency and public service reform.

## Working for Cardiff

All our citizens can contribute to and benefit from the city's success

- Cardiff is a great place to grow up
- Cardiff is a great place to grow older
- Supporting people out of poverty
- Safe, confident and empowered communities

## Working for Public Services

Making sure our public services are delivered efficiently, effectively and sustainably in the face of rising demand and reducing budgets

- Continued Digital First approach to customer services
- Development of skills and confidence across the workforce



## Working for Wales

A successful Wales needs a successful capital city

- A connected capital
- A business capital
- An inclusive capital
- A smarter capital
- A sporting and cultural capital



## Working for the Future

Managing the city's growth in a sustainable way

- Housing and transport
- Waste, recycling and clean streets



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.

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](#).

### Impact of Covid-19

The 23 March 2021 saw the one year anniversary of the first UK-wide lockdown, but also provided an important opportunity to remember loved ones, family members, friends and work colleagues who have lost their lives due to the virus. The Covid-19 pandemic had a major impact on all local authorities across Wales throughout 2020/21. A focus on essential services was necessary, adapted to current circumstances, but consistent with the principles to:

- Prevent the spread of infection;
- Ensure the health and safety of staff, service users and citizens;
- Prioritise key frontline services and support for vulnerable people; and
- Support the NHS.

The successful rollout of the mass vaccination programme in the city has been crucial and this has been implemented at scale and pace since January 2021 with the Council playing a key role in supporting the programme and the provision of Mass Vaccination Centres. The Council continues to work in close partnership with health colleagues to ensure that council services support the vaccination of vulnerable groups and that the Council's strong links to community leaders, networks and groups is utilised to increase levels of vaccination in all communities across the city.

Facing this uncertain financial environment, the Council took immediate action to ensure it had sufficient financial resources and liquidity to meet commitments. From a financial perspective, the response to the pandemic required the Council to incur additional expenditure, including, for example, spend relating to infection control measures, measures to safeguard the public and employees, support for vulnerable citizens and supplier relief. In addition, income losses have also been substantial, during the period where services have either been closed or have experienced significant reductions in demand or footfall. The Council also played a leading role in coordinating, on behalf of Welsh Government, financial support for local business and regional responses to the pandemic, such as the Track, Trace and Protect (TTP) programme and measures to respond to excess deaths in the region. As well as supporting local businesses, the Council has also had to consider its response to challenges experienced by its own traded services, including access to the UK Government's Job Retention Scheme. As part of its Group Structure, the Council is also the 100% shareholder of Cardiff City Transport Services Ltd. Similar to all public transport providers, the company, which relies significantly on fare paying passengers has seen income significantly reduced and has furloughed employees who were not required to deliver essential services.

In recognition of the pressures being experienced by local authorities, Welsh Government made various funding streams available, either through a Covid-19 general Hardship Fund or grants for specific purposes. £3.374 million of costs were reimbursed through the Job Retention Scheme and £47.704 million of additional expenditure and £38.155 million of lost income from the Hardship Fund. This left £2.114 million of Covid-19 related expenditure which was absorbed by the Council.

Further information of the financial impact and responses to Covid-19 on the Council's financial outturn position compared to the budget for 2020/21 can be found [here](#).

## Our Performance

### Cardiff is a great place to grow up

- 97.5% of primary school children and 92.3% of secondary school children secured their first three choices of school placement (96.6% and 85% in 2019-20)
- 97.6% of year 11 leavers made a successful transition from compulsory schooling to education, employment or training (all pupils)



### Cardiff is a great place to grow old

- 93% of clients felt they were able to live independently in their homes following support from the Independent Living Service

### Supporting people out of poverty

- The Council has supported 126 employers across Cardiff to become accredited Living Wage Employers, this has increased from 108 organisations in 2019-20
- 119 apprenticeships and traineeships were created by the Council during 2019-20
- 49,756 people accessed 'Into Work' advice to help citizens to develop skills and find employment opportunities



### Safe, Confident and Empowered Communities

- In 2020/21 2,490,498 citizens used our libraries and hubs 98% of customers who agreed with the statement "Overall the Hub met my requirements/I got what I needed"
- 1,113 Council Employees have participated in Welsh language courses and awareness training
- In 2020/21 993 children and adults in need of care and support using the Direct Payments Scheme, this has increased from 966 in 2018-19



### A Capital City that Works for Wales

- In 2020/21 1,845 new and safeguarded jobs were supported across the City

### Cardiff Grows in a Resilient Way

- 15.4% of people in Cardiff used cycling as a mode of transport to travel to work (13.7% in 2018 -19)
- 2.6% of principal A roads were in overall poor condition, this has improved from 3.3% in 2019-20
- 99.4% of reported fly tipping incidents were cleared in 5 working days
- £46 million was invested on improving or building new schools



### Modernising and integrating Our Public Services

- Since its launch the Cardiff App has been downloaded 42,756 times, across both android and iOS devices
- This has seen an increase to 1,896,787 customers choosing to use digital channels to contact the Council on areas such as Council Tax, housing, planning and waste collection. (1,240,299 in 2019-20)
- The Council continues to see an increase in the number of customers choosing to interact via social media channels, with approx. 142,257 followers



## Our Governance, Risks and Financial Outlook

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. 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.

[Link to be inserted following Council approval in October 2021](#)

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 Governance and Audit Committee.



The Council has had to adapt its governance arrangements during 2020/21 as a result of the impact of Covid-19, with changes including:

- Adaptations to reflect new ways of working and emergency arrangements
- Changes to 'business as usual' activities, including cessation or reduced frequency or scale of activities
- Longer-term changes to priorities, programmes, strategies and plans as a result of the impact of the pandemic on the stakeholders of the Council and users of services

The AGS will set out how Covid-19 has impacted on governance and systems of internal control using a risk based and proportionate approach, particularly where some of the usual sources of assurance may be more limited than in previous years.

In addition 2020/21 is also a 'shadow' year for the implementation of CIPFA's Financial Management (FM) Code. A key goal of the FM Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of Covid-19 has tested that financial resilience in 2020/21 and will continue to do so in coming years. As such, the annual review will include the outcome of the assessment undertaken during the year of the extent to which the Council's financial management arrangements comply with the FM Code.

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.

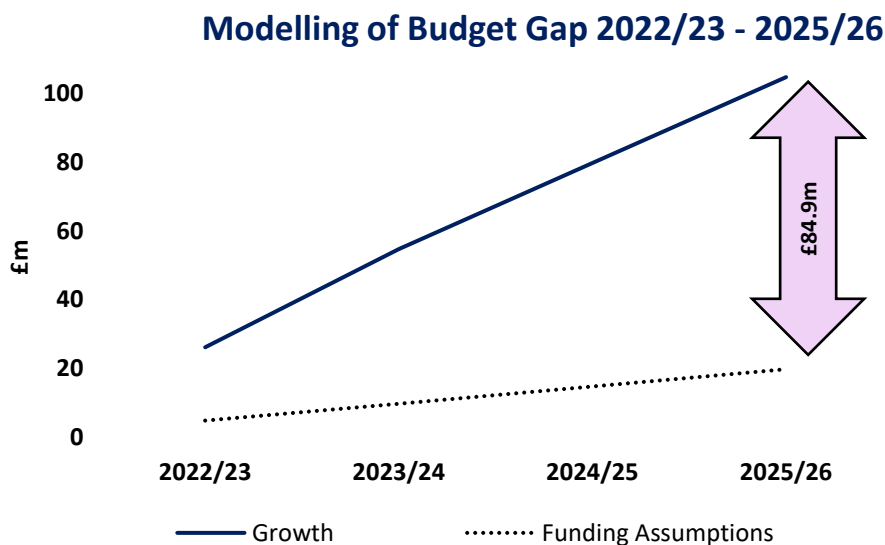
Over the course of the year, many risks have been progressed and appropriately mitigated through the above mechanisms. At 31 March 2021, there are ten corporate risks at a 'red' residual risk status i.e. major or significant consequence is likely without further mitigation. Covid-19 resulted in a change to the environment within which these risks as shown below need to be actively managed.

|  |
|--|
| Climate Change and Energy Security   |
| Failure to manage the effects of climate change and energy security due to lack of future proofing for key (social and civil) infrastructure and business development.   |
| City Security  |
| Major security-related incident in the city as a result of international or domestic terrorism.  |
| Coastal Erosion  |
| The risk of a breach of current coastal defence measures resulting in widespread flooding.   |
| Air Quality & Clean Air  |
| The risk that air quality in Cardiff does not meet statutory requirements set by legislation and continues to have a detrimental impact on health for residents and visitors to the city.  |
| Welfare Reform   |
| The risk that the Council cannot meet its statutory obligations placed upon it by the Welfare Reform including Universal Credit, Benefit Cap reductions, and size restrictions for social tenants.   |
| Financial Resilience   |
| Failure to deliver a balanced annual budget and a fully informed Medium Term Financial Plan which would significantly weaken the financial resilience of the Council.  |
| Impact of Brexit   |
| The risk that Brexit (and any subsequent decisions) will create severe disruption to the city and hinder its ability to continue to deliver effective services and maintain community cohesion.  |
| Waste Management   |
| Failure to deliver cost effective compliance with waste legislation including statutory recycling targets.   |
| Increase in Demand (Children's Services)   |
| Failure to effectively manage demand (and respond to increasing demand due to Covid-19) resulting in an increase in the number of children requiring services and the financial pressures this presents  |
| Cyber Security   |
| Monitoring - risk of an inability to assess how and when systems are being used, leading to an ineffective response to deliberate attacks or accidental user activity.<br>Secure Configuration – the increased risk from malware and ransomware.<br>Corporate Cloud Security - risk of weaknesses in externally hosted services. |

Funding Gap is the term used to describe the difference between the funding the Council expects to receive, and the estimated cost of continuing to deliver services at the current level. Put simply, the gap is a result of funding failing to keep pace with demand, inflation and other financial pressures. Despite a



better than anticipated Local Government Settlement in 2021/22, future assumptions recognise the risk that public finances could be tightened as a means of addressing the unprecedented levels of UK debt brought about by the pandemic. Even with a more positive outlook for funding received from Welsh Government, a budget gap of £85 million between 2022/23 and 2025/26 is forecast as part of the medium term financial plan approved in March 2021.



This is due to factors such as employee costs, price inflation, paying for capital projects and demographic pressures for adults and children.

A range of options have been considered in order to address budget gaps in 2021/22 and future years including continuing to review and challenge all directorate budgets for productivity savings; maximising opportunities for digital transformation and to work across directorates and in partnership with other organisations; maximising income streams and exploring the potential for new income streams, particularly where services are not universal; and considering the level at which it is affordable to continue to subsidise services of a more discretionary nature.

With increased levels of risk to the delivery of savings targets and demand likely to remain unpredictable as a result of the pandemic, financial resilience risk will need to be managed and monitored closely to ensure financial sustainability. Significant capital expenditure investment is proposed in areas such as new schools; to address the condition of existing assets used in service delivery; to develop new council housing; to address air quality; economic regeneration and for sustainable travel schemes. The five year investment plan will require a significant increase in borrowing and confirmation of the approach to generating a significantly enhanced level of asset disposals in order to help pay for investment.

Further details of the Council's budget for 2021/22 and Medium Term are available on the Council's website [Budget Proposals 2021/2022](#) and include the key documents below:

- Medium Term Financial Plan (MTFP)
- Housing Revenue Account 2021/22 Budget and MTFP
- Capital Strategy 2021/22
- Treasury Management Strategy

- A financial resilience snapshot which sets out a number of financial indicators and ratios.

## Financial Performance 2020/21

The Council's budget for 2020/21 was approved in February 2020 prior to the onset of the Covid-19 pandemic. The budget was set against a backdrop of financial uncertainty, significant challenges in funding services and increasing demand for our services. An overall funding gap of £32.597 million in 2020/21 was identified and addressed by a combination of savings measures, use of earmarked reserves, schools' contribution to meeting pressures and a 4.5% Council Tax increase. A net revenue budget of £656.186 million was approved for 2020/21 as well as a Medium Term Financial Plan based on a rolling four-year period from 2021/22 to 2024/25, ensuring that resources are aligned to outcomes in the Corporate Plan.

### Revenue Expenditure and Funding

Revenue expenditure covers the cost of the Council's day-to-day operations and contributions to and from reserves. The final revenue outturn shows expenditure within the overall 2020/21 net revenue budget of £656.186 million. Favourable variances within the Summary Revenue Account enabled contributions to be made to a number of strategic earmarked reserves that will support financial resilience of the Council in the medium term.

| Directorate  | Net Expenditure Budget<br>£000 | Net Expenditure Outturn<br>£000 | Variance (Under)/Over<br>£000 |
|--|--------------------------------|---------------------------------|-------------------------------|
| Corporate Management   | 26,270                         | 26,340                          | 70                            |
| Economic Development   | 8,090                          | 7,582                           | (508)                         |
| Economic Development - Recycling and Neighbourhood Services                                  | 30,467                         | 30,467                          | 0                             |
| Education and Lifelong Learning  | 287,258                        | 287,533                         | 275                           |
| People and Communities - Housing and Communities   | 46,526                         | 46,241                          | (285)                         |
| People and Communities - Performance and Partnerships  | 3,047                          | 2,868                           | (179)                         |
| People and Communities - Social Services   | 182,338                        | 182,967                         | 629                           |
| Planning, Transport and Environment  | 7,104                          | 7,104                           | 0                             |
| Resources - Governance and Legal Services  | 5,700                          | 6,286                           | 586                           |
| Resources  | 15,636                         | 15,239                          | (397)                         |
| <b>Directorate Outturn Subtotal</b>  | <b>612,436</b>                 | <b>612,627</b>                  | <b>191</b>                    |
| Capital Financing  | 30,936                         | 31,354                          | 418                           |
| General Contingency  | 3,000                          | 0                               | (3,000)                       |
| Summary Revenue Account Inc. Council Tax collection and NDR refunds and Discretionary Relief | 9,814                          | 12,205                          | 2,391                         |
| <b>Total Council Outturn</b>   | <b>656,186</b>                 | <b>656,186</b>                  | <b>0</b>                      |

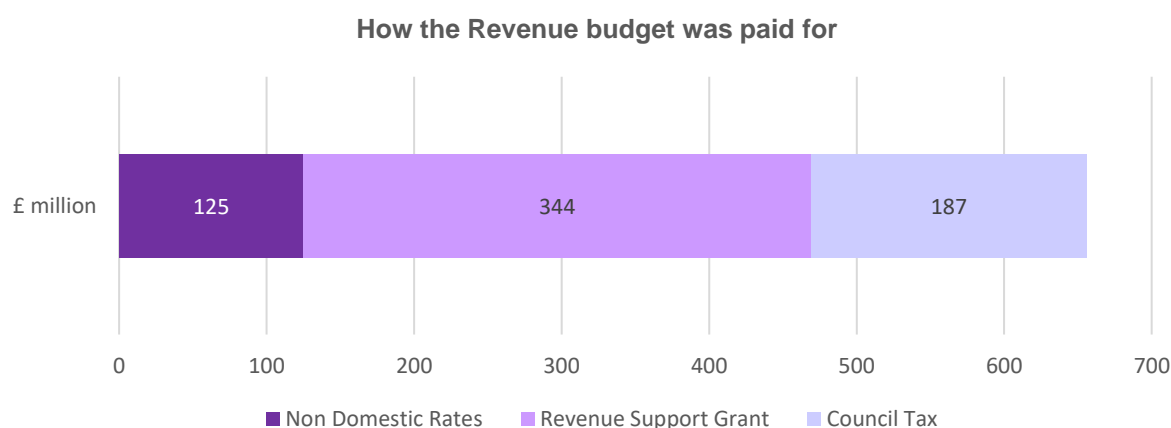
The final revenue position reflects an overall balanced position, that is, the Council has contained its spending within the £656.186 million budget approved for the year, after transfers to and from earmarked reserves. This position comprised a net directorate overspend of £191,000, a Capital Financing overspend

of £418,000, a Council Tax surplus of £1.016 million and a net overspend of £3.407 million against the Summary Revenue Account, offset by the £3 million general contingency budget which was not required to be utilised. It should be noted that the overall position improved throughout the year, as greater clarity was gained in relation to the ongoing impact of the pandemic, but also as WG funding announcements were made.

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 collectable by Cardiff for 2020/21 totalled £189.469 million of which Cardiff received £124.579 million after redistribution by Welsh Government. The in-year collection rate was 85.58% (96.12% in 2019/20).

Revenue Support Grant of £344.468 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 £187.406 million funds just over a quarter of the Council's net expenditure. The in-year collection rate was 96.06% (96.8% in 2019/20).



## Housing Revenue Account (HRA)

The Housing Revenue Account is a ring-fenced account shown within the Housing and Communities directorate. It includes income from rents and expenditure on managing the housing stock and related services:

- The council has 13,737 dwellings as at 31 March 2021.
- The average weekly net rent for 2020/21 was £106.97.
- Income including rent and charges for services totalled £85.883 million.
- Revenue expenditure included £20.798 million on repairs and maintenance, £29.165 million on supervision and management and £28.490 million on capital financing costs, including interest, provision for the repayment of debt and towards capital expenditure.

The Housing Revenue Account reported a surplus position of £6.519 million for 2020/21 after a transfer to earmarked reserves of £2.822 million. Factors resulting in the surplus included a reduced spend on repairs and maintenance, underspend on void property repairs, lower capital financing costs reflecting the timing of capital investment and unbudgeted receipt of grant. This will be used to meet future liabilities and commitments, including any additional repairs and works which may be required to properties particularly as a result of access restrictions in 2020/21 due to the pandemic.

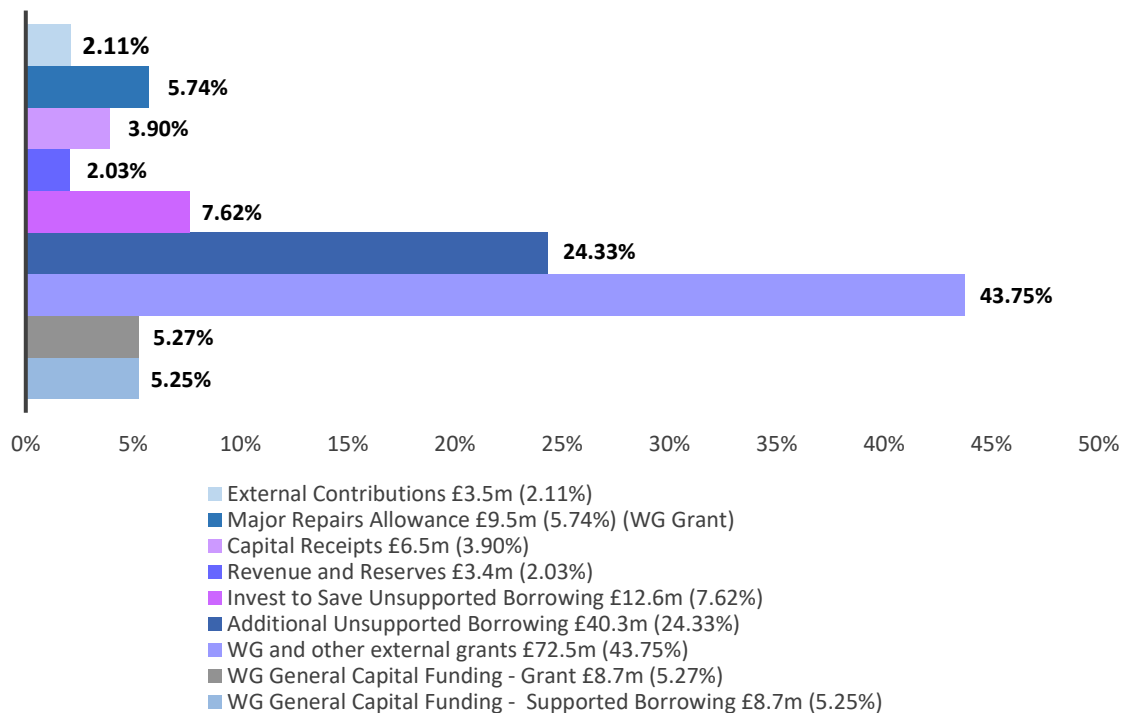
## Capital Expenditure and Funding by the Council

Capital investment forms a large part of our spending. The Council has an ambitious capital programme to deliver projects that are fundamental to the Council achieving its aspirations to re-shape how we deliver our services as well as helping to unlock revenue savings and efficiencies to secure our non-financial stability. Capital spending during the year totalled £165.7 million.

| Schemes  | Detail   | £m           |
|--|--|--------------|
| Business and City Development                        | Town Centre Loan and acquisition of regeneration sites in Butetown as well as to support the Atlantic Wharf Masterplan.  | 8.4          |
| Parks, Leisure and Venues                            | Parks play areas and infrastructure, Leisure buildings maintenance; Play Opportunities and Green Recovery, castle lighting and museum of Cardiff equipment.  | 3.1          |
| Recycling and Waste Management                       | Recycling glass waste containers, site and depot infrastructure including new control room and fleet car park and a range of grant funded circular economy schemes.  | 2.7          |
| Education & Lifelong Learning                        | 21 <sup>st</sup> Century schools band B including new Fitzalan High School and acquisition of site for replacement of Willows High; investment in the condition and suitability of school buildings; schemes for Welsh medium expansion; reducing infant class sizes and Schools ICT.                            | 46.2         |
| Neighbourhood Regeneration, Hubs and Private Housing | Disabled adaptation grants, allowing people to live independently in their homes; environmental improvements; Tudor street commercial improvements; Completion of Whitchurch and Rhydypennau Hubs, transfer of grant.  | 9.9          |
| Highways & Transportation                            | Road and footpath reconstruction and resurfacing; public transport and road safety improvements; cycling strategy implementation and expansion of cycle hire and moving traffic offences schemes; investment in active travel and safe routes in communities; design works for city centre air quality measures. | 24.5         |
| Corporate  | Contribution to City Deal projects, works to relinquish leased buildings and acquisition of equity in Cardiff Bus as part of a financial support package.  | 8.6          |
| Public Housing                                       | Disabled adaptations; estate regeneration; investment in existing stock condition; acquisition of land and existing dwellings from the private market; construction of new dwellings.  | 53.6         |
| Other  | Modernising ICT to improve business process; harbour asset renewal; new burial site at Thornhill; completion of Lamby Way solar farm, property asset renewal works and vehicle replacement.  | 8.7          |
| <b>Total</b>   |  | <b>165.7</b> |

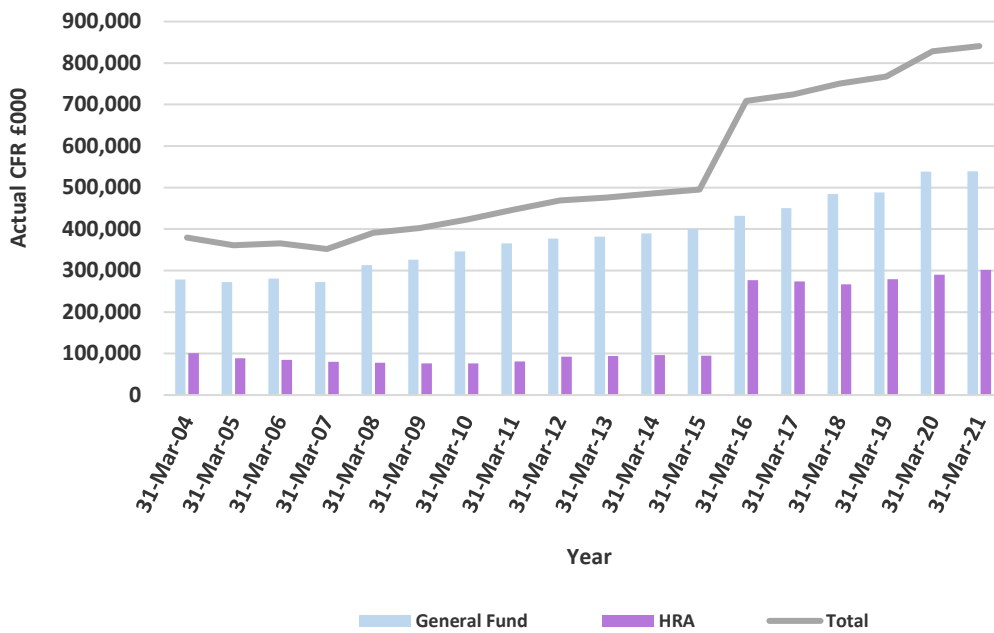
The Council pays for its capital expenditure from a number of sources. This includes borrowing money. Borrowing and any associated interest costs must ultimately be repaid in a prudent way from existing and future income. The Capital Programme was financed from a combination of borrowing (£61.6 million) and from grants, contributions, revenue budgets and sale of assets (£104.1 million). An analysis of the sources of capital funding is shown in the chart below:

## Funding of Capital Expenditure



Capital expenditure 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). The historic trend is shown in the next chart.

### Capital Financing Requirement Trend



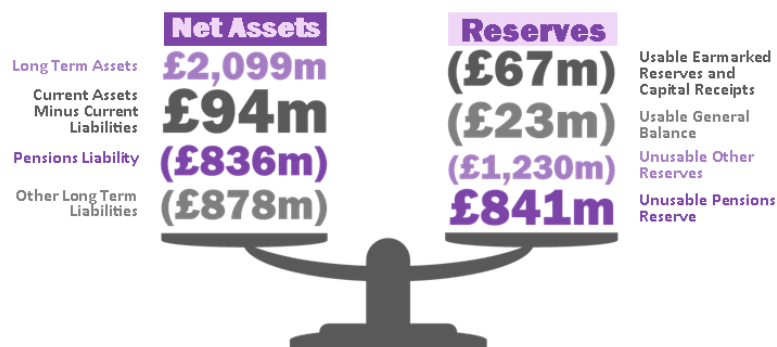
In 2015/16 additional borrowing was taken by the Council and paid to HM Treasury to exit the HRA subsidy system. The CFR and associated financing costs, interest and repayment, of capital investment continues to rise as a percentage of controllable budget. The Council's Capital and Treasury Management Strategies set out a range of indicators for affordability, prudence and sustainability of the Council's capital investment plans.

Each year, a prudent amount is charged to our revenue budgets to reduce this. In the 2020/21 budget proposals report, Council approved a revised Minimum Revenue Provision Policy (MRP), with a specific change in methodology in respect to borrowing supported by Welsh Government through the Revenue Support Grant. The resulting savings have been used to strengthen the Local Authority's financial resilience in respect of capital and treasury, through the development of an Earmarked Treasury Management Reserve.

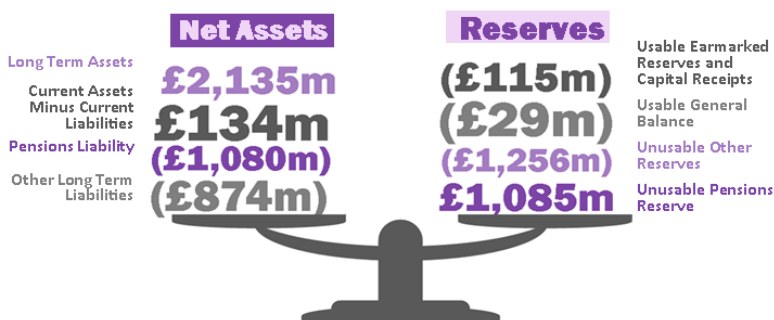
### *Financial Position*

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

## Balance Sheet - 2019/2020



## Balance Sheet - 2020/2021



## 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 14 details movements in assets, capital expenditure and its financing:

- capital receipts from the disposal of property assets and similar income was £15.422 million
- as part of the Council's rolling programme, revaluations took place during the year for council dwellings, investment properties and surplus assets.

## Financial Assets and Liabilities

Treasury Investment and borrowing activities were undertaken in accordance with regulatory requirements and the Council's Treasury Management Strategy for 2020/21. Investments for treasury management purposes and cash is £133.332 million at 31 March 2021 and is primarily represented by temporary cash balances deposited with financial institutions. The average rate of interest earned for the year was 0.22%.

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. In accordance with the Treasury Management Strategy, borrowing is undertaken to manage the capital financing requirement when deemed necessary to mitigate against the risk of future interest rates rising unexpectedly. The net change in external borrowing during the year was a decrease of £18.1 million. Note 15 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 2020/21, total provisions decreased by £134,000 to £30.083 million. Details of the movement of individual provisions are shown in note 21 of the accounts.

## Pensions Liabilities

The Council's participation in all pension schemes is shown in note 13 of the accounts:

- The cost to the Council during the year for pension liabilities is £46.250 million.
- The Council's future liability in respect of pension benefits payable, compared to assets held, is £1.080 billion at 31 March 2021. This is based on the latest actuarial assumptions. This has increased by £244.758 million from 2019/20.
- The fund is revalued every three years, with the fund's assets at 31 March 2019 deemed to cover 96% of future liabilities. A 17 year recovery plan is in place in order to meet the shortfall.

In October 2020, Council considered a report, as 100% shareholder, to invest in the future of Cardiff City Transport Services Limited (trading as Cardiff Bus) and to secure the continuity of bus service provision in the city. It highlighted a range of measures to address the difficulties faced by Cardiff Bus and the Trustees of its pension scheme to agree, in accordance with Pension Legislation, the Triennial valuation of the pension scheme at 31 March 2018.

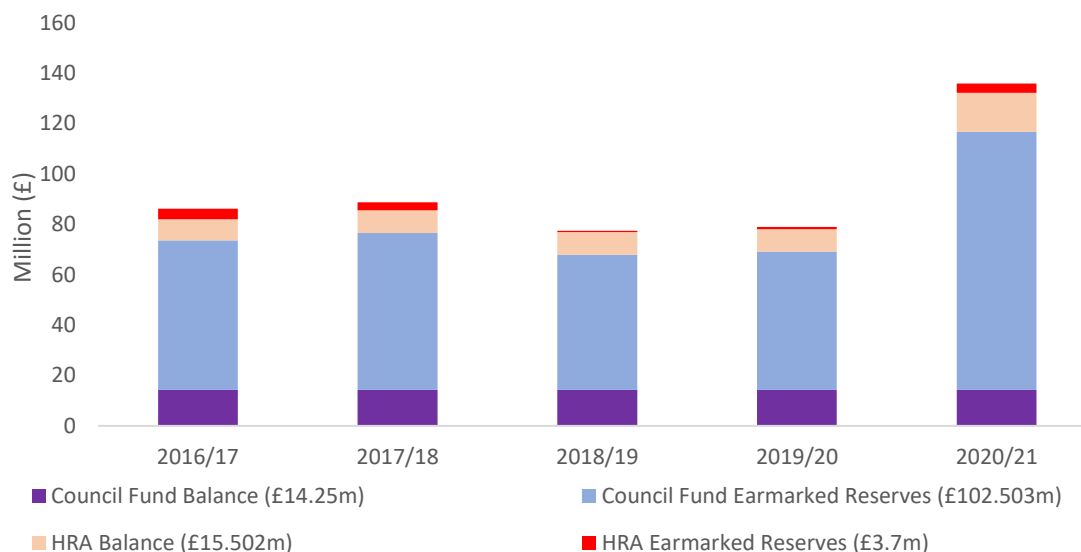
On 3 March 2021, the Council entered into an agreement with the Trustees of the Cardiff City Transport Services Limited Pension Scheme to become the statutory employer of the Cardiff Bus defined benefit pension fund. This means all future liabilities in respect to pension obligations of Cardiff Bus will fall to Cardiff Council in the event the company is unable to meet them. Details of the fund assets and liabilities as at 31 March 2021 are shown in note 13.

## 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. A favourable improvement in the net directorate position, plus the receipt of Welsh Government additional grant funding at the end of the financial year, provided an opportunity to increase the level of earmarked reserve balances and improve the Council's overall level of financial resilience. The historic level of usable reserves as a percentage of revenue expenditure has been one of the lowest in Wales. Earmarked revenue and other usable reserves are detailed in note 24 of the accounts whilst unusable reserves are shown in note 25.



## Usable Revenue Reserves



## Financial Statements

The Statement of Accounts are set out in this document, accompanied by a Statement of Responsibilities for the financial Statements and the Audit Report. The single entity statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools in England and Wales within the control of the local authority.

The core statements are:

- The Comprehensive Income and Expenditure Statement records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by directorate. The bottom half of the statement deals with corporate transactions and funding.
- The Movement in Reserves Statement is a summary of the changes to our reserves over the course of the year. Reserves are divided into 'usable', which can be invested in capital projects or service improvements and 'unusable', which must be set aside for specific purposes.
- The Balance Sheet is a 'snap shot' of the Council's assets, liabilities, cash balances and reserves at the year-end date.
- The Cash Flow Statement shows the reasons for changes in the council's cash balances during the year and whether that change is due to operating activities, new investment or financing activities.

The supplementary statements are:

- The Housing Revenue Account separately identifies the Council's statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.
- Group Accounts combine the Council's own financial statements with its material interests in subsidiaries, associates and/or joint ventures, in this Council's case, Cardiff City Transport Services Ltd.
- Other statements for regulatory purposes include Trust Funds and Cardiff Harbour Authority.

## Conclusions

The pandemic will have affected us all in different ways and will continue to do so. This year was set against the backdrop of an unprecedented period of uncertainty and risk and I would like to pay tribute to all those in public services working for the City and residents for the hard work and efforts to continue to deliver council services during what has been a very challenging period. Despite in year pressures, the Council was able to remain within its net revenue budget set for 2020/21 with support from the Welsh Government through various grants and Central Government through the Furlough Scheme. Demand for all Council services continues to increase and a continued negative future funding outlook for all local authorities remains a significant risk given the financial challenges the Council faces over the medium term. 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.

Looking beyond the immediate restart of services, the Council's focus is now firmly on working towards recovery and renewal. A series of 'Capital Ambition: Recovery and Renewal' Cabinet decisions have been taken, which deal specifically with the following four key policy themes:

- Organisational Recovery and Renewal – how the Council and local public services need to respond to the challenges and opportunities of the post-Covid-19 world.
- 'Greener, Fairer, Stronger' – a draft strategy for the recovery and renewal of the city's economy, including a series of 'missions', priorities and projects to consider.
- Delivering a Child Friendly Recovery –programmes of work across Council services to support children and young people, particularly those who are most vulnerable.
- One Planet Recovery –development of the One Planet Cardiff strategy and immediate actions the Council will take to tackle the climate emergency.

I am grateful for the work of my finance team in supporting directorates and for all officers who facilitate the transparency of our financial transactions and ensure processes are in place to support Covid-19 grant claims and initiatives. They have made possible the preparation of these financial statements and reporting of financial performance and position during these uncertain times. This is a requirement that will itself be more challenging in future years due to the ambitious change agenda, additional accounting and reporting as well as earlier preparation of the accounts and consequential audit requirements.

**Christopher Lee**  
**Corporate Director Resources and Section 151 Officer**



# Statement of Responsibilities for the Financial Statements



## ***The Council's responsibilities***

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2020/21 that officer was Christopher Lee, 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 Rod McKerlich**  
**Lord Mayor**

**Date: 21 October 2021**

### ***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 2020/21 (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
- 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 2020/21 and financial position of the Council at 31 March 2021.

**Christopher Lee**  
**Corporate Director Resources**

**Date: 21 October 2021**

# ***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***

## **Opinion on financial statements**

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 2021 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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 and the County Council of the City and County of Cardiff's Group as at 31 March 2021 and of its income and expenditure for the year then ended; and

have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

## **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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.

## **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Council Dwellings**

I draw attention to the assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements, which describes the impact of the COVID-19 pandemic and the material uncertainty of the valuation of the Council's dwellings provided by the Council's external professional valuers.

My opinion is not modified in respect of this matter.

### **Emphasis of matter - valuation of Council High-Rise Dwellings in the aftermath of the Grenfell fire**

I draw attention to the assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements, which describes the material uncertainty in the valuation of the Council's high-rise dwellings provided by the Council's external professional valuers in the aftermath of the Grenfell fire.

My opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

### **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 2020-21;

The information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 Annual 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the County Council of the City and County of Cardiff's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.



- obtaining an understanding of the County Council of the City and County of Cardiff's framework of authority as well as other legal and regulatory frameworks that Cardiff Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Cabinet and Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the County Council of the City and County of Cardiff's 'controls, and the nature, timing and extent of the audit procedures performed.

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.

### **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
28 October 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ



# Accounting Policies, Critical Judgements and Assumptions



## *Accounting policies used when formulating the accounts*

The Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2021 and its financial position at that date. The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code).

The accounts have been prepared on a going concern basis. The accounting convention adopted is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### *1. Accounting Standards issued but not yet adopted*

The main change to the Code will be the requirements of International Financial Reporting Standard 16 – Leases adopted in the 2021/22 Code. The required date of application and the date that the Council will adopt IFRS 16 is 1 April 2022. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for most leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Whilst this is expected to have no impact on the Council Tax or Rent payer, work will need to be undertaken during 2021/22 to ensure significant lease type arrangements across the Council are identified and accurately recorded. This will include a review of existing and creation of new processes for managing and recording lease arrangements.

### *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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- supplies are recorded as expenditure when they are consumed
- services received are recorded as expenditure when the services are received, rather than when the payments are made
- there is a de minimis threshold of £500, under which income and expenditure may not be accrued
- 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. 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. Regular 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.

#### **4. *Cash and Cash Equivalents***

Cash is represented by cash in hand, the net balance on all of the Council's bank accounts including balances of cheque book schools. It includes deposits with financial institutions that are repayable on notice of not more than 24 hours without significant penalty. It also includes investments maturing and interest received on the first working day of April.

#### **5. *Contingent Assets and Liabilities***

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

#### **6. *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.

#### **7. *Disposals and Capital Receipts***

When assets are disposed of or decommissioned, the value of those assets included in the Balance Sheet along with any proceeds from disposal are used to calculate a gain or loss on disposal.

Disposals greater than £10,000 are treated as capital receipts and are credited to the Capital Receipts Reserve.

#### **8. *Employee Benefits***

##### **Benefits Payable during Employment**

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis in the relevant service line in the Comprehensive Income and Expenditure Statement.

## 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.

## 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. Accounting treatment depends on whether they are in respect of a defined benefit scheme or a defined contribution scheme.

## Defined Contribution Schemes

Centralised arrangements for the Teachers' Pension Scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council and is therefore accounted for as if it were a 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. 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 where:

- liabilities for the scheme attributable to the Council are included on an actuarial basis using the projected unit method (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)
- assets of the scheme attributable to the Council are included at their fair value:
  - quoted and unitised securities – current bid price
  - unquoted securities – professional estimate
  - property – market value.

The change in the net pension liability is analysed into the following components:

- current service costs: increase in the liability as a result of pension earned by employees in the year is charged to net cost of services.
- past service costs: increase in the liability arising from current year decisions which affect pension earned by employees in earlier years is charged to Corporate Management.
- gains/losses on settlements and curtailments: result of actions to relieve the Council of liabilities or events that reduce expected future service or accrual of benefits are charged to Corporate Management.
- net interest on the net defined benefit liability: 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: return on plan assets (excluding amounts included in net interest) and actuarial gains/losses as a result of updated actuarial assumptions. These are both charged to the Pensions Reserve as Other Income and Expenditure.

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

## 9. *Financial Assets*

Financial assets are classified based on a classification and measurement approach that reflects the Council's business model for holding financial assets and their cash flow characteristics.

There are three main classes of financial assets measured at:

- amortised cost - Achieve objectives by collecting contractual cash flows e.g. principal and interest
- fair value through profit or loss (FVPL) - Achieve objectives by both collecting contractual cash flows and selling assets
- fair value through other comprehensive income (FVOCI) - Achieve objectives by any other means than collecting contractual cash flows and where the Council has designated that this is the case.

In terms of value of financial assets recognised in the accounts, the authority's primary business model is to hold investments to collect contractual cash flows, however loans and equity instruments may be provided as capital expenditure in the approved Capital Programme to achieve service objectives. Depending on the rationale for holding such financial assets, primarily equity, the Council may designate such items to be measured at fair value through other comprehensive income.

Fair value measurement techniques are defined within the final section of this policy.

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual 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 in accordance with any investment or loan agreement. The amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest).

Any gains or losses that arise on derecognition of an asset are credited/debited to the CIES.

### **Expected Credit Loss Model**

Impairment losses are calculated to reflect the expectation that future cash flows might not take place because the borrower could default on their obligations. Such a review would take place on an individual financial asset or collective basis, based on materiality and cost benefit of individual assessment.

The Council undertakes a review of expected credit losses on all financial assets held at amortised cost either on a 12-month or lifetime basis. Where provision for such losses is not already undertaken e.g. as part of a provision for bad debts, adjustments to the value of financial assets disclosed in the accounts would be made. Credit risk plays a crucial part in assessing expected credit loss. Where risk has increased significantly since a financial asset was initially recognised, provision for losses are assessed on a lifetime basis. Where

risk has not increased significantly or remains low, provision for losses are assessed on the basis of 12-month expected loss.

### **Financial Assets Measured at Fair Value through Profit or Loss (FVPL)**

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised in the Surplus or Deficit on the Provision of Services.

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

### **Financial Assets Measured at Fair Value through other comprehensive income (FVOCI)**

Financial assets that are measured as FVOCI are initially measured and carried at fair value on the Balance Sheet. Treating such assets under this category will require a 'Designation' by the Council. These are likely to be equity holdings held as part of a service objective.

Fair value gains and losses are recognised in Other Comprehensive Income and the change in the amount of the investment in the balance sheet is matched with an entry in the Financial Instruments Revaluation Reserve.

Upon derecognition, any balance on the Financial Instruments Revaluation Reserve is recycled through the Surplus or Deficit on the Provision of Services.

### **Fair Value Measurement of Financial Assets**

Fair value measurements for the above financial asset classes measured at fair value are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 – unobservable inputs for the asset.

## **10. 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, inputs to the valuation techniques used to determine fair value are attributed to the same levels as stated under the Financial Assets accounting policy.

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.

## 11. 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.

## 12. 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. No depreciation charge is made on heritage assets.

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 within the notes to the accounts. A valuation is undertaken every 3 years by an external expert for insurance purposes. A valuation of paintings, artefacts and civic regalia took place as at 31 March 2020.



### **13. *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. Once intangible assets are fully amortised, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

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

### **14. *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.

### **15. *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 expenditure.

The balance of inventories that have been donated rather than purchased are held in the Donated Inventory Account.

### **16. *Investment Property***

Investment properties are those held solely to earn rentals and/or for capital appreciation such as; ground leases, land held for future development as strategic sites and other land and buildings that meet investment property criteria.

Investment properties are measured at fair value, based on the market value that would be received to sell an asset in an orderly transaction between market participants at the measurement date, reflecting the asset's highest and best use. A full valuation is undertaken every two years, the most recent of which took place in 2020/21 and Jones Lang LaSalle were appointed for the task.

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.

## 17. *Joint Committees*

Subject to materiality and exposure to risk, the relevant proportion of Joint Committees are included within the Council's accounts reflecting the transactions and balances for those Joint Committees.

## 18. *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. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### *The Council as Lessee*

#### **Finance Leases**

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 does not recognise any leases of this type.

#### **Operating Leases**

Payments for operating leases are charged to the relevant service line on an accruals basis.

### *The Council as Lessor*

#### **Finance Leases**

The Council does not recognise any leases of this type.

#### **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.

## 19. *Local Authority Maintained Schools*

The Code confirms that the balance of control for local authority maintained schools (i.e. those categories of school identified in the School Standards and Framework Act 1998, as amended) lies with the local authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the local authority financial statements. Therefore schools' transactions, cash flows and balances are recognised in each of the financial statements of the authority as if they were the transactions, cash flows and balances of the authority.

## 20. *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, those used for the promotion of culture and knowledge and those 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.

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 capitalisation of expenditure in connection with Council dwellings.

Once assets have fully depreciated, they are reviewed in terms of materiality and if necessary, disposed of with the carrying value removed from the asset register.

## 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, excluding borrowing costs which are not capitalised. A full year's depreciation is charged on capital expenditure incurred in the year. No depreciation is charged in the year of disposal. Assets are subsequently carried on the balance sheet as per the following:

| Asset Type  | Measurement   | Valuation Frequency     | Last Valuation | Surveyor for Last Valuation | Next Valuation | Depreciation*                      |
|---|---|-------------------------|----------------|-----------------------------|----------------|------------------------------------|
| <b>Assets under Construction</b>                  | Depreciated Historical Cost   | n/a                     | n/a            | n/a                         | n/a            | n/a                                |
| <b>Community Assets</b>                           | Depreciated Historical Cost   | n/a                     | n/a            | n/a                         | n/a            | n/a                                |
| <b>Council Dwellings</b>                          | Existing Use Value for Social Housing   | Every 2 years           | 2020/21        | Savills                     | 2022/23        | Land: n/a<br>Buildings: 50 years   |
| <b>Infrastructure</b>                             | Depreciated Historical Cost   | n/a                     | n/a            | n/a                         | n/a            | 7-120 years**                      |
| <b>Other Operational Land &amp; Buildings</b>     | Existing Use Value or Depreciated Replacement Cost if specialist nature without market-based evidence | Every 3 years           | 2018/19        | Cooke & Arkwright           | 2021/22        | Land: n/a<br>Buildings: 3-65 years |
| <b>School Assets</b>                              | Detailed Depreciated Replacement Cost (Modern Equivalent Asset)                                       | Every 3 years           | 2019/20        | Cooke & Arkwright           | 2022/23        | Land: n/a<br>Buildings: 3-54 years |
| <b>Surplus Assets</b>                             | Fair Value  | Annual Fair Value Check | 2020/21        | Jones Lang LaSalle          | 2021/22        | n/a                                |
| <b>Vehicles, Plant, Furniture &amp; Equipment</b> | Depreciated Historical Cost   | n/a                     | n/a            | n/a                         | n/a            | 5-15 years                         |

\* Calculated on a straight-line basis over the below estimated useful lives, unless there is not a determinable finite useful life.

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

## Revaluations

Council dwellings, other land and buildings including schools, are required to be valued periodically. Asset valuations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

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 revaluation programme 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 three 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 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 or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is 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
- thereafter, or if there is no balance in the Revaluation Reserve, 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.

## 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 £1.5 million at the end of the financial year

- significance of component. For individual assets meeting the above threshold, where services within a building (boilers / heating / lighting / ventilation etc.), or items of fixed equipment (kitchens / cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis
- difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.

Assets that 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.

## 21. Provisions

Provisions are charged as expenditure to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision, which is held on the Balance Sheet. Provisions are reviewed at the end of each financial year and where no longer required are credited back to the relevant service line.

## 22. 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 line 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.

## 23. Reserves

The Council sets aside useable earmarked reserves for future policy purposes or to cover contingencies. 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 and there are no net impacts on council tax or rent.

## 24. Value Added Tax (VAT)

VAT payable is excluded from expenditure except where it is not recoverable from HMRC. VAT receivable is excluded from income.

## Critical judgements in applying accounting policies

Accounting policies are only applied to material Council transactions. 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 income and expenditure for the Council and its subsidiaries particularly as a result of the Covid-19 crisis. 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.
- 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/or 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 2021 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 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. As a result of the impact of Covid-19, 2020/21 valuations on Council Dwellings are reported on the basis of 'material valuation uncertainty' as per the RICS Red Book. Consequently, less certainty and a higher degree of caution should be attached to the valuations. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid. The Council's approach to undertaking valuations on a more frequent basis than the minimum 5 year period will ensure that any changes are captured as soon as possible in the next formal valuation. In addition, included within the valuation of Council Dwellings is a Material Uncertainty Clause in relation to high rise residential buildings, the inclusion of which is based on valuer judgement. This does not suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent that, in extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case. The balance | 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. |

| Item                        | Uncertainty   | Effect if Actual Results Differ from Assumptions  |
|-----------------------------|---|---|
|                             | sheet carrying value and the maximum value affected by this disclosure is £15.750 million pending the implementation of solutions, where required, in respect of remedial works to high rise buildings following fire safety measures.  |   |
| Financial Instrument assets | <p>These are reviewed annually for significant impairment using data such as historic risk of default and other reviews of recoverability.</p> <p>For financial assets not quoted on a recognised exchange or where it is difficult to provide accounting valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd. The fair value is deemed to be Net Worth.</p>  | Any change in the fair value of Cardiff City Transport Services Ltd has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the Financial Instrument Adjustment Reserve. |
| 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 are 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                     | <p>The Authority is 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 which may impact on collectability a level of impairment or provision for expected credit losses is assumed. It is not certain however that this impairment allowance would be sufficient as the Council cannot assess with certainty which debts will be collected or not.</p> <p>The economic impact of the Covid-19 pandemic has made the estimation of debt impairment more difficult as there is more uncertainty about the economic viability of debtors and hence their ability to settle their debts which may, or may not be sufficient.</p> | 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          | <p>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. This also includes market volatility for example as a result of Britain's departure from the European Union and Covid-19.</p> <p>Professional actuaries are engaged to provide the Council with expert advice about the assumptions to be applied.</p>   | It is difficult to measure the effects on the net pension liability of changes in individual assumptions, as they can result in multiple variations to the figure.  |



# Core Financial Statements and Notes to the Financial Statements





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 2) 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).

| 2019/20           |                  |                  |  |      | 2020/21           |                  |                  |
|-------------------|------------------|------------------|--|------|-------------------|------------------|------------------|
| Gross Expenditure | Gross Income     | Net Expenditure  |  | Note | Gross Expenditure | Gross Income     | Net Expenditure  |
| £000              | £000             | £000             |  |      | £000              | £000             | £000             |
| 19,663            | (5,971)          | <b>13,692</b>    | Corporate Management                                     |      | 18,836            | (14,507)         | <b>4,329</b>     |
| 103,222           | (53,376)         | <b>49,846</b>    | Economic Development                                     |      | 95,671            | (49,083)         | <b>46,588</b>    |
| 314,306           | (77,419)         | <b>236,887</b>   | Education & Lifelong Learning                            |      | 379,590           | (92,688)         | <b>286,902</b>   |
| 8,700             | (2,223)          | <b>6,477</b>     | Governance & Legal Services                              |      | 7,916             | (1,244)          | <b>6,672</b>     |
| 8,567             | (5,724)          | <b>2,843</b>     | Harbour Authority  |      | 8,882             | (5,916)          | <b>2,966</b>     |
| 65,056            | (81,412)         | <b>(16,356)</b>  | Housing Revenue Account                                  |      | 111,940           | (85,884)         | <b>26,056</b>    |
| 233,365           | (184,224)        | <b>49,141</b>    | Housing and Communities                                  |      | 239,172           | (186,546)        | <b>52,626</b>    |
| 8,446             | (5,499)          | <b>2,947</b>     | Performance and Partnerships                             |      | 10,494            | (7,281)          | <b>3,213</b>     |
| 66,715            | (39,245)         | <b>27,470</b>    | Planning , Transport and Environment                     |      | 68,093            | (44,160)         | <b>23,933</b>    |
| 33,036            | (11,365)         | <b>21,671</b>    | Resources  |      | 38,019            | (18,415)         | <b>19,604</b>    |
| 211,533           | (30,628)         | <b>180,905</b>   | Social Services  |      | 246,142           | (59,916)         | <b>186,226</b>   |
| 2,870             | (12,653)         | <b>(9,783)</b>   | Summary Revenue Account                                  |      | 4,967             | (9,239)          | <b>(4,272)</b>   |
| <b>1,075,479</b>  | <b>(509,739)</b> | <b>565,740</b>   | <b>Net Cost of Services</b>                              |      | <b>1,229,722</b>  | <b>(574,879)</b> | <b>654,843</b>   |
| 37,469            | 0                | <b>37,469</b>    | Police and Crime Commissioner for South Wales            |      | 40,165            | 0                | <b>40,165</b>    |
| 397               | 0                | <b>397</b>       | Community Council Precepts                               | 3    | 446               | 0                | <b>446</b>       |
| 17,696            | 0                | <b>17,696</b>    | Levies & Contributions                                   |      | 18,244            | 0                | <b>18,244</b>    |
| 4,642             | (8,681)          | <b>(4,039)</b>   | (Gain)/loss on sale of non-current assets                |      | 15,760            | (15,081)         | <b>679</b>       |
| <b>60,204</b>     | <b>(8,681)</b>   | <b>51,523</b>    | <b>Other Operating Expenditure</b>                       |      | <b>74,615</b>     | <b>(15,081)</b>  | <b>59,534</b>    |
| 32,960            | 0                | <b>32,960</b>    | Interest Payable on debt                                 | 15   | 34,020            | 0                | <b>34,020</b>    |
| 14,810            | 0                | <b>14,810</b>    | Interest on net defined benefit liability/(asset)        | 13   | 18,832            | 0                | <b>18,832</b>    |
| 0                 | (1,129)          | <b>(1,129)</b>   | Interest & Investment Income                             | 15   | 0                 | (394)            | <b>(394)</b>     |
| 6,566             | (2,475)          | <b>4,091</b>     | Change in fair value of Investment Properties            | 14   | 13,490            | (3,286)          | <b>10,204</b>    |
| 0                 | 0                | <b>0</b>         | Movement in Financial Instruments                        |      | 0                 | (148)            | <b>(148)</b>     |
| <b>54,336</b>     | <b>(3,604)</b>   | <b>50,732</b>    | <b>Financing and Investment Income &amp; Expenditure</b> |      | <b>66,342</b>     | <b>(3,828)</b>   | <b>62,514</b>    |
| 0                 | (41,333)         | <b>(41,333)</b>  | Recognised Capital Grants & Contributions                |      | 0                 | (87,562)         | <b>(87,562)</b>  |
| 0                 | (328,126)        | <b>(328,126)</b> | Revenue Support Grant                                    | 26   | 0                 | (344,468)        | <b>(344,468)</b> |
| 0                 | (116,504)        | <b>(116,504)</b> | Non-Domestic Rates                                       | 6    | 0                 | (124,579)        | <b>(124,579)</b> |
| (766)             | (217,119)        | <b>(217,885)</b> | Council Tax Income                                       | 5    | 2,135             | (230,151)        | <b>(228,016)</b> |
| 0                 | 0                | <b>0</b>         | Donated Inventories                                      |      | 0                 | (3,211)          | <b>(3,211)</b>   |
| 129               | 0                | <b>129</b>       | Corporation Tax (CCRCDD)                                 |      | 0                 | (218)            | <b>(218)</b>     |
| <b>(637)</b>      | <b>(703,082)</b> | <b>(703,719)</b> | <b>Taxation &amp; Non-Specific Grant Income</b>          |      | <b>2,135</b>      | <b>(790,189)</b> | <b>(788,054)</b> |
|                   |                  | <b>(35,724)</b>  | <b>(Surplus)/Deficit on Provision of Services</b>        |      |                   |                  | <b>(11,163)</b>  |

## Comprehensive Income and Expenditure

| 2019/20           |              |                 |  | 2020/21 |                   |              |                 |
|-------------------|--------------|-----------------|--|---------|-------------------|--------------|-----------------|
| Gross Expenditure | Gross Income | Net Expenditure |  | Note    | Gross Expenditure | Gross Income | Net Expenditure |
| £000              | £000         | £000            |  |         | £000              | £000         | £000            |
|                   |              | (35,427)        | Revaluation Gains  |         |                   |              | (25,878)        |
|                   |              | 11,958          | Revaluation Losses   |         |                   |              | 1,109           |
|                   |              | 2,357           | Impairment losses on non-current assets charged to the Revaluation Reserve | 25      |                   |              | 233             |
|                   |              | 1,101           | (Surplus)/Deficit on Financial Instrument Revaluation Reserve              |         |                   |              | 2,283           |
|                   |              | 127,222         | Actuarial (gains)/losses on pension assets/liabilities                     | 13      |                   |              | 198,203         |
|                   |              | 107,211         | <b>Other Comprehensive Income &amp; Expenditure</b>                        |         |                   |              | 175,950         |
|                   |              | 71,487          | <b>Total Comprehensive Income &amp; Expenditure</b>                        |         |                   |              | 164,787         |

The 2019/20 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2020/21.

## 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, as they are for accounting purposes only.

|   | Council Fund<br>Balance | Council Fund<br>Earmarked<br>Reserves | HRA Balance     | HRA<br>Earmarked<br>Reserves | Capital<br>Receipts<br>Reserve | Total Usable<br>Reserves | Unusable<br>Reserves | Total Council<br>Reserves |
|---|-------------------------|---------------------------------------|-----------------|------------------------------|--------------------------------|--------------------------|----------------------|---------------------------|
|   | £000                    | £000                                  | £000            | £000                         | £000                           | £000                     | £000                 | £000                      |
| <b>Balance at 31 March 2019 carried forward</b>                                 | <b>14,255</b>           | <b>53,714</b>                         | <b>8,983</b>    | <b>495</b>                   | <b>8,488</b>                   | <b>85,935</b>            | <b>465,224</b>       | <b>551,159</b>            |
| Movement in Reserves during 2019/20   |                         |                                       |                 |                              |                                |                          |                      |                           |
| Surplus or (deficit) on the provision of Services                               | 19,559                  | 0                                     | 16,165          | 0                            | 0                              | <b>35,724</b>            | 0                    | <b>35,724</b>             |
| Other Comprehensive Income and Expenditure                                      | 0                       | 0                                     | 0               | 0                            | 0                              | <b>0</b>                 | (107,211)            | <b>(107,211)</b>          |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>19,559</b>           | <b>0</b>                              | <b>16,165</b>   | <b>0</b>                     | <b>0</b>                       | <b>35,724</b>            | <b>(107,211)</b>     | <b>(71,487)</b>           |
| Adjustments between accounting basis & funding basis under regulations (note 1) | (18,379)                | 0                                     | (15,782)        | 0                            | 2,418                          | <b>(31,743)</b>          | 31,743               | <b>0</b>                  |
| <b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>    | <b>1,180</b>            | <b>0</b>                              | <b>383</b>      | <b>0</b>                     | <b>2,418</b>                   | <b>3,981</b>             | <b>(75,468)</b>      | <b>(71,487)</b>           |
| Transfers to/(from) Earmarked Reserves  | (1,180)                 | 1,180                                 | (383)           | 383                          | 0                              | <b>0</b>                 | 0                    | <b>0</b>                  |
| <b>Increase/(Decrease) in 2019/20</b>   | <b>0</b>                | <b>1,180</b>                          | <b>0</b>        | <b>383</b>                   | <b>2,418</b>                   | <b>3,981</b>             | <b>(75,468)</b>      | <b>(71,487)</b>           |
| <b>Balance at 31 March 2020 carried forward</b>                                 | <b>14,255</b>           | <b>54,894</b>                         | <b>8,983</b>    | <b>878</b>                   | <b>10,906</b>                  | <b>89,916</b>            | <b>389,756</b>       | <b>479,672</b>            |
| Movement in Reserves during 2020/21   |                         |                                       |                 |                              |                                |                          |                      |                           |
| Surplus or (deficit) on the provision of Services                               | 24,927                  | 0                                     | (13,764)        | 0                            | 0                              | <b>11,163</b>            | 0                    | <b>11,163</b>             |
| Other Comprehensive Income and Expenditure                                      | 0                       | 0                                     | 0               | 0                            | 0                              | <b>0</b>                 | (175,950)            | <b>(175,950)</b>          |
| <b>Total Comprehensive Income and Expenditure</b>                               | <b>24,927</b>           | <b>0</b>                              | <b>(13,764)</b> | <b>0</b>                     | <b>0</b>                       | <b>11,163</b>            | <b>(175,950)</b>     | <b>(164,787)</b>          |
| Adjustments between accounting basis & funding basis under regulations (note 1) | 22,683                  | 0                                     | 23,105          | 0                            | (2,233)                        | <b>43,555</b>            | (43,555)             | <b>0</b>                  |
| <b>Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves</b>    | <b>47,610</b>           | <b>0</b>                              | <b>9,341</b>    | <b>0</b>                     | <b>(2,233)</b>                 | <b>54,718</b>            | <b>(219,505)</b>     | <b>(164,787)</b>          |
| Transfers to/(from) Earmarked Reserves (note 26)                                | (47,610)                | 47,610                                | (2,822)         | 2,822                        | 0                              | <b>0</b>                 | 0                    | <b>0</b>                  |
| <b>Increase/(Decrease) in 2020/21</b>   | <b>0</b>                | <b>47,610</b>                         | <b>6,519</b>    | <b>2,822</b>                 | <b>(2,233)</b>                 | <b>54,718</b>            | <b>(219,505)</b>     | <b>(164,787)</b>          |
| <b>Balance at 31 March 2021 carried forward</b>                                 | <b>14,255</b>           | <b>102,504</b>                        | <b>15,502</b>   | <b>3,700</b>                 | <b>8,673</b>                   | <b>144,634</b>           | <b>170,251</b>       | <b>314,885</b>            |

## Balance Sheet

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

| 31 March 2020      |  | Note | 31 March 2021      |
|--------------------|--|------|--------------------|
| £000               |  |      | £000               |
| 1,841,584          | Property, Plant & Equipment                | 14   | 1,898,189          |
| 58,616             | Heritage Assets                            |      | 58,682             |
| 178,521            | Investment Properties                      |      | 156,238            |
| 2,292              | Intangible assets including AUC            |      | 1,711              |
| 9,723              | Long-term Investments                      | 15   | 14,792             |
| 8,701              | Long-term Debtors                          |      | 5,951              |
| <b>2,099,437</b>   | <b>Total Long-Term Assets</b>              |      | <b>2,135,563</b>   |
| 76,106             | Short-term Investments                     | 15   | 98,882             |
| 1,860              | Held for Sale assets                       | 16   | 918                |
| 2,073              | Inventories                                |      | 5,764              |
| 132,643            | Short-term Debtors                         | 17   | 168,405            |
| 35,951             | Cash and Cash Equivalents                  | 18   | 34,450             |
| <b>248,633</b>     | <b>Total Current Assets</b>                |      | <b>308,419</b>     |
| (29,625)           | Short-term Borrowing                       | 15   | (35,393)           |
| (114,939)          | Short-term Creditors                       | 19   | (128,988)          |
| (1,496)            | Pension Strain                             | 22   | (1,471)            |
| (5,405)            | Provisions                                 | 21   | (4,999)            |
| (3,214)            | Deferred Liabilities                       | 23   | (3,453)            |
| <b>(154,679)</b>   | <b>Total Current Liabilities</b>           |      | <b>(174,304)</b>   |
| (807,540)          | Long-term Borrowing                        | 15   | (783,666)          |
| (24,812)           | Provisions                                 | 21   | (25,084)           |
| (9,261)            | Deferred Liabilities                       | 23   | (8,181)            |
| (17,430)           | Capital Contributions Receipts in Advance  | 26   | (22,155)           |
| (13,854)           | Revenue Grants Receipts in Advance         |      | (18,008)           |
| (1,424)            | Capital Grants Receipts in Advance         |      | (13,797)           |
| (3,688)            | Pension Strain                             | 22   | (3,434)            |
| (835,710)          | Net Pensions Liability                     | 13   | (1,080,468)        |
| <b>(1,713,719)</b> | <b>Total Long-Term Liabilities</b>         |      | <b>(1,954,793)</b> |
| <b>479,672</b>     | <b>NET ASSETS</b>                          |      | <b>314,885</b>     |
|                    | <b>Financed by:</b>                        |      |                    |
| 14,255             | Council Fund Balance                       |      | 14,255             |
| 54,894             | Council Fund Earmarked Reserves            | 24   | 102,504            |
| 8,983              | Housing Revenue Account Balance            |      | 15,502             |
| 878                | Housing Revenue Account Earmarked Reserves | 24   | 3,700              |
| 10,906             | Capital Receipts Reserve                   | 24   | 8,673              |
| <b>89,916</b>      | <b>Usable Reserves</b>                     |      | <b>144,634</b>     |
| 288,041            | Revaluation Reserve                        | 25   | 310,754            |
| 939,914            | Capital Adjustment Account                 |      | 947,365            |
| 5,008              | Deferred Capital Receipts                  |      | 5,003              |
| 9,267              | Financial Instruments Revaluation Reserve  |      | 6,984              |
| (840,894)          | Pensions Reserve                           |      | (1,085,373)        |
| (11,580)           | Accumulated Absences Adjustment Account    |      | (17,693)           |
| 0                  | Donated Inventories Account                |      | 3,211              |
| <b>389,756</b>     | <b>Unusable Reserves</b>                   |      | <b>170,251</b>     |
| <b>479,672</b>     | <b>TOTAL RESERVES</b>                      |      | <b>314,885</b>     |

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.

| 2019/20          |   | Note | 2020/21         |
|------------------|---|------|-----------------|
| £000             |   |      | £000            |
| (35,724)         | Net (surplus) /deficit on the provision of services   |      | (11,163)        |
| (30,153)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | 28   | (180,826)       |
| 51,307           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities |      | 102,979         |
| <b>(14,570)</b>  | <b>Net cash flows from operating activities</b>   |      | <b>(89,010)</b> |
| 151,540          | Purchase of property, plant and equipment, investment property and intangible assets  |      | 146,179         |
| 7,000            | Purchase of short-term and long-term Investments  |      | 30,337          |
| (3,624)          | Other payments for investing activities   |      | (17,098)        |
| (9,974)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                                    |      | (15,422)        |
| (36,798)         | Capital Grants and Contributions  |      | (98,976)        |
| <b>108,144</b>   | <b>Net cash flows from investing activities</b>   |      | <b>45,020</b>   |
| (111,060)        | Cash receipts from short-term and long-term borrowing   |      | (3,111)         |
| (4,239)          | Other receipts from financing activities  |      | 26,315          |
| 6,647            | Repayments of short-term and long-term borrowing  |      | 22,287          |
| <b>(108,652)</b> | <b>Net cash flows from financing activities</b>   |      | <b>45,491</b>   |
| <b>(15,078)</b>  | <b>Net (increase)/ decrease in cash and cash equivalents</b>  |      | <b>1,501</b>    |
| 20,873           | Cash and cash equivalents at the beginning of the reporting period  |      | 35,951          |
| <b>35,951</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>   | 18   | <b>34,450</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.

| Usable Reserves 2019/20 |                         |                           |          | Movement in Unusable Reserves   | Adjustments between Accounting and Funding Basis   | Usable Reserves 2020/21 |                         |                           |                               |
|-------------------------|-------------------------|---------------------------|----------|---|--|-------------------------|-------------------------|---------------------------|-------------------------------|
| Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves |          |   |  | Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves | Movement in Unusable Reserves |
| £000                    | £000                    | £000                      | £000     | £000  | £000   | £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>      |                         |                         |                           |                               |
| -                       | -                       | -                         | -        |   | -  | -                       | -                       | -                         |                               |
| 49,618                  | 13,090                  | 0                         | (62,708) | Charges for depreciation and impairment of Non-Current assets   | 50,823   | 11,933                  | 0                       | (62,755)                  |                               |
| 49,954                  | 110                     | 0                         | (50,064) | Revaluation losses of Non-Current Assets  | 347  | 48,354                  | 0                       | (48,700)                  |                               |
| (106,823)               | (27)                    | 0                         | 106,849  | Reverse previous impairment on revaluation  | (519)  | (79)                    | 0                       | 598                       |                               |
| 1,172                   | 0                       | 0                         | (1,172)  | Amortisation of Intangible Assets   | 797  | 86                      | 0                       | (884)                     |                               |
| 4,090                   | 1                       | 0                         | (4,091)  | Movements in the market value of Investment Properties  | 8,405  | 7                       | 0                       | (8,413)                   |                               |
| 0                       | 0                       | 0                         | 0        | Movement in the value of Held for Sale Assets   | (17)   | 457                     | 0                       | (440)                     |                               |
| (29,852)                | (11,481)                | 0                         | 41,333   | Capital grants and contributions applied  | (64,124)   | (23,438)                | 0                       | 87,562                    |                               |
| 1,558                   | 145                     | 0                         | (1,703)  | Revenue expenditure funded from capital under statute   | 4,294  | 104                     | 0                       | (4,398)                   |                               |
| 2,417                   | 1,848                   | 0                         | (4,265)  | 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 | 14,423   | 766                     | 30                      | (15,219)                  |                               |
| 0                       | 0                       | 0                         | 0        | Movement of Financial Instruments   | 1  | 0                       | 320                     | (321)                     |                               |
|                         |                         |                           |          |   | <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u> |                         |                         |                           |                               |
| -                       | -                       | -                         |          |   | -  | -                       |                         |                           |                               |
| (24,055)                | (12,807)                | 0                         | 36,862   | Statutory provision for the financing of capital investment   | (24,714)   | (13,396)                | 0                       | 38,110                    |                               |

| Usable Reserves 2019/20 |                         |                           |                               | Adjustments between Accounting and Funding Basis   | Usable Reserves 2020/21 |                         |                           |                               |
|-------------------------|-------------------------|---------------------------|-------------------------------|--|-------------------------|-------------------------|---------------------------|-------------------------------|
| Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves | Movement in Unusable Reserves |  | Council Fund Balance    | Housing Revenue Account | Capital Receipts Reserves | Movement in Unusable Reserves |
| £000                    | £000                    | £000                      | £000                          |  | £000                    | £000                    | £000                      | £000                          |
| (735)                   | (6,400)                 | 0                         | 7,135                         | Capital expenditure charged against the Council Fund and HRA balances  | (973)                   | (2,400)                 | 0                         | 3,373                         |
| 0                       | 0                       | (5,538)                   | 5,538                         | Use of the Capital Receipts Reserves to finance new capital expenditure  | 0                       | 0                       | (6,455)                   | 6,455                         |
| 0                       | 3                       | (3)                       | 0                             | Credit for disposal costs that qualify to be met from the resulting capital receipts   | 0                       | 0                       |                           | 0                             |
| 24                      | 0                       | (761)                     | 737                           | Capital receipts set aside for the repayment of debt   | 0                       | 0                       | (11,202)                  | 11,202                        |
|                         |                         |                           |                               | <b>Adjustments involving the Revaluation Reserve</b>   | -                       | -                       | -                         |                               |
| (5,892)                 | (2,451)                 | 8,720                     | (377)                         | 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  | (12,242)                | (2,285)                 | 15,068                    | (541)                         |
|                         |                         |                           |                               | <b>Adjustments involving the Pensions Reserve:</b>   | -                       | -                       | -                         |                               |
| 82,847                  | 6,191                   | 0                         | (89,038)                      | Net retirement benefits as per IAS19   | 86,648                  | 6,461                   | 0                         | (93,109)                      |
| (46,102)                | (4,138)                 | 0                         | 50,240                        | Employer's contributions to the Pension Scheme   | (42,540)                | (4,013)                 | 0                         | 46,553                        |
| 751                     | 104                     | 0                         | (854)                         | Pension Strain Future Years  | (142)                   | (138)                   | 0                         | 280                           |
|                         |                         |                           |                               | <b>Adjustments involving the Accumulated Absences Adjustment Account</b>   | -                       | -                       | -                         |                               |
| 2,650                   | 30                      | 0                         | (2,679)                       | 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. | 5,426                   | 687                     | 0                         | (6,113)                       |
|                         |                         |                           |                               | <b>Adjustments involving the Deferred Capital Receipts Reserve</b>   | -                       | -                       | -                         |                               |
| 0                       | 0                       | 0                         | 0                             | Transfers to the Capital Receipts Reserve upon receipt of cash   | 0                       | 0                       | 6                         | (6)                           |
| 0                       | 0                       | 0                         | 0                             | Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal  | 0                       | 0                       | 0                         | 0                             |
|                         |                         |                           |                               | <b>Transfer to Donated Inventories Account</b>   |                         |                         |                           |                               |
| 0                       | 0                       | 0                         | 0                             | Transfer to Donated Inventories Account  | (3,211)                 | 0                       | 0                         | 3,211                         |
| <b>(18,379)</b>         | <b>(15,782)</b>         | <b>2,418</b>              | <b>31,743</b>                 | <b>Total Adjustments</b>   | <b>22,683</b>           | <b>23,105</b>           | <b>(2,233)</b>            | <b>(43,555)</b>               |

## 2. 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).

| 2019/20                               |  |                      | Directorate  | 2020/21                               |  |                      |
|---------------------------------------|--|----------------------|--|---------------------------------------|--|----------------------|
| Net Expenditure Charged to CF and HRA | Adjustments between accounting & funding basis | Net expenditure CIES |  | Net Expenditure Charged to CF and HRA | Adjustments between accounting & funding basis | Net expenditure CIES |
| £000                                  | £000   | £000                 |  | £000                                  | £000   | £000                 |
| 26,290                                | (12,598)                                       | 13,692               | Corporate Management                                 | 26,340                                | (22,011)                                       | 4,329                |
| 37,374                                | 12,472   | 49,846               | Economic Development                                 | 38,049                                | 8,539  | 46,588               |
| 272,812                               | (35,925)                                       | 236,887              | Education & Lifelong Learning                        | 287,533                               | (631)  | 286,902              |
| 6,136                                 | 341  | 6,477                | Governance & Legal Services                          | 6,285                                 | 387  | 6,672                |
| 0                                     | 2,843  | 2,843                | Harbour Authority                                    | 0                                     | 2,966  | 2,966                |
| 0                                     | (16,356)                                       | (16,356)             | Housing Revenue Account                              | 0                                     | 26,056   | 26,056               |
| 44,528                                | 4,613  | 49,141               | Housing & Communities                                | 46,241                                | 6,385  | 52,626               |
| 2,616                                 | 331  | 2,947                | Performance & Partnerships                           | 2,868                                 | 345  | 3,213                |
| 8,126                                 | 19,344   | 27,470               | Planning Transport and Environment                   | 7,104                                 | 16,829   | 23,933               |
| 16,496                                | 5,175  | 21,671               | Resources  | 15,239                                | 4,365  | 19,604               |
| 177,241                               | 3,664  | 180,905              | Social Services                                      | 182,967                               | 3,259  | 186,226              |
| 31,970                                | (41,753)                                       | (9,783)              | Summary Revenue Account                              | 43,560                                | (47,832)                                       | (4,272)              |
| <b>623,589</b>                        | <b>(57,849)</b>                                | <b>565,740</b>       | <b>Net Cost of Services</b>                          | <b>656,186</b>                        | <b>(1,343)</b>                                 | <b>654,843</b>       |
| (575,055)                             | (26,409)                                       | (601,464)            | Other Income and Expenditure                         | (604,582)                             | (61,424)                                       | (666,006)            |
| <b>48,534</b>                         | <b>(84,258)</b>                                | <b>(35,724)</b>      | <b>(Surplus) or Deficit on Provision of Services</b> | <b>51,604</b>                         | <b>(62,767)</b>                                | <b>(11,163)</b>      |
|                                       | <b>Council Fund</b>                            | <b>HRA Balance</b>   |  |                                       | <b>Council Fund</b>                            | <b>HRA Balance</b>   |
|                                       | <b>14,255</b>                                  | <b>8,983</b>         | <b>Opening Balance as at 1 April</b>                 |                                       | <b>14,255</b>                                  | <b>8,983</b>         |
|                                       | 0  | 0                    | Surplus/(Deficit)                                    |                                       | 0  | 6,519                |
|                                       | <b>14,255</b>                                  | <b>8,983</b>         | <b>Closing Balance as at 31 March</b>                |                                       | <b>14,255</b>                                  | <b>15,502</b>        |

The 2019/20 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2020/21.



## 2.1 Note to the Expenditure and Funding Analysis

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

| 2019/20                          |                                     |                   |                   | Directorate  | 2020/21                          |                                     |                   |                   |
|----------------------------------|-------------------------------------|-------------------|-------------------|--|----------------------------------|-------------------------------------|-------------------|-------------------|
| Adjustments for capital purposes | Net change for Pensions Adjustments | Other Adjustments | Total Adjustments |  | Adjustments for capital purposes | Net change for Pensions Adjustments | Other Adjustments | Total Adjustments |
| £000                             | £000                                | £000              | £000              |  | £000                             | £000                                | £000              | £000              |
| 64                               | 9,815                               | (22,477)          | <b>(12,598)</b>   | Corporate Management   | 537                              | 708                                 | (23,256)          | <b>(22,011)</b>   |
| 8,077                            | 3,747                               | 648               | <b>12,472</b>     | Economic Development   | 6,871                            | 4,082                               | (2,414)           | <b>8,539</b>      |
| (38,090)                         | 5,027                               | (2,862)           | <b>(35,925)</b>   | Education & Lifelong Learning  | 18,604                           | 6,704                               | (25,939)          | <b>(631)</b>      |
| 5                                | 350                                 | (14)              | <b>341</b>        | Governance & Legal Services  | 3                                | 450                                 | (66)              | <b>387</b>        |
| 2,751                            | 110                                 | (18)              | <b>2,843</b>      | Harbour Authority  | 2,673                            | 266                                 | 27                | <b>2,966</b>      |
| 13,322                           | 2,157                               | (31,835)          | <b>(16,356)</b>   | Housing Revenue Account  | 60,855                           | 2,310                               | (37,109)          | <b>26,056</b>     |
| 1,059                            | 2,421                               | 1,133             | <b>4,613</b>      | Housing and Communities  | 4,858                            | 2,778                               | (1,251)           | <b>6,385</b>      |
| 0                                | 291                                 | 40                | <b>331</b>        | Performance & Partnerships   | 0                                | 322                                 | 23                | <b>345</b>        |
| 18,912                           | 1,511                               | (1,079)           | <b>19,344</b>     | Planning Transport and Environment                                   | 19,265                           | 1,824                               | (4,260)           | <b>16,829</b>     |
| 1,976                            | 2,633                               | 566               | <b>5,175</b>      | Resources  | 1,850                            | 3,080                               | (565)             | <b>4,365</b>      |
| (69)                             | 3,748                               | (15)              | <b>3,664</b>      | Social Services  | 377                              | 3,936                               | (1,054)           | <b>3,259</b>      |
| 0                                | 6                                   | (41,759)          | <b>(41,753)</b>   | Summary Revenue Account  | 0                                | 0                                   | (47,832)          | <b>(47,832)</b>   |
| <b>8,007</b>                     | <b>31,816</b>                       | <b>(97,672)</b>   | <b>(57,849)</b>   | <b>Net Cost of Services</b>  | <b>115,893</b>                   | <b>26,460</b>                       | <b>(143,696)</b>  | <b>(1,343)</b>    |
| (41,282)                         | 14,810                              | 63                | <b>(26,409)</b>   | Other Income and Expenditure from the Expenditure & Funding Analysis | (76,827)                         | 18,832                              | (3,429)           | <b>(61,424)</b>   |
| <b>(33,275)</b>                  | <b>46,626</b>                       | <b>(97,609)</b>   | <b>(84,258)</b>   | <b>(Surplus) or Deficit on Provision of Services</b>                 | <b>39,066</b>                    | <b>45,292</b>                       | <b>(147,125)</b>  | <b>(62,767)</b>   |

The 2019/20 breakdown of the Net Cost of Services has been amended to take account of the changes in directorate structure in 2020/21.

### ***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 GAAP. 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 Adjustments***

The 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.

## 2.2. Expenditure and Income Analysed by Nature

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

| 2019/20            |   | 2020/21            |
|--------------------|---|--------------------|
| £000               |   | £000               |
| 521,284            | Employee Benefits Expenses                                | 532,713            |
| 504,618            | Other Service Expenses                                    | 654,187            |
| 63,750             | Depreciation, Amortisation & Impairment                   | 63,789             |
| 6,566              | Change in Fair Value of Investment Properties             | 13,490             |
| 32,960             | Interest Payments   | 34,020             |
| 55,562             | Precepts & Levies   | 58,855             |
| 4,642              | Loss on Sale of Non-Current Assets                        | 15,760             |
| <b>1,189,382</b>   | <b>Total Expenditure</b>                                  | <b>1,372,814</b>   |
| (218,636)          | Fees, Charges & Other Service Income                      | (176,310)          |
| (2,475)            | Change in Fair Value of Investment Properties             | (3,286)            |
| (1,129)            | Interest and Investment Income                            | (394)              |
| (333,623)          | Income from Council Tax and Non-Domestic Rates            | (354,730)          |
| (660,562)          | Grants and Contributions                                  | (834,176)          |
| (8,681)            | Gain on Sale of Non-Current Assets                        | (15,081)           |
| <b>(1,225,106)</b> | <b>Total Income</b>                                       | <b>(1,383,977)</b> |
| <b>(35,724)</b>    | <b>Surplus &amp; Deficit on the Provision of Services</b> | <b>(11,163)</b>    |

## 3. Precepts and Levies

| 2019/20       |   | 2020/21       |
|---------------|---|---------------|
| £000          |   | £000          |
|               | <b>Precepts</b>                               |               |
| 37,469        | Police and Crime Commissioner for South Wales | 40,165        |
|               | Community Councils:                           |               |
| 39            | - Lisvane                                     | 45            |
| 155           | - Pentyrch                                    | 175           |
| 124           | - Radyr                                       | 126           |
| 21            | - St Fagans                                   | 31            |
| 37            | - Old St Mellons                              | 46            |
| 21            | - Tongwynlais                                 | 23            |
| <b>37,866</b> | <b>Total Precepts</b>                         | <b>40,611</b> |
|               | <b>Levies &amp; Contributions</b>             |               |
| 17,438        | South Wales Fire and Rescue Service           | 17,986        |
| 139           | Natural Resources Wales                       | 139           |
| 114           | Cardiff Port Health Authority                 | 114           |
| 5             | Newport Port Health Authority                 | 5             |
| <b>17,696</b> | <b>Total Levies and Contributions</b>         | <b>18,244</b> |

#### 4. Participation in Joint Committees

During 2020/21 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. The Statement of Accounts for each Joint Committee will be available on the lead authority's website.

| 2019/20      | Committee  | Purpose   | Lead Authority            | 2020/21      |
|--------------|--|---|---------------------------|--------------|
| £000         |  |   |                           | £000         |
| 258          | Cardiff Capital Region City Deal (CCRCDC)        | To co-ordinate and discharge Councils' obligations in relation to the City Deal | Cardiff Council           | 262          |
| 1,453        | Central South Consortium Joint Education Service | To provide a regional approach to improvement in schools                        | Rhondda Cynon Taf Council | 1,412        |
| 209          | Glamorgan Archives                               | Management and administration of the Glamorgan Records Office                   | Cardiff Council           | 209          |
| 27           | Prosiect Gwyrdd                                  | To manage residual waste treatment  | Cardiff Council           | 27           |
| 631          | Regional Adoption Service                        | To share best practice, develop and improve adoption services                   | Vale of Glamorgan Council | 673          |
| 4,911        | Shared Regulatory Service                        | To provide environmental health services  | Vale of Glamorgan Council | 4,927        |
| <b>7,489</b> |  | <b>Total</b>  |                           | <b>7,510</b> |

The Council has accounted for its share of the transactions and balances with CCRCDC but for the other Joint Committees it accounts just for their contributions.

Capital contributions to CCRCDC in respect to the Wider Investment Fund are included in the core financial statements but not shown in the table above. A capital contribution of £474,000 was made in 2020/21 (£0 for 2019/20).

#### 5. 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, totaled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2020/21 was 147,277 (145,499 for 2019/20).

The amounts for a band D property in Cardiff during 2020/21 were as follows:

| 2019/20      | Band D Council Tax:                           | 2020/21      |
|--------------|---|--------------|
| £            |   | £            |
| 1,211        | Cardiff Council                               | 1,266        |
| 258          | Police and Crime Commissioner for South Wales | 272          |
| <b>1,469</b> | <b>Total</b>                                  | <b>1,538</b> |

The above amount (£1,538) 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.

### Analysis of property bandings

| Band   | A*  | A     | B      | C      | D      | E      | F      | G      | H     | I      | Totals  |
|--|-----|-------|--------|--------|--------|--------|--------|--------|-------|--------|---------|
| Multiplier                                     | 5/9 | 6/9   | 7/9    | 8/9    | 1      | 11/9   | 13/9   | 15/9   | 18/9  | 21/9   |         |
| No of Band D equivalent dwellings              | 4   | 2,053 | 12,738 | 25,142 | 30,639 | 29,202 | 26,477 | 15,082 | 5,071 | 3,062  | 149,470 |
| Apply Collection rate                          |     |       |        |        |        |        |        |        |       | 98.50% | 147,228 |
| Plus Class O ( Ministry of Defence ) dwellings |     |       |        |        |        |        |        |        |       |        | 49      |
| Council Tax Base                               |     |       |        |        |        |        |        |        |       |        | 147,277 |

### Analysis of the net proceeds from Council Tax:

| 2019/20          |   | 2020/21          |
|------------------|---|------------------|
| £000             |   | £000             |
| (217,119)        | Council Tax collectable                   | (230,151)        |
| (766)            | Impairment for non-payment of Council Tax | 2,135            |
| <b>(217,885)</b> | <b>Net proceeds</b>                       | <b>(228,016)</b> |
|                  | Represented by:                           |                  |
| 37,866           | Precepts                                  | 40,611           |
| 180,019          | Council Tax attributable to the Council   | 187,405          |

The cumulative impairment for non-payment of Council Tax held at the 31 March 2021 is £8.189 million (£6.920 million at 31 March 2020).

### Council Tax that is past due but not impaired:

| 31 March 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £000          |   | £000          |
| 3,184         | Debts less than one year                      | 5,143         |
| 1,258         | Debts between two and 5 years                 | 1,618         |
| 113           | Debts over five years                         | 116           |
| <b>4,555</b>  | <b>Total Council Tax due but not impaired</b> | <b>6,877</b>  |

## 6. Non-Domestic Rates (NDR)

The Welsh Government specifies an amount for the rate (53.5p in 2020/21 and 52.6p in 2019/20) 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 rateable value was £457.012 million for 2020/21 (£460.510 million 2019/20). An analysis of the net proceeds from non-domestic rates is shown below:

| 2019/20          |  | 2020/21          |
|------------------|--|------------------|
| £000             |  | £000             |
| 200,116          | Non-Domestic Rates collectable           | 189,469          |
| (919)            | Cost of collection allowance             | (928)            |
| (3,869)          | Impairment for non-payment               | (11,763)         |
| <b>195,328</b>   | <b>Payment into national pool</b>        | <b>176,778</b>   |
|                  |  |                  |
| <b>(116,504)</b> | <b>Redistribution from national pool</b> | <b>(124,579)</b> |

## 7. Agency Income and Expenditure

The Council acted 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 £31.503 million at 31 March 2021 (£5.095 million at 31 March 2020) 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 2021 the Welsh Government had provided £2.736 million of funding, of which £634,000 is outstanding as loans provided. The balance available for new loans was £2.102 million (£1.977 million at 31 March 2020).
- Home Improvement loans – provide loans for home improvements. At 31 March 2021 the Welsh Government had provided £1.062 million of funding, of which £631,000 is outstanding as loans provided leaving a balance available for new loans of £431,000.
- Covid-19 Business Grants - the Council distributed grants to eligible business on behalf of the Welsh Government totaling £101.221 million in 2020/21 (£23.265 million in 2019/20)
- Other Welsh Government Covid-19 grants and financial support – there have also been a number of grants or areas of financial support that local authorities have been asked to administer on the Welsh Government’s behalf because they have the local knowledge and ability to put in place systems quickly to make payments. At 31 March 2021 Welsh Government had provided approx. £8.291million for this support.

### South Wales Trunk Road Agency

The total reimbursement received by the Council was £341,000 in 2020/21 (£294,000 in 2019/20).

### FOR Cardiff

This is a partnership between the local business community and the Council to form a Business Improvement District in a defined area within the city centre. A levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. This is used to develop projects benefitting the local area. Further information is available on their website <https://www.forcardiff.com>. The Council collects the income and pays this over to FOR Cardiff. This totaled £968,000 in 2020/21 (£1.460 million in 2019/20).

### Prosiect Gwyrdd

The Council is responsible for the payments to Viridor to provide waste treatment in relation to residual waste. The Council made payments of £10.094 million in 2020/21 (£9.207 million in 2019/20) on behalf of all the partners.

## 8. Remuneration

**8.1** 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 2020/21 was 1:7 (1:7 in 2019/20). The median full time equivalent earnings for 2020/21 was £27,264 (£25,901 in 2019/20). These figures include staff directly employed by the governing bodies of schools including a Voluntary-Controlled and a Foundation school and several Voluntary-Aided schools, as well as those employed by the Council.

**8.2** The Accounts and Audit (Wales) Regulations 2014 also require 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 senior officers whose remuneration is disclosed in more detail in note 8.3. The table excludes any staff paid via agency.

The remuneration bands 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.

The table separately identifies individuals directly employed by the governing bodies of schools including several Voluntary-Aided, Voluntary-Controlled and Foundation schools, as well as those employed 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 following table:

| Number of Employees |         | Remuneration band<br>£ | Number of Employees |         |
|---------------------|---------|------------------------|---------------------|---------|
| 2019/20             |         |                        | 2020/21             |         |
| Non Schools         | Schools |                        | Non Schools         | Schools |
| 13                  | 57      | 60,000-64,999          | 20                  | 59      |
| 19                  | 44      | 65,000-69,999          | 2                   | 55      |
| 3                   | 13      | 70,000-74,999          | 19                  | 34      |
| 1                   | 8       | 75,000-79,999          | 1                   | 8       |
| 1                   | 8       | 80,000-84,999          | 2                   | 6       |
| 7                   | 6       | 85,000-89,999          | 8                   | 5       |
| 0                   | 5       | 90,000-94,999          | 0                   | 4       |
| 1                   | 3       | 95,000-99,999          | 1                   | 4       |
| 1                   | 1       | 100,000-104,999        | 0                   | 4       |
| 0                   | 2       | 105,000-109,999        | 1                   | 0       |
| 0                   | 0       | 110,000-114,999        | 0                   | 1       |
| 0                   | 0       | 115,000-119,999        | 0                   | 0       |
| 0                   | 1       | 120,000-124,999        | 0                   | 1       |
| 4                   | 3       | 125,000-129,999        | 0                   | 0       |
| 0                   | 0       | 130,000-134,999        | 3                   | 2       |
| 2                   | 0       | 135,000-139,999        | 0                   | 1       |
| 0                   | 0       | 140,000-144,999        | 2                   | 1       |
| 0                   | 0       | 145,000-149,999        | 0                   | 0       |
| 0                   | 0       | 150,000-154,999        | 0                   | 0       |
| 0                   | 1       | 155,000-159,999        | 0                   | 1       |
| 0                   | 0       | 160,000-164,999        | 0                   | 0       |
| 0                   | 1       | 165,000-169,999        | 0                   | 1       |

| Number of Employees |            | Remuneration band<br>£ | Number of Employees |            |
|---------------------|------------|------------------------|---------------------|------------|
| 2019/20             |            |                        | 2020/21             |            |
| Non Schools         | Schools    |                        | Non Schools         | Schools    |
| 0                   | 0          | 170,000-174,999        | 0                   | 0          |
| 0                   | 0          | 175,000-179,999        | 0                   | 0          |
| 1                   | 0          | 180,000-184,999        | 0                   | 0          |
| 0                   | 0          | 185,000-189,999        | 1                   | 0          |
| <b>53</b>           | <b>153</b> | <b>Total</b>           | <b>60</b>           | <b>187</b> |



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

- senior employees who form part of the Council's Senior Management Team (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
- senior employees whose salary is £150,000 or more on an annualised basis are identified by name
- the table does not include senior employees in schools.

Remuneration also includes the cost of any additional contributions that 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 2020/21 (£0 in 2019/20)

| 2019/20        | 2020/21  |      | Salary, fees and allowances received | Taxable benefits | Compensation for loss of employment |                                    |                                    | Employers pension contribution (23.3% of salary) | Total remuneration including pension contributions | Explanatory notes   |
|----------------|--|------|--------------------------------------|------------------|-------------------------------------|------------------------------------|------------------------------------|--|--|---|
|                | Post title   | Note |                                      |                  | Received via payroll (taxable)      | Received via payroll (non-taxable) | Enhancement of Retirement Benefits |  |  |   |
| £              |  |      | £                                    | £                | £                                   | £                                  | £                                  | £  |  |   |
| <b>222,822</b> | Chief Executive - Paul Orders                      | (a)  | 185,385                              | 0                | 0                                   | 0                                  | 0                                  | 38,375   | <b>223,760</b>                                     |   |
| <b>170,393</b> | Corporate Director Resources & Section 151 Officer |      | 141,764                              | 0                | 0                                   | 0                                  | 0                                  | 29,345   | <b>171,109</b>                                     |   |
| <b>767</b>     | Corporate Director Resources & Section 151 Officer |      | 0                                    | 0                | 0                                   | 0                                  | 0                                  | 0  | <b>0</b>   | Left the Council 02/04/2019.  |
| <b>170,393</b> | Corporate Director People and Communities          |      | 141,764                              | 0                | 0                                   | 0                                  | 0                                  | 29,345   | <b>171,109</b>                                     |   |
| <b>157,286</b> | Director Planning, Transport & Environment         |      | 130,859                              | 0                | 0                                   | 0                                  | 0                                  | 27,088   | <b>157,947</b>                                     |   |
| <b>157,286</b> | Director Economic Development                      |      | 130,859                              | 0                | 0                                   | 0                                  | 0                                  | 27,088   | <b>157,947</b>                                     |   |
| <b>110,110</b> | Director Education & Lifelong Learning             |      | 47,530                               | 0                | 0                                   | 0                                  | 0                                  | 0  | <b>47,530</b>                                      | Reduced hours from 01/09/2019. Left the Council 31/10/2020. Annualised Salary £130,859. |

| 2019/20  | 2020/21  |      | Salary, fees and allowances received | Taxable benefits | Compensation for loss of employment |                                    |                                    | Employers pension contribution (23.3% of salary) | Total remuneration including pension contributions | Explanatory notes  |
|--|--|------|--------------------------------------|------------------|-------------------------------------|------------------------------------|------------------------------------|--|--|--|
| Total remuneration including pension contributions | Post title   | Note |                                      |                  | Received via payroll (taxable)      | Received via payroll (non-taxable) | Enhancement of Retirement Benefits |  |  |  |
| £  |  |      | £                                    | £                | £                                   | £                                  | £                                  | £  |  |  |
| 0  | Director Education & Lifelong Learning                     |      | 49,072                               | 0                | 0                                   | 0                                  | 0                                  | 10,158   | 59,230   | Commenced 16/11/2020. Annualised salary £130,859.        |
| 156,138  | Director Governance & Legal Services & Monitoring Officer  |      | 130,859                              | 0                | 0                                   | 0                                  | 0                                  | 26,049   | 156,908  |  |
| 157,286  | Director Social Services                                   | (c)  | 64,917                               | 0                | 0                                   | 0                                  | 0                                  | 13,242   | 78,159   | Left the Council 30/09/2020. Annualised Salary £130,859. |
| 0  | Director Children's Services                               |      | 3,518                                | 0                | 0                                   | 0                                  | 0                                  | 728  | 4,246  | Commenced 22/03/2021. Annualised salary £130,859.        |
| 0  | Director Adults, Housing & Communities Services            |      | 24,272                               | 0                | 0                                   | 0                                  | 0                                  | 5,139  | 29,411   | Commenced 25/01/2021. Annualised salary £130,859.        |
| 126,266  | Chief Digital Officer                                      |      | 105,052                              | 0                | 0                                   | 0                                  | 0                                  | 21,746   | 126,798  |  |
| 106,955  | Assistant Director Adult Services                          |      | 88,985                               | 0                | 0                                   | 0                                  | 0                                  | 18,420   | 107,405  |  |
| 0  | Assistant Director County Estates                          |      | 46,470                               | 0                | 0                                   | 0                                  | 0                                  | 9,862  | 56,332   | Commenced 23/09/2020. Annualised salary £88,985.         |
| 199,849  | Assistant Director Children's Services - Deborah Driffield | (b)  | 221,186                              | 0                | 0                                   | 0                                  | 0                                  | 0  | 221,186  | Left role 21/03/2021. Annualised salary £88,985.         |
| 62,390   | Assistant Director Education & Lifelong Learning           |      | 88,985                               | 0                | 0                                   | 0                                  | 0                                  | 18,420   | 107,405  | Commenced 01/09/2019. Annualised salary £88,985.         |
| 106,955  | Assistant Director Housing & Communities                   |      | 72,480                               | 0                | 0                                   | 0                                  | 0                                  | 14,889   | 87,369   | Left role 24/01/2021. Annualised salary £88,985.         |
| 106,955  | Assistant Director Street Scene                            |      | 88,985                               | 0                | 0                                   | 0                                  | 0                                  | 18,420   | 107,405  |  |
| 88,324   | Programme Director - Schools Organisation Programme        |      | 88,985                               | 0                | 0                                   | 0                                  | 0                                  | 18,420   | 107,405  | Commenced 03/06/2019. Annualised salary £88,985.         |

| 2019/20  | 2020/21                            |      | Salary, fees and allowances received | Taxable benefits | Compensation for loss of employment |                                    |                                    | Employers pension contribution (23.3% of salary) | Total remuneration including pension contributions | Explanatory notes                                |
|--|------------------------------------|------|--------------------------------------|------------------|-------------------------------------|------------------------------------|------------------------------------|--|--|--|
| Total remuneration including pension contributions | Post title                         | Note |                                      |                  | Received via payroll (taxable)      | Received via payroll (non-taxable) | Enhancement of Retirement Benefits |  |  |  |
| £  |                                    |      | £                                    | £                | £                                   | £                                  | £                                  | £  |  |  |
| 106,955  | Chief Human Resources Officer      |      | 31,107                               | 0                | 22,246                              | 0                                  | 0                                  | 9,409  | 62,762   | Left the Council 09/10/2020.                     |
| 0  | Chief Human Resources Officer      |      | 9,269                                | 0                | 0                                   | 0                                  | 0                                  | 1,973  | 11,242   | Commenced 22/02/2021. Annualised salary £88,985. |
| 106,955  | Head of Finance                    |      | 88,985                               | 0                | 0                                   | 0                                  | 0                                  | 18,420   | 107,405  |  |
| 101,582  | Head of Performance & Partnerships |      | 87,152                               | 0                | 0                                   | 0                                  | 0                                  | 18,440   | 105,592  | Commenced 22/04/2019. Annualised salary £88,985. |

- a) In addition to the remuneration fees detailed in the table above, the Chief Executive is the Council's nominated Returning Officer. Any subsequent fees owed in relation to this role have been waived.
- b) During 2020/21 agency invoices of £221,186 (£199,849 in 2019/20) were received for the service as Assistant Director Children's Services.
- c) In addition to the remuneration fees detailed in the table above, in 2021/22 the Social Services Director received £1,761 (salary & pension contribution) relating to a backdated pay award for 2020/21.

## 8.4 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.

| 2019/20                            |                                   |  |   | Exit package cost band<br>(including special payments) | 2020/21   |                                    |                                   |  |
|------------------------------------|-----------------------------------|--|---|--|-----------|------------------------------------|-----------------------------------|--|
| 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<br>£ |  | £         | Number of compulsory redundancies* | Number of other departures agreed | Total number of exit packages by cost band |
| 64                                 | 85                                | 149  | 1,052,522                                     | 0 - 20,000   | 31        | 41                                 | 72                                | 470,590                                    |
| 11                                 | 46                                | 57   | 1,469,225                                     | 20,001 – 40,000  | 2         | 15                                 | 17                                | 450,315                                    |
| 3                                  | 7                                 | 10   | 478,119                                       | 40,001 – 60,000  | 2         | 13                                 | 15                                | 733,154                                    |
| 1                                  | 5                                 | 6  | 426,406                                       | 60,001 – 80,000  | 0         | 2                                  | 2                                 | 137,929                                    |
| 0                                  | 4                                 | 4  | 354,718                                       | 80,001 – 100,000                                       | 0         | 0                                  | 0                                 | 0  |
| 0                                  | 3                                 | 3  | 355,610                                       | 100,001 – 150,000                                      | 0         | 3                                  | 3                                 | 402,130                                    |
| 0                                  | 3                                 | 3  | 491,430                                       | 150,001 – 200,000                                      | 0         | 1                                  | 1                                 | 185,359                                    |
| <b>79</b>                          | <b>153</b>                        | <b>232</b>                                 | <b>4,628,030</b>                              | <b>Total</b>   | <b>35</b> | <b>75</b>                          | <b>110</b>                        | <b>2,379,477</b>                           |

\*Compulsory Redundancies include temporary and fixed term contracts ending after 2 years.

## 8.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2020/21 was £1.371 million (£1.340 million in 2019/20). As required by the Code, this figure includes all remuneration paid to members including basic and special allowances, care allowances and directly reimbursed expenses.

## 9. 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 original agreement came into effect on 1 January 2012 and following a review, a new model of contributions was agreed by the partnership and implemented during 2020/21. The transactions are included in the Housing and Communities line of the Comprehensive Income and Expenditure Statement.

Under regulation 19(1) of the Partnership Arrangements (Wales) Regulations 2015, a pooled budget arrangement has been agreed between Cardiff and Vale local authorities and the Cardiff and Vale University Health Board in relation to the provision of care home accommodation for older people. The arrangement came into effect on 1st April 2018, initially for one year, however, the agreement has been extended to also cover the 2020/21 financial year. Cardiff Council has acted as host authority during the three years of the agreement. The Cardiff Council transactions are included in the Social Services line of the Comprehensive Income and Expenditure statement.

Income and expenditure for these pooled budget arrangements for the year ending 31 March 2021 are as follows:

| 2019/20<br>£000    |                                      |   | 2020/21<br>£000    |                                   |
|--------------------|--------------------------------------|---|--------------------|-----------------------------------|
| Joint<br>Equipment | Care<br>Homes for<br>older<br>people |   | Joint<br>Equipment | Care Homes<br>for older<br>people |
|                    |                                      | <b>Expenditure</b>                              |                    |                                   |
| 1,735              | 0                                    | Equipment                                       | 1,611              | 0                                 |
| 102                | 0                                    | Contribution to Overheads                       | 487                | 0                                 |
| 0                  | 64,412                               | Care Home costs                                 | 0                  | 65,661                            |
| <b>1,837</b>       | <b>64,412</b>                        | <b>Total Expenditure</b>                        | <b>2,098</b>       | <b>65,661</b>                     |
|                    |                                      | <b>Funding</b>                                  |                    |                                   |
| (1,292)            | (29,064)                             | Cardiff and Vale University Health Board        | (1,258)            | (25,118)                          |
| (337)              | (24,771)                             | Cardiff Council                                 | (550)              | (24,655)                          |
| (208)              | (10,577)                             | Vale of Glamorgan Council                       | (290)              | (15,888)                          |
| <b>(1,837)</b>     | <b>(64,412)</b>                      | <b>Total Funding</b>                            | <b>(2,098)</b>     | <b>(65,661)</b>                   |
| <b>0</b>           | <b>0</b>                             | <b>(Surplus)/Deficit transferred to Reserve</b> | <b>0</b>           | <b>0</b>                          |

## 10. 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. For 2020/21 financial transactions with the Welsh Government totalled £764,000 of expenditure and approximately £403.475 million of income. At the year-end, in addition to financial instruments (Note 15) and expenditure incurred as an agent for Welsh Government (Note 7), no money was owed to Welsh Government and £1.011 million was owed from Welsh Government.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2020/21 is shown in note 8. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. This is available on the Councils Website <https:cardiff.moderngov.co.uk/mgMemberIndex>.

The following transactions relating to elected members took place during the year, with associated balances due to or from the Authority at the year end. These do not include any Covid-19 Business Grants issued.

The relevant members did not take part in any discussion or decision relating to the Grants.

| Related Party                    | Related Party Relationship         | Transaction details  | Amounts paid by the Authority £000 | Amounts received by the Authority £000 | Amounts owed to the Authority £000 |
|----------------------------------|------------------------------------|--|------------------------------------|--|------------------------------------|
| <b>31 March 2021</b>             |                                    |  |                                    |  |                                    |
| Huggard                          | Management Committee               | Primarily Supporting people  | 818                                | (66)                                   | (15)                               |
| Cartref Care Homes               | Trustee                            | Primarily Residential Care   | 745                                | (19)                                   | (5)                                |
| Principality Stadium             | Board Member                       | Primarily Waste Management   | 0                                  | (65)                                   | (12)                               |
| St John Cymru Wales              | President                          | Primarily training   | 17                                 | (2)                                    | 0                                  |
| Old St Mellons Community Council | Elected Councillor                 | Primarily a Grant of £23,000   | 26                                 | 0                                      | 0                                  |
| Wales and the West Housing       | Family Member is Chief Executive   | Payment relates to supporting individuals in relation to alarm subsidy. Income is primarily Statutory S106 | 66                                 | (168)                                  | 0                                  |
| Safer Wales Ltd                  | Charity Senior Manager             | Grant for Domestic Abuse support   | 20                                 | 0                                      | 0                                  |
| Cardiff Cycle Workshop           | Family Member is Chair of Trustees | Primarily Ground Rent  | 2                                  | (15)                                   | 0                                  |
| Seren in the Community           | Trustee                            | Grant  | 2                                  | 0                                      | 0                                  |
| <b>Total transactions</b>        |                                    |  | <b>1,696</b>                       | <b>(335)</b>                           | <b>(32)</b>                        |

Related party payment transactions in 2019/20 totalled £919,000. There was no money owed to these organisations at the end of 2019/20. Related party income transactions in 2019/20 totalled £154,000 and £33,000 was owed from these organisations.

Officer's emoluments are shown in note 8. In 2020/21, for organisations in which Senior Officers had an interest there were no goods or services commissioned (£0 in 2019/20). For goods and services provided, income of £160,000 was received in 2020/21 (£99,000 in 2019/20). Of this income, £65,000 is also included in the income for members as there are officers and members represented on the board.

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC), Atebion Solutions Ltd and Cardiff Heat Network Ltd. Details of transactions with these companies are shown in note 20 to the Core Financial Statements.

The Council also participates in 6 Joint Committees. Details of these can be found in Note 4

Pension Fund contributions paid to the Fund are shown in note 13.

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 3 to the Core Financial Statements. Separate to the precept, the Council made payments of £139,000 to Police and Crime Commissioner for South Wales during 2020/21 (£78,000 in 2019/20).

## 11. External Audit Costs

| 2019/20    |   | 2020/21    |
|------------|---|------------|
| £000       |   | £000       |
| 382        | Fees payable to Audit Wales for external audit services           | 382        |
| 50         | Fees payable to Audit Wales for the certification of grant claims | 50         |
| 20         | Fees payable to Audit Wales for other financial audit work        | 20         |
| <b>452</b> | <b>Total</b>  | <b>452</b> |

## 12. 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 2020/21:

| 2019/20      |                 | 2020/21      |
|--------------|-----------------|--------------|
| £000         |                 | £000         |
| 1,340        | Property Leases | 1,473        |
| 2,022        | Other Leases    | 2,414        |
| <b>3,362</b> |                 | <b>3,887</b> |

The Council was committed at 31 March 2021 to making payments of £13.805 million under operating leases (£13.989 million at 31 March 2020) comprising the following elements:

| 31 March 2020           |                      |   | 31 March 2021           |                      |
|-------------------------|----------------------|---|-------------------------|----------------------|
| Property Leases<br>£000 | Other Leases<br>£000 |   | Property Leases<br>£000 | Other Leases<br>£000 |
|                         |                      | <b>Minimum lease payments</b>                     |                         |                      |
| 1,173                   | 2,143                | Not later than one year                           | 375                     | 2,076                |
| 1,019                   | 2,833                | Later than one year but not later than five years | 1,084                   | 3,084                |
| 6,791                   | 30                   | Later than five years                             | 7,136                   | 50                   |
| <b>8,983</b>            | <b>5,006</b>         |   | <b>8,595</b>            | <b>5,210</b>         |

#### Finance Leases

There were no finance leases recognised at 31 March 2021 (none in 2019/20) and there are currently 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 £8.343 million in 2020/21 (£7.235 million in 2019/20).

The Council was committed as at 31 March 2021 to receiving income of £477.722 million (£486.632 million as at 31 March 2020) under operating leases for Land & Buildings comprising the following elements:

| 31 March 2020<br>£000 | Minimum Income                                    | 31 March 2021<br>£000 |
|-----------------------|---|-----------------------|
| 8,647                 | Not later than one year                           | 8,615                 |
| 29,385                | Later than one year and not later than five years | 27,612                |
| 448,600               | Later than five years                             | 441,495               |
| <b>486,632</b>        |   | <b>477,722</b>        |

### Finance Leases

There were no finance leases recognised at 31 March 2021 (none in 2019/20).

Subject to the terms and conditions of individual lease arrangements, the Council may have contractual obligations to repair, maintain or enhance certain properties.

## 13. 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 the following pension schemes both which provide members with benefits related to pay and service:

- Teachers' Pension Scheme
- Local Government Pension Scheme
- Cardiff City Transport Services Pension Schemes

### 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, it is 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 Council's contributions to the scheme.



In 2020/21 the Council paid £30.592 million in respect of teachers' pension costs, which represents 23.7% of teachers' pensionable pay for 2020/21 (£25.973 million representing 16.5% of teachers' pensionable pay for April to August 2019/20 and 23.7% for September to March 2019/20). 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 its liabilities and 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 the Fund and, where applicable, certain unfunded benefits provided by the Employer as referred to above.

During 2020/21 the Council entered into a Deed of Agreement which confirms the subsumption of the Cardiff City Transport Services Ltd Local Government Pension Scheme (LGPS) liabilities as originally intended on the creation of the Company in 1986.

### **Transactions relating to retirement benefits**

The core financial 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 amount 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 by Cardiff Council in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement during the year.

| 2019/20               |                              |                 |  | 2020/21               |                              |                  |
|-----------------------|------------------------------|-----------------|--|-----------------------|------------------------------|------------------|
| Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000   |  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000    |
|                       |                              |                 | <b>Comprehensive Income and Expenditure Statement (CIES)</b>           |                       |                              |                  |
|                       |                              |                 | <b>Net Cost of Services</b>  |                       |                              |                  |
| 70,650                | 0                            | <b>70,650</b>   | Current Service Cost   | 71,580                | 0                            | <b>71,580</b>    |
| 10,550                | 0                            | <b>10,550</b>   | Past Service Costs   | 1,410                 | 0                            | <b>1,410</b>     |
|                       |                              |                 | <b>Financing &amp; Investment Income and Expenditure</b>               |                       |                              |                  |
| 13,680                | 1,130                        | <b>14,810</b>   | Interest on net defined benefit liability/(asset)                      | 17,850                | 980                          | <b>18,830</b>    |
| <b>94,880</b>         | <b>1,130</b>                 | <b>96,010</b>   | <b>Net charge to CIES</b>  | <b>90,840</b>         | <b>980</b>                   | <b>91,820</b>    |
|                       |                              |                 | <b>Remeasurement of the net Defined Liability comprising</b>           |                       |                              |                  |
| 168,680               | 0                            | <b>168,680</b>  | Returns on Plan Assets excluding amounts included in net interest      | (229,490)             | 0                            | <b>(229,490)</b> |
| (57,738)              | (500)                        | <b>(58,238)</b> | Actuarial losses arising from changes in Financial assumptions         | 442,720               | 3,260                        | <b>445,980</b>   |
| (28,360)              | (1,890)                      | <b>(30,250)</b> | Actuarial gains arising from changes in demographic assumptions        | 0                     | 0                            | <b>0</b>         |
| 47,260                | (230)                        | <b>47,030</b>   | Other experience and Actuarial adjustments                             | (17,280)              | (620)                        | <b>(17,900)</b>  |
| <b>129,842</b>        | <b>(2,620)</b>               | <b>127,222</b>  | <b>Total Remeasurements recognised in Other Comprehensive Income</b>   | <b>195,950</b>        | <b>2,640</b>                 | <b>198,590</b>   |
| <b>224,722</b>        | <b>(1,490)</b>               | <b>223,232</b>  | <b>Total charged to Comprehensive Income and Expenditure Statement</b> | <b>286,790</b>        | <b>3,620</b>                 | <b>290,410</b>   |

| 2019/20               |                              |                 |  | 2020/21               |                              |                 |
|-----------------------|------------------------------|-----------------|--|-----------------------|------------------------------|-----------------|
| Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000   |  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000   |
|                       |                              |                 | <b>Movement in Reserves Statement</b>  |                       |                              |                 |
| (94,880)              | (1,130)                      | <b>(96,010)</b> | Reversal of net charges made for retirement benefits in accordance with IAS19        | (90,840)              | (980)                        | <b>(91,820)</b> |
|                       |                              |                 | <b>Actual amount charged against Council Tax in respect of pensions for the year</b> |                       |                              |                 |
| 47,130                | 0                            | <b>47,130</b>   | Employers contributions payable to the scheme  | 43,230                | 0                            | <b>43,230</b>   |
| 0                     | 3,110                        | <b>3,110</b>    | Payments in respect of unfunded pensions liabilities *                               | 0                     | 3,020                        | <b>3,020</b>    |
| <b>47,130</b>         | <b>3,110</b>                 | <b>50,240</b>   | <b>Total</b>   | <b>43,230</b>         | <b>3,020</b>                 | <b>46,250</b>   |

\* 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 Taf (RCT) Council on behalf of the Council.

The net pension liability reported in the accounts includes a potential liability related to the McCloud judgement. The pension fund actuary, Aon Hewitt, has based the estimate on the major provisions of the estimate, however, there remains some uncertainty over the final outcome which will not be clarified for some time.

## Reconciliation of Funded Status to Balance Sheet

| 31 March 2020         |                              |                    |  | 31 March 2021         |                              |                    |
|-----------------------|------------------------------|--------------------|--|-----------------------|------------------------------|--------------------|
| Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000      |  | Funded scheme<br>£000 | Unfunded liabilities<br>£000 | Total<br>£000      |
| (1,931,978)           | (48,720)                     | <b>(1,980,698)</b> | Opening present value of liabilities               | (1,974,720)           | (44,120)                     | <b>(2,018,840)</b> |
| (70,650)              | 0                            | <b>(70,650)</b>    | Current service cost                               | (71,580)              | 0                            | <b>(71,580)</b>    |
| (45,280)              | (1,130)                      | <b>(46,410)</b>    | Interest cost                                      | (45,660)              | (980)                        | <b>(46,640)</b>    |
| (11,990)              | 0                            | <b>(11,990)</b>    | Contributions by participants                      | (12,580)              | 0                            | <b>(12,580)</b>    |
| 38,838                | 2,620                        | <b>41,458</b>      | Remeasurements in Other Comprehensive Income (OCI) | (425,440)             | (2,640)                      | <b>(428,080)</b>   |
| 56,890                | 3,110                        | <b>60,000</b>      | Net benefits paid out *                            | 55,390                | 3,020                        | <b>58,410</b>      |
| (10,550)              | 0                            | <b>(10,550)</b>    | Past service cost                                  | (1,410)               | 0                            | <b>(1,410)</b>     |
| <b>(1,974,720)</b>    | <b>(44,120)</b>              | <b>(2,018,840)</b> | <b>Closing present value of liabilities</b>        | <b>(2,476,000)</b>    | <b>(44,720)</b>              | <b>(2,520,720)</b> |
| 1,317,980             | 0                            | <b>1,317,980</b>   | Opening fair value of assets                       | 1,183,130             | 0                            | <b>1,183,130</b>   |
| 31,600                | 0                            | <b>31,600</b>      | Interest income on assets                          | 27,810                | 0                            | <b>27,810</b>      |
| (168,680)             | 0                            | <b>(168,680)</b>   | Remeasurement gains/(losses) on assets             | 229,490               | 0                            | <b>229,490</b>     |
| 47,130                | 3,110                        | <b>50,240</b>      | Contributions by employer                          | 43,230                | 3,020                        | <b>46,250</b>      |
| 11,990                | 0                            | <b>11,990</b>      | Contributions by participants                      | 12,580                | 0                            | <b>12,580</b>      |
| (56,890)              | (3,110)                      | <b>(60,000)</b>    | Net benefits paid out *                            | (55,390)              | (3,020)                      | <b>(58,410)</b>    |
| <b>1,183,130</b>      | <b>0</b>                     | <b>1,183,130</b>   | <b>Closing fair value of assets</b>                | <b>1,440,850</b>      | <b>0</b>                     | <b>1,440,850</b>   |
| <b>(791,590)</b>      | <b>(44,120)</b>              | <b>(835,710)</b>   | <b>Net pension asset /(liability)*</b>             | <b>(1,035,150)</b>    | <b>(44,720)</b>              | <b>(1,079,870)</b> |

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

It is important to note that this is a snapshot of the position as at 31 March 2021. The Pension Fund is a defined benefit scheme, which means that members' benefits are not linked to stock market performance. The Pension Fund is a long-term investor and members can be assured that contributions are reviewed as part of the triennial valuation.

There has been a significant increase in the pension liability at 31 March 2021 as compared to the previous year. This is primarily due to a change in the actuarial assumptions as shown in the table below which sets out the basis for estimating assets and liabilities.

## Contributions for year ending 31 March 2022

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2022 are estimated to be £43.062 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 2022 the Council expects to pay £3.028 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The principal assumptions used by the independent qualified actuaries in updating the full March 2019 valuation figures as at 31 March 2020, for IAS19 purposes, are shown in the following table:

| 31 March 2020 | Assumptions   | 31 March 2021 |
|---------------|---|---------------|
|               | <b>Longevity at 45 for Current Pensioners (years)</b> |               |
| 23.2          | Men   | 23.3          |
| 26.0          | Women   | 26.1          |
|               | <b>Longevity at 65 for Current Pensioners (years)</b> |               |
| 22.2          | Men   | 22.3          |
| 24.6          | Women   | 24.7          |
|               | <b>Rates</b>  |               |
| 2.0%          | Rate of Inflation - Consumer Price Index (CPI)        | 2.7%          |
| 3.0%          | Rate of general increase in salaries                  | 3.7%          |
| 2.0%          | Rate of increase to pensions in payment               | 2.7%          |
| 2.0%          | Rate of increase to deferred pensions                 | 2.7%          |
| 2.3%          | Discount rate for scheme liabilities                  | 2.1%          |

### 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 is 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. However, it is possible 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 2020 |            |              | Assets           | 31 March 2021 |            |              |
|---------------|------------|--------------|------------------|---------------|------------|--------------|
| Quoted %      | Unquoted % | Total %      |                  | Quoted %      | Unquoted % | Total %      |
| 62.7          | 3.6        | 66.3         | Equities         | 62.1          | 3.5        | 65.6         |
| 6.9           | 0.0        | 6.9          | Property         | 6.6           | 0.0        | 6.6          |
| 9.5           | 0.0        | 9.5          | Government Bonds | 10.7          | 0.0        | 10.7         |
| 15.8          | 0.0        | 15.8         | Corporate Bonds  | 15.7          | 0.0        | 15.7         |
| 1.4           | 0.0        | 1.4          | Cash             | 1.4           | 0.0        | 1.4          |
| 0.1           | 0.0        | 0.1          | Other*           | 0.0           | 0.0        | 0.0          |
| <b>96.4</b>   | <b>3.6</b> | <b>100.0</b> | <b>Total</b>     | <b>96.5</b>   | <b>3.5</b> | <b>100.0</b> |

\*Other holdings may include hedge funds, currency holdings, asset allocation futures and other financial instruments.

**History of Asset Values, Present Value of Liabilities and Surplus/ (Deficit)**

|                                       | 31 March 2017    | 31 March 2018    | 31 March 2019    | 31 March 2020    | 31 March 2021      |
|---------------------------------------|------------------|------------------|------------------|------------------|--------------------|
|                                       | £000             | £000             | £000             | £000             | £000               |
| Fair value of assets                  | 1,198,860        | 1,230,630        | 1,317,980        | 1,183,130        | 1,440,850          |
| Present value of funded liabilities   | (1,730,930)      | (1,820,380)      | (1,931,978)      | (1,974,720)      | (2,476,000)        |
| Present value of unfunded liabilities | (47,490)         | (46,520)         | (48,720)         | (44,120)         | (44,720)           |
| <b>Surplus/(deficit)</b>              | <b>(579,560)</b> | <b>(636,270)</b> | <b>(662,718)</b> | <b>(835,710)</b> | <b>(1,079,870)</b> |

**Sensitivity Analysis of Present Value of Funded Liabilities**

Results of sensitivity are shown below, in each case, only the assumption mentioned is altered and all other assumptions remain the same. The sensitivity of unfunded benefits is not included on materiality grounds.

| Funded Defined Benefit Obligation £2,476,000                                     | +0.1% p.a |  | -0.1% p.a |           |
|--|-----------|--|-----------|-----------|
| Change in Assumptions on Present value of the funded defined benefit obligations | £000      | % Increase /Decrease to Employee Liability |           | £000      |
| Adjustment to Discount rate  | 2,426,480 | -2.0%                                      | 2.1%      | 2,528,000 |
| Adjustment to Salary Increase rate   | 2,480,950 | 0.2%                                       | -0.2%     | 2,471,050 |
| Adjustment to Pension Increase rate  | 2,520,570 | 1.8%                                       | -1.8%     | 2,431,430 |
| Adjustment to Mortality rate   | 2,567,610 | 3.7%                                       | -3.6%     | 2,386,860 |

**Cardiff Bus Pension Schemes**

In March 2021 the Council entered into a Flexible Apportionment Arrangement (FAA) in respect of the Cardiff City Transport Services Limited (Cardiff Bus) Pension Scheme. Under this arrangement, the company ceased to be the employer of the scheme and the Council became the Scheme's principal employer and the sole statutory employer of the scheme. This provided the Pension Scheme Trustees with further assurances around the strength of its covenant. The transfer relates to two defined benefit funded pension schemes administered by Trustees under a Deed and closed to any new entrants and future accrual. Assets held are invested in third party professionally managed funds. 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 and will be updated as part of the next triennial valuation as at 31 March 2021. The transfer also includes a defined contribution scheme which carries a guaranteed minimum return for its members, which is also closed to new members.

## Reconciliation of Funded Status to Balance Sheet

| 31 March 2020<br>£000 | Cardiff Bus Defined Contribution Pension Scheme | 31 March 2021<br>£000 |
|-----------------------|---|-----------------------|
| 0                     | Opening present value of liabilities            | (13,220)              |
| 0                     | Interest cost                                   | (18)                  |
| 0                     | Remeasurement (gains)/losses                    | 100                   |
| 0                     | Net benefits paid out                           | 0                     |
| <b>0</b>              | <b>Closing present value of liabilities</b>     | <b>(13,138)</b>       |
| 0                     | Opening fair value of assets                    | 11,933                |
| 0                     | Interest income on assets                       | 16                    |
| 0                     | Remeasurement gains/(losses) on assets          | (58)                  |
| 0                     | Net benefits paid out                           | 0                     |
| <b>0</b>              | <b>Closing fair value of assets</b>             | <b>11,891</b>         |
| <b>0</b>              | <b>Net pension asset /(liability)</b>           | <b>(1,247)</b>        |

| 31 March 2020<br>£000 | Cardiff Bus Defined Benefit Pension Scheme  | 31 March 2021<br>£000 |
|-----------------------|---|-----------------------|
| 0                     | Opening present value of liabilities        | (40,435)              |
| 0                     | Interest cost                               | (56)                  |
| 0                     | Remeasurement (gains)/losses                | 309                   |
| 0                     | Net benefits paid out                       | 137                   |
| <b>0</b>              | <b>Closing present value of liabilities</b> | <b>(40,045)</b>       |
| 0                     | Opening fair value of assets                | 40,739                |
| 0                     | Interest income on assets                   | 56                    |
| 0                     | Remeasurement gains/(losses) on assets      | 36                    |
| 0                     | Net benefits paid out                       | (137)                 |
| <b>0</b>              | <b>Closing fair value of assets</b>         | <b>40,694</b>         |
| <b>0</b>              | <b>Net pension asset /(liability)</b>       | <b>649</b>            |

| 31 March 2020 | Cardiff Bus Defined Benefit Pension Scheme | 31 March 2021 |
|---------------|--|---------------|
| %             | Assets                                     | %             |
| 0.0           | Diversified Growth Funds                   | 23.1          |
| 0.0           | Cash & Liability Driven Investments        | 23.7          |
| 0.0           | Bonds                                      | 53.2          |
| <b>0.0</b>    | <b>Total</b>                               | <b>100.0</b>  |

## 14. Non-Current Assets

| Property, Plant and Equipment                               | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | P, P & E under construction | Total Property, Plant & Equipment |
|---|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|-----------------------------|-----------------------------------|
| Movements in Cost or Values                                 | £000              | £000                   | £000                        | £000                  | £000             | £000           | £000                        | £000                              |
| <b>1 April 2019</b>   | <b>604,789</b>    | <b>779,870</b>         | <b>41,212</b>               | <b>649,358</b>        | <b>19,806</b>    | <b>38,199</b>  | <b>27,944</b>               | <b>2,161,178</b>                  |
| Additions   | 29,643            | 12,993                 | 4,000                       | 13,913                | 82               | 1,823          | 28,922                      | 91,376                            |
| Revaluations Increases/(Decreases) recognised in the RR*    | 0                 | 645                    | 0                           | 0                     | 0                | 6,709          | 0                           | 7,354                             |
| Revaluations Increases/(Decreases) recognised in the SDPS** | 0                 | 45,939                 | 0                           | 0                     | 0                | (1,717)        | 0                           | 44,222                            |
| Impairment Losses/Reversals to RR                           | 0                 | (1,940)                | 0                           | 0                     | 0                | (417)          | 0                           | (2,357)                           |
| Impairment Losses/Reversals to SDPS                         | (168)             | (2,884)                | 0                           | 0                     | 0                | (1,292)        | (152)                       | (4,496)                           |
| Derecognition - Disposals                                   | (295)             | 0                      | (4,319)                     | 0                     | 0                | (1,645)        | 0                           | (6,259)                           |
| Write Out of Joint Committees                               | 0                 | 0                      | (153)                       | 0                     | 0                | 0              | 0                           | (153)                             |
| Reclassified (to)/from Held for Sale                        | 0                 | 0                      | 0                           | 0                     | 0                | 420            | 0                           | 420                               |
| Other Reclassifications - Transfers                         | 16,717            | (1,970)                | 20                          | 1,139                 | 9                | 2,460          | (18,375)                    | 0                                 |
| <b>31 March 2020</b>  | <b>650,686</b>    | <b>832,653</b>         | <b>40,760</b>               | <b>664,410</b>        | <b>19,897</b>    | <b>44,540</b>  | <b>38,339</b>               | <b>2,291,285</b>                  |
| Additions   | 17,222            | 17,204                 | 10,146                      | 15,585                | 0                | 34,010         | 50,278                      | 144,445                           |
| Revaluations Increases/(Decreases) recognised in the RR     | 25,562            | 172                    | 0                           | 0                     | 0                | (1,100)        | 0                           | 24,634                            |
| Revaluations Increases/(Decreases) recognised in the SDPS   | (68,495)          | (697)                  | 0                           | 0                     | 0                | (192)          | 0                           | (69,384)                          |
| Impairment Losses/Reversals to RR                           | 0                 | (233)                  | 0                           | 0                     | 0                | 0              | 0                           | (233)                             |
| Impairment Losses/Reversals to SDPS                         | (166)             | (23)                   | 0                           | 0                     | 0                | (2,874)        | (1,483)                     | (4,546)                           |
| Derecognition - Disposals                                   | (55)              | (120)                  | (10,550)                    | (192,717)             | 0                | (898)          | 0                           | (204,340)                         |
| Reclassified (to)/from Held for Sale                        | 0                 | (23)                   | 0                           | 0                     | 0                | 1,000          | 0                           | 977                               |
| Other Reclassifications - Transfers                         | 6,028             | 2,324                  | 9,074                       | 1,235                 | 0                | 200            | (20,280)                    | (1,419)                           |
| <b>31 March 2021</b>  | <b>630,782</b>    | <b>851,257</b>         | <b>49,430</b>               | <b>488,513</b>        | <b>19,897</b>    | <b>74,686</b>  | <b>66,854</b>               | <b>2,181,419</b>                  |
| <b>Movements in Depreciation/Impairment</b>                 |                   |                        |                             |                       |                  |                |                             |                                   |
| <b>1 April 2019</b>   | <b>9,908</b>      | <b>32,190</b>          | <b>24,178</b>               | <b>354,256</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>420,532</b>                    |
| Depreciation Charge   | 10,908            | 20,895                 | 5,336                       | 20,877                | 0                | 0              | 0                           | 58,016                            |
| Depreciation written out on Impairment                      | 0                 | (450)                  | 0                           | 0                     | 0                | 0              | 0                           | (450)                             |
| Depreciation written out to the RR                          | 0                 | (11,446)               | 0                           | 0                     | 0                | 0              | 0                           | (11,446)                          |
| Depreciation written out to the SDPS                        | 0                 | (12,564)               | 0                           | 0                     | 0                | 0              | 0                           | (12,564)                          |
| Derecognition - Disposals                                   | (4)               | 0                      | (4,295)                     | 0                     | 0                | 0              | 0                           | (4,299)                           |
| Write Out of Joint Committees                               | 0                 | 0                      | (32)                        | 0                     | 0                | 0              | 0                           | (32)                              |
| Reclassifications - Transfers                               | 0                 | (56)                   | 0                           | 0                     | 0                | 0              | 0                           | (56)                              |
| <b>31 March 2020</b>  | <b>20,812</b>     | <b>28,569</b>          | <b>25,187</b>               | <b>375,133</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>449,701</b>                    |
| Depreciation Charge   | 9,324             | 22,123                 | 6,325                       | 20,415                | 0                | 0              | 0                           | 58,187                            |
| Depreciation written out on Impairment                      | 0                 | (25)                   | 0                           | 0                     | 0                | 0              | 0                           | (25)                              |
| Depreciation written out to the RR                          | 0                 | (9)                    | 0                           | 0                     | 0                | 0              | 0                           | (9)                               |
| Depreciation written out to the SDPS                        | (20,811)          | (409)                  | 0                           | 0                     | 0                | 0              | 0                           | (21,220)                          |
| Derecognition - Disposals                                   | 0                 | (120)                  | (10,550)                    | (192,717)             | 0                | 0              | 0                           | (203,387)                         |
| Reclassifications - Transfers                               | 0                 | (17)                   | 0                           | 0                     | 0                | 0              | 0                           | (17)                              |
| <b>31 March 2021</b>  | <b>9,325</b>      | <b>50,112</b>          | <b>20,962</b>               | <b>202,831</b>        | <b>0</b>         | <b>0</b>       | <b>0</b>                    | <b>283,230</b>                    |
| Net Book Value  |                   |                        |                             |                       |                  |                |                             |                                   |

| Property, Plant and Equipment | Council Dwellings | Other Land & Buildings | Vehicles, Plant & Equipment | Infrastructure Assets | Community Assets | Surplus Assets | P, P & E under construction | Total Property, Plant & Equipment |
|-------------------------------|-------------------|------------------------|-----------------------------|-----------------------|------------------|----------------|-----------------------------|-----------------------------------|
| Movements in Cost or Values   | £000              | £000                   | £000                        | £000                  | £000             | £000           | £000                        | £000                              |
| At 31 March 2020              | 629,874           | 804,084                | 15,573                      | 289,277               | 19,897           | 44,540         | 38,339                      | 1,841,584                         |
| At 31 March 2021              | 621,457           | 801,145                | 28,468                      | 285,682               | 19,897           | 74,686         | 66,854                      | 1,898,189                         |

RR Revaluation Reserve

SDPS Surplus or Deficit on Provision of Services

## Heritage Assets

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
| 54,152          | Balance at 1 April                       | 58,616          |
| 231             | Additions                                | 66              |
| 4,233           | Revaluation increases /(decreases) to RR | 0               |
| 58,616          | Balance at 31 March                      | 58,682          |

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. In addition, 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 <https://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



a valuation of £42.594 million undertaken externally as at 1 April 2019, 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.

### Investment Properties

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

| 2019/20<br>£000 |   | 2020/21<br>£000 |
|-----------------|---|-----------------|
| 126,360         | <b>Balance at 1 April</b>                     | 178,521         |
| 58,624          | Additions                                     | 1,015           |
| (6,413)         | Impairment                                    | (26)            |
| (2,393)         | Disposals                                     | (14,807)        |
| 0               | Reclassified (to) / from Held for Sale        | 0               |
| 0               | Other Reclassifications                       | 1,418           |
| 0               | Revaluation increases / (decreases) to RR*    | 0               |
| 2,343           | Revaluation increases / (decreases) to SDPS** | (9,883)         |
| <b>178,521</b>  | <b>Balance at 31 March</b>                    | <b>156,238</b>  |

\* Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

The following items have been accounted for in the Economic Development line in the Comprehensive Income and Expenditure Statement:

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
| (6,231)         | Rental income from investment property                     | (11,059)        |
| 2,011           | Direct operating expenses arising from investment property | 4,439           |
| <b>(4,220)</b>  | <b>Net (Gain) / Loss</b>                                   | <b>(6,620)</b>  |

## Intangible Assets

Movements in intangible assets during 2020/21 are summarised as follows:

| 2019/20<br>Total<br>£000 |                               | 2020/21                            |                        |               |
|--------------------------|-------------------------------|------------------------------------|------------------------|---------------|
|                          |                               | Other Intangible<br>Assets<br>£000 | Intangible AUC<br>£000 | Total<br>£000 |
|                          | <b>Cost or Valuation</b>      |                                    |                        |               |
| <b>9,317</b>             | <b>Balance at 1 April</b>     | <b>10,559</b>                      | <b>0</b>               | <b>10,559</b> |
| 1,309                    | Additions                     | 302                                | 0                      | 302           |
| (67)                     | Write out of Joint Committees | 0                                  | 0                      | 0             |
| 0                        | Derecognition - Disposals     | (6,443)                            | 0                      | (6,443)       |
| <b>10,559</b>            | <b>Balance at 31 March</b>    | <b>4,418</b>                       | <b>0</b>               | <b>4,418</b>  |
|                          | <b>Amortisation</b>           |                                    |                        |               |
| <b>7,095</b>             | <b>Balance at 1 April</b>     | <b>8,267</b>                       | <b>0</b>               | <b>8,267</b>  |
| 1,172                    | Amortisation                  | 884                                | 0                      | 884           |
| 0                        | Derecognition - Disposals     | (6,444)                            | 0                      | (6,444)       |
| <b>8,267</b>             | <b>Balance at 31 March</b>    | <b>2,707</b>                       | <b>0</b>               | <b>2,707</b>  |
|                          | <b>Net Book Value:</b>        |                                    |                        |               |
| <b>2,292</b>             | <b>Balance at 31 March</b>    | <b>1,711</b>                       | <b>0</b>               | <b>1,711</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.

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
| 788,558         | Opening Capital Financing Requirement*                   | 848,897         |
|                 | <b>Capital Expenditure:</b>                              |                 |
| 91,376          | Property, Plant and Equipment                            | 144,445         |
| 231             | Heritage Assets  | 66              |
| 0               | Assets Held for Sale                                     | 351             |
| 58,624          | Investment Properties                                    | 1,015           |
| 1,309           | Intangible Assets  | 302             |
| 132             | Loans / Equity   | 7,985           |
| 12,744          | Expenditure on REFCUS                                    | 12,132          |
|                 | <b>Sources of Finance:</b>                               |                 |
| (5,497)         | Capital Receipts   | (6,455)         |
| (52,574)        | Government grants and other contributions                | (95,296)        |
| (7,135)         | Direct revenue contributions and reserves                | (3,373)         |
| (38,871)        | Prudent revenue and capital provision for loan repayment | (49,312)        |
| 0               | Amendment for Reduction in Landfill Provision            | (2,000)         |
| <b>848,897</b>  | <b>Closing Capital Financing Requirement*</b>            | <b>858,757</b>  |
|                 | <b>Explanation of movements in year:</b>                 |                 |

| 2019/20       |   | 2020/21      |
|---------------|---|--------------|
| £000          |   | £000         |
| 2,659         | Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)   | 2,607        |
| 57,680        | Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance) | 7,253        |
| <b>60,339</b> | <b>Increase in Capital Financing Requirement</b>  | <b>9,860</b> |

‡This includes a notional amount in respect of Landfill provision of 2019/20 £18.368 million and 2020/21 £17.348 million for landfill restoration and after care. Where future cost estimates are reviewed, this results in either an increase or decrease in the provision.

### Prudent Revenue Provision

The Council is required to set aside annually from its revenue budget, 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 of 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.

| 2019/20       |                                   | 2020/21       |
|---------------|-----------------------------------|---------------|
| £000          |                                   | £000          |
| 24,055        | Council Fund revenue provision    | 24,714        |
| 12,807        | Housing Revenue Account provision | 13,396        |
| <b>36,862</b> | <b>Prudent revenue provision</b>  | <b>38,110</b> |

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

The following revenue amounts were treated as capital expenditure to be paid for from capital resources. The table 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 capital resources.

| 2019/20         |  | 2020/21         |
|-----------------|--|-----------------|
| £000            |  | £000            |
|                 | <b>Expenditure:</b>                                |                 |
| 4,843           | Housing Improvement Grants                         | 4,181           |
| 2,901           | Buildings not owned by Cardiff Council             | 4,403           |
| 5,000           | Grants awarded (not Housing Grants)                | 1,244           |
| 0               | Repayment of Grant                                 | 2,304           |
| <b>12,744</b>   | <b>Charged to Income and Expenditure Statement</b> | <b>12,132</b>   |
|                 | <b>Funded by:</b>                                  |                 |
| (11,041)        | Grants and Contributions                           | (7,734)         |
| (1,703)         | Borrowing, Receipts and other Capital Resources    | (4,398)         |
| <b>(12,744)</b> |  | <b>(12,132)</b> |

**Significant Capital Expenditure contractual commitments**

At 31 March 2021, the significant capital expenditure commitments scheduled for completion in 2021/22 and future years is shown below (£11.779 million 2019/20):

| Capital Scheme                                 | £000          |
|--|---------------|
| Fitzalan - New High School                     | 43,620        |
| Cardiff Living - Highfields                    | 6,950         |
| Street Lighting LED - Residential              | 5,080         |
| Pre-Contract Service Agreement - Cardiff Arena | 4,700         |
| Grangetown Gasworks Temporary Modular          | 4,410         |
| Adams Court Refurbishment                      | 3,860         |
| Cardiff Living - Croft Street                  | 3,140         |
| Central Square Public Realm Air Quality        | 3,040         |
| Ty Gwyn School - Phase 2                       | 2,610         |
| Tudor Street - Green Infrastructure            | 2,600         |
| Electric Waste Collection Vehicles             | 2,230         |
| Millennium Walkway Replacement                 | 1,910         |
| Cardiff Living - Llandudno Road                | 1,620         |
| Roundwood Estate Regeneration Scheme           | 1,400         |
| Cardiff Living - Howardian                     | 1,190         |
| Pop Up Cycleways - Phase 2                     | 1,000         |
| Tudor Street - Commercial Improvement Scheme   | 930           |
| Caldicot Road                                  | 850           |
| Lower Llanrumney Estate Regeneration           | 730           |
| Michaelston School Demolition                  | 560           |
| Crwys Road - Road Safety Improvements          | 510           |
| <b>Total</b>                                   | <b>92,940</b> |

**15. 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, including the method of determining fair value in accordance with accounting policies for Financial Assets and Liabilities, and consideration of the business model for holding investments. Creditors are shown separately in the respective notes rather than as financial instruments:

| 31 March 2020     |                       |               |  | 31 March 2021     |                    |               |
|-------------------|-----------------------|---------------|--|-------------------|--------------------|---------------|
| Long Term<br>£000 | Short<br>Term<br>£000 | Total<br>£000 |  | Long Term<br>£000 | Short Term<br>£000 | Total<br>£000 |
|                   |                       |               | Amortised Cost :                           |                   |                    |               |
| 0                 | 76,000                | <b>76,000</b> | Investments - Principal                    | 0                 | 98,862             | <b>98,862</b> |
| 0                 | 106                   | <b>106</b>    | Investments - Accrued Interest             | 0                 | 20                 | <b>20</b>     |
| 0                 | 35,922                | <b>35,922</b> | Cash and Cash Equivalents                  | 0                 | 34,450             | <b>34,450</b> |
| 0                 | 29                    | <b>29</b>     | Cash and Cash Equivalents Accrued Interest | 0                 | 0                  | <b>0</b>      |

|           |          |           |  |           |          |           |
|-----------|----------|-----------|--|-----------|----------|-----------|
| 0         | 112,057  | 112,057   | Total Investments at Amortised Cost Included in Investments        | 0         | 133,332  | 133,332   |
| 9,723     | 0        | 9,723     | Total Investments at Fair Value through Other Comprehensive Income | 14,792    | 0        | 14,792    |
| 577       | 784      | 1,361     | Loans  | 1,285     | 786      | 2,071     |
| 8,124     | 131,859  | 139,983   | Other Debtors  | 4,666     | 167,619  | 172,285   |
| 8,701     | 132,643  | 141,344   | Total Debtors  | 5,951     | 168,405  | 174,356   |
| 18,424    | 244,700  | 263,124   | Total Financial Assets   | 20,743    | 301,737  | 322,480   |
|           |          |           | Financial liabilities at Amortised Cost                            |           |          |           |
| (807,540) | (21,233) | (828,773) | Loans (Principal)  | (783,666) | (27,013) | (810,679) |
| 0         | (8,392)  | (8,392)   | Loans Accrued Interest   | 0         | (8,380)  | (8,380)   |
| (807,540) | (29,625) | (837,165) | Total Borrowings   | (783,666) | (35,393) | (819,059) |

#### Investments at amortised cost include:

- temporary investments deposited for various maturities with financial institutions. The fair value is deemed to be the carrying value (Level 2).

#### Investments at Fair Value through Other Comprehensive Income 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 estimate is based on the net worth of the company as per its draft set of financial accounts (Level 3). The valuation can fluctuate dependent on the company's performance, technical accounting adjustments and economic climate and so any accounting valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Financial Instruments Revaluation Reserve'; hence there is no impact on Council Tax payable. During 2020/21, the Board of Cardiff Bus authorised the issue of additional shares and the Council agreed the acquisition of these shares at a value of £7 million as part of the implementation of a financial support package. The fair value of the investment at 31 March 2021 is estimated to be £14.059 million (£9.356 million in 2019/20)
- various minority equity holdings in companies are included either at cost or at quoted prices where available.

The above are held or acquired for Council policy purposes and have been elected to be accounted for as Fair Value through Other Comprehensive Income.

#### Debtors include:

- loans to small to medium enterprises including those for town centre regeneration and car loans to eligible Council staff
- grants, income due from service users, partners, deferred capital receipts to be received and offset by an impairment for credit losses where applicable.

#### Liabilities at Amortised Cost include:

- external borrowing undertaken to fund capital expenditure and 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. Where possible and viable, opportunities for early repayment are considered. The carrying amounts below also include accrued interest payable at 31 March 2021. Interest payable for 2020/21 is £8.380 million (£8.392 million in 2019/20).

| 31 March 2020           |                    |                                      | Valuation Method - Level | 31 March 2021           |                    |
|-------------------------|--------------------|--------------------------------------|--------------------------|-------------------------|--------------------|
| Carrying amount<br>£000 | Fair value<br>£000 |                                      |                          | Carrying amount<br>£000 | Fair value<br>£000 |
| (706,425)               | (951,353)          | Public Works Loan Board Loans (PWLB) | Level 2                  | (706,478)               | (1,011,937)        |
| (51,641)                | (71,457)           | Lender Option Borrower Option Loans  | Level 2                  | (51,629)                | (77,718)           |
| (20,659)                | (16,375)           | Welsh Government                     | Level 2                  | (22,550)                | (18,483)           |
| (58,440)                | (58,263)           | Local Authorities and Other Loans    | Level 2                  | (38,402)                | (38,808)           |
| <b>(837,165)</b>        | <b>(1,097,448)</b> | <b>Financial Liabilities</b>         |                          | <b>(819,059)</b>        | <b>(1,146,946)</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 2021. An exit price fair value of £1.191 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:

| Financial Liabilities | Financial Assets           |                |  |   | Financial Liabilities | Financial Assets |                            |                |
|-----------------------|----------------------------|----------------|--|---|-----------------------|------------------|----------------------------|----------------|
|                       | Measured at Amortised Cost | Amortised Cost | Investments at Fair Value through Other Comprehensive Income |   |                       | Total            | Measured at Amortised Cost | Amortised Cost |
| <b>2019-20</b>        |                            |                |  |   | <b>2020-21</b>        |                  |                            |                |
| <b>£000</b>           |                            |                |  |   | <b>£000</b>           |                  |                            |                |
| 32,960                | 0                          | 0              | <b>32,960</b>  | Interest Payable & Similar Charges                                  | 34,020                | 0                | 0                          | <b>34,020</b>  |
| 0                     | (966)                      | 0              | <b>(966)</b>   | Interest and Investment Income                                      | 0                     | (376)            | 0                          | <b>(376)</b>   |
| 0                     | 0                          | 0              | <b>0</b>   | (Gain)/loss arising on Disposal / Derecognition of Financial Assets | 0                     | 0                | (148)                      | <b>(148)</b>   |
| 0                     | 0                          | 1,101          | <b>1,101</b>   | (Gain)/loss arising on Revaluation or Disposal of Financial Assets  | 0                     | 0                | 2,283                      | <b>2,283</b>   |
| <b>32,960</b>         | <b>(966)</b>               | <b>1,101</b>   | <b>33,095</b>  | <b>Net (gain) / loss for the year</b>                               | <b>34,020</b>         | <b>(376)</b>     | <b>2,135</b>               | <b>35,779</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.

**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.

An impairment for bad debt is made where there is deemed to be a risk of expected credit losses. The following table summarises the Council's main exposures to credit risk.

| 31 March<br>2020<br>£000 | Likelihood of Default   | 31 March<br>2021<br>£000 |
|--------------------------|---|--------------------------|
|                          | 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, requiring rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in this process. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2021, the expected credit loss calculated on a historic risk of default basis is 0.01% or £11,170. This is minimal, so no provision for expected credit loss is recognised. |                          |
| <b>112,057</b>           | <b>Deposits - Banks and Building societies</b>  | <b>133,332</b>           |
|                          | Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.   |                          |
| <b>431</b>               | <b>Car Loans</b>  | <b>360</b>               |
|                          | Includes loans to SMEs and Town Centre schemes. Where there is deemed to be a risk of non-repayment a provision for impairment is considered.   |                          |
| <b>930</b>               | <b>Loans to External bodies</b>   | <b>1,711</b>             |
|                          | 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. Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and impairment for non-payment is not usually considered necessary. The impairment for bad debt in 2020/21 was based on the adjusted age profile disclosed as following:   |                          |
| 25,769                   | Less than one year  | 13,031                   |
| 1,518                    | 1-2 years   | 1,445                    |
| 352                      | 2-3 years   | 442                      |
| 223                      | 3-4 years   | 301                      |
| 181                      | 4-5 years   | 115                      |
| 299                      | Over 5 years  | 444                      |
| <b>28,342</b>            | <b>Customers</b>  | <b>15,778</b>            |
| <b>141,760</b>           | <b>Total</b>  | <b>151,181</b>           |

## Liquidity and Refinancing Risk

This is the possibility that the Council may not have funds available to make payments or have to refinance a financial liability at disadvantageous interest rate or terms. The Council has ready access to funds from the financial markets and Public Works Loan Board in order to raise finance. Within its Treasury Management Strategy, limits are set on the proportion of its fixed rate loans maturing during specified periods. The amounts of fixed rate debt maturing in any period are disclosed in the following table:

| 31 March 2020  | Loans Outstanding                           | 31 March 2021  |
|----------------|---|----------------|
| £000           |   | £000           |
| 698,866        | Public Works Loans Board                    | 698,866        |
| 51,000         | Market Lender Option Borrower Option (LOBO) | 51,000         |
| 20,644         | Welsh Government                            | 22,550         |
| 58,263         | Local Authorities and Other Loans           | 38,263         |
| <b>828,773</b> | <b>Total</b>                                | <b>810,679</b> |
| 21,234         | Under 12 months                             | 27,013         |
| 26,988         | 12 months and within 24 months              | 22,698         |
| 30,431         | 24 months and within 5 years                | 13,370         |
| 53,798         | 5 years and within 10 years                 | 66,310         |
| 174,310        | 10 years and within 20 years                | 175,275        |
| 169,000        | 20 years and within 30 years                | 170,000        |
| 212,689        | 30 years and within 40 years                | 212,689        |
| 135,323        | 40 years and within 50 years                | 118,324        |
| 5,000          | 50 years and within 60 years                | 5,000          |
| <b>828,773</b> | <b>Total</b>                                | <b>810,679</b> |

Currently, £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. Details are shown in the following table:

| £m | Potential Repayment Date | Option Frequency | Full Term Maturity |
|----|--------------------------|------------------|--------------------|
| 6  | 21/05/2021               | 6 months         | 21/11/2041         |
| 6  | 21/05/2021               | 6 months         | 21/11/2041         |
| 6  | 21/05/2021               | 6 months         | 23/05/2067         |
| 6  | 02/09/2021               | 6 months         | 23/05/2067         |
| 5  | 15/01/2023               | 5 years          | 17/01/2078         |
| 22 | 21/11/2025               | 5 years          | 23/11/2065         |

## 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.   | Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.   |
| Interest 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. | Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.  |
| Fair value of fixed rate financial assets       | Interest rate rises will have no material effect on fair value, hence fair value is not disclosed.   | By borrowing and investing 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. |
| 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 below indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2020/21 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                      | 134          |
| Increase in interest receivable on investments                  | (828)        |
| <b>Impact on Income and Expenditure Account</b>                 | <b>(694)</b> |
| Increase in interest transferred to other balances and accounts | 204          |
| <b>Net (Income) / Expenditure</b>                               | <b>(490)</b> |

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.

| Changes in Fair Value                           | £000      |
|---|-----------|
| Change in Fair Value of Fixed Rate Investments  | 0         |
| Decrease in Fair Value of Fixed Rate Borrowings | (286,438) |

## 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 £45,000 (£31,000 in 2019/20) which are quoted on a recognised stock exchange at 31 March 2021.

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 £703,000 gain or loss being recognised in the Movement in Reserves Statement.

## 16. Held for Sale Assets

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £000          |  | £000          |
| 2,570         | Balance at 1 April                           | 1,860         |
| 0             | Additions                                    | 351           |
| (290)         | De-recognition                               | 0             |
| 0             | Impairment                                   | (36)          |
| (420)         | Reclassified to/(from) Held for Sale         | (977)         |
| 0             | Revaluation increases /(decreases) to RR*    | 125           |
| 0             | Revaluation increases /(decreases) to SDPS** | (405)         |
| 1,860         | Balance at 31 March                          | 918           |

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## 17. Short Term Debtors

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £000          |  | £000          |
| 80,148        | Central Government Bodies                                    | 101,413       |
| 22,690        | Other Local Authorities & NHS Bodies                         | 23,319        |
| 29,805        | Other Entities and Individuals including Public Corporations | 43,673        |
| 132,643       | Total Short Term Debtors                                     | 168,405       |

## 18. Cash and Cash Equivalents

| 31 March 2020 |  | 31 March 2021 |
|---------------|--|---------------|
| £000          |  | £000          |
| 223           | Cash   | 151           |
| (15,900)      | Bank (including cheque book schools)                 | (8,909)       |
| 51,628        | Short-term deposit with banks and building societies | 43,208        |
| <b>35,951</b> | <b>Total Cash and Cash Equivalents</b>               | <b>34,450</b> |

In addition to the above, at 31 March 2021 the Council held £637,000 (£789,000 at 31 March 2020) 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.

## 19. Short Term Creditors

| 31 March 2020    |  | 31 March 2021    |
|------------------|--|------------------|
| £000             |  | £000             |
| (11,773)         | Central Government Bodies                                    | (17,786)         |
| (13,000)         | Other Local Authorities & NHS Bodies                         | (14,801)         |
| (90,166)         | Other Entities and Individuals including Public Corporations | (96,401)         |
| <b>(114,939)</b> | <b>Total Short Term Creditors</b>                            | <b>(128,988)</b> |

## 20. Interests in Other Companies and Other Organisations

The Council has four wholly owned subsidiary companies. The interest in Cardiff City Transport Services Ltd is consolidated to form the Council's group accounts which are shown later in these Statements. The interests in the other three organisations are considered immaterial in terms of both the turnover and the net assets of the group and have therefore been excluded from consolidation in 2020/21. The Council does not depend upon these three 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. is wholly owned by the Council and was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation.

During the year, the company continued to address a number of challenges in common with the entire public transport industry as a result of the Covid-19 pandemic. This has resulted in reductions in income and patronage, which will take time to recover, however actions taken during the year to support a transformation programme include:

- A focus on safety and essential services
- Use of the national Bus Emergency Scheme support and use of furlough
- A resizing exercise to support financial viability coupled with the strengthening of management team to focus on people and culture
- Beginning a process to invest in modern fleet to strengthen the balance sheet.

During 2020/21 there was also a significant risk to financial viability and going concern as a result of the need for the company and Trustees of the company pension scheme to agree the triennial valuation of the scheme at 31 March 2018 in line with statutory requirements and to avoid a risk of winding up of the scheme. In line with its responsibilities as shareholder, in order to protect the benefits of the members of the pension scheme and to ensure that the vital services people rely on can continue, the Council agreed in October 2020 to implement a range measures and agreements to address risks to financial viability, allowing the company to implement a turnaround plan to build a more sustainable financial and operational future. The Council became the statutory employer of the scheme on 3 March 2021.

The audited 2019/20 Statement of Accounts for Cardiff Bus were approved by the auditors and Company in March 2021 and submitted to Companies House thereafter. This included a technical adjustment in respect to valuation of assets as a result of the impact of the Covid-19 pandemic and further information is provided in the introduction to the Group Accounts section of this document.

The company's draft operating results, which include any subsidiaries, are summarised below:

| 31 March 2020 |  | 31 March 2021   |
|---------------|--|-----------------|
| £000          |  | £000            |
| (32,935)      | Turnover and other income                  | (41,471)        |
| 32,557        | Operating and other expenditure            | 28,800          |
| <b>(378)</b>  | <b>Net (Profit) / Loss before Taxation</b> | <b>(12,671)</b> |
| 0             | Taxation                                   | 342             |
| <b>(378)</b>  | <b>(Profit) / Loss after Taxation</b>      | <b>(12,329)</b> |

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

| 31 March 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £000          |   | £000          |
| 17,958        | Bus and other operating assets                          | 9,739         |
| 3,711         | Current Assets  | 17,822        |
| (4,901)       | Less Current Liabilities                                | (3,962)       |
|               | Creditors: Amounts falling due after more than one year |               |
| (3,839)       | Provisions & Long term liabilities                      | (9,540)       |
| (833)         | Deferred Taxation                                       | 0             |
| (2,740)       | Pension Liability                                       | 0             |
| <b>9,356</b>  | <b>Total Assets less Liabilities</b>                    | <b>14,059</b> |
|               | Represented by:   |               |
| 4,618         | Share Capital   | 11,618        |
| 1,589         | Retained Earnings                                       | (1,452)       |
| 3,149         | Revaluation Reserve                                     | 3,893         |
| <b>9,356</b>  | <b>Net Worth</b>  | <b>14,059</b> |

The 2019/20 figures included in the table above have not been updated for Cardiff City Transport Services final accounts which were signed off after those of the Council, and remain as they were in the Council's Statement of Accounts 2019/20.

During 2020/21 the Council made payments totaling £18.207 million to Cardiff City Transport Services Ltd (£9.474 million in 2019/20), of which £9.229 million related to concessionary fares payments (£8.905 million

in 2019/20), £1 million for emergency financial support in June 2020 and £7 million in respect to acquisition of additional equity. The Council also received income of £89,000 (£169,000 in 2019/20).

At year-end, there is a balance due to Cardiff City Transport Services Ltd of £474,000 (£164,000 at March 2020) and £1 million due from Cardiff City Transport Services Ltd (£5,000 at March 2020).

During 2019/20 and 2020/21, no dividend was paid to the Council.

The accounts for year ended 31 March 2021 are in draft status and are pending audit, prior to submission to Companies House at the end of December 2021. The company's auditors for 2020/21 accounts are Kilsby Williams.

### 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 draft operating results are shown as follows:

| 31 March 2020 |                                       | 31 March 2021 |
|---------------|---------------------------------------|---------------|
| £000          |                                       | £000          |
| (19)          | Net (Profit) / Loss before Taxation   | (24)          |
| 4             | Less: Taxation                        | 9             |
| <b>(15)</b>   | <b>(Profit) / Loss after Taxation</b> | <b>(15)</b>   |

| 31 March 2020 |                                       | 31 March 2021 |
|---------------|---------------------------------------|---------------|
| £000          |                                       | £000          |
| 765           | Total assets less current liabilities | 776           |
| (39)          | Provision for taxation                | (36)          |
| (11)          | Pension Liability                     | (29)          |
| <b>715</b>    | <b>Total Assets less Liabilities</b>  | <b>711</b>    |
|               | Represented by:                       |               |
| 337           | Retained Profit                       | 386           |
| (11)          | Pension Reserve                       | (29)          |
| 389           | Revaluation Reserve                   | 354           |
| <b>715</b>    | <b>Net Worth</b>                      | <b>711</b>    |

During 2020/21 the Council made payments of £326,000 to CBTC (£272,000 in 2019/20) and received nil income (£36,000 in 2019/20 from CBTC. At year end, there is a balance due to CBTC of £36,000 (£32,000 at 31 March 2020) and no balance due from CBTC (£0 at 31 March 2019).

The company's auditors are Gerald Thomas.

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

Atebion Solutions Ltd. is wholly owned by the Council to deliver procurement and commercial services to the public sector. The draft operating results are shown below:

| 31 March 2020 |                                       | 31 March 2021 |
|---------------|---------------------------------------|---------------|
| £000          |                                       | £000          |
| 3             | Net (Profit) / Loss before Taxation   | (25)          |
| 0             | Less: Taxation                        | 4             |
| <b>3</b>      | <b>(Profit) / Loss after Taxation</b> | <b>(21)</b>   |

| 31 March 2020 |   | 31 March 2021 |
|---------------|---|---------------|
| £000          |   | £000          |
| 17            | Total assets less current liabilities           | 34            |
| (12)          | Creditors: falling due after more than one year | (8)           |
| <b>5</b>      | <b>Total Assets less Liabilities</b>            | <b>26</b>     |
|               | Represented by:                                 |               |
| 5             | Retained Profit                                 | 26            |
| <b>5</b>      | <b>Net Worth</b>                                | <b>26</b>     |

During 2020/21, the Council made no payments (£0 in 2019/20) to Atebion Solutions Ltd and received income of £94,732 (£50,215 in 2019/20) from Atebion Solutions Ltd. At year end, there is no balance due to Atebion Solutions Ltd (£0 at 31 March 2020) and a balance due of £85,256 from Atebion Solutions Ltd (£50,215 at March 2020).

The company's auditors are Azets.

### Cardiff Heat Network Ltd (company number 13199235)

Cardiff Heat Network Limited is wholly owned by Cardiff Council and was incorporated on 12 February 2021. The company's principal activities are to develop and then run a sustainable heat network across the city which will supply heat to existing buildings owned/operated by the council and other public and private sector organisations in the area. Due to its recent incorporation, there were no transactions between Cardiff Council and Cardiff Heat Network Limited for the financial year 2020/21.

## 21. Provisions

|                        | Balance 31<br>March 2020 | Utilised/<br>Released in<br>year | Transfers to<br>Provisions | Balance 31<br>March 2021 | Not later<br>than one<br>year | Later than<br>one year |
|------------------------|--------------------------|----------------------------------|----------------------------|--------------------------|-------------------------------|------------------------|
|                        | £000                     | £000                             | £000                       | £000                     | £000                          | £000                   |
| Insurance & MMI Scheme | (10,704)                 | 3,203                            | (3,664)                    | (11,165)                 | (4,240)                       | (6,925)                |
| Ferry Road Landfill    | (8,152)                  | 82                               | 0                          | (8,070)                  | (322)                         | (7,748)                |
| Lamby Way Landfill     | (10,528)                 | 412                              | 0                          | (10,116)                 | (284)                         | (9,832)                |
| City Deal              | (343)                    | 0                                | (150)                      | (493)                    | 0                             | (493)                  |
| Other                  | (490)                    | 399                              | (148)                      | (239)                    | (153)                         | (86)                   |
| <b>Total</b>           | <b>(30,217)</b>          | <b>4,096</b>                     | <b>(3,962)</b>             | <b>(30,083)</b>          | <b>(4,999)</b>                | <b>(25,084)</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 27.

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.

Cardiff Capital Region City Deal (CCRCD) – primarily represents timing differences in relation to corporation tax.

## 22. 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 2020  |                                      | 31 March 2021  |
|----------------|--------------------------------------|----------------|
| £000           | Pension Strain                       | £000           |
| (1,496)        | Pension Strain due within 1 year     | (1,471)        |
| (3,688)        | Pension Strain due later than 1 year | (3,434)        |
| <b>(5,184)</b> | <b>Total Pension Strain</b>          | <b>(4,905)</b> |

## 23. Deferred Liabilities

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

|                                    | Balance<br>31 March<br>2020<br>£000 | Utilised/<br>Released in<br>year<br>£000 | Transfers<br>to Deferred<br>Liabilities<br>£000 | Balance 31<br>March<br>2021<br>£000 | Not later<br>than one year<br>£000 | Later than<br>one year<br>£000 |
|------------------------------------|-------------------------------------|--|---|-------------------------------------|------------------------------------|--------------------------------|
| Commuted Maintenance Sums          | (8,261)                             | 583                                      | (763)   | (8,441)                             | (653)                              | (7,789)                        |
| Rent Smart Wales Income in Advance | (4,214)                             | 2,526                                    | (1,504)   | (3,192)                             | (2,800)                            | (392)                          |
| <b>Total Deferred Liabilities</b>  | <b>(12,475)</b>                     | <b>3,109</b>                             | <b>(2,267)</b>                                  | <b>(11,633)</b>                     | <b>(3,453)</b>                     | <b>(8,181)</b>                 |

## 24. Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. Usable Reserves include Council Fund and HRA Balances, Earmarked Reserves and the Capital Receipts Reserve.

### 24.1 Council Fund and HRA Balances

|  | Balance               | Contributions        |                    | Balance               |
|--|-----------------------|----------------------|--------------------|-----------------------|
|  | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |
| <b>COUNCIL FUND AND HRA BALANCES</b>       |                       |                      |                    |                       |
| Council Fund Balance                       | 14,255                | 0                    | 0                  | <b>14,255</b>         |
| Housing Revenue Account Balance            | 8,983                 | 6,519                | 0                  | <b>15,502</b>         |
| <b>Total Council Fund and HRA Balances</b> | <b>23,238</b>         | <b>6,519</b>         | <b>0</b>           | <b>29,757</b>         |

### 24.2 Earmarked Reserves

This note sets out the contributions to and from earmarked reserves during the year.

|   | Balance               | Contributions        |                    | Balance               | Purpose of the Reserve   |
|---|-----------------------|----------------------|--------------------|-----------------------|--|
|   | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |  |
| <b>SCHOOLS BALANCES</b>                   |                       |                      |                    |                       |  |
| Schools Reserves                          | 5,317                 | 16,919               | (522)              | <b>21,714</b>         | The net position on individual school balances, comprising surpluses, deficits and the overall deficit on the Mutual Supply Fund.                                  |
| Cathays HS – Maintenance of Playing Field | 3                     | 0                    | 0                  | <b>3</b>              | To maintain path alongside Cathays High School   |
| Primary/Special Schools Repairs           | 707                   | 218                  | 0                  | <b>925</b>            | The overall balance held on the mutual scheme for repairs to school buildings.   |
|   | <b>6,027</b>          | <b>17,137</b>        | <b>(522)</b>       | <b>22,642</b>         |  |
| <b>SCHOOLS RESERVES</b>                   |                       |                      |                    |                       |  |
| Out of School Childcare                   | 99                    | 29                   | (10)               | <b>118</b>            | Surplus balances from each school operating an out of school childcare scheme. These can be drawn upon by each school to balance their in-year financial position. |
| Schools Catering                          | 0                     | 256                  | 0                  | <b>256</b>            | To be used to support the Schools Catering Service, including kitchen improvements, the implementation of a cashless transaction system.                           |
| Schools Formula Funding                   | 226                   | 1,900                | (35)               | <b>2,091</b>          | A contingency set aside to meet unplanned and unforeseen expenditure incurred by or on behalf of the delegated schools budgets.                                    |

|                                      | Balance               | Contributions        |                    | Balance               | Purpose of the Reserve   |
|--------------------------------------|-----------------------|----------------------|--------------------|-----------------------|--|
|                                      | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |  |
| Schools Organisational Plan          | 501                   | 8,749                | (8,090)            | 1,160                 | To be used to manage the cash flow implications of the Schools Organisational Plan financial model.  |
|                                      | <b>826</b>            | <b>10,934</b>        | <b>(8,135)</b>     | <b>3,625</b>          |  |
| <b>OTHER COUNCIL RESERVES</b>        |                       |                      |                    |                       |  |
| Adults Social Care                   | 0                     | 1,182                | 0                  | 1,182                 | To provide interim funding for service specific pressures during 2021/22 and to enhance Adult Service's resilience in the short term in light of the demographic and market uncertainty created by the pandemic.       |
| Apprenticeships and Trainees         | 590                   | 0                    | (77)               | 513                   | To support the Council's commitment to young people through funding for apprenticeships and trainees.  |
| Bereavement Services                 | 137                   | 614                  | (404)              | 347                   | To fund a planned programme of refurbishment and improvement.  |
| Building Control Regulations         | 85                    | 0                    | (36)               | 49                    | Represents historic surpluses relating to the ring fenced building control account which will be used to smooth the effects of any future deficits.  |
| Bute Park Match Funding              | 73                    | 0                    | 0                  | 73                    | To provide match funding for grant funded initiatives in relation to Bute Park, as per Heritage Lottery Fund agreement.  |
| Capital Ambition Delivery            | 250                   | 0                    | (250)              | 0                     | To fund additional advice and support for the delivery of Capital Ambition projects.   |
| Cardiff Academy Training             | 78                    | 0                    | 0                  | 78                    | To support initiatives undertaken by the Academy.  |
| Cardiff Capital Region City Deal     | 216                   | 0                    | 0                  | 216                   | To provide funding towards the Council's contribution to the Joint Cabinet for the Cardiff Capital Region City Deal.   |
| Cardiff Dogs Home Legacy             | 312                   | 88                   | (148)              | 252                   | Donations left to Cardiff Dogs Home to be used for improvements to the home.   |
| Cardiff Enterprise Zone              | 2,377                 | 970                  | (983)              | 2,364                 | To fund expenditure on the Cardiff Enterprise Zone in future years.  |
| Central Market Works                 | 269                   | 0                    | (22)               | 247                   | To fund works at Cardiff Central Market and as potential match funding for external grants.  |
| Children's Services                  | 0                     | 950                  | 0                  | 950                   | To be used to enhance Children's Services resilience in the short term, including provision of funding temporary staffing for Reviewing/Screening Service, Intervention Hub and additional in house fostering support. |
| Central Transport Service            | 0                     | 177                  | 0                  | 177                   | To fund costs relating to the CTS vehicle service in future years.   |
| City Events and Recovery             | 0                     | 1,000                | 0                  | 1,000                 | To support the post pandemic recovery.   |
| City Wide Management and Initiatives | 878                   | 254                  | (386)              | 746                   | To fund city wide management and initiatives including supporting marketing and infrastructure.  |
| Community Based Services Transition  | 169                   | 0                    | (48)               | 121                   | To enable the better integration of community facilities across the public sector.   |

|  | Balance               | Contributions        |                    | Balance               | Purpose of the Reserve   |
|--|-----------------------|----------------------|--------------------|-----------------------|--|
|  | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |  |
| Community Initiatives                          | 675                   | 562                  | 0                  | <b>1,237</b>          | To fund initiatives arising from the legacy of the Community First Programme.  |
| Connect to Cardiff Refurbishment               | 10                    | 0                    | 0                  | <b>10</b>             | To fund expansion due to new and changing regulations.   |
| Corporate Events and Cultural Services         | 829                   | 339                  | (338)              | <b>830</b>            | To support feasibility studies and costs of major events and to offset future pressures arising from fluctuations in income within Venues and Cultural Services. |
| Corporate Landlord Function                    | 136                   | 500                  | 0                  | <b>636</b>            | To support the corporate landlord functions across the Council in order to provide a cohesive and commercial operating model.                                    |
| Corporate Recovery Risk                        | 0                     | 2,250                | 0                  | <b>2,250</b>          | To mitigate risk of transition post pandemic.  |
| Council Tax Reduction Scheme                   | 0                     | 2,000                | 0                  | <b>2,000</b>          | To manage pressure and volatility in CTRS expenditure over the medium term.  |
| Digital Transformation                         | 0                     | 3,203                | 0                  | <b>3,203</b>          | To support new ways of working.  |
| Discretionary Rate Relief                      | 100                   | 0                    | 0                  | <b>100</b>            | To fund changes to the NDR discretionary rate relief scheme.   |
| Emergency Management, Safeguarding & Prevent   | 139                   | 0                    | 0                  | <b>139</b>            | To fund preventative measures in relation to safeguarding, the Prevent agenda and emergency management.  |
| Employee Changes                               | 8,690                 | 603                  | (567)              | <b>8,726</b>          | To meet the costs associated with voluntary redundancy and other employee costs in future years.   |
| Energy Conservation (One Planet Cardiff)       | 47                    | 150                  | (47)               | <b>150</b>            | To fund initiatives in connection with energy conservation.  |
| Energy Market Volatility                       | 336                   | 0                    | 0                  | <b>336</b>            | To provide funding for unexpected fluctuations in the cost of energy.  |
| Family Guarantor                               | 0                     | 339                  | 0                  | <b>339</b>            | To enable the authority to adopt the role of guarantor for landlords and aid the transfer of families from temporary accommodation into permanent homes          |
| Flatholm                                       | 0                     | 7                    | 0                  | <b>7</b>              | To fund initiatives and repairs and renewals at Flatholm.  |
| Fraud Detection                                | 44                    | 0                    | 0                  | <b>44</b>             | To supplement staffing and other costs associated with fraud detection.  |
| Governance and Legal Services                  | 185                   | 0                    | 0                  | <b>185</b>            | To fund future Governance & Legal Services initiatives, including projects in connection with ICT upgrades.  |
| Harbour Authority Project and Contingency Fund | 63                    | 63                   | 0                  | <b>126</b>            | To fund expenditure for the improvement and enhancement of infrastructure, assets, activities or services in or around Cardiff Bay.                              |
| Highways Section 278                           | 410                   | 0                    | (68)               | <b>342</b>            | To support highway investment.   |
| Homelessness                                   | 1,468                 | 344                  | 0                  | <b>1,812</b>          | To be used to meet increases in homelessness pressures.  |
| Housing Support                                | 758                   | 0                    | 0                  | <b>758</b>            | To improve sustainability by maintaining the independence of people in their own homes.  |

|                                   | Balance               | Contributions        |                    | Balance               | Purpose of the Reserve   |
|-----------------------------------|-----------------------|----------------------|--------------------|-----------------------|--|
|                                   | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |  |
| ICT Holding Account               | 716                   | 0                    | 0                  | 716                   | To fund future business process improvement initiatives and other future ICT initiatives.  |
| Inspectorate Support              | 208                   | 800                  | 0                  | 1,008                 | To procure necessary consultancy for inspections and regulatory environment.   |
| Insurance                         | 6,175                 | 1,274                | 0                  | 7,449                 | To protect the Council from future potential insurance claims.   |
| Invest to Save                    | 261                   | 0                    | 0                  | 261                   | To be used in connection with revenue invest to save schemes.  |
| Joint Equipment Store             | 221                   | 84                   | 0                  | 305                   | To be utilised to offset deficits or one off expenditure items in the pooled budget, in future years.  |
| Local Development Plan            | 38                    | 300                  | 0                  | 338                   | To support the cost of the Local Development Plan and any potential appeals or judicial reviews.   |
| Major Projects                    | 480                   | 0                    | 0                  | 480                   | To contribute towards the cost of Major Projects.  |
| Members Development               | 61                    | 0                    | 0                  | 61                    | To support any additional Members' ICT software.   |
| Municipal Election                | 572                   | 225                  | 0                  | 797                   | To support the cost of local elections.  |
| Municipal Mutual Insurance        | 786                   | 149                  | 0                  | 935                   | To reflect the fact that the Council are liable to pay a percentage of claims previously settle by Municipal Mutual Insurance (MMI) and contribute to the cost of future settled claims.       |
| Non-Domestic Rates Due Diligence  | 60                    | 0                    | 0                  | 60                    | To fund the costs of NDR due diligence.  |
| Parking and Enforcement           | 2,115                 | 8,569                | (6,148)            | 4,536                 | This represents surpluses to parking and enforcement schemes which, under the Road Traffic Act 1984, have to be reinvested in Road Traffic Schemes. Additional details provided in note below. |
| Projects, Design and Development  | 14                    | 0                    | (14)               | 0                     | To cover unattributable anomalies in building design and construction and offset any annual trading deficits.  |
| Property Asset Management         | 67                    | 21                   | (72)               | 16                    | To be used by Strategic Estates, as a tool for managing timing and fluctuations of income from fees relating to the disposal of properties.  |
| Red Dragon Centre                 | 1,532                 | 270                  | 0                  | 1,802                 | To support ongoing premises funding requirements.  |
| Rentsmart                         | 660                   | 0                    | (202)              | 458                   | To reinvest in training and service delivery in respect of Rentsmart Wales.  |
| Resources                         | 843                   | 1,468                | (56)               | 2,255                 | To provide funding to a number of areas within the Resources Directorate, particularly where transition to new methods of operation are required.  |
| Roads Maintenance                 | 0                     | 1,033                | 0                  | 1,033                 | To fund future road maintenance improvements.  |
| Scrutiny Development and Training | 118                   | 0                    | 0                  | 118                   | To fund scrutiny member development and training.  |

|  | Balance               | Contributions        |                    | Balance               | Purpose of the Reserve   |
|--|-----------------------|----------------------|--------------------|-----------------------|--|
|  | 31 March 2020<br>£000 | From Revenue<br>£000 | To Revenue<br>£000 | 31 March 2021<br>£000 |  |
| Social Care Technology                       | 655                   | 0                    | 0                  | 655                   | To provide funding towards social care ICT developments.   |
| South East Wales Construction Framework      | 535                   | 440                  | 0                  | 975                   | Ring fenced revenue to fund future costs of the project. Remaining funding to be distributed amongst the participating authorities.  |
| Strategic Budget                             | 3,979                 | 3,918                | (750)              | 7,147                 | To support financial resilience and the future budget requirements of the Council over the three year budget period within the Medium Term Financial Plan.                     |
| Treasury Management                          | 4,725                 | 4,300                | 0                  | 9,025                 | To assist with the management of risk in relation to major projects and to offer some protection and flexibility to the wider capital programme.                               |
| Wales Interpretation and Translation Service | 351                   | 0                    | (31)               | 320                   | To manage in-year fluctuations in funding and financial performance of the service.  |
| Waste Management                             | 0                     | 311                  | 0                  | 311                   | To support additional waste management initiatives to achieve recycling targets and offset the impact of additional tonnage and associated waste management costs.             |
| Welfare Reform                               | 1,853                 | 291                  | 0                  | 2,144                 | To mitigate pressures and reduced funding within the Housing Benefit Service following the transfer of services to DWP, as part of the rollout of the Universal Credit Scheme. |
| Youth and Community Education                | 178                   | 609                  | 0                  | 787                   | To fund costs connected with the refurbishment of youth centres.   |
|  | <b>46,527</b>         | <b>39,657</b>        | <b>(10,647)</b>    | <b>75,537</b>         |  |
| <b>SHARE OF JOINT COMMITTEE RESERVES</b>     |                       |                      |                    |                       |  |
| Cardiff Capital Region City Deal (CCRCD)     | 1,514                 | 248                  | (1,062)            | 700                   | The Council's percentage share of the accumulated balances and earmarked usable reserves of Cardiff Capital Region City Deal.  |
|  | <b>1,514</b>          | <b>248</b>           | <b>(1,062)</b>     | <b>700</b>            |  |
| <b>Total Council Fund Reserves</b>           | <b>54,894</b>         | <b>67,976</b>        | <b>(20,366)</b>    | <b>102,504</b>        |  |
| <b>HRA RESERVES</b>                          |                       |                      |                    |                       |  |
| Housing Development Resilience               | 0                     | 250                  | 0                  | 250                   | To mitigate against risk and improve resilience within the Housing Development Capital Programme   |
| Housing Repairs and Building Maintenance     | 599                   | 2,422                | 0                  | 3,021                 | To fund costs of the housing repairs and to mitigate against risk within the construction industry.  |
| Welfare Reform                               | 279                   | 150                  | 0                  | 429                   | To fund project costs and scheme development to address issues for council tenants due to benefit cap and universal credit.  |
| <b>Total HRA Reserves</b>                    | <b>878</b>            | <b>2,822</b>         | <b>0</b>           | <b>3,700</b>          |  |
| <b>TOTAL EARMARKED RESERVES</b>              | <b>55,772</b>         | <b>70,798</b>        | <b>(20,366)</b>    | <b>106,204</b>        |  |

## 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.

| 2019/20         |   | 2020/21        |
|-----------------|---|----------------|
| £000            |   | £000           |
| (5,024)         | On-street pay car parking fees                                  | (1,364)        |
| (1,186)         | Off-Street car parking fees                                     | (272)          |
| (386)           | Residents parking permits                                       | (366)          |
| (2,229)         | Penalty charge notices  | (1,003)        |
| (5,082)         | Moving Traffic Offences   | (2,417)        |
| (366)           | Camera Car  | (115)          |
| (200)           | Traffic Enforcement Centre                                      | (22)           |
| (14)            | Other income  | (23)           |
| <b>(14,487)</b> | <b>Total Income</b>   | <b>(5,582)</b> |
| 659             | Operational costs / Parking and Permits                         | 599            |
| 6,064           | Enforcement service   | 5,481          |
| <b>6,723</b>    | <b>Total Expenditure</b>  | <b>6,080</b>   |
| <b>(7,764)</b>  | <b>Civil Parking Enforcement Net (Surplus)/Deficit</b>          | <b>498</b>     |
| 0               | Covid-19 LG Hardship Fund/Job Retention Scheme                  | (9,067)        |
| <b>(7,764)</b>  | <b>Revised Civil Parking Enforcement Net ((Surplus)/Deficit</b> | <b>(8,569)</b> |
|                 | Appropriations to Parking Reserve:                              |                |
| <b>1,491</b>    | <b>Balance 1 April</b>  | <b>2,115</b>   |
| 7,764           | Contributions from CPE  | 8,569          |
| (7,140)         | Contributions to revenue*                                       | (6,148)        |
| <b>2,115</b>    | <b>Balance 31 March</b>   | <b>4,536</b>   |

\* The reduction in income is as a result of Covid-19 and the trading surplus includes £9.067 million from Welsh Government Hardship Fund and the Coronavirus Job Retention Scheme. Eligible expenditure totalling £6.148 million was drawn down from the reserve leaving a balance of £4.536 million at 31 March 2021. The drawdown included a budgeted sum of £5.935 million to support 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 Planning, Transport & Environment in consultation with the Cabinet Member for Strategic Planning & Transport.

## 24.3 Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts available to finance future capital expenditure or to repay historical capital expenditure incurred.

| 2019/20      |  | 2020/21       |
|--------------|--|---------------|
| £000         |  | £000          |
| <b>8,488</b> | <b>Balance as at 1 April</b>             | <b>10,906</b> |
|              | Movements during Year:                   |               |
| 9,249        | Sale of Land, Buildings and other assets | 15,161        |
| 626          | Sale of Council Dwellings                | 236           |
| 99           | Recoupments of grant/other               | 25            |

| 2019/20        |   | 2020/21         |
|----------------|---|-----------------|
| £000           |   | £000            |
| 9,974          |   | 15,422          |
| (5,497)        | Finance Capital Expenditure             | (6,455)         |
| (2,009)        | Provide for Repayment of External Loans | (11,200)        |
| (50)           | Other                                   | 0               |
| <b>(7,556)</b> |   | <b>(17,655)</b> |
| <b>10,906</b>  | <b>Balance as at 31 March</b>           | <b>8,673</b>    |

## 25. Unusable Reserves

### 25.1 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.

| 2019/20        |  | 2020/21        |
|----------------|--|----------------|
| £000           |  | £000           |
| <b>268,598</b> | <b>Balance as at 1 April</b>   | <b>288,041</b> |
| 35,426         | Upward revaluation of assets   | 25,878         |
| (14,316)       | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services             | (1,342)        |
| <b>21,110</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>24,536</b>  |
| (1,290)        | Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)              | (1,281)        |
| (377)          | Accumulated gains on assets sold or scrapped   | (542)          |
| <b>(1,667)</b> | <b>Amount written off to the Capital Adjustment Account</b>  | <b>(1,823)</b> |
| <b>288,041</b> | <b>Balance as at 31 March</b>  | <b>310,754</b> |

### 25.2 Capital Adjustment Account

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

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



| 2019/20         |  | 2020/21          |
|-----------------|--|------------------|
| £000            |  | £000             |
| 864,171         | <b>Balance as at 1 April</b>   | 939,914          |
|                 | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>                      |                  |
| (62,708)        | Charges for depreciation and impairment of non-current assets  | (62,755)         |
| 106,849         | Reverse previous impairment on revaluation   | 597              |
| (50,064)        | Revaluation losses on Property, Plant and Equipment  | (48,700)         |
| (1,172)         | Amortisation of intangible assets  | (884)            |
| 0               | Movement in Assets Held for Sale   | (440)            |
| (1,703)         | Expenditure on REFCUS  | (4,398)          |
| (4,265)         | 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 | (15,218)         |
| <b>(13,063)</b> |  | <b>(131,798)</b> |
| 1,290           | Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)  | 1,281            |
| <b>(11,773)</b> | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>(130,517)</b> |
|                 | <b>Capital financing applied in the year:</b>  |                  |
| 5,497           | Capital Receipts   | 6,455            |
| 7,135           | Direct Revenue Financing   | 3,373            |
| 41,333          | Grants and contributions   | 87,562           |
| 36,862          | Prudent Revenue Provision  | 38,110           |
| 2,009           | Capital receipts to provide for repayment of external loans  | 11,202           |
| (1,230)         | Reduction in loan debtors  | (321)            |
| <b>91,606</b>   |  | <b>146,381</b>   |
| (4,090)         | Movements in the value of Investment Properties  | (8,413)          |
| <b>939,914</b>  | <b>Balance as at 31 March</b>  | <b>947,365</b>   |

### 25.3 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 realised.

| 2019/20      |  | 2020/21      |
|--------------|--|--------------|
| £000         |  | £000         |
| 5,008        | <b>Balance as at 1 April</b>   | 5,008        |
| 0            | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 0            |
| 0            | Transfers to the Capital Receipts Reserve upon receipt of cash   | (5)          |
| <b>5,008</b> | <b>Balance as at 31 March</b>  | <b>5,003</b> |

The balance in 2020/21 relates primarily to the deferred payment from disposal of land at Central Square, due in the financial year 2021/22.

## 25.4 Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments held as Financial Instruments that are elected to be classified as Fair Value through other Comprehensive Income i.e. those held for service objectives or policy purposes. 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.

| 2019/20 |  | 2020/21 |
|---------|--|---------|
| £000    |  | £000    |
| 10,368  | Balance as at 1 April  | 9,267   |
| (1,101) | (Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services | (2,283) |
| 9,267   | Balance as at 31 March   | 6,984   |

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 based on the company's reported net worth as per its Annual Accounts to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Taxpayer, revenue budget or cash flow in any one year as any movement in value of the asset is offset in this reserve. Any valuation should be treated with care as it is for accounting purposes only.

## 25.5 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.

| 2019/20   |  | 2020/21     |
|-----------|--|-------------|
| £000      |  | £000        |
| (674,020) | Balance as at 1 April  | (840,894)   |
| (127,222) | Actuarial gains or losses on pensions assets and liabilities   | (198,203)   |
| (89,038)  | 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 | (93,109)    |
| (854)     | Reversal of amounts accrual in respect of pension strain for future years  | 280         |
| 50,240    | Employer's pensions contributions and direct payments to pensioners payable in the year  | 46,553      |
| (840,894) | Balance as at 31 March   | (1,085,373) |

## 25.6 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.

| 2019/20<br>£000 |  | 2020/21<br>£000 |
|-----------------|--|-----------------|
| (8,901)         | Balance as at 1 April  | (11,580)        |
| (2,679)         | 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 accounting requirements | (6,113)         |
| (11,580)        | Balance as at 31 March   | (17,693)        |

## 25.7 Donated Inventories Account

The Donated Inventories Account represents the value of donated inventories held as at 31 March 2021.

The Council received donated personal protective equipment (PPE) received from NHS Shared Services (NHSS), at nil cost, in order to fulfil its Social Care PPE responsibilities.

| 2019/20<br>£000 |   | 2020/21<br>£000 |
|-----------------|---|-----------------|
| 0               | Balance as at 1 April                   | 0               |
| 0               | Movement in Donated Inventories Account | 3,211           |
| 0               | Balance as at 31 March                  | 3,211           |

## 26. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2020/21

| 2019/20<br>£000 |  | 2020/21<br>£000  |
|-----------------|--|------------------|
|                 | <b>Credited to Taxation and Non-Specific Grant Income</b>        |                  |
| (328,126)       | Revenue Support Grant  | (344,468)        |
| (116,504)       | Non-Domestic Rates   | (124,579)        |
| (39,599)        | Capital Grants   | (84,215)         |
| (1,734)         | Developers' Contributions  | (3,347)          |
| (485,963)       | <b>Total</b>   | <b>(556,609)</b> |
|                 | <b>Credited to Services (Revenue Grants &amp; Contributions)</b> |                  |
| (263,502)       | Central Government Bodies  | (381,231)        |
| (22,609)        | Other Local Authorities & NHS Bodies                             | (22,822)         |
| (4,553)         | Other Entities and Individuals including Public Corporations     | (3,247)          |
| (290,664)       | <b>Total</b>   | <b>(407,300)</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 2020   | Revenue Grants and Contributions Receipts in Advance         | 31 March 2021   |
|-----------------|--|-----------------|
| £000            |  | £000            |
| (13,067)        | Central Government Bodies                                    | (17,548)        |
| 0               | Other Local Authorities & NHS Bodies                         | (15)            |
| (787)           | Other Entities and Individuals including Public Corporations | (446)           |
| <b>(13,854)</b> | <b>Total</b>   | <b>(18,008)</b> |

| 31 March 2020  | Capital Grants Receipts in Advance                           | 31 March 2021   |
|----------------|--|-----------------|
| £000           |  | £000            |
| (1,424)        | Central Government Bodies                                    | (13,797)        |
| 0              | Other Local Authorities & NHS Bodies                         | 0               |
| 0              | Other Entities and Individuals including Public Corporations | 0               |
| <b>(1,424)</b> | <b>Total</b>   | <b>(13,797)</b> |

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

| 31 March 2020   | Capital Contributions Receipts in Advance            | 31 March 2021   |
|-----------------|--|-----------------|
| £000            |  | £000            |
| <b>(14,485)</b> | <b>Balance as at 1 April</b>                         | <b>(17,430)</b> |
| (4,889)         | Contributions received during the year               | (8,558)         |
| 1,792           | Contributions applied to expenditure during the year | 3,495           |
| 152             | Reclassification                                     | 338             |
| <b>(17,430)</b> | <b>Balance as at 31 March</b>                        | <b>(22,155)</b> |

## 27. 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 has 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 2021 is £6.610 million (£4.722 million at 31 March 2020).

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 resulting in an outstanding amount of £1.960 million. Repayments commenced in 2019/20, with repayments totalling £196,000 to 31 March 2021. The club are

committed to repay the loans in accordance with the contractual terms, however due to the current Covid-19 position, the Council's view is that risks of recovery still remain and the balance due of £1.764 million remains 100% impaired at 31 March 2021. Any balances due are not shown in the financial statements but are identified as a contingent asset to reflect the amounts potentially receivable in accordance with the proposed restructured loan.

In respect to an assessment received from HMRC for purportedly under-declared landfill tax assessment, associated penalties and interest, the Council made a payment on account of £2.452 million to HMRC during 2018/19. This is not an admission of liability and if the assessment is changed or cleared, then this will be refunded by HMRC.

## Liabilities

As at 31 March 2021 four claims existed 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 £311,000 (£120,000 at 31 March 2020) 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 is £2.536 million. The accounts reflect a provision of £254,000 and £935,000 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.

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 continuing 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. 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 technical nature of the assessment, it remains difficult to evidence the probability that this liability will crystallise.

The Council completed the acquisition of the Red Dragon Centre site in January 2020 following Cabinet approval in December 2019. This acquisition secured control of an important site adjacent to existing Council land with the potential to stimulate the next phase of regeneration of Cardiff Bay, in particular the delivery of a new Indoor Arena. Subject to the outcome of Procurement in respect to a developer/operator, as well as any resulting submission of a planning application for an Indoor Arena on the Atlantic Wharf site, a further

deferred sum of £5.720 million is payable for the acquisition of the site. This includes £5.4 million in respect to the land transaction, with the balance being relevant land taxes.

During 2020/21, the Council as the sole shareholder, agreed a range of measures to address the difficulties faced by Cardiff City Transport Services Limited (Cardiff Bus) and the Trustees of its pension scheme to agree, in accordance with Pension Legislation, the Triennial valuation of the pension scheme at 31 March 2018. On 3 March 2021, the Council entered into an agreement with the Trustees of the Cardiff City Transport Services Limited Pension Scheme meaning that all future liabilities in respect to pension obligations of Cardiff Bus will fall to Cardiff Council. This means that the Council became statutory employer of the Cardiff Bus pension funds and is responsible for paying contributions into the scheme towards addressing any identified deficit when assets and liabilities are projected as part of three yearly actuarial reviews. The schedule of contributions is currently £250,000 per annum until the finalisation of the next triennial valuation as at 31 March 2021. The Council is also responsible for scheme operating expenses, Pension Protection Fund levy and any other costs and expenses in respect to its obligations as Statutory and Principal employer. These costs are to be recovered from Cardiff Bus, however the Council is ultimately responsible for such costs in the event the company is unable to meet them. Details of the fund assets and liabilities as at 31 March 2021 are shown in note 13.

## 28. Notes to Cash Flow Statement

| 2019/20         |   | 2020/21          |
|-----------------|---|------------------|
| £000            | Adjust net surplus or deficit on the provision of services for non - cash movements | £000             |
| (8,325)         | Depreciation, impairment & amortisation   | (112,504)        |
| (39,652)        | Charges made for retirement benefits (IAS19) less employers contributions           | (46,276)         |
| (4,265)         | Carrying amount of non-current assets sold or derecognised                          | (15,661)         |
| (193)           | Increase/(decrease) in stock  | 3,691            |
| 30,999          | Increase/(decrease) in debtors  | 876              |
| (5,157)         | Increase/(decrease) in creditors  | (1,068)          |
| (3,560)         | Other non-cash items affecting net surplus or deficit on provision of services      | (9,884)          |
| <b>(30,153)</b> |   | <b>(180,826)</b> |

| 2019/20       |  | 2020/21        |
|---------------|--|----------------|
| £000          | Items in net surplus/ deficit on provision of services that are investing and financing activities | £000           |
| 9,974         | Proceeds from sale of non-current assets   | 15,417         |
| 41,333        | Capital grants/contributions recognised in CIES  | 87,562         |
| <b>51,307</b> |  | <b>102,979</b> |

| 2019/20       |                        | 2020/21       |
|---------------|------------------------|---------------|
| £000          | Interest and Dividends | £000          |
| (1,031)       | Interest Received      | (773)         |
| 32,653        | Interest Paid          | 34,032        |
| 0             | Dividends Received     | 0             |
| <b>31,622</b> |                        | <b>33,259</b> |

**29. Prior Period Adjustment**

There are no prior period adjustments.

**30. Exceptional Items**

There are no exceptional items to disclose.

**31. Events after the Reporting Period**

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on 21 October 2021 by the Corporate Director Resources. Post Balance Sheet events have been considered up to this date.



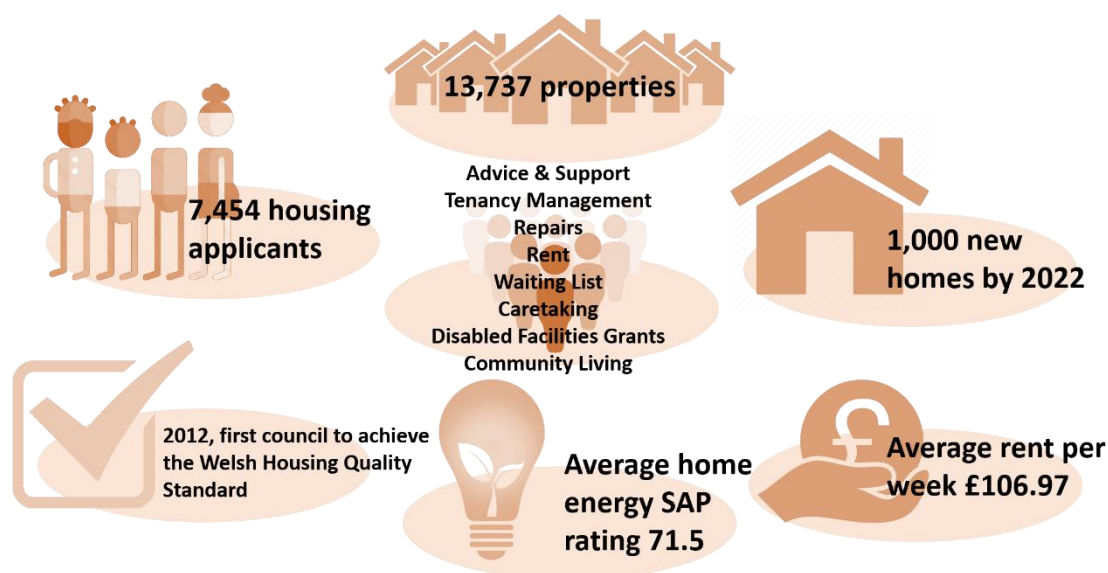
# Housing Revenue Account





## Introduction

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, performance and service information for the HRA. The plan aims to demonstrate the long term sustainability of the HRA and includes the approach to maintaining the Welsh Housing Quality Standards, energy efficiency, remodelling homes, estate regeneration, fire safety works and securing new affordable housing to meet need.

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.

The most recent tenant satisfaction survey showed:

- 83.0% of tenants were satisfied with the way we deal with repairs
- 83.2% of tenants were satisfied with their neighbourhood as a place to live.

## Risks and Financial Outlook

The HRA records income and expenditure in relation to Council Housing stock, including rent, service charges, housing allocations, repairs, capital financing charges and supervision and management.

Where the HRA spends capital monies, particularly where this is paid for by borrowing, this results in long term financial commitments for the rent payer and it is essential that expenditure decisions are prudent, sustainable and affordable, now as well as in the future.

Whilst in the short term, the Welsh Government 5 year rent policy approved from 2020/21 onwards has provided additional confidence around future planning, risk and uncertainty still exists over the medium to longer term. The management of the HRA and any risk to viability and sustainability is assessed through the

analysis of a detailed risk matrix to ensure key variables are monitored and that essential mitigation/offsetting actions are in place to manage the achievement of key plans and desired outcomes.

## Financial Performance 2020/21

The Housing Revenue Account reported a surplus position of £6.519 million for 2020/21 after a transfer to earmarked reserves of £2.822 million to meet future liabilities and commitments, including any additional repairs and works which may be required to properties particularly as a result of access restrictions in 2020/21 due to the pandemic. The overall position included a reduced spend on repairs and maintenance, lower capital financing costs reflecting the timing of capital investment and some delays to the programme. This included lower than planned expenditure on new build development schemes and delays to land appropriations.

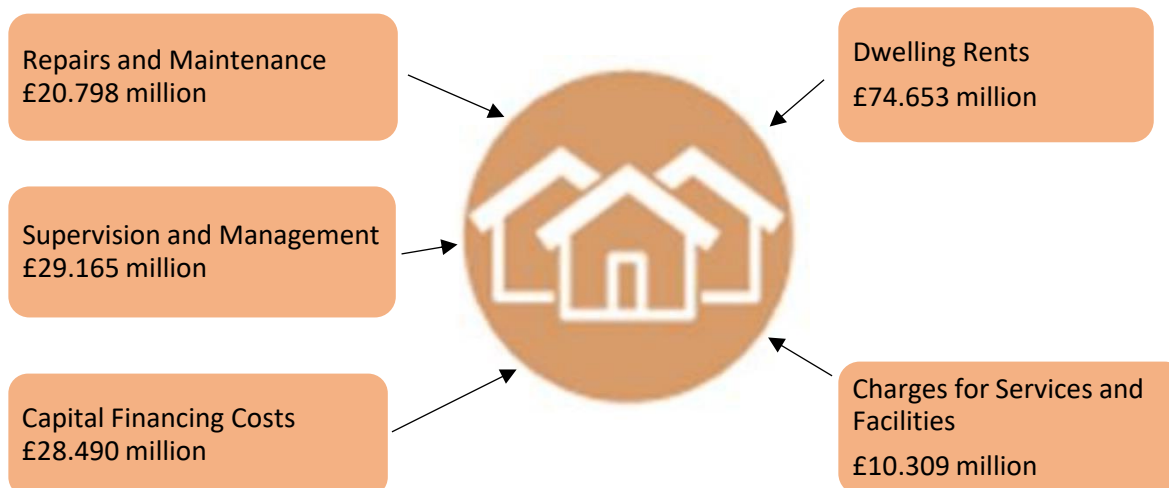
A reduction in rent and service charge income was offset by additional grant funding and by employee vacancy savings and other efficiencies. The percentage of void housing units (stock) as a proportion of the overall stock level during 2020/21 was 1.29% (1.89% in 2019/20)

Earmarked reserves and the Housing Revenue Account General Balance are £3.7 million and £15.502 million respectively at 31 March 2021.

## Revenue Expenditure and Funding

### Expenditure

### Income

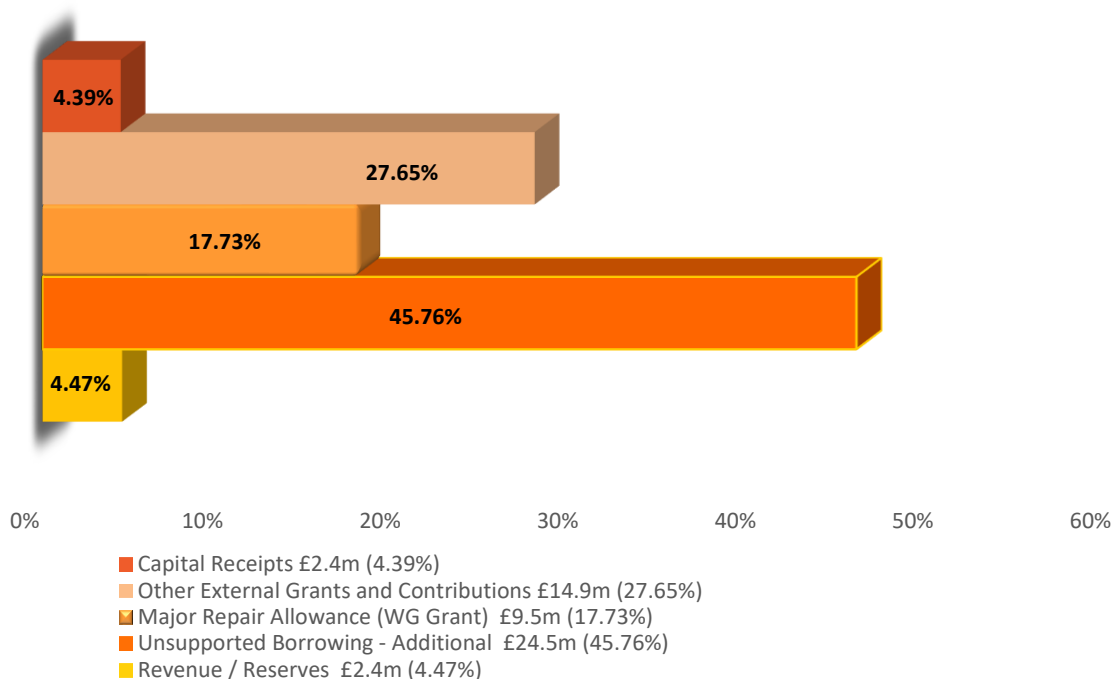


Our housing stock is valued in the accounts at £621.457 million. Dwellings were revalued in 2020/21 with the vacant possession value deemed to be £1.598 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 38% in order to show the economic cost of providing social housing at less than market rent. The next valuation will take place in 2022/23.

## Capital Expenditure and Funding

Capital expenditure represents money spent on improving, acquiring and enhancing assets. During the year we spent £53.631 million on estate regeneration, housing stock remodeling, and the fabric of dwellings, disabled adaptations and in the development of new Council Housing.

### Funding of Capital Expenditure



The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2021, this stands at £301.370 million; an increase of £11.138 million compared to the previous year. This is forecast to increase significantly over the next few years as set out in the 2021/22 HRA Revenue budget and MTFP approved by Council in March 2021. All borrowing must be affordable both now and in the future as it will be required to be repaid with interest.

## Income and Expenditure 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.

| 2019/20         |  | Note | 2020/21         |
|-----------------|--|------|-----------------|
| £000            |  |      | £000            |
|                 | Management and maintenance comprising :  |      |                 |
| 23,069          | Repairs and maintenance  |      | 20,798          |
| 27,303          | Supervision and management   |      | 29,165          |
| 91              | Rents, rates, taxes and other charges  |      | 245             |
| 1,232           | Provision for bad and doubtful debts   |      | (60)            |
| 13,173          | Depreciation, impairment and revaluation losses of non-current assets  | 8    | 60,293          |
| 0               | Movement in Held for Sale Assets   |      | 457             |
| 145             | Sums directed by the Welsh Government that are expenditure in accordance with the Code                                     | 9    | 1,006           |
| 43              | Debt management costs  |      | 36              |
| <b>65,056</b>   | <b>Total Expenditure</b>   |      | <b>111,940</b>  |
| (72,426)        | Dwelling rents   |      | (74,653)        |
| (11)            | Non-dwelling rents   |      | (19)            |
| (8,975)         | Charges for services and facilities  |      | (10,309)        |
| 0               | Sums directed by the Welsh Government that are income in accordance with the Code  |      | (902)           |
| <b>(81,412)</b> | <b>Total Income</b>  |      | <b>(85,883)</b> |
| <b>(16,356)</b> | <b>Net Cost of HRA Services as included in the Income and Expenditure Statement</b>  |      | <b>26,057</b>   |
|                 | <b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b> |      |                 |
| (603)           | (Gain)/loss on sale of HRA non-current assets  |      | (1,521)         |
| 12,275          | Interest payable and similar charges   |      | 12,658          |
| 1               | Changes in fair value of investment properties   |      | 7               |
| (1)             | Interest and Investment income   |      | 0               |
| (11,481)        | Capital grants and contributions applied   |      | (23,438)        |
| <b>(16,165)</b> | <b>(Surplus)/Deficit for year on HRA Services</b>  |      | <b>13,763</b>   |

## Movement on HRA Balance

| 2019/20        |   | Note | 2020/21         |
|----------------|---|------|-----------------|
| £000           |   |      | £000            |
| <b>(8,983)</b> | <b>Balance on the HRA at the end of the previous year</b>                     |      | <b>(8,983)</b>  |
| (16,165)       | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement |      | 13,763          |
| 15,782         | Adjustments between accounting basis and funding basis under regulations      | 1    | (23,104)        |
| <b>(383)</b>   | <b>Net (increase)/decrease before transfers to or from reserves</b>           |      | <b>(9,341)</b>  |
| 383            | Transfers to/(from) earmarked reserves  |      | 2,822           |
| <b>0</b>       | <b>Increase or decrease in the year on the HRA</b>                            |      | <b>(6,519)</b>  |
| <b>(8,983)</b> | <b>Balance on the HRA at the end of the current year</b>                      |      | <b>(15,502)</b> |

## Notes to the Financial Statements

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

This note details the adjustments that are made to the total comprehensive income and expenditure, recognised by the 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.

| 2019/20         |   | Note | 2020/21       |
|-----------------|---|------|---------------|
| £000            |   |      | £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>   |      |               |
| 13,090          | Charges for depreciation and impairment of non-current assets   | 8    | 11,933        |
| 110             | Revaluation losses of non-current assets  |      | 48,353        |
| (27)            | Reverse previous impairment on revaluation  |      | (79)          |
| 0               | Amortisation of intangible assets   |      | 86            |
| 1               | Movement in the market value of investment properties   |      | 7             |
|                 | Movement in Held for Sale Assets  |      | 457           |
| (11,481)        | Capital grants and contributions applied  |      | (23,438)      |
| 145             | Sums directed by Welsh Government   |      | 104           |
| 1,848           | Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement   |      | (2,285)       |
| (12,807)        | Prudent Provision for the financing of capital investment   |      | (13,396)      |
| (6,400)         | Capital expenditure charged against the HRA   |      | (2,400)       |
| 3               | Credit for disposal costs that qualify to be met from the resulting capital receipts  |      | 0             |
|                 | <b>Adjustments involving the Revaluation Reserve:</b>   |      |               |
| (2,451)         | Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account   |      | 766           |
|                 | <b>Adjustments involving the Pensions Reserve:</b>  |      |               |
| 6,191           | Net Retirement Benefits per IAS19   | 4    | 6,461         |
| (4,138)         | Employers Contributions to pension schemes  |      | (4,013)       |
| 104             | Pension Strain Accrual – future years   |      | (138)         |
|                 | <b>Adjustments involving the Accumulated Absences Account:</b>  |      |               |
| 30              | 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 |      | 687           |
| <b>(15,782)</b> | <b>Total Adjustments</b>  |      | <b>23,105</b> |

## 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Void rent losses accounted for 1.93% of the total potential rental income (1.93% in 2019/20). Average rents were £106.97 per week (£104.53 in 2019/20) based on a 52 week year.

## 3. Rent Arrears, Service Charge Arrears and Bad Debt Provision

The following sums were due from tenants:

| 31 March 2020   |                               |                              | 31 March 2021   |                               |
|-----------------|-------------------------------|------------------------------|-----------------|-------------------------------|
| Arrears<br>£000 | Bad debt<br>provision<br>£000 |                              | Arrears<br>£000 | Bad debt<br>provision<br>£000 |
|                 |                               | <b>Rent Arrears</b>          |                 |                               |
| 5,433           | 4,048                         | Dwellings                    | 5,137           | 3,792                         |
| 627             | 627                           | Hostels /Other accommodation | 259             | 259                           |
| <b>6,060</b>    | <b>4,675</b>                  | <b>Total Rent Arrears</b>    | <b>5,396</b>    | <b>4,051</b>                  |
|                 |                               | <b>Other</b>                 |                 |                               |
| 95              | 57                            | Service charges              | 101             | 61                            |
| 424             | 424                           | Tenant's recoverables        | 255             | 255                           |
| <b>519</b>      | <b>481</b>                    | <b>Total Other Arrears</b>   | <b>356</b>      | <b>316</b>                    |
| <b>6,579</b>    | <b>5,156</b>                  | <b>Total</b>                 | <b>5,752</b>    | <b>4,367</b>                  |

During 2020/21 debts totaling £584,000 were written off as irrecoverable (£386,000 in 2019/20).

## 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 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:

| 2019/20      |  | 2020/21      |
|--------------|--|--------------|
| £000         |  | £000         |
| 6,191        | Current service cost   | 6,461        |
| (4,138)      | Cost of employer's contributions plus discretionary benefits | (4,013)      |
| 104          | Pension Strain Accrual - Future Years                        | (138)        |
| <b>2,157</b> | <b>Net transfer to Pensions Reserve</b>                      | <b>2,310</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 2020 |                      | 31 March 2021 |
|---------------|----------------------|---------------|
| 7,301         | Houses               | 7,341         |
| 630           | Bungalows            | 633           |
| 5,185         | Flats/Bedsits        | 5,240         |
| 169           | Maisonettes          | 171           |
| 352           | Retirement complexes | 352           |
| <b>13,637</b> | <b>Total</b>         | <b>13,737</b> |

The Council also owns two hostels, providing the following accommodation:

| 31 March 2020 |                       | 31 March 2021 |
|---------------|-----------------------|---------------|
| 23            | Bed spaces in hostels | 23            |
| 57            | Flats in hostels      | 69            |
| <b>80</b>     | <b>Total</b>          | <b>92</b>     |

## 6. Capital Expenditure and Capital Financing

| 2019/20        |   | 2020/21        |
|----------------|---|----------------|
| £000           |   | £000           |
| <b>279,245</b> | Opening Capital Financing Requirement   | <b>290,232</b> |
|                | <b>Capital Expenditure:</b>   |                |
| 41,375         | Property, Plant and Equipment   | 52,625         |
| 0              | Intangible assets including intangible AUC  | 0              |
| 0              | Investment Properties   | 0              |
| 145            | Expenditure on REFCUS   | 1,006          |
| 2,626          | Appropriation of land   | 0              |
|                | <b>Sources of Finance:</b>  |                |
| (2,335)        | Capital Receipts  | (2,357)        |
| (11,617)       | Government grants and other contributions *   | (24,340)       |
| (6,400)        | Direct revenue contributions and reserves   | (2,400)        |
| (12,807)       | Prudent revenue and capital provision for loan repayment  | (13,396)       |
| <b>290,232</b> | <b>Closing Capital Financing Requirement</b>  | <b>301,370</b> |
|                | <b>Explanation of movements in year:</b>  |                |
| 10,987         | Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance) | 11,138         |
| <b>10,987</b>  | <b>Increase in Capital Financing Requirement</b>  | <b>11,138</b>  |

\* £9.511 million (£9.500 million in 2019/20) of Major Repairs Allowance grant was received from Welsh Government and applied in the year.

## 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2020/21 were as follows:

- Council Dwellings and Home Purchase Contributions £236,000 (£626,000 in 2019/20)
- Land £2.142 million (£1.958 million in 2019/20)

## 8. Depreciation, Impairment and Revaluation Charged

Depreciation and impairment were 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.

| 2019/20       |  | 2020/21       |
|---------------|--|---------------|
| £000          |  | £000          |
| 11,075        | Council dwellings                                      | 9,490         |
| 1,537         | Land and buildings                                     | 1,789         |
| 478           | Vehicles, plant & equipment, intangibles and AUC       | 740           |
| <b>13,090</b> | <b>Total Depreciation, Amortisation and Impairment</b> | <b>12,019</b> |
| 0             | Council dwellings                                      | 47,684        |
| 83            | Land and buildings                                     | 590           |
| 0             | Vehicles, plant & equipment, intangibles and AUC       | 0             |
| <b>83</b>     | <b>Total Revaluation</b>                               | <b>48,274</b> |
| <b>13,173</b> | <b>Total</b>   | <b>60,293</b> |

## 9. Revenue Expenditure Funded from Capital under Statute (REFCUS)

| 2019/20    |  | 2020/21      |
|------------|--|--------------|
| £000       |  | £000         |
|            | <b>Expenditure:</b>                              |              |
| 145        | Buildings not owned by Cardiff Council           | 1,006        |
| <b>145</b> | <b>Charged to Income and Expenditure Account</b> | <b>1,006</b> |
|            | <b>Funded by:</b>                                |              |
| 135        | Grants and Contributions                         | 902          |
| 10         | Borrowing, Receipts and other Capital Resources  | 104          |
| <b>145</b> |  | <b>1,006</b> |





# Group Accounts



## Introduction

The group accounts that follow comply with the requirement of the 2020/21 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 2020/21 accounts for Cardiff Bus are in draft status.

The Council's 2019/20 audited accounts were based on the draft unaudited management accounts of Cardiff City Transport Services (Cardiff Bus). The final audited statements for Cardiff Bus can be found on the Companies House website and the link [here](#).

The audited financial statements for Cardiff Bus were signed and published in March 2021. These included a large technical adjustment not recognised in the draft figures previously disclosed in the Council's accounts in respect of vehicle impairment. This adjustment has not been actioned as a prior year change to the Council's accounts as this is deemed to be as a result of new information that wasn't previously available. The audited statements also included an audit view of material uncertainty related to going concern and an emphasis of matter in respect to material uncertainty related to the pension scheme.

In common with many businesses, post year end the company has been significantly impacted by the Covid-19 pandemic and the necessary measures put in place by government, which have affected travel patterns since March 2020. The company received £1 million of emergency financial support from the Council in June 2020 and is in receipt of Welsh Government Bus Emergency support grant along with all other bus operators. The company has continued to prioritise the safety and well-being of staff and our customers during this unprecedented period, and have taken decisive action to protect the long-term sustainability of the business including taking advantage of the UK Government Job Retention Scheme throughout 2020/21.

The large technical adjustment in 2019/20 related to the valuation of assets as at 31 March 2020, at the start of the Covid-19 pandemic. To comply with financial reporting requirements the company reviewed the carrying value of the assets for impairment under the value in use and fair value less cost to sell basis. Given there was no firm commitment from Welsh Government in respect to measures to support the bus industry until after 31 March 2020, there was deemed to be a significant impairment in the value of vehicle assets. The overall impairment was £11.860 million. There will be a reversal of some of the bus fleet impairment as the industry recovers from the pandemic and the value in use model demonstrates a higher valuation.

With the continued uncertainty in respect of the pandemic, it remains difficult to predict the likely return of passenger numbers over the foreseeable future. It is expected that there will be a lasting effect of the Covid-19 pandemic on travel patterns with an acceleration of increased working and shopping from home. To assess the ability of Cardiff City Transport Services Limited to continue as a going concern, the directors have prepared a business plan for the period to 31 March 2027 and a detailed cash flow forecast for the period to 31 March 2022 which, together, represent the directors' best estimates during these unprecedented times. The business plan has also formed the basis of the assessment of the investment required for the business going forward over the short to medium term to continue to provide the service required for the city of Cardiff.

In response to the challenges faced by the Group and Company as a result of the Covid-19 pandemic a detailed review was performed on the company's cost base. In October 2020 the Company, with oversight from its turnaround committee, performed a resizing exercise with 112 employees leaving the business as a result of a reduction in demand for the service provided and the Shareholder approved a package of

measures to support the viability of the company and address the Cardiff Bus Pension Fund concerns in partnership with the Trustees. In March 2021, the Company issued 7 million ordinary shares in return for £7 million in cash from the shareholder, who also took on responsibility as being the statutory and principal employer for the pension fund. The latter followed the entering of a Flexible Apportionment Agreement with company, trustees and Council on 3 March 2021.

The Turnaround Committee, established in 2018 continued to support the business during the year. The remit of the Turnaround Committee is to oversee the changes and actions necessary to sustain the company's healthy financial position and create an organisation that is able to meet future challenges.

The Council also has interests in the following subsidiaries: Cardiff Business Technology Centre (CBTC), Atebion Solutions Ltd and Cardiff Heat Network 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 2020/21. Details of the Council's interests in these organisations are included in note 20 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 with the following additions and exceptions:

#### **Retirement Benefits**

Cardiff City Transport Services Ltd. operated two defined benefit funded pension schemes which it accounts for in accordance with FRS102. From March 2021 the liabilities for the pension schemes are included with the Council's Statement of Accounts. 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.

#### **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.

#### **Goodwill**

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

**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.

## Group Comprehensive Income and Expenditure

| 2019/20                   |                      |                         |  | 2020/21                   |                      |                         |
|---------------------------|----------------------|-------------------------|--|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 19,663                    | (5,971)              | 13,692                  | Corporate Management                                     | 18,836                    | (14,507)             | 4,329                   |
| 103,222                   | (53,376)             | 49,846                  | Economic Development                                     | 95,671                    | (49,083)             | 46,588                  |
| 314,268                   | (77,419)             | 236,849                 | Education & Lifelong Learning                            | 379,551                   | (92,688)             | 286,863                 |
| 8,699                     | (2,223)              | 6,476                   | Governance & Legal Services                              | 7,915                     | (1,244)              | 6,671                   |
| 8,567                     | (5,724)              | 2,843                   | Harbour Authority  | 8,882                     | (5,916)              | 2,966                   |
| 65,056                    | (81,412)             | (16,356)                | Housing Revenue Account                                  | 111,940                   | (85,884)             | 26,056                  |
| 233,364                   | (184,223)            | 49,141                  | Housing and Communities                                  | 239,172                   | (186,546)            | 52,626                  |
| 8,446                     | (5,499)              | 2,947                   | Performance and Partnerships                             | 10,494                    | (7,281)              | 3,213                   |
| 89,709                    | (62,326)             | 27,383                  | Planning , Transport and Environment                     | 87,045                    | (52,760)             | 34,285                  |
| 33,036                    | (11,365)             | 21,671                  | Resources  | 38,019                    | (18,415)             | 19,604                  |
| 211,023                   | (30,629)             | 180,394                 | Social Services  | 245,614                   | (59,916)             | 185,698                 |
| 2,870                     | (12,653)             | (9,783)                 | Summary Revenue Account                                  | 4,967                     | (9,239)              | (4,272)                 |
| 0                         | 0                    | 0                       | Other Income   | 0                         | (22,664)             | (22,664)                |
| <b>1,097,923</b>          | <b>(532,820)</b>     | <b>565,103</b>          | <b>Net Cost of Services</b>                              | <b>1,248,106</b>          | <b>(606,143)</b>     | <b>641,963</b>          |
| 37,469                    | 0                    | 37,469                  | Police and Crime Commissioner for South Wales            | 40,165                    | 0                    | 40,165                  |
| 397                       | 0                    | 397                     | Community Council Precepts                               | 446                       | 0                    | 446                     |
| 17,696                    | 0                    | 17,696                  | Levies & Contributions                                   | 18,244                    | 0                    | 18,244                  |
| 4,642                     | (8,685)              | (4,043)                 | (Gain)/loss on sale of non-current assets                | 15,760                    | (15,081)             | 679                     |
| <b>60,204</b>             | <b>(8,685)</b>       | <b>51,519</b>           | <b>Other Operating Expenditure</b>                       | <b>74,615</b>             | <b>(15,081)</b>      | <b>59,534</b>           |
| 33,124                    | 0                    | 33,124                  | Interest Payable on debt                                 | 34,092                    | 0                    | 34,092                  |
| 36                        | 0                    | 36                      | Interest element of finance leases                       | 56                        | 0                    | 56                      |
| 14,872                    | 0                    | 14,872                  | Interest on net defined liability/(asset)                | 18,913                    | 0                    | 18,913                  |
|                           | (1,129)              | (1,129)                 | Interest & Investment Income                             | 0                         | (394)                | (394)                   |
| 6,566                     | (2,475)              | 4,091                   | Change in fair value of Investment Properties            | 13,490                    | (3,286)              | 10,204                  |
| 0                         | 0                    | 0                       | Movement in Financial Instruments                        | 0                         | (148)                | (148)                   |
| <b>54,598</b>             | <b>(3,604)</b>       | <b>50,994</b>           | <b>Financing and Investment Income &amp; Expenditure</b> | <b>66,551</b>             | <b>(3,828)</b>       | <b>62,723</b>           |
| 0                         | (41,333)             | (41,333)                | Recognised Capital Grants & Contributions                | 0                         | (87,562)             | (87,562)                |
| 0                         | (328,126)            | (328,126)               | Revenue Support Grant                                    | 0                         | (344,468)            | (344,468)               |
| 0                         | (116,504)            | (116,504)               | Non-Domestic Rates                                       | 0                         | (124,579)            | (124,579)               |
| (766)                     | (217,118)            | (217,884)               | Council Tax Income                                       | 2,135                     | (230,151)            | (228,016)               |
| 0                         | 0                    | 0                       | Donated Inventories                                      | 0                         | (3,211)              | (3,211)                 |
| 129                       | 0                    | 129                     | Tax expenses - Corporation Tax payable/(owing)           | 342                       | (218)                | 124                     |
| <b>(766)</b>              | <b>(703,081)</b>     | <b>(703,847)</b>        | <b>Taxation &amp; Non-Specific Grant Income</b>          | <b>2,477</b>              | <b>(790,189)</b>     | <b>(787,712)</b>        |

| 2019/20                   |                      |                         |   | 2020/21                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 1,212,088                 | (1,248,190)          | (36,102)                | (Surplus)/Deficit on Provision of Services                                    | 1,391,749                 | (1,415,241)          | (23,492)                |
|                           |                      | (35,427)                | Revaluation Gains   |                           |                      | (25,878)                |
|                           |                      | 11,958                  | Revaluation Losses  |                           |                      | 1,109                   |
|                           |                      | 2,357                   | Impairment losses on non-current assets charged to the Revaluation Reserve    |                           |                      | 233                     |
|                           |                      | (14)                    | (Surplus)/Deficit on Financial Instrument Revaluation Reserve                 |                           |                      | 14                      |
|                           |                      | 127,276                 | Actuarial gains/losses on pension assets/liabilities                          |                           |                      | 198,203                 |
|                           |                      | 0                       | Other gains/losses to be included in the Comprehensive Income and Expenditure |                           |                      | 3,439                   |
|                           |                      | 1,439                   | Group entity adjustment   |                           |                      | 11,159                  |
|                           |                      | 107,589                 | <b>Other Comprehensive Income &amp; Expenditure</b>                           |                           |                      | 188,279                 |
|                           |                      | 71,487                  | <b>Total Comprehensive Income &amp; Expenditure</b>                           |                           |                      | 164,787                 |

## Group Movement in Reserves

|  | Council Fund<br>Balance | Council Fund<br>Earmarked<br>Reserves | HRA Balance     | HRA Earmarked<br>Reserves | Capital Receipts<br>Reserve | Total Usable<br>Reserves | Unusable<br>Reserves Council | Unusable<br>Reserves - Group<br>Entities | Total Authority<br>Reserves |
|--|-------------------------|---------------------------------------|-----------------|---------------------------|-----------------------------|--------------------------|------------------------------|--|-----------------------------|
|  | £000                    | £000                                  | £000            | £000                      | £000                        | £000                     | £000                         | £000                                     | £000                        |
| <b>Balance at 31 March 2019 carried forward</b>                                | <b>14,255</b>           | <b>53,714</b>                         | <b>8,983</b>    | <b>495</b>                | <b>8,488</b>                | <b>85,935</b>            | <b>459,722</b>               | <b>5,502</b>                             | <b>551,159</b>              |
| <b>Movement in Reserves during 2019/20</b>                                     |                         |                                       |                 |                           |                             |                          |                              |  |                             |
| Surplus or (deficit) on the provision of Services                              | 19,559                  | 0                                     | 16,165          | 0                         | 0                           | 35,724                   | 0                            | 378                                      | 36,102                      |
| Other Comprehensive Income and Expenditure                                     | 0                       | 0                                     | 0               | 0                         | 0                           | 0                        | (106,096)                    | 0  | (106,096)                   |
| Group entity adjustment  | 0                       | 0                                     | 0               | 0                         | 0                           | 0                        | 0                            | (1,493)                                  | (1,493)                     |
| <b>Total Comprehensive Income and Expenditure</b>                              | <b>19,559</b>           | <b>0</b>                              | <b>16,165</b>   | <b>0</b>                  | <b>0</b>                    | <b>35,724</b>            | <b>(106,096)</b>             | <b>(1,115)</b>                           | <b>(71,487)</b>             |
| Adjustments between accounting basis & funding basis under regulations         | (18,379)                | 0                                     | (15,782)        | 0                         | 2,418                       | (31,743)                 | 31,743                       | 0  | 0                           |
| <b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b> | <b>1,180</b>            | <b>0</b>                              | <b>383</b>      | <b>0</b>                  | <b>2,418</b>                | <b>3,981</b>             | <b>(74,353)</b>              | <b>(1,115)</b>                           | <b>(71,487)</b>             |
| Transfers to/(from) Earmarked Reserves   | (1,180)                 | 1,180                                 | (383)           | 383                       | 0                           | 0                        | 0                            | 0  | 0                           |
| <b>Increase / (Decrease) in 2019/20</b>  | <b>0</b>                | <b>1,180</b>                          | <b>0</b>        | <b>383</b>                | <b>2,418</b>                | <b>3,981</b>             | <b>(74,353)</b>              | <b>(1,115)</b>                           | <b>(71,487)</b>             |
| <b>Balance at 31 March 2020 carried forward</b>                                | <b>14,255</b>           | <b>54,894</b>                         | <b>8,983</b>    | <b>878</b>                | <b>10,906</b>               | <b>89,916</b>            | <b>385,369</b>               | <b>4,387</b>                             | <b>479,672</b>              |
| <b>Movement in Reserves during 2020/21</b>                                     |                         |                                       |                 |                           |                             |                          |                              |  |                             |
| Surplus or (deficit) on the provision of Services                              | 24,927                  | 0                                     | (13,764)        | 0                         | 0                           | 11,163                   | 0                            | 12,329                                   | 23,492                      |
| Other Comprehensive Income and Expenditure                                     | 0                       | 0                                     | 0               | 0                         | 0                           | 0                        | (177,120)                    | 0  | (177,120)                   |
| Group entity adjustment  | 0                       | 0                                     | 0               | 0                         | 0                           | 0                        | 0                            | (11,159)                                 | (11,159)                    |
| <b>Total Comprehensive Income and Expenditure</b>                              | <b>24,927</b>           | <b>0</b>                              | <b>(13,764)</b> | <b>0</b>                  | <b>0</b>                    | <b>11,163</b>            | <b>(177,120)</b>             | <b>1,170</b>                             | <b>(164,787)</b>            |
| Adjustments between accounting basis & funding basis under regulations         | 22,683                  | 0                                     | 23,105          | 0                         | (2,233)                     | 43,555                   | (43,555)                     | 0  | 0                           |
| <b>Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves</b> | <b>47,610</b>           | <b>0</b>                              | <b>9,341</b>    | <b>0</b>                  | <b>(2,233)</b>              | <b>54,718</b>            | <b>(220,675)</b>             | <b>1,170</b>                             | <b>(164,787)</b>            |
| Transfers to/(from) Earmarked Reserves   | (47,610)                | 47,610                                | (2,822)         | 2,822                     | 0                           | 0                        | 0                            | 0  | 0                           |
| <b>Increase / (Decrease) in 2020/21</b>  | <b>0</b>                | <b>47,610</b>                         | <b>6,519</b>    | <b>2,822</b>              | <b>(2,233)</b>              | <b>54,718</b>            | <b>(220,675)</b>             | <b>1,170</b>                             | <b>(164,787)</b>            |
| <b>Balance at 31 March 2021 carried forward</b>                                | <b>14,255</b>           | <b>102,504</b>                        | <b>15,502</b>   | <b>3,700</b>              | <b>8,673</b>                | <b>144,634</b>           | <b>164,694</b>               | <b>5,557</b>                             | <b>314,885</b>              |

## Group Balance Sheet

| 31 March 2020      |   | 31 March 2021      |
|--------------------|---|--------------------|
| £000               |   | £000               |
| 1,858,888          | Property, Plant & Equipment:                | 1,907,928          |
| 58,616             | Heritage Assets                             | 58,682             |
| 178,521            | Investment Properties                       | 156,238            |
| 2,292              | Intangible Non-Current Assets including AUC | 1,711              |
| 367                | Long-term Investments                       | 733                |
| 8,701              | Long-term Debtors                           | 5,951              |
| 654                | Deferred tax asset                          | 0                  |
| <b>2,108,039</b>   | <b>Total Long-Term Assets</b>               | <b>2,131,243</b>   |
| 76,106             | Short-term Investments                      | 98,882             |
| 1,860              | Assets held for Sale                        | 918                |
| 2,515              | Inventories                                 | 6,240              |
| 133,400            | Short-term Debtors                          | 172,790            |
| 38,294             | Cash and Cash Equivalents                   | 47,040             |
| <b>252,175</b>     | <b>Total Current Assets</b>                 | <b>325,870</b>     |
| (29,625)           | Short-term Borrowing                        | (35,393)           |
| (117,772)          | Short-term Creditors                        | (132,579)          |
| (1,496)            | Pension Strain                              | (1,471)            |
| (5,957)            | Provisions                                  | (4,999)            |
| (4,561)            | Deferred Liabilities                        | (3,453)            |
| <b>(159,411)</b>   | <b>Total Current Liabilities</b>            | <b>(177,895)</b>   |
| (808,440)          | Long Term Borrowing                         | (783,666)          |
| (25,487)           | Provisions                                  | (25,997)           |
| (11,525)           | Deferred Liabilities                        | (11,111)           |
| (17,430)           | Capital Contributions Receipts in Advance   | (22,155)           |
| (13,854)           | Revenue Grants Receipts in Advance          | (18,008)           |
| (1,424)            | Capital Grants Receipts in Advance          | (19,494)           |
| (3,688)            | Pension Strain                              | (3,434)            |
| (838,450)          | Net Pensions Liability                      | (1,080,468)        |
| (833)              | Deferred tax liability                      | 0                  |
| <b>(1,721,131)</b> | <b>Total Long-Term Liabilities</b>          | <b>(1,964,333)</b> |
| <b>479,672</b>     | <b>NET ASSETS</b>                           | <b>314,885</b>     |
|                    | <b>Financed by:</b>                         |                    |
| 14,255             | Council Fund Balance                        | 14,255             |
| 54,894             | Council Fund Earmarked Reserves             | 102,504            |
| 8,983              | Housing Revenue Account Balance             | 15,502             |
| 878                | Housing Revenue Account Earmarked Reserves  | 3,700              |
| 10,906             | Capital Receipts Reserve                    | 8,673              |
| <b>89,916</b>      | <b>Usable Reserves</b>                      | <b>144,634</b>     |
| 291,190            | Revaluation Reserve                         | 314,647            |
| 939,914            | Capital Adjustment Account                  | 947,365            |
| 5,008              | Deferred Capital Receipts                   | 5,003              |
| 4,529              | Financial Instruments Revaluation Reserve   | 4,543              |
| (848,114)          | Pensions Reserve                            | (1,085,373)        |
| (11,580)           | Accumulated Absences Adjustment Account     | (17,693)           |



| <b>31 March 2020</b> |                           | <b>31 March 2021</b> |
|----------------------|---------------------------|----------------------|
| <b>£000</b>          |                           | <b>£000</b>          |
| 0                    | Donated Inventories       | 3,211                |
| 8,809                | Reserves (Group Entities) | (1,452)              |
| <b>389,756</b>       | <b>Unusable Reserves</b>  | <b>170,251</b>       |
| <b>479,672</b>       | <b>TOTAL RESERVES</b>     | <b>314,885</b>       |

## Group Cash Flow

| 2019/20          |   | 2020/21         |
|------------------|---|-----------------|
| £000             |   | £000            |
| (36,102)         | Net (Surplus) /Deficit on the provision of services   | (23,492)        |
| (32,067)         | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | (169,498)       |
| 51,307           | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 102,979         |
| <b>(16,862)</b>  | <b>Net cash flows from operating activities</b>   | <b>(90,011)</b> |
| 151,540          | Purchase of property, plant and equipment, investment property and intangible assets  | 146,391         |
| 7,000            | Purchase of short-term and long-term Investments  | 23,337          |
| (3,575)          | Other payments for investing activities   | (17,098)        |
| (9,974)          | Proceeds from the sale of property, plant and equipment, investment property and intangible assets                                    | (15,436)        |
| (36,798)         | Capital Grants and Contributions  | (98,976)        |
| <b>108,193</b>   | <b>Net cash flows from investing activities</b>   | <b>38,218</b>   |
| (111,060)        | Cash receipts from short-term and long-term borrowing   | (3,111)         |
| (3,861)          | Other receipts from financing activities  | 20,618          |
| 448              | Cash payments for the reduction of outstanding liabilities relating to finance leases   | 3,253           |
| 6,647            | Repayments of short-term and long-term borrowing  | 22,287          |
| 0                | Other payments for financing activities   | 0               |
| <b>(107,826)</b> | <b>Net cash flows from financing activities</b>   | <b>43,047</b>   |
| <b>(16,495)</b>  | <b>Net (increase)/ decrease in cash and cash equivalents</b>  | <b>(8,746)</b>  |
| 21,799           | Cash and cash equivalents at the beginning of the reporting period  | 38,294          |
| <b>38,294</b>    | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>47,040</b>   |

## Notes to Group Accounts

The following notes to the Group Accounts provide additional information in relation to Cardiff Bus. Further information can be found in the accounts of Cardiff City Transport Services Ltd (Cardiff Bus) company number 02001229.

### 1. Remuneration

The number of Cardiff Bus employees whose remuneration is over £60,000 per annum is disclosed below.

| Number of Employees | Remuneration band<br>£ | Number of Employees |
|---------------------|------------------------|---------------------|
| 2019/20             |                        | 2020/21             |
| 0                   | 60,000-69,999          | 0                   |
| 0                   | 70,000-74,999          | 1                   |
| 1                   | 75,000-79,999          | 1                   |
| 2                   | 80,000-84,999          | 0                   |
| 0                   | 85,000-139,999         | 0                   |
| 0                   | 140,000-144,999        | 1                   |
| 0                   | 145,000-149,999        | 0                   |
| <b>3</b>            | <b>Total</b>           | <b>3</b>            |

The year-to-year change in the above remuneration banding is a result of a change to the management structure and the associated part year effects.

### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 10 to the single entity financial statements. Cardiff Bus 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 organisations.

### 3. Exceptional Items

There are no exceptional items included in the Group Accounts. However, the 2020/21 Cardiff Bus draft accounts may refer to exceptional items in respect of redundancy payments and an impairment adjustment to their non-current assets. These are not considered to be exceptional within the Group Accounts.

### 4. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted that the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the group balance sheet includes the net assets of the subsidiary and their corresponding net worth.

### 5. Prior Period Adjustment

There are no prior period adjustments.



# Trust Funds



## **Trust Funds**

During 2020/21, 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.

**Heath Public Recreation or Pleasure Ground** (524135) – Land is held as a public recreation and pleasure ground. There are no balances or income and expenditure for this trust.

**King George's Field the Heath** (1140393) – Land to be used to provide a public playing field. There are no balances or income and expenditure for this trust.

**Playing Field** (524139) – Land is held for educational use. There are no balances or income and expenditure for this trust.

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 2021 have yet to be examined. This is to be undertaken during 2021 within the statutory deadlines.

The Council administers the following charities, the purposes of which are outlined below:-

**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, where relevant, for each fund follows. Detailed financial statements may be obtained from:

Christopher Lee  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

|  | Balance<br>as at<br>31 March 2020<br>£ | Income<br>£    | Expenditure<br>£ | Asset<br>Revaluation<br>£ | Balance<br>as at<br>31 March 2021<br>£ |
|--|--|----------------|------------------|---------------------------|--|
| <b>Funds for which the Council is sole Trustee</b>           |  |                |                  |                           |  |
| Llandaff War Memorial Fund                                   | 1,429                                  | 0              | (11)             | 0                         | <b>1,418</b>                           |
| Maindy Park Foundation                                       | 79,405                                 | 0              | (11)             | 0                         | <b>79,394</b>                          |
| Norwegian Church<br>Preservation Trust                       | (119,832)                              | 49,291         | (52,268)         | 0                         | <b>(122,809)</b>                       |
| Cardiff Further Education<br>Trust/Craddock Wells            | 24,194,642                             | 118,867        | (100,358)        | 391,362                   | <b>24,604,513</b>                      |
| <b>Total funds for which the<br/>Council is Sole Trustee</b> | <b>24,155,644</b>                      | <b>168,158</b> | <b>(152,648)</b> | <b>391,362</b>            | <b>24,562,516</b>                      |
| <b>Funds administered by the Council</b>                     |  |                |                  |                           |  |
| R Fice Memorial Trust  | 51,805                                 | 1,917          | (2,173)          | 11,134                    | <b>62,683</b>                          |
| The Howardian Trust  | 35,540                                 | 883            | 0                | 1,991                     | <b>38,414</b>                          |
| <b>Total funds which are<br/>administered by the Council</b> | <b>87,345</b>                          | <b>2,800</b>   | <b>(2,173)</b>   | <b>13,125</b>             | <b>101,097</b>                         |
| <b>Total</b>   | <b>24,242,989</b>                      | <b>170,958</b> | <b>(154,821)</b> | <b>404,487</b>            | <b>24,663,613</b>                      |

There will be differences in the income and expenditure figures quoted above compared to those included in the return to the Charity Commission. The figures above are calculated on an accruals basis whereas the returns are calculated on a cash basis.



# 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. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff and have been prepared in line with International Financial Reporting Standards (IFRS) as well as the requirements of the Companies Act 2006.

This narrative report replaces the Director's report required by the Companies Act 2006.

### **Annual Governance Statement**

The Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Harbour Authority are integrated into those of the Council.

### **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 1993.

The Agreement has since been varied by the Deeds of Variation between the Welsh Ministers and the Council, with the latest dated 13 March 2020.

### **Review of the Financial Year**

For the financial year 2020/21, the Council worked with Welsh Government to identify achievable efficiencies, service reductions and savings against the approved Fixed Costs budget and to agree on an appropriate budget arrangement for Asset Renewal. The Welsh Government agreed Fixed Costs funding of £4.961 million and Asset Renewal of £262,000, giving a total budget of £5.223 million, which is the same overall total as the 2019/20 financial year. In addition, in March 2021, an additional claim for £356,000 was approved in respect of agreed works for de-shoaling of the River Taff near the city centre and a 50% contribution to Associated British Ports dock feeder maintenance. This resulted in a total approved budget of £5.579 million.

The introduction of government restrictions as a result of the Covid-19 pandemic had a significant impact on income generation for the Harbour Authority in respect to car parking, the Water Activity Centre with the shortfall mitigated by managed underspends across other areas of expenditure.

The financial deficit after accounting adjustments for the year ended 31 March 2021 was £2.734 million (£2.278 million in 2019/20).

Total eligible Capital expenditure incurred during the year was £351,000 and of this, £232,000 was funded by Grant. This was a single year programme in 2020/21 for works at the harbour, barrage and surrounding environmental infrastructure. This included refurbishment works on Penarth marina railings and the acquisition of a barrage crawler crane.



## Key Achievements

During 2020/21 Cardiff Harbour Authority continued to meet its statutory obligations. Despite the challenges faced through the Covid-19 restrictions. Achievements against the Harbour Authority action plan and performance indicators which form part of the Business Plan reported quarterly to the Welsh Government are:

- Retained Green Flag Status for the Barrage, Cardiff Bay Wetlands and Flat Holm
- Continued accreditation of the ISO14001 standard
- Effectively liaised with potential event organisers to plan for events on Alexandra Head for end of 2021/2022.
- High level compliance in maintaining statutory water quality standards
- 466 tonnes of litter removed from the rivers and bay
- Effectively dealt with anti-social behavior through adopting a multi-agency approach and attending weekly liaison meetings
- Delivered an online water safety project to school with Theatre Na Nog and Arts & Business
- 1,360,000 Barrage users which is the highest ever footfall recorded
- Bay Trail Wayfinding improvement project was completed
- 41,087 social media followers
- Crawler crane replacement on the Barrage
- Statutory buoyage maintenance
- 99% compliance on Dissolved Oxygen performance indicator for the bay
- Covid-19 land patrols during first lockdown
- Replaced castle water bus stop
- Skatepark improvements
- Effectively responded to all lockdown and easing of measures to ensure safe use of facilities for the public and staff

## ***Guide to the Financial Statements***

The main statements provided are shown in the pages that follow along with supporting notes. Cash flows of the Harbour Authority are integrated with those of the Council. A Cash Flow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006.

### **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 Harbour Authority's assets, liabilities, cash balances and reserves at the year-end date.

## ***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 except where policy changes have been noted in these accounts;
- made judgements and estimates that were reasonable and prudent.

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 its income and expenditure for the financial year 2020/21 and financial position of the Harbour Authority at 31 March 2021.

**Christopher Lee**  
**Corporate Director Resources**

**Date:21 October 2021**

# ***The Independent Auditor's Report of the Auditor General for Wales to those charged with governance of Cardiff Harbour Authority***

## **Opinion on financial statements**

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the 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 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards.

## **Basis of opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 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**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Narrative Report. 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. My responsibility is to read the other information and, in doing so,

consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## 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 related notes.

### Matters on which I report by exception

In the light of the knowledge and understanding of Cardiff Harbour Authority 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff Harbour Authority's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- obtaining an understanding of Cardiff Harbour Authority's framework of authority as well as other legal and regulatory frameworks that Cardiff Harbour Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Harbour Authority.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Body;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Cardiff Harbour Authority's controls, and the nature, timing and extent of the audit procedures performed.

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.

## Certificate of completion of audit

I certify that I have completed the audit of the accounts of 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.

Adrian Crompton

24 Cathedral Road

Auditor General for Wales

Cardiff

28 October 2021

CF11 9LJ

## *Accounting policies used when formulating the accounts*

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2020/21 financial year and its financial position at 31 March 2021. 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:

### *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. There is a de minimis threshold of £500 under which income and expenditure may not be accrued.

### *2. Employee Benefits Payable during Employment*

Short-term employee benefits such as wages and salaries, paid annual leave, sick leave and expenses are paid on a monthly basis and reflected as expenditure on an accruals basis within the Employees expenditure line in the Comprehensive Income and Expenditure Statement.

### *3. Grants and Contributions*

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

- there is reasonable assurance that the Authority 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 Income 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.

### **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. 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.

### *4. 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 expenditure.

## 5 Overheads and Support Services Costs

Cardiff Council makes recharges in respect of the cost of support services to the 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.

## 6 Property, Plant, Equipment, Community and Heritage Assets

These assets are those that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely, those used for the promotion of culture and knowledge and those 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.

The Harbour Authority 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.

Once assets have fully depreciated, they are disposed of and the carrying value is removed from the asset register.

### 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, excluding borrowing costs which are not capitalised. These assets are then carried in the Balance Sheet using the following measurement bases:

| Asset Type                             | Measurement   | Range of Remaining Useful Lives |
|--|---|---------------------------------|
| Assets under Construction              | Depreciated Historical Cost   | n/a                             |
| Buildings                              | Existing Use or Depreciated Replacement Cost  | 14-57                           |
| Community Assets                       | Depreciated Historical Cost   | n/a                             |
| Heritage Assets                        | Historic Cost and only measured at fair value where the benefits of doing so outweigh the costs | n/a                             |
| Infrastructure *                       | Depreciated Historical Cost   | 7-120                           |
| Investment Properties                  | Fair Value  | n/a                             |
| Surplus Assets                         | Fair Value  | n/a                             |
| Vehicles, Plant, Furniture & Equipment | Depreciated Historical Cost   | 7-12                            |

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

### Revaluations:

Land and buildings are revalued as part of a three year rolling programme.

Investment Properties and Surplus Assets are reviewed annually for any material changes as a result of the overall Market with a formal revaluation of Investment properties at least every two years.



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:**

The Capital charges line on the Harbour Authority Comprehensive Income and Expenditure Statement is 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 grants 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 impaired in value, either due to a significant reduction in service potential or significant permanent market value reduction. Where a material change in value is identified, the accounting treatment is 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
- thereafter, or if there is no balance in the Revaluation Reserve, 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 Capital charges line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

#### **Depreciation:**

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets) as well as assets that are not yet available for use (i.e. assets under construction).

## **7. Reserves**

The Harbour Authority holds a general reserve for accumulated operational surpluses and deficits and a revaluation reserve to manage the accounting processes for non-current assets.

## **8. 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. These accounts have been prepared exclusive of VAT, except where deemed irrecoverable.

## Comprehensive Income and Expenditure Statement

| 2019/20        |                                     | 2020/21        |
|----------------|-------------------------------------|----------------|
| £000           |                                     | £000           |
|                | <b>Expenditure</b>                  |                |
| 2,801          | Employees                           | 2,927          |
| 1,121          | Premises                            | 1,223          |
| 68             | Transport                           | 40             |
| 1,343          | Supplies and Services               | 1,461          |
| 450            | Support Services                    | 436            |
| 4              | Third Party Payments                | 2              |
| 2,780          | Capital Charges                     | 2,793          |
| <b>8,567</b>   | <b>Total Expenditure</b>            | <b>8,882</b>   |
|                | <b>Income</b>                       |                |
| (4,818)        | Government Grants                   | (5,533)        |
| (565)          | Capital Grants Applied              | (232)          |
| (906)          | Fees and Charges                    | (383)          |
| <b>(6,289)</b> | <b>Total Income</b>                 | <b>(6,148)</b> |
| <b>2,278</b>   | <b>Net Expenditure for the Year</b> | <b>2,734</b>   |

## Balance Sheet

| 31 March 2020  |                                  | Note | 31 March 2021  |
|----------------|----------------------------------|------|----------------|
| £000           |                                  |      | £000           |
| 160,626        | Property, Plant and Equipment    | 2    | 158,122        |
| 56             | Heritage Assets                  | 2    | 56             |
| 0              | Intangible Assets                | 2    | 63             |
| <b>160,682</b> | <b>Total Long Term Assets</b>    |      | <b>158,241</b> |
| 352            | Inventory                        | 3    | 434            |
| 41             | Debtors                          | 4    | 69             |
| 276            | Cash                             |      | 209            |
| <b>669</b>     | <b>Total Current Assets</b>      |      | <b>712</b>     |
| (590)          | Creditors                        | 5    | (926)          |
| <b>(590)</b>   | <b>Total Current Liabilities</b> |      | <b>(926)</b>   |
| <b>160,761</b> | <b>Net Assets</b>                |      | <b>158,027</b> |
|                | <b>Funded by:</b>                |      |                |
| 156,272        | General Reserve                  | 1    | 153,538        |
| 4,489          | Revaluation Reserve              | 1    | 4,489          |
| <b>160,761</b> | <b>Total Reserves</b>            |      | <b>158,027</b> |

## Notes to the Financial Statements

### 1. Reserves

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £126,000 as at 31 March 2021 (£63,000 as at 31 March 2020).

| 2019/20                 |                             |                        | 2020/21                 |                             |
|-------------------------|-----------------------------|------------------------|-------------------------|-----------------------------|
| General Reserve<br>£000 | Revaluation Reserve<br>£000 |                        | General Reserve<br>£000 | Revaluation Reserve<br>£000 |
| 158,550                 | 4,489                       | Balance as at 1 April  | 156,272                 | 4,489                       |
| (2,278)                 | 0                           | Movements in Reserves  | (2,734)                 | 0                           |
| 156,272                 | 4,489                       | Balance as at 31 March | 153,538                 | 4,489                       |

### 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.

| Property, Plant and Equipment               | Other Land and Buildings | Vehicles, Plant and Equipment | Infrastructure Assets | Community Assets | Surplus Assets | Investment Assets | Total Property, Plant and Equipment | Heritage Assets | Intangible Assets |
|---|--------------------------|-------------------------------|-----------------------|------------------|----------------|-------------------|-------------------------------------|-----------------|-------------------|
| Movements in Cost or Value                  | £000                     | £000                          | £000                  | £000             | £000           | £000              | £000                                | £000            | £000              |
| <b>1 April 2019</b>                         | 6,577                    | 1,273                         | 219,378               | 1,103            | 43             | 333               | 228,707                             | 56              | 0                 |
| Additions                                   | 0                        | 86                            | 509                   | 0                | 0              | 0                 | 595                                 | 0               | 0                 |
| Derecognition - Disposals                   | 0                        | 0                             | 0                     | 0                | 0              | 0                 | 0                                   | 0               | 0                 |
| <b>At 31 March 2020</b>                     | 6,577                    | 1,359                         | 219,887               | 1,103            | 43             | 333               | 229,302                             | 56              | 0                 |
| Additions                                   | 0                        | 237                           | 35                    | 0                | 0              | 0                 | 272                                 | 0               | 79                |
| Derecognition - Disposals                   | 0                        | (193)                         | (24,137)              | 0                | 0              | 0                 | (24,330)                            | 0               | 0                 |
| <b>At 31 March 2021</b>                     | 6,577                    | 1,403                         | 195,785               | 1,103            | 43             | 333               | 205,244                             | 56              | 79                |
| <b>Movements in Depreciation/Impairment</b> |                          |                               |                       |                  |                |                   |                                     |                 |                   |
| <b>1 April 2019</b>                         | 73                       | 623                           | 65,200                | 0                | 0              | 0                 | 65,896                              | 0               | 0                 |
| Depreciation Charge                         | 72                       | 194                           | 2,514                 | 0                | 0              | 0                 | 2,780                               | 0               | 0                 |
| Derecognition - Disposals                   | 0                        | 0                             | 0                     | 0                | 0              | 0                 | 0                                   | 0               | 0                 |
| <b>At 31 March 2020</b>                     | 145                      | 817                           | 67,714                | 0                | 0              | 0                 | 68,676                              | 0               | 0                 |
| Depreciation Charge                         | 71                       | 188                           | 2,517                 | 0                | 0              | 0                 | 2,776                               | 0               | 16                |
| Derecognition - Disposals                   | 0                        | (193)                         | (24,137)              | 0                | 0              | 0                 | (24,330)                            | 0               | 0                 |
| <b>At 31 March 2021</b>                     | 216                      | 812                           | 46,094                | 0                | 0              | 0                 | 47,122                              | 0               | 16                |
| <b>Net Book Value:</b>                      |                          |                               |                       |                  |                |                   |                                     |                 |                   |
| <b>At 31 March 2020</b>                     | 6,432                    | 542                           | 152,173               | 1,103            | 43             | 333               | 160,626                             | 56              | 0                 |
| <b>At 31 March 2021</b>                     | 6,361                    | 591                           | 149,691               | 1,103            | 43             | 333               | 158,122                             | 56              | 63                |

### 3. Inventory

| 31 March 2020 |                        | 31 March 2021 |
|---------------|------------------------|---------------|
| £000          |                        | £000          |
| 352           | Balance as at 1 April  | 352           |
| 0             | Stock Adjustment       | 82            |
| 352           | Balance as at 31 March | 434           |

### 4. Debtors

| 31 March 2020 |                           | 31 March 2021 |
|---------------|---------------------------|---------------|
| £000          |                           | £000          |
| 0             | Central Government Bodies | 0             |
| 41            | Trade Receivables         | 69            |
| 41            | Total Debtors             | 69            |

### 5. Creditors

| 31 March 2020 |                           | 31 March 2021 |
|---------------|---------------------------|---------------|
| £000          |                           | £000          |
| (29)          | Central Government Bodies | (29)          |
| (561)         | Trade Payables            | (897)         |
| (590)         | Total Creditors           | (926)         |



# 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 the goods or services are provided rather than when the payment 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 pension's 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.

### **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.

**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 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 an asset's market value or recoverability 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 hold temporary cash balances, receive income and/or make capital gain at a future time.

**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.

**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 amounts set aside for future use (usable) or required for accounting purposes only (unusable). 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) maintained 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.

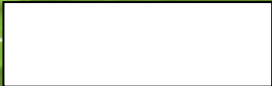
### **Treasury Management**

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.

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# Cardiff Council Annual Governance Statement 2020/21



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**Mae'r ddogfen hon ar gael yn Gymraeg / This document is available in Welsh**



## **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. 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. Cardiff Council has three wholly owned subsidiary companies which traded in 2020/21, one of which Cardiff City Transport Services Ltd. (Cardiff Bus) underwent changes in governance arrangements which are set out in paragraph 85. 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. In addition, a new subsidiary Cardiff Heat Network was incorporated on 12 February 2021.

## **The Purpose of the Governance Framework**

5. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed, 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. The Code of Corporate Governance documents how we apply the principles of good governance (as summarised in Section 4 of the AGS – Assessment Process and Summary). This Code was approved at the Constitution Committee on 11th February 2019 and is included in the Council’s Constitution.

### **The Governance Framework**

8. The Framework comprises two core principles and five supporting principles. Principles A and B run through 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:**

#### **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

### **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 Governance and Audit Committee (the ‘Audit Committee’ was renamed ‘Governance and Audit Committee’ following the financial year-end in accordance with the provisions of the Local Government and Elections (Wales) Act 2021. Its opinion was provided following the financial year-end)
  - 2) Supporting analysis mapped to the core and supporting good governance principles that provides a judgement that is based on supporting information and evidence
  - 3) A Senior Management judgement of the Council’s significant governance issues
10. These three elements 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 the Governance 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 in fig. 1 sets out the components of this assessment.

**Fig.1**



### **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 continued to apply a self-assessment exercise as a primary means of measuring our delivery of good governance, and identifying issues for improvement. The assessment exercise has considered the impact of the pandemic on the areas of governance which has seen as a response more frequent meetings of Senior Management Team. The early onset of the year followed an incident management regime with Senior management team meeting on a daily basis. By July, the SMT meetings were reduced to three times a week with a focus on business activities as well as incident management of the latter part of the year saw the meetings reduce to two times a week but with the flexibility to meet as and when required. The

focus of these meetings throughout the year has been to consider the Council's response to the crisis, ensure resources are used appropriately, outcomes delivered and controls remain in place or amended to reflect the environment of the time.

15. Since March 2020, the attention of Senior Officers has been firmly focussed on the Council's response to the crisis and upholding effective communication, decision making and control. The pandemic has impacted on services with some having to seek different means to deliver services whilst some services have had to shut down for most of the year. Health and Safety has been the main priority for both those who deliver and receive services from the Council.
16. The Senior Management Team has engaged with the self-assessment assurance process for 2020/21. The Senior Management Team took the opportunity to review the 2020/21 half yearly and end of year returns, and considered the body of work delivered over the last six months, including a reflection on the continued response of the Council to the pandemic.
17. The Senior Management Team considers that the 2020/21 end of year Senior Management Assurance Statement offers a true and fair reflection of the governance maturity of the Council for the year overall. This end of year assessment was based on the governance maturity which we could evidence within each Directorate against a series of assurance statements. Accordingly, the Senior Management Team considers that the Council is approaching strong application of good governance across the assurance areas, with some examples of embedded and limited in some assurance areas in some directorates. This assessment 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 maturity assessment highlighted opportunities to further enhance the disciplines of performance and compliance whilst recognising the improved guidance on partnerships the detail of which is presented in the Annual Governance Statement Action Plan. It is recognised that where there are weaknesses identified then robust recovery procedures need to be put in place. The Senior Management Team recognises that whilst it is faced with very uncertain times there continues to be a need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward.
18. In relation to the work of the Senior Management Team in 2020/21 we continued to collectively own the Corporate Risk Register, we reviewed all corporate risks quarterly, and monitored progress against the action plan of significant governance issues.
19. The Chief Executive continues to emphasise that areas of weakness need to be addressed. The last year has been one of great challenges and uncertainty and this will continue for the forthcoming months and there remains the importance of achieving consistent standards of governance and control across all directorates, and has reinforced these expectations to be monitored and managed through the senior management assurance statement process as we enter 2021/22.

## Audit Manager Statement and Annual Opinion 2020/21

20. The Public Sector Internal Audit Standards (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.
21. This opinion has been prepared by the Audit Manager (Chief Audit Executive for the purpose of the PSIAS), based on the provisions of the PSIAS. In preparing and forming this opinion, a number of sources of information, assurance and insight have been taken into account, including:
- **Assurance Audit Engagements** – The risk-based annual audit plan has been delivered through an approach to maximise assurance and added value. The audit plan is responsive to risk and informed by audit information and existing assurances, information from Senior Management, monitoring of Council activity, strategy, risks, and wider assurance sources. The assurance audit plan included audits of new systems established as a result of the pandemic, and for all audits current risks, pressures and priorities informed the audit scope and the testing completed.
  - **Consultancy Audit Engagements** - In the context of the ongoing pandemic, consultation and engagement was provided in cases where there was a need for fundamental process change, a risk to resilience, the need to respond to a significant obligation or challenge as a result of the crisis, or a particular fraud or control risk. The majority of audit consultancy related to the design and application of sound controls in administration of Welsh Government grant and relief payments.
  - **Discussion with Senior Managers** – There has been quarterly relationship manager meetings with Directors or their representatives, regular Audit Manager attendance at Senior Management Team meetings where assurance items are considered, and regular meetings with the Chief Executive and Corporate Director Resources (Section 151 Officer).
  - **Risk & Governance Reviews** – Risk Registers and Senior Management Assurance Statements which underpin the Council's Annual Governance Statement are subject to regular audit review, and assurance audit engagements. Changes were reviewed, such as the governance regime applied as incident management arrangements were invoked in response to the pandemic.

22. Based on the programme of audit work undertaken to assess the framework and application of governance, risk management and control, the annual opinion for 2020/21 is **effective with opportunity for improvement**. This opinion is based on the delivery of a sufficient Audit Plan, and with an acknowledgment of the significant pressure on resources in the context of an ongoing pandemic in both demand and budgets, which has been managed through a resilient performance culture.
23. The audit opinion comprises assessments of governance, risk management and control, and includes an evaluation of the adequacy and effectiveness of controls in responding to risks within the governance, operations and information systems. In what has been an extraordinary year:
24. The normal governance regime changed during the pandemic as incident management arrangements were invoked. The new process was audited and allocated an 'effective' audit opinion, whereby an extended Senior Management Team operated as a Strategic Coordination Group, a command and control approach for cascading communications and decisions was applied, and processes for coherent and strategic reporting, decision-making, recording, and engagement were established.
25. The standard systems for corporate and directorate risk management were maintained during the year, but with COVID-19 specific risks additionally recorded, monitored and reported.
26. A number of new systems, processes and therefore controls needed to be established for the first time during 2020/21 in response to the crisis. Audit assurance and consultancy services targeted these areas during the year to provide a combination of advice, guidance, assurance and insight.
27. The Council was required to administer emergency relief and grant payments on behalf of the Welsh Government at pace. Over the year, the Council distributed a significant amount of grant and relief funding, and the Internal Audit and Investigation Teams advised management on the design of systems and counter-fraud checks in accordance with scheme requirements as part of a multidisciplinary team. Post assurance manual and data matching checks and analysis have not identified material cases of fraud or error to date in the context of the value of payments, although a number of case reviews are ongoing and, through participation in the National Fraud Initiative further data matching output is expected to generate cases for investigation in 2021/22.
28. The control environment for core financial systems, and for the majority of audits overall (73%), was considered as adequate, and allocated an opinion of 'effective' or 'effective with opportunity for improvement'. Twenty four audits have been given an audit opinion of 'insufficient with major improvement needed' recognising the need for attention to achieve sound controls, and one audit was given an 'unsatisfactory' opinion in respect of the control arrangements in administering British Council Grants.

29. Waste Management has been an area where a greater proportion of adverse audit opinions have been allocated in recent years. Through follow up audits this year the position is recognised to be gradually improving. Audit assurance and support continues to target and follow up on high risk areas.

### **Governance and Audit Committee Statement**

30. Based on the evidence presented to the Audit Committee during 2020/21, it is the considered view of the Audit Committee (subsequently renamed Governance and Audit Committee) that the Council does have, for the most part, sound internal controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are 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 2021/22, include:

### **Budget Management**

31. The Committee recognises the sustained financial pressure that the Council is under and notes that whilst the overall financial position was balanced, some particular directorates had significant overspends for which control improvements are needed, and management attention and actions are required in directorates to achieve budget savings proposals put forward. Budget management is particularly pertinent at this time given the pressures facing local authorities as they respond to the ongoing pandemic. This unprecedented environment follows a number of years in which the financial parameters within which the Council operates have been constrained.
32. Welsh Government support has been received this year to mitigate the impact of the pandemic on budgets, and there has been considerable officer attention and effort to record, verify and submit claims to recover eligible expenditure that has increased, and eligible income that has been lost during the crisis. The Committee is keen to observe effective arrangements for budget management and control once this funding ends. The Committee will carefully scrutinise budget management arrangements over the year to come, through observing the use of appropriate management controls and interventions, and continuing to reinforce expectations for delivery.

### **Internal Control**

33. Assurance on compliance and control is essential. For a number of years there have been continued constraints on resources, together with a growing population and greater demand for public services. As the Council faces significant challenges in how it delivers services, it remains essential that internal controls are not neglected or impaired, and that strong controls operate throughout reformed processes and systems. Additionally, the pandemic has necessitated the adaptation of systems, and in some cases the design of new systems, in order to respond to new priorities. We have been advised of the substantial level of consultation, advice and guidance

provided by the Internal Audit and Investigation Teams to support management to design and uphold robust controls as they navigated new priorities and responsibilities. The Committee has noted the inherent risks associated with the Council's requirement to administer and distribute a significant amount of Welsh Government emergency funding at pace this year. It has been important for the Committee to receive relevant assurances during the year, and we have received briefings on the arrangements for up-front controls, post award assurance checks and the progression and outcomes of cases identified for investigation.

34. The Committee has invited senior officers to attend its meetings this year, to account for their delivery of good governance, risk management and control. In addition, the Committee has continued to receive the details of all Internal Audits completed, and the respective assurance ratings. This year we have observed isolated internal control gaps, and unsatisfactory audit opinions, but whilst the number of unsatisfactory Internal Audit opinions remain low, management must maintain sound systems of internal control and promptly address identified weaknesses.
35. There have been ongoing concerns about the robustness of controls in relation to the Waste Management function. In recent years, a wide-scale investigation into allegations of fraud was completed and disciplinary proceedings have concluded, whilst Police liaison is ongoing. We have received a confidential briefing following the financial year-end (as at 31 May 2021) referring to the disciplinary cases and outcomes, which links to the targeted work completed by Internal Audit to verify the operation of key controls, the management of risk and the overall control environment.
36. There has been a gradual and generally sustained improvement in the assurance opinions of Internal Audit in Waste Management over the financial year, although continued management attention and assurance are required. To support the importance of addressing audit reports we wrote to the Director of Economic Development who provided an account for the delivery of audit recommendations. We will consider the terms of reference for a post investigation review in the year ahead, to ensure lessons are learned.
37. The Committee receives a list of all Internal Audit recommendations raised and agreed, and visibility of updated management comments until the point of implementation. Whilst the Committee has an overall assurance of internal control, we continue to require officers to account for services or functions where 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. The Committee has considered the Internal Audit Plan for 2021/22, and will closely monitor its progress and findings over the year ahead.



## **Financial Resilience (including Treasury Management)**

38. In a position of constrained finances, the Committee will continue its consideration of the framework for financial decisions. The Committee has received updates on financial resilience as part of the finance updates and, in recent years has welcomed the independent assurance of the Council Treasury Management activities, by the Council's Treasury Management advisors.
39. The Governance and 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 Committee has and will continue to seek assurance that the levels and profiles of investments and borrowing are appropriate and in line with the Treasury Management Practices, Strategy and Reports presented.

## **Schools Governance & Compliance**

40. The Committee has raised concerns about governance and compliance matters in schools and school-traded services for some time, which are regularly responsible for a greater proportion of audit reports giving concern. Through overseeing the work of internal audit, we have observed that certain schools have not achieved a satisfactory level of stewardship and internal control.
41. In view of an ongoing need for regular school governance assurance, we arranged early engagement with the incoming Director of Education and Lifelong Learning after their appointment this year, and we discussed the arrangements for monitoring controls and progress of governance improvements in schools. We were advised that actions had been taken with new staff resources and responsibilities assigned to support coordination and improvements. We will monitor the position through the information and assurance we receive from Internal Audit, and we look forward to ongoing engagement with the new Director. This is with the understanding that the Governance and Audit Committee can request the attendance of those directly responsible for governance at an individual school level, to a Committee meeting, in the event that assurances are not considered as sufficient.
42. The Internal Audit Team adapted its approach to school audits this year. Fewer individual school audits were completed than usual, but all schools were engaged with through a Control Risk Self-Assessment (CRSA) exercise. Through this exercise, schools responded to a detailed set of questions on governance, risk, compliance and control and submitted a portfolio of evidence to support their assertions. We are advised that the Internal Audit team sampled 25% of Cardiff schools, through a desktop review, to provide a broad level of baseline assurance. Given the operational adjustments that schools needed to make throughout 2020/21, the approach to auditing schools has been pragmatic, and we welcome the outcomes of a range of individual school audits arranged for 2021/22.

43. 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 Committee and we continue to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.
44. **ii) Governance Framework - Supporting Information**
- A. **Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**
45. 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
46. The Director of Governance and Legal Services is the Monitoring Officer, and has 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.
47. 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.
48. In 2020/21, the Monitoring Officer was notified of a total of thirteen complaints relating to Member conduct. The Public Services Ombudsman has considered eleven of the complaints and determined that there was no evidence of a breach of the Code, so there would be no further investigation. The Council is awaiting the determination of the remaining complaint. One complaint was dealt with under the Local Resolution Protocol, and was resolved informally by the Monitoring Officer.
49. The Chair of the Standards and Ethics Committee presented the Committee's Annual Report 2019/20 to full Council in 28 January 2021 and outlined the work

of the Committee. The Chair made specific reference to the Members Survey findings and reminded Members of the guidance on social media. The Committee has agreed that presentation of its Annual Report to Council serves to promote Members' understanding of the important role of the Committee and its work; and that further Member briefings would be issued as and when required.

50. Members and Co-opted Members are required to register their personal interests in any business of the authority, and to comply with the rules on personal interests set out in the Members Code of Conduct. All personal interests disclosed by Members are published on the Council's website within the Member's profile information. The Council's Policy on Officers' Personal Interests & Secondary Employment requires all 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.
51. 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.
52. The Workforce Strategy and Employee Charter continues to ensure that there is alignment between the Council's vision and values and 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
  - The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce
53. The Council takes fraud, corruption and maladministration very seriously supported by the following strategy and policies to prevent, and manage such occurrences
  - Counter-Fraud and Corruption Strategy
  - Financial Procedure Rules
  - Contract Standing Order and Procurement Rules
  - Whistleblowing Policy
  - Fraud, Bribery and Corruption Policy
  - Anti-Money Laundering Policy
  - ICT Security Policy
  - Data Protection Policy & Procedure
  - HR policies regarding investigation and discipline of staff

54. The Counter-Fraud and Corruption Strategy was introduced in July 2019 through a range of delivery methods such as e learning and location based workshops. In the region of 5000 staff and school governors have undertaken the course or attended face-to-face training / workshops. The Council is also supported by a range of policies, procedures and regulations, including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security.
55. During 2020/21, the Council has administered a significant amount of grant assistance associated with the pandemic on behalf of Welsh Government. A multidisciplinary team of colleagues from Business Rates, Audit, Accounts Payable, IT and Information Governance worked closely together in order to ensure that up-front controls were robust, anomalies were investigated and payments were reviewed. Post payment verification and assurance has included:
- Manual checks of entitlement / eligibility, using information submitted on the payment file, and open source information to confirm businesses were trading;
  - Participation in two data matching exercises for wider verification.
56. 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). In 2020/21 a total of two whistleblowing cases have been reported to the Monitoring Officer.
57. The Corporate Director Resources has both overall responsibility for the financial administration (S151 Officer) and the information governance arrangements of the Council (SIRO). The Council's financial management arrangements conform to the governance requirements of the Role of the Chief Financial Officer in Local Government) which is set out in the CIPFA Financial Management Code (2020).

#### **B. Ensuring openness and comprehensive stakeholder engagement.**

58. 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.
59. The pandemic has led to all meetings being held remotely (virtually). Meetings have remained open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings continued to include a facility for public questions, and the Council’s Scrutiny Committees have virtually invited stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to Committees. During 2020/21, the number and types of Council and Committee meetings increased compared to 2019/20.

| Webcasting Data                      |          |           |                  |
|--------------------------------------|----------|-----------|------------------|
| Year                                 | 2018-19  | 2019-20   | <b>2020-21</b>   |
| Number of Meetings webcast           | 37       | 54        | <b>105</b>       |
| Number of Committees (Types) webcast | 8        | 10        | <b>21</b>        |
| Total Hours Webcast                  | 95:15:44 | 126:50:24 | <b>202:36:54</b> |
| Live views                           | 1674     | 1960      | <b>4594</b>      |
| Archive Views                        | 3376     | 6909      | <b>10963</b>     |
| Total Views                          | 5050     | 8869      | <b>15557</b>     |

60. To support openness, the Council is focusing on proactively publishing data through the 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). Data sets continue to be identified for publication.
61. There has been 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. An Assurance role has been developed within the SMT environment where the Chief Executive, and Directors discuss aspects of the assurance, for example risk management, performance management, outcomes and progress on audit recommendations made by internal and external auditors, bodies and regulators. This has increased the visibility and the connections between these assurance pieces. The meetings between the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges have continued for the majority of 2020/21.
62. 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.
63. Citizens, communities and partners continue to be engaged through a programme of citizen engagement, budget consultation, Ask Cardiff surveys that seek opinions of a range of Quality of Life and Quality of Services statements. The output of these are used to inform proposals and decisions of priorities and planning for the provision of services. The participation levels for

these engagement sessions do leave room for improvement and the Council will continue to build on participation numbers.

64. Regular meetings are held with institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Audit Wales). 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.
65. 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 city's Wellbeing Plan. The Wellbeing Plan, which responds to the evidence from the Wellbeing Assessment, focusses on the areas of public service delivery which fundamentally require partnership working between public and community services, and the citizens of Cardiff. The Cardiff PSB is supported by partnership governance and delivery arrangements, reporting by exception into the PSB on a quarterly basis. Over the course of the pandemic, the Cardiff PSB has met on a more regular basis in order to lead a co-ordinated strategic response to critical issues across the city's public services. The annual report on the Wellbeing Plan was considered by the Cardiff PSB in September 2020.

**C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

66. To outline its ambitions for the city, the Council's Administration set out a policy programme for the five years from 2017 to 2022, entitled 'Capital Ambition'. These policy commitments were updated in January 2020. At the heart of Capital Ambition is the goal to create a greener, fairer and stronger capital city, tackling poverty and inequality in all its forms.
67. Capital Ambition identifies four priorities:
  - **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 the rising demand and reducing budgets.
68. The Corporate Plan sets out how the Administration's priorities for Cardiff will be achieved, providing clarity on what will be delivered, and by when. In accordance with the requirements of the Well-being of Future Generations (Wales) Act 2015, the Corporate Plan sets out Cardiff's Well-being Objectives, the steps we will take to achieve them and how we will measure progress. The seven Well-being Objectives are:

- Cardiff is a great place to grow up
  - Cardiff is a great place to grow older
  - Supporting people out of poverty
  - Safe, confident and empowered communities
  - A capital city that works for Wales
  - Cardiff grows in a resilient way
  - Modernising and integrating our public services
69. The Council and Cardiff Public Services Board agreed the same Well-being Objectives, creating a clear link between the Corporate Plan and the Public Services Board's 'Well-being Plan 2018-23'. The 'Area Plan for Care and Support Needs 2018-23' produced by Cardiff & Vale Integrated Health & Social Care Partnership in accordance with the Social Services and Well-being (Wales) Act 2014 also provides a more consistent approach to planning across a range of partners.
70. The Corporate Plan is a rolling three-year plan which is refreshed annually. The latest refresh was approved by Council in February 2021, informed by the consultation on budget proposals for 2021/22.
71. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which also allows for the Council's policy agenda to be refreshed and updated as necessary. This includes:
- Quarterly performance monitoring by Cabinet and Senior Management Team as part of its Assurance Board role. Progress is reported to Members alongside the Budget Monitoring.
  - Half-year and end-of-year strategic assessments of performance which include the Annual Well-Being Report to meet statutory performance reporting requirements. This includes all relevant performance data, as is informed by the Council's risk register and finance monitoring. The half-year assessment is considered by the Policy Review and Performance (PRAP) Scrutiny Committee before being received by Cabinet. The end-of-year assessment is considered by PRAP and Cabinet before being approved at a meeting of full Council.
72. An early draft of the Corporate Plan is considered by the PRAP Scrutiny Committee to help shape corporate policy.
73. Targets for the Key Performance Indicators are considered by the Performance Panel, which includes members of the Policy Review and Performance Scrutiny Committee as well as the Chairs of all scrutiny committees.
74. Challenge sessions convened by the Leader, Chief Executive, relevant Cabinet Member(s) and Director(s) to sign-off Steps, Key Performance Indicators and Targets by Well-being Objective.
75. Consultation on the Council's 2020/21 budget proposals "Changes for Cardiff" ran from 19<sup>th</sup> December 2020 to 31<sup>st</sup> January 2021. The impact of the pandemic

led to delays in Budget settlement from Welsh Government and the budget consultation for 2021/22 budget proposals was for the period 13 January 2021 to 10 February 2021. It is anticipated that the consultation timescale will be back to the pre-pandemic timeline in future budget settlements. As outlined under principle B of this AGS, ensuring openness and comprehensive engagement, 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 focused on delivering valued public services in the face of ongoing austerity.

76. Building on the approach to the Council's Budget Strategy over the last few years is key to planning for future years. The Council identified a budget gap of £84.9 million gap for the period 2022/23 to 2025/26. The outlook over the short term looks very challenging as services look to recover from the impact of the pandemic both in managing the increase in demand for some services and recovering lost income levels in other areas such as cultural venues and school catering. Looking further forward, the medium term is also a matter of concern and the Budget Report 2021/22 detailed the challenges in respect of the pandemic and other continued financial pressures with the difficulty of setting and realising year on year budget savings. In a normal year, a deliverable Budget Strategy will continue to be a key document to review but with the impact of the pandemic this will require even closer monitoring and a potential reshaping of the strategy as services evolve into their future shape and size.

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes.**

77. All Cabinet and Council decisions taken by Members are supported by written reports from Officers on the legal, HR, property 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.
78. To meet requirements of the Well-being of Future Generations (Wales) Act 2015, the Council has published well-being objectives and a well-being statement as part of the development of the Corporate Plan. To ensure ongoing consideration of the sustainable development principle a focus has been placed on considering the 5 ways of working at the earliest stage of policy development. Policy development, across the organisation, is encouraged to consider:
- **Long term:** Defined as the trends that affect Cardiff both today and in the future.
  - **Prevention:** Intervening earlier to prevent problems affecting citizens from occurring or worsening.
  - **Involvement:** Engaging with citizens, particularly the most vulnerable in society.



- **Integration:** Working across boundaries to deliver Capital Ambition, the administration's policy agenda for the city.
  - **Collaboration:** Working with others to have a greater impact.
79. The Council uses a number of sources of information to self-assess progress against Well-Being Objectives, including:
- **Progress against the Council's Key Performance Measures** – A number of performance measures are identified within the Council's Corporate Plan which help show the progress made in delivering the Well-Being Objectives. Where applicable, targets are set against these performance measures to demonstrate the desired level of achievement. Performance measures are assigned a RAG status: GREEN where the measure is on or above target, AMBER where the result is within 10% of the target and RED where the result is greater than 10% from the target.
  - **Progress against the Steps in each Well-being Objective** – The Council included a number of Steps in the Corporate Plan to help achieve the Well-Being Objectives. Monitoring the progress of these Steps provides an understanding of what has been achieved and where further work is required.
  - **Inspection Reports** – The Council is subject to a number of inspections from regulatory bodies including the Wales Audit Office, Estyn (Education) and the Care and Social Services Inspectorate Wales (CSSIW). Their findings help the Council to assess areas of strong performance, as well as identifying areas that require improvement.
  - **Surveys and Citizen Feedback** – The annual Ask Cardiff survey, as well as more specific consultation and engagement work, provide residents an opportunity to share their views on a wide range of the Council's services. From this, areas of strong performance can be identified, along with those areas where Cardiff's citizens feel the Council needs to improve. Similarly, complaints and compliments provide a valuable source of information on performance, and the Annual Wellbeing Report is considered by Cabinet alongside the Annual Complaints Report.
  - **Finance Monitoring** – The Council's Outturn Report and Budget Monitoring
  - **Feedback from Scrutiny Committee and the Governance and Audit Committee** – The Council responds to the issues raised and recommendations made by Committees, which help inform performance improvement.
  - **Risk** – The Council's Corporate and Directorate Risks are considered as part of a rounded view of performance, and the Annual Well-being Report is prepared and considered by Cabinet alongside the Council's Annual Corporate Risk Report. Reviewing this information assists the Council to develop a balanced picture of the Council's improvement journey over the year.
80. By utilising this information, the Council can monitor progress but also identify areas of improvement. The Council also has in place a robust performance and accountability regime which involves the wider political governance of the

Council. In developing the self-assessment of performance, the following steps have been undertaken to ensure a full and balanced assessment:

- Directorate Analysis of Performance
  - Assurance Sessions convened by the Chief Executive with each Director
  - Assurance Sessions, convened by Cabinet, with the Chief Executive and the Council's Senior Management Team
  - Performance Panel Review, convened by the Chair of the Policy Review and Performance Committee, and involving the Chair of each of the Council's Scrutiny Committees.
  - Consideration by the Policy Review and Performance Scrutiny Committee
81. By utilising this information, the Council can identify areas of improvement and celebrate success, and also identify areas where performance may not have been as good, and therefore the areas that may require further attention.
82. There was an increase in the communication to staff from the Chief Executive during 2020/21 to ensure that staff were aware of the latest developments as the impact of the pandemic ebbed and flowed throughout the year. To ensure staff were consulted, and involved in decision making, various channels of communication were used including the Chief Executive's Update, Core Brief, Staff Information messages, the Staff App, and DigiGov (the Council's HR system).
83. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The engagement of citizens has continued to be 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.
84. The Council's Budget Strategy is based on an incremental budgeting approach where budgets are informed to a greater extent by corporate priorities and the required future shape of the organisation. The themes for savings in the Budget Strategy for 2021/22 were categorised as Efficiencies, Income Generation and Service Change. This change was a response in order to generate a greater level of confidence in the delivery of savings with a focus on efficiency savings being primarily in place in advance of the beginning of the Financial Year 2020/21. The onset of the pandemic has impacted on the success of any income generation proposals and work will be undertaken to implement alternative strategies.
85. Cardiff City Transport Services Ltd. (Cardiff Bus), one of the Council's wholly owned subsidiary companies determined to co-opt two independent non-

executive directors with proven skills in governance and transport services. At its meeting of 28 January 2021, the council agreed that the two Independent Non-Executive Director appointments should be further extended for a 20-month period until October 2022 following the next council elections in May 2022 to enable both individuals to continue to contribute their respective skills and expertise to the work of the Board and Company during the continuing Covid-19 pandemic.

86. The Council has worked with the Company, Welsh Government and Trustees of the Pension scheme in order to provide resolutions to the challenges facing the company (i.e. Pension Scheme, long term business sustainability, Covid 19). At its meeting in October 2020 a package of financial viability support was agreed including injection of equity and becoming statutory employer for the Company pension scheme. It is recognised that the company board and new management team are making significant progress in light of significant impacts on the bus industry across Wales. As part of a review of governance of subsidiaries, an internal audit report has also been commissioned during 2021/22.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

87. 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.
88. 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.
89. The senior management structure of the Council was amended during 2020/21. This resulted in the creation of Two Director posts for Housing, Adults and Communities and Children's Services with the deletion of the Director of Social Services post and the deletion of two Assistant director posts for Adults and Children's Services respectively. The statutory responsibility for Social Services was delegated to the Corporate Director of People and Communities.
90. 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 Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures. All new officers undertake the appropriate

level of induction which includes a suite of mandatory e-learning training modules. Each mandatory training module has its own target date for full compliance. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme continues to be offered more widely across the officer body without the requirement to sit a formal ILM level 3 qualification.

91. 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 has developed a number of learning and development programmes and courses which can be accessed and delivered remotely.
92. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council continues to support the 'Time to Change' Pledge, has been recognised as a Disability Confident Employer, signed the Dying to Work Charter and achieved the Corporate Health Standard Silver Award.
93. The Council will publish the next Annual Wellbeing Report in July 2021, if approved by Council, in accordance with the requirements of the Wellbeing of Future Generations (Wales) Act. This provides a retrospective summary evaluation of performance for 2020/21 and identifies areas of focus moving forward.

**F. Managing risks and performance through robust internal control and strong public financial management.**

94. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, and 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 2020/21 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.
95. The Risk Management Strategy and Policy continued to be 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.
96. The Council's five standing Scrutiny Committees are designed to support the Cabinet in providing accessible, efficient and effective services for citizens. For

the year 2020/21, the Scrutiny Committees were unable to meet for the period between April 2020 and June 2020. In order to maintain a level of scrutiny, a Covid 19 Scrutiny Panel was established comprising of the five Scrutiny Chairpersons. The Panel was responsible for scrutinising Council's functions as well as the work undertaken by the Cardiff Public Services Board and its impact on the local community. The Panel was put in place until 30 September 2020. This panel met three times between June 2020 and July 2020 and considered 10 items ranging from the response to the pandemic in respect to services such as homelessness and operational matters such as Schools Programme and Procurement frameworks.

97. All five Scrutiny Committees met in September 2020 with one committee trialling the remote meeting format at the end of July 2020. All meetings for the rest of the year were held remotely and there were 34 remote Scrutiny meetings held between September 2020 and March 2021.
98. Scrutiny Committees 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 which can be identified on the Council's website.
99. The Council has robust arrangements for internal control which are set out within the three statements contained within this report from the Audit manager, Governance and Audit Committee and Senior Management respectively.
100. The pandemic led to a more frequent engagement on Health and Safety between appointed Elected Members, Union Representatives and relevant Council Officers. The focus of the Health and Safety forum was ensuring the most up to date guidance was available and implemented appropriately for each of the different services the Council delivers.

**G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

101. 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.
102. 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.
103. The Council's Annual Wellbeing Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the Capital Ambition, Wellbeing

Plan and the objectives and activities that the Council is delivering as part of the Partnership arrangements (PSB).

104. 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.
105. The pandemic crisis has had an impact on service delivery and this has been taken into account in the determination of the Senior Management Assurance Statements (SMAS). 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 for 2020/21 and 2021/22 are both included in the following section.
106. The Council continued to be able to meet (albeit remotely) in May 2020 in order 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.
107. 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 strategy and policy requires clear risk management arrangements in whichever model of service delivery is used.
108. 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.

### **2020/21 AGS Action Plan – Significant Governance Issues**

109. An Action Plan of Significant Governance Issues is owned by the SMT, and formally reviewed and updated on a bi-annual basis. SMT considered the two broad governance issues for the prior year that the two issues (comprising of six actions) brought forward could be closed but three new actions will be added.
110. The 2020/21 Plan actions related to 1) evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance, 2) Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment.
111. The two issues and the corresponding proposed actions are set out below;

**a) Significant Issue**

Informed, evidenced based decision making' including aspects of Future Generations and further assurance work in relation to partnership and collaborative governance

**Actions**

Review the decision making processes to ensure that all aspects connected with legal and regulatory compliance are embedded into the processes to support the management of risk.

Further strengthen and develop compliance information provided through the Assurance SMT as part of the decision making process and identify where improvements are needed as appropriate.

Implement the Partnership and Collaborative Governance Framework to improve the assurance around the governance of these models of service delivery.

Embed a consistent understanding and application of the Future Generations principle and five ways of working in its endeavours to improve outcomes for its citizens.

**Progress**

Technical Advice Meetings held to consider financial and legal implications prior to finalising reports.

Oversight groups set up on Major Projects, Schools Organisation Programme, Information Governance and VAT in order to provide early insight into development of reports.

Regular updates of a range of compliance information is reported to Directorates and SMT

The Partnership and Collaborative Governance Framework has been used by Directorates in undertaking their duties and considering their level of assurance.

Further guidance was issued for end of year with a view to implementing a targeted set of questions that address the Future Generations principle and five ways of working.

**b) Significant Issue**

Compliance, specifically around understanding the gaps in the compliance (conformance) with the corporate process to provide a more focussed assessment.

**Actions**

Review the compliance framework to ensure that all aspects are reflected in the 'Compliance Category' of the Senior Management Assurance Statement

Implement the process of triangulation of Assurance Statements in line with the Council's Code of Corporate Governance and provide feedback through the Relationship Management Process to ensure that all aspects of compliance are representative

Having taken the three opinions into account then we can provide reasonable assurance that Cardiff Council's governance arrangements remain fit for purpose. The steps identified under significant issues will further enhance our governance arrangements.

### **Progress**

The areas of priority for compliance have been built into Senior Management Team Work Programme

Half Yearly meetings held with each member of Senior Management Team where the Chief Executive and Corporate Director (Resources) discuss Performance and Assurance and test self –assessments

## **2021/22 AGS Action Plan – Significant Governance Issues**

### **Actions**

Extend and deepen the areas of SMT investigation in respect to compliance, risk and outcomes.

Extend the assurance on the quality of performance reviews through evidence gathering at Directorate level.

Embed into the self- assessment on Assurance the Five ways of Working in respect to the Future Generations Act.

### **112. Significant Issues – The Cardiff and Vale of Glamorgan Pension Fund (The Pension Fund).**

During 2020/21 the Pension Fund continued with the transfer of assets into the Wales Pension Partnership (WPP) sub-funds with an investment of £620m in three of the WPP Fixed Income sub-funds in August 2020. As was the case with the UK Equity Opportunities Fund these Fixed Income sub-funds are included in the Authorised Contractual Scheme (ACS) which enables the eight LGPS administering authorities in Wales to pool their investments in compliance with the requirements of the UK Government. The governance arrangement for the ACS remain unchanged, it is operated by Link Fund Solutions with oversight by the eight authorities provided through the WPP Joint Governance Committee (JGC) comprising one elected member from each



authority. The JGC is supported by an Officer Working Group (OWG) made up of the eight Funds Treasurers and Investment Officers.

The November 2020 meeting of the Pension Committee approved the recommendation that the Pension Fund should transfer its existing Regional Equity holdings of c£700m into the WPP Global Equity sub-funds. In addition the February 2021 meeting of the Pension Committee approved the transfer of a further £250m into the BlackRock Global Equity Low Carbon Tracker fund with a corresponding reduction in UK and US Equity holdings. Both of these transfer are expected to be completed in July 2021. Moving forward the impact of Environmental, Social and Governance (ESG) issues will be an increasingly significant influence on the Pension Fund investment decisions.

It is considered the following may have potential implications on future financial periods and are worthy of note in this statement.

| <b>Significant Issue</b>   | <b>Year End Position 2020/21</b>   | <b>Responsible Officer</b>                 |
|--|--|--|
| <p><b>Wales Pension Partnership – Wales Investment Pool.</b></p> <p><i>Completion of the transfers to the WPP Global Equity sub-funds and Low Carbon Equity Fund referred to in previous paragraph.</i></p> <p><i>Creation of the WPP pooled funds for Emerging Market (EM) Equity during 2021/22.</i></p> | <p><i>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of investment pooling arrangements through the WPP Joint Governance Committee and the Officer Working Group.</i></p> <p><i>Developments are reported regularly to the Cardiff and Vale of Glamorgan’s Pensions Committee, the Investment Advisory Panel and the Local Pension Board</i></p> | <p><i>Corporate Director Resources</i></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:**

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# Audit of Accounts Report – The County Council of the City and County of Cardiff

Audit year: 2020-21

Date issued: October 2021

Document reference: 2625A2021-22

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

We intend to issue an unqualified audit report on your Accounts. There are some issues to report to you prior to their approval.

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 statement of accounts in this report.
- 2 We have already discussed these issues with the Corporate Director of Resources and Head of Finance.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £13.2 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Senior Officer Remuneration - £1,000
  - Related Party Transactions - £10,000
- 6 We have now substantially completed this year's audit work.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and our objectivity has not been compromised in any way.
- 8 However, in our Audit Plan dated March 2021, we brought to your attention one potential conflict of interest. This relates to the Financial Audit Manager who is a former colleague and friend of the Council's Operational Manager for Information Governance, Transactional Finance and Programme Management within the Resources Directorate. I can confirm that planned safeguards set out in the Audit Plan have operated as intended in respect of this matter. I can also confirm that, all other members of my team are independent of the Council and its senior officers.

## Impact of COVID-19 on this year's audit

- 9 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 10 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

|                                     |  |
|-------------------------------------|--|
| <p><b>Timetable</b></p>             | <ul style="list-style-type: none"> <li>• The statutory deadline for the completion of the draft accounts was 31 May 2021. However, given the continuing impact of the COVID-19 pandemic, the Welsh Government extended the timeline for the completion of the draft accounts to 31 August 2021.</li> <li>• In addition, the timeline for the publication of final audited accounts was extended from 31 July to 30 November for all local government bodies in Wales.</li> <li>• We received the draft accounts on 15 June 2021 ahead of the revised deadline.</li> <li>• We expect your audit report to be signed by the end of October 2021</li> </ul>   |
| <p><b>Electronic signatures</b></p> | <p>The Corporate Director Resources provided an electronic signature, along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>   |
| <p><b>Audit evidence</b></p>        | <p>As in previous years, we received all of the audit evidence in electronic format and we have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"> <li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li> <li>• officers provided audit evidence to the audit team via secure e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely; and</li> <li>• officers were available through Microsoft Teams for video conference meetings, and to share on-screen information/evidence.</li> </ul> |
| <p><b>Other</b></p>                 | <ul style="list-style-type: none"> <li>• Video conferencing has enabled the audit team to correspond effectively with officers throughout the audit.</li> <li>• Video-conference-based Governance and Audit Committee meetings have enabled us to proficiently discharge our responsibility for reporting to those charged with governance.</li> </ul>   |

- 11 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

- 12 We intend to issue an unqualified audit opinion on this year's accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.
- 13 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 14 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 15 Our proposed audit report is set out in **Appendix 2**. Whilst our audit opinion is unqualified, it includes two emphasis of matter paragraphs, drawing the readers attention to certain disclosures in the financial statements:

### **Material uncertainty in relation to the valuation of Council Dwellings**

The assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements describe the impact of material valuation uncertainties arising from the COVID-19 pandemic on the valuation of the Council's dwellings provided by its professional valuers. I have drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.

### **Material uncertainty in relation to the valuation of the Council's High Rise Dwellings**

The assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements describes the material uncertainty in the valuation of the Council's high-rise dwellings provided by the Council's external professional valuers in the aftermath of the Grenfell fire. I have drawn the reader's attention to this disclosure in an emphasis of matter paragraph in my audit report.

- 16 The Council has disclosed the nature and impact of the material uncertainties and my opinion is not modified in respect of these matters.



## Significant issues arising from the audit

### Uncorrected misstatements

- 17 We set out below the one misstatement we identified in the accounts, which has been discussed with management but remains uncorrected. We do not consider this to be material to our audit opinion.
- 18 The misstatement relates to a downward revaluation of an investment property that had not been transferred through the Capital Adjustment Account on the Council's consolidation of the Cardiff Capital Regional City Deal Joint Committee accounts. The impact of this unadjusted misstatement is that the General Fund balance is understated by £1.8 million and the unusable Capital Adjustment Account balance correspondingly overstated.
- 19 Whilst Auditing Standards require us to request that this is corrected, we accept management's view that given the number of entries required to amend the statements for relatively low values and the tight timescales for closure of the audit, there is little benefit in amending the statement of accounts. We request that the Governance and Audit Committee considers approving management's rationale for this and include this in the Letter of Representation.

### Corrected misstatements

- 20 There were initially misstatements in the accounts that have now been corrected by management. However, we believe that these should be drawn to your attention and they are set out with explanations in **Appendix 3**.

### Other significant issues arising from the audit

- 21 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

21 October 2021

### Representations regarding the 2020-21 financial statements

This letter is provided in connection with your audit of the financial statements of the County Council of the City and County of Cardiff and its group for the year ended 31 March 2021 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 the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21; 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.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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. There is one misstatement within the accounts, which remains uncorrected. This relates to a

downward revaluation of an investment property that has not been transferred through the Capital Adjustment Account on the Council's consolidation of the Cardiff Capital Regional City Deal Joint Committee accounts. The impact of this unadjusted misstatement is that the General Fund balance is understated by £1.8 million and the unusable Capital Adjustment Account balance correspondingly overstated. Management have confirmed that this will be corrected in the 2021-22 financial year and as the amount is not material, we have not amended the financial statements.

## **Representations by the County Council of the City and County of Cardiff**

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 Members of the County Council of the City and County of Cardiff on 21 October 2021.

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:

Corporate Director Resources

Date: 21 October 2021

Signed by:

Chair of the Council – signed on behalf  
of those charged with governance

Date: 21 October 2021

# Appendix 2

## Proposed Audit Report

### 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

#### Opinion on financial statements

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 2021 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 international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

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 and the County Council of the City and County of Cardiff's Group as at 31 March 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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.

### **Emphasis of matter - effects of the COVID-19 pandemic on the valuation of Council Dwellings**

I draw attention to the assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements, which describes the impact of the COVID-19 pandemic and the material uncertainty of the valuation of the Council's dwellings provided by the Council's external professional valuers.

My opinion is not modified in respect of this matter.

### **Emphasis of matter - valuation of Council High-Rise Dwellings in the aftermath of the Grenfell fire**

I draw attention to the assumptions made about the future and other sources of estimation uncertainty on page 39 of the financial statements, which describes the material uncertainty in the valuation of the Council's high-rise dwellings provided by the Council's external professional valuers in the aftermath of the Grenfell fire.

My opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

### **Other Information**

The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the annual report. 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. My responsibility is to read the other information and, in doing so,

consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 2020-21;
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual 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 Annual 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, or returns adequate for my audit have not been received from branches not visited by my team;
- 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.

## 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the County Council of the City and County of Cardiff's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.



- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- obtaining an understanding of the County Council of the City and County of Cardiff's framework of authority as well as other legal and regulatory frameworks that Cardiff Council operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Council.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance, the Cabinet and Council;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the County Council of the City and County of Cardiff's 'controls, and the nature, timing and extent of the audit procedures performed.

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.

## **Certificate of completion of audit**

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

Adrian Crompton  
Auditor General for Wales  
28 October 2021

24 Cathedral Road  
Cardiff  
CF11 9LJ

# Appendix 3

## Summary of Corrections Made

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

| Value of correction | Nature of correction  | Reason for correction  |
|---------------------|---|--|
| £25.117m            | <p><b>Note 17 – Short Term Debtors and Note 19 – Short Term Creditors</b></p> <p>Decrease in both short-term debtors and short-term creditors.</p>  | <p>This amendment corrects an overstatement of the debtor and creditor balances.</p> <p><b>There is no overall impact on the Balance Sheet</b></p>                         |
| £8.357m             | <p><b>Note 14 – Non-Current Assets</b></p> <p>Increase in 'Movements in Cost or Values' value at 31 March 2020 for 'Other Land &amp; Buildings' with a corresponding decrease of the value at 31 March 2020 for 'P,P&amp;E Under Construction'</p>  | <p>This amendment corrects a presentational error in the comparative figure</p>  |
| £5.139m             | <p><b>Comprehensive Income and Expenditure</b></p> <p>Decrease in both income and expenditure for the following directorates:</p> <ul style="list-style-type: none"> <li>• Housing &amp; Communities - £0.754m</li> <li>• Planning, Transport &amp; Environment £0.001m</li> <li>• Social Services - £4.384m</li> </ul> | <p>These amendments correct errors in working papers supporting the figures in the financial statements</p> <p><b>There is nil impact on the overall CIES out-turn</b></p> |

| Value of correction | Nature of correction  | Reason for correction   |
|---------------------|---|---|
| £4.357m             | <p><b>Note 14 – Non-Current Assets</b><br/>Reduction in both the ‘Impairment Losses/Reversals to SDPS and ‘Impairment Losses/Reversals to RR’ lines across two asset categories as follows:</p> <p>Surplus Assets - £2.874m<br/>P,P&amp; £ Under Construction - £1.483m</p>   | This amendment corrects a misclassification error within the Note.                                  |
| £3.126m             | <p><b>Note 14 – Non-Current Assets</b><br/>Reduction in ‘Additions’ for ‘Vehicles, Plant &amp; Equipment’ with a corresponding increase in ‘Other Reclassifications – Transfers’</p> <p>Also an increase in ‘Additions’ for ‘P,P&amp;E under construction’ with a corresponding decrease in ‘Other Reclassifications – Transfers’</p> | This amendment is to correct misclassifications between line items within this Note.                |
| £2.500m             | <p><b>Note 14 – Non-Current Assets – Investment properties</b><br/>Increase in the ‘Disposals’ figure for investment properties</p>   | This amendment is to reflect the disposal of an investment property no longer owned by the Council. |

| Value of correction | Nature of correction  | Reason for correction   |
|---------------------|---|---|
| £2.285m             | <p><b>HRA Accounts – Note 1 Adjustments between Accounting Basis and Funding Basis under Regulations</b></p> <p>Within the 'Adjustments primarily involving the Capital Adjustment Account', an increase in 'Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Account' of £2.285m and a corresponding decrease in the same line within the 'Adjustments involving the Revaluation Reserve'</p> | <p>This amendment corrects a presentational error between line items within the Note,</p>   |
| £1.053m             | <p><b>Note 17 – Debtors</b></p> <p>Decrease in 'other entities and individuals' of £1.053m, an increase in 'Central government bodies' of £1.041m and an increase in 'other local authorities and NHS' of £0.012m</p>   | <p>This amendment is to correct misclassifications between line items within this Note.</p>   |
| Various             | <p><b>Note 10 – Related Parties</b></p> <p>Two related party disclosures were omitted in relation to interests in the following organisations:</p> <ul style="list-style-type: none"> <li>• Wales &amp; West Housing – expenditure of £66K and income of £168K</li> <li>• Trustees of Cardiff Cycle Workshop – expenditure of £2K and income of £15K</li> </ul> <p>Other minor narrative adjustments were also identified.</p>                      | <p>The amendments have been made to comply with the CIPFA Code and to provide clarification to the reader of the financial statements</p> |

| Value of correction   | Nature of correction  | Reason for correction   |
|---|---|---|
| Various   | <p><b>Note 8.3 Senior Officer Remuneration</b></p> <p>The comparative figures for the current and previous s151 Officer were disclosed on the wrong lines</p> <p>An additional footnote has been included to explain the salary uplift of £1,469 agreed and paid to the Director of Social Services after the draft accounts were prepared.</p>   | <p>The amendments correct a presentational error with the comparative figure and provide further clarification to the reader of the financial statements.</p>   |
| Various narrative and minor numerical presentation adjustments throughout the account | <p>Various numerical and narrative which include for example:</p> <ul style="list-style-type: none"> <li>• <b>Assumptions made about the future and other sources or estimation uncertainty</b><br/>Inclusion of a material uncertainty valuation note in relation to high-rise dwellings in the aftermath of the Grenfell fire.</li> <li>• <b>Annual Governance Statement</b><br/>Correction of some dates and other narrative changes for clarification.</li> <li>• <b>Cashflow Statement</b><br/>Various presentational and amendments</li> <li>• <b>Group Accounts</b><br/>Various presentational amendments</li> </ul> | <p>A number of minor numerical, presentational and narrative changes have been made to various notes in the financial statements to provide more clarification to the reader, to correct casting errors and any internal inconsistencies.</p> |





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We welcome correspondence and telephone calls in Welsh and English.  
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.



## Audit of Accounts Report – Cardiff Harbour Authority

Audit year: 2020-21

Date issued: October 2021

Document reference: 2624A2021-22

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

We intend to issue an unqualified audit report on your Accounts. There are no issues to report to you prior to their approval.

## Audit of Accounts Report

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# Audit of Accounts Report

## Introduction

- 1 We summarise the main findings from our audit of your 2020-21 statement of accounts in this report.
- 2 We have already discussed these issues with the Corporate Director of Resources and Head of Finance.
- 3 Auditors can never give complete assurance that accounts are correctly stated. Instead, we work to a level of 'materiality'. This level of materiality is set to try to identify and correct misstatements that might otherwise cause a user of the accounts into being misled.
- 4 We set this level at £3.18 million for this year's audit.
- 5 There are some areas of the accounts that may be of more importance to the reader and we have set a lower materiality level for these, as follows:
  - Related Party transactions - £10,000
- 6 We have now substantially completed this year's audit.
- 7 In our professional view, we have complied with the ethical standards that apply to our work; remain independent of yourselves; and, our objectivity has not been compromised in any way. There are no relationships between ourselves and yourselves that we believe could undermine our objectivity and independence.

## Impact of COVID-19 on this year's audit

- 8 The COVID-19 pandemic has had a significant impact on all aspects of our society and continues to do so. You are required by law to prepare accounts and it is of considerable testament to the commitment of your accounts team that you have succeeded in doing so this year in the face of the challenges posed by this pandemic. We are extremely grateful to the professionalism of the team in supporting us to complete our audit in such difficult circumstances.
- 9 The pandemic has unsurprisingly affected our audit and we summarise in **Exhibit 1** the main impacts. Other than where we specifically make recommendations, the detail in **Exhibit 1** is provided for information purposes only to help you understand the impact of the COVID-19 pandemic on this year's audit process.

## Exhibit 1 – impact of COVID-19 on this year’s audit

|                              |  |
|------------------------------|--|
| <b>Timetable</b>             | <ul style="list-style-type: none"><li>• The statutory deadline for the completion of the draft accounts was 31 May 2021. However, given the continuing impact the COVID-19 pandemic, the Welsh Government extended the timeline for the completion of the draft annual accounts to 31 August 2021.</li><li>• In addition, the timeline for the publication of final audited accounts was extended from 31 July to 30 November for all local government bodies in Wales.</li><li>• We received the draft accounts on 15 June 2021 ahead of the revised deadline.</li><li>• We expect your audit report to be signed by the end of October 2021.</li></ul>   |
| <b>Electronic signatures</b> | <p>The Corporate Director Resources provided an electronic signature, along with a supporting e-mail to confirm that he had certified the statement of accounts. We will continue to accept the use of electronic signatures and electronic transfer of files during the approval and signing process.</p>   |
| <b>Audit evidence</b>        | <p>We received all of the audit evidence in electronic format. We have used various techniques to ensure its validity. Where we have been unable to obtain access to paper documents because of COVID-19 restrictions, we have devised alternative audit methodologies to obtain sufficient audit evidence. Specifically:</p> <ul style="list-style-type: none"><li>• officers provided electronic working papers in accordance with our agreed Audit Deliverables Report;</li><li>• officers provided audit evidence to the audit team via secure e-mail or via the secure ‘Sharepoint’ folder which was accessible to Audit Wales staff remotely; and</li><li>• officers were available through Microsoft Teams or via e-mail.</li></ul> |

10 We will be reviewing what we have learned for our audit process from the COVID-19 pandemic and whether there are innovative practices that we might adopt in the future to enhance that process.

## Proposed audit opinion

11 We intend to issue an unqualified audit opinion on this year’s accounts once you have provided us with a Letter of Representation based on that set out in **Appendix 1**.

- 12 We issue a 'qualified' audit opinion where we have material concerns about some aspects of your accounts; otherwise we issue an unqualified opinion.
- 13 The Letter of Representation contains certain confirmations we are required to obtain from you under auditing standards along with confirmation of other specific information you have provided to us during our audit.
- 14 Our proposed audit report is set out in **Appendix 2**.

## Significant issues arising from the audit

### Uncorrected misstatements

- 15 There are no misstatements identified in the accounts, which remain uncorrected.

### Corrected misstatements

- 16 There was no need to correct any misstatements as a result of our audit work.

### Other significant issues arising from the audit

- 17 In the course of the audit, we consider a number of matters relating to the accounts and report any significant issues arising to you. There were no issues arising in these areas this year.

# Appendix 1

## Final Letter of Representation

[Audited body's letterhead]

Auditor General for Wales  
Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

21 October 2021

### Representations regarding the 2020-21 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 2021 or 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 the International Financial Reporting Standards (IFRSs); in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

### Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff 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.

## Financial statement representations

All transactions, assets and liabilities have been recorded in the accounting records and are reflected in the financial statements.

The methods, the data and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

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 and 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 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 21 October 2021.

We confirm that we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to you. We confirm that, as far as we are aware, there is no relevant audit information of which you are unaware.

Signed by:

Signed by:

Corporate Director Resources

Chair of the Council – signed on behalf  
of those charged with governance

Date: 21 October 2021

Date: 21 October 2021

# Appendix 2

## Proposed Audit Report

### The independent auditor's report of the Auditor General for Wales to the those charged with governance of Cardiff Harbour Authority

#### Opinion on financial statements

I have audited the financial statements of Cardiff Harbour Authority for the year ended 31 March 2021 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the 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 2021 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with legislative requirements and international accounting standards.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. 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 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

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Cardiff Harbour Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the responsible financial officer with respect to going concern are described in the relevant sections of this report.

## **Other Information**

The other information comprises the information included in the Narrative Report other than the financial statements and my auditor's report thereon. The Responsible Financial Officer is responsible for the other information contained within the Narrative Report. 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. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## **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 related notes.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of Cardiff Harbour Authority 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, or returns adequate for my audit have not been received from branches not visited by my team;

- 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.

## 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- enquiring of management and those charged with governance, including obtaining and reviewing supporting documentation relating to Cardiff Harbour Authority's policies and procedures concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and

- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- obtaining an understanding of Cardiff Harbour Authority's framework of authority as well as other legal and regulatory frameworks that Cardiff Harbour Authority operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Cardiff Harbour Authority.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Governance and Audit Committee about actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Body;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of Cardiff Harbour Authority's controls, and the nature, timing and extent of the audit procedures performed.

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.

## **Certificate of completion of audit**

I certify that I have completed the audit of the accounts of 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.

Adrian Crompton  
Auditor General for Wales  
28 October 2021

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg a Saesneg.