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SUPPLEMENTARY PAPERS

Committee	POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE
Date and Time of Meeting	TUESDAY, 13 OCTOBER 2020, 4.30 PM
Venue	REMOTE MEETING
Membership	Councillor Walker (Chair) Councillors Ahmed, Berman, Bowen-Thomson, Henshaw, Lister, Mackie and McKerlich

The following papers were marked 'to follow' on the agenda circulated previously

3 Minutes - to follow (*Pages 3 - 10*)

To approve as a correct record the minutes of the meeting held on 15 September 2020.

4 Cardiff City Transport Services - to follow (*Pages 11 - 120*)

Pre-decision scrutiny of confidential report to Council.

Davina Fiore

Director Governance & Legal Services

Date: Wednesday, 7 October 2020

Contact: Kate Rees, 029 2087 2427, kate.rees@cardiff.gov.uk

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POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE

15 SEPTEMBER 2020

Present: Councillor Walker(Chairperson)
Councillors Ahmed, Berman, Bowen-Thomson, Henshaw, Lister,
Mackie and McKerlich

74 : APOLOGIES FOR ABSENCE

None received.

75 : DECLARATIONS OF INTEREST

Declarations of personal interest were received from Cllr Mackie as her sister is Head of integrated Care, Cllr Henshaw as her daughter works in Waste Services and Cllr Berman as his husband is a BT supplier.

76 : MINUTES

The minutes of the meetings held on 19 February 2020 and 11 March 2020 were agreed as a correct record subject to the amendment of a typographical error under Declarations of Interest in the 11 March 2020 minutes.

77 : FINANCIAL STRATEGY - TO FOLLOW

The Chairperson advised that this agenda item would be considered in two parts, the first part is to consider the Month 4 budget monitoring report. The Chairperson welcomed Cllr Chris Weaver, Cabinet Member for Finance, Modernisation and Performance, Chris Lee, Corporate Director of Resources; and Ian Allwood, Head of Finance.

The Chairperson invited Cllr Weaver to make a statement in which he said that this was the position at month 4; the report covers lots of Covid issues and details the significant expenditure and loss of income due to the pandemic with more expected throughout the year. There have been lots of successful reclaims from Welsh Government, although supplier support to Cardiff Bus was a disallowed claim; however there are other avenues for reclaiming this. The report outlined that some savings targets would be unachievable and there is a predicted overspend of £1.9million. This means trying to control budgets in-year to get to a balanced position. This would be a challenge but not insurmountable.

The Chairperson invited questions and comments from Members.

Members asked how the position as at next March was anticipated. The Cabinet Member replied that they are trying to highlight overspend and in year discipline; there may be potential savings later in the year but that would depend on how businesses respond to Covid and the reopening challenges. Officers added that they have tried to show a split between Covid and Non-Covid in the report; it was important to keep track of month 4, mitigate and maintain the month 4 position as below £2million.

Members asked about the percentage of money reimbursed by Welsh Government and were advised that claims had been submitted for £23.3million and £19.594million had been reimbursed to date.

Members asked what governance was in place to prevent shortfalls and what reasons were given for rejected claims. Officers explained that they had a 2 week turnaround initially for claims and that in the last few months, entitlement had changed; from the start, the panel in Welsh Government were keen for local authorities to have consistency across Wales but there were different views and claims were presented differently. Cardiff has performed quite well with its percentage success. There had been rejections for claims with regard to Cardiff Bus, but officers were looking to secure this from another source. There are 5/6 accountants who are ensuring that claims are appropriately clear and worded correctly to rule out inappropriate claims as they have to be specifically Covid related.

Members asked if the Council had disagreed with any of the rejected claims and if there was an appeal process. Officers explained that they disagreed in 2 areas, 1 point of order with regard to GLL and International Pool and another in regard to Legionella testing in vacant buildings.

Members discussed efficiency savings and the Cabinet Member explained that some are showing as potentially unachieved and the report details why this is; some savings are saying will achieve in part or will achieve next year. These savings are important for this year and next year, there needs to be a continual focus and a review next year if needed. Officers added that some areas have delivered new savings such as filling posts and structure costs and there have also been some savings in catering and with furlough; some proposals have been halted due to consultation not being able to take place with staff.

The Chairperson advised that Committee would now consider the second part of this item - the Council's Budget Strategy for 2021/22 and the Updated Medium Term Financial Plan.

The Chairperson invited Cllr Weaver to make a statement in which he said that it was difficult to set the Medium Term Financial Strategy in the current climate. Very similar assumptions were made as per previous years such as 4% increase in Council Tax being assumed. The timetable would follow the path of last year with the provisional settlement in December and the final settlement in March.

The Chairperson invited questions and comments from Members.

Members discussed the acquisition of the Red Dragon Centre for the indoor arena and asked if the Council was still receiving rental from the tenants during the pandemic. Officers explained that they have been in discussion with tenants, some rents have been deferred to allow them to get back on their feet; there had been no free rents allocated.

Members asked if the consideration of the conference centre has changed due to the pandemic and if not, that the costs would not exceed £60million. Officers stated that it was still going ahead, colleagues are looking at the financial affordability and return on investments. Members asked if the business plan had been reassessed due to

Covid and were advised that once the procurement process is completed, there will be reports to Cabinet to look at the business case.

Members asked if a change in the monitoring schedule had been considered due to the pandemic. Officers explained that they report monthly to Directors but there is immense pressure on resources in Accountancy at present. Monthly reports are selective and targeted to report high risk to Directors. Covid claims have to be submitted monthly and this allows a review of costs which can be reported and risks identified. The Cabinet Member added that if unexpected things happen, these can be made explicitly clear to Committee, Cabinet and Council.

Members noted the genuine efficiencies from home working and asked how this will impact the development of future working. It was noted that there were advantages and disadvantages to homeworking but it had provided an opportunity to rethink transportation/office space etc. Before Covid there was an 18month plan for smart working but it had had to be implemented in 2 weeks.

Members discussed School Efficiency savings and were advised that schools have a 1% efficiency target and that an earmarked reserves review will continue.

Members asked if the percentage savings directorates have been asked to find have been adjusted to take into account mental health and well-being. Officers advised that targets have not been set as yet; they consider there will be unavoidable financial pressures but Directors have to be as innovative as possible.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Members on behalf of the Committee to convey their comments and observations.

78 : ANNUAL WELLBEING REPORT 2019-20 - TO FOLLOW

The Chairperson welcomed Cllr Chris Weaver, Cllr Huw Thomas, Leader, Paul Orders, Chief Executive, Sarah McGill, Corporate Director – People & Communities, Gareth Newell, Head of Performance & Partnerships and Dylan Owen, Head of Cabinet Office.

The Chairperson invited Cllr Thomas to make a statement in which he said that this was an important document which allows tracking the delivery of political ambitions and key statutory requirements; it reports against performance and also outlines regional, National and local assessments.

The report offers a balanced and robust assessment of where the Council is currently and it's continually improving journey, including the creation of 152 apprenticeships, the Council House building programme, reducing the number of rough sleepers and being top of the league in citizen satisfaction. There have been significant improvements in areas of children's services with improved outcomes for vulnerable children.

With reference to sickness absence, there are interventions in place and it is hoped that improvements would be seen going forward. The report also provides information on work around Covid 19 and how this relates to risks and challenges

and also how the Council is involved with TTP, vaccinations, food delivery, continuing to deliver vital services, implementing improvements etc.

The Chairperson invited the Chief Executive to make a statement in which he said that the report demonstrates how the Council is self-aware and has a good grasp of issues. There are five key issues in the report Sickness Absence/Waste/Children's Services/Corporate Landlord and Covid-19 and there was opportunity to work with scrutiny on all of these issues going forward.

The Chairperson invited questions and comments from Members.

Members asked how the homeworking and core office proposals were being reconciled in strategic thinking. The Leader stated that there was a blending of capability and mind set. There had been a huge change in working from home and there was a need to look at future core requirements. There would be a report to Cabinet in October which will include the lease commitments at Wilcox House, maintenance and office estate across the City that is fit for purpose and reflects duties with regard to social distancing; the issues are being considered. The Core Office Strategy was for fewer better buildings and this was still sound; it was important that people have the flexibility to work from home and when in the office, they are safe.

Members considered that inequalities in health across the City have not gone away and recent events have highlighted even more deprivation as a National issue; there had also been an impact on the BAME community. Members asked what was being done this year to address this. The Leader stated that not all of this was in the Council's control, there were issues related to DWP and benefits and COVID and public health, which are not delivered by the Council. Beyond that, the Council will look at wider determinates of deprivation such as Housing, Regeneration, bringing in employment and the Economic Strategy for the East of Cardiff. The Council would look to Welsh Government and UK Government to equip local authorities to deliver schemes that make a difference. Members considered that there was a need for more intervention in healthy lifestyle changes. The Leader stated that if public health sat with local government it would allow for such opportunities. Schemes already in place through the PSB are Eat Well Move More and Safe Cycle Routes.

Members noted that the vacancy levels for social workers in Children's Services had increased, Members were concerned by the management changes and asked what was being done to address this. The Leader stated this was an area he was keen to address. There is a new recruitment strategy, a market supplement introduced in April 2020 and they were beginning to see a positive result. There was a recruitment campaign from May to November and dedicated website; internal promotion of internals; a lead OM for recruitment in that area; newly qualified social workers with an assigned mentor among other approaches. These are seeing results and vacancy levels should reduce to 28% by the end of the month. There was more work to do but everyone has the opportunity and responsibility to promote Cardiff as a desirable place for aspiring social workers to make a difference. One of the challenges had been the salary offer and the market supplement should address this. The CEX added that the labour market issues had been significant, it was important to take on non-qualified social workers and offer degree opportunities and also stay close to universities to fill vacancies in the long-term.

Members referred to the Youth Offending service (YOS) and asked if there was an update on the improvements. The Leader stated that a strategy had been launched in June and positive feedback had been received on the Council's response to the report. YOS had been transferred to Adolescent Services and the Youth Prevention Service had been established. This was an improvement journey including full engagement of the wider Children's Services; it was a 2 year strategy and was progressing well so far; there will be a follow up visit in December.

Members asked what impact people working from home during the pandemic has had on sickness levels. The Leader said it has had an impact although there had been other issues such as shielding, quarantine and infection. The CEX added that there was a piece of work in place to look at long term absences, of which there were 140 and each case has been looked at individually; the breakdown was 87% long term and 13% short term sickness absence.

Members noted that self—assessment only shows 2 out of the 7 objectives making good progress and that Waste Management has ongoing issues. The Leader explained that work was being done and long standing issues reflected the challenges faced. The CEX stated that Waste Management had been through a very difficult period. Health and Safety has now improved demonstrably, industrial relations have improved, there has been a very significant restructure in the area at middle management and the wider workforce and it was anticipated that there would be significant improvements in the area in 4/5 months' time; this was not to downplay the issues. Officers added that there had been an extraordinary amount of work undertaken including management controls, budgetary controls, KPI's and more. There was also work with Welsh Government on actions such as recycling targets being the right actions. There was a new OM leadership in the area and it was important to recognise the impact they have made. Members noted the shift between directorates for Waste Management and the CEX stated it needed to be done and it was the right decision.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Members on behalf of the Committee to convey their comments and observations.

79 : EQUALITIES PLAN - TO FOLLOW

The Chairperson welcomed Cllr Chris Weaver, Gareth Newell, Head of Performance & Partnerships and Sian Sanders, Operational Manager, Community Safety, Cohesion & Engagement.

The Chairperson invited Cllr Weaver to make a statement in which he said that this was a fantastic piece of work and prior to lockdown there had been consultation with stakeholders and staff. It deepens and strengthens the work the Council does as a Local Authority on equalities and will help influence policy going forward. There are 4 objectives in the 4 year strategy and it will need scrutiny throughout the 4 years.

The Chairperson invited questions and comments from Members.

Members noted that the 2016-2020 plan doesn't seem to be referenced in this plan and asked if the goals of the previous plan had been achieved and monitored and how the current plan would be monitored. Officers advised that it was a requirement

to produce an annual report against objectives; a report goes to Cabinet each September for review and the Corporate Plan and quarterly report would have a section that provides relevant details. Officers added that currently there was an 18 month lag on the Annual Report, but they have tried to bring it in line as much as possible. The integration with the Corporate Plan ensures that areas within defined groups has good reporting data.

Members asked how the plan would feed into the Race Equality Task Force. Officers advised it was indicated as a key deliverable in the strategy; the Task Force has its first meeting in October, there would be a report to Cabinet and references in the report against the Plan.

Members asked about engagement with the groups that the strategy reaches out to. Officers advised that appended to the strategy is the consultation report which details the 6 month consultation, there had been a wide reach in delivering consultation online, on paper, with researchers on the ground in underrepresented wards, focus groups and staff groups. There had been a good response from the Southern Arc of the City; key priority actions had been identified and objectives revisited in a staff engagement event held in January, attended by 70 people.

Members asked how organisational buy-in could be ensured, how it would be monitored and how non-compliance would be tackled. Officers stated that there had already been agreement from relevant area; there was a new reporting mechanism which provides enhanced opportunity for constructive challenge and reporting to Cabinet. It was important to make it part of core business.

Members noted the length of the papers and wondered if an Executive Summary would be better.

Members asked if there would be training for staff and Officers explained that they relaunched the equalities training packages earlier in the year. There was also equality impact assessment monitoring and feedback on the staff views on training.

Members asked what would be considered as success. Officers explained they would look at relevant data, where we are now and look at progress; it was about closing the gap and if it wasn't having the desired impact, they would look at how to do things differently. It was important to raise the profile and there were plans for an annual staff event. The Cabinet Members added that there would also be an annual report to Cabinet and the opportunity for this to be scrutinised so that committee can see the progress being made.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Members on behalf of the Committee to convey their comments and observations.

80 : SENIOR MANAGEMENT ARRANGEMENTS - TO FOLLOW

The Chairperson welcomed Cllr Chris Weaver - Cabinet Member for Finance, Modernisation and Performance, Paul Orders - Chief Executive and Anita Batten – Operational Manager – People Partner, Human Resources

The Chairperson invited Cllr Weaver to make a statement in which he said that with the outgoing Director of Social Services leaving to take up a promotion, there was an

opportunity to reshape the senior management tier. The report outlined a change in statutory responsibility for social services.

The Chairperson invited the Chief Executive to make a statement in which he said that a Corporate Director post was created 3 years ago to strengthen corporate capacity in social services and also so that social services had support from Community Services. There has been a good degree of success in areas such as Preventative Services and Independent Living Services etc. which reflects the ability of the Corporate Director post to cut across services and professional silos. Now, the suggestion is to go one step further so that the statutory responsibility for social services sits with the Corporate Director, and addressing the managers that report to that Director; this will allow for further integration between Community Services and Social Services. The Corporate Director did hold responsibility for Waste on an interim basis and this would not be sustainable going forward, the recommendation is that responsibility for Waste moves to Economic Development and PTE can focus on Planning, Highways and Transport Issues.

The Chairperson invited questions and comments from Members.

Members noted that Waste Management had fallen under three different directorates in the last 18 months, there had been a change in Directors and a churn at top management level. The CEX advised that when he returned to the Authority there were Directors of Adult and Children Services but they were in different directorates, the decision to integrate them was the right one. Now there was more integration needed between Housing and Communities and Social Services, and Housing and Communities have some of the best performance practices. With regard to Waste Management, there have been some significant steps taken, the Operational Manager team is very different to 18 months ago and the CEX was confident that it was much more stable than it was. He added that his assessment was that Waste Management would fit into the Economic Development directorate. He stated that you can't have an organisational structure that is cast in stone, it needs to be able to adapt and reflect any major changes.

Members asked if areas were being moved into the Housing and Communities directorate due to its performance record. The CEX stated that there are significant strengths in the Housing and Communities area and with the allocation of statutory designation to the Corporate Director, Waste Management needed to move.

Members asked if the Director of Social Services would have to have the criteria of social work experience. The CEX advised that it doesn't have to and many don't; there needs to be a confidence that the individual is competent for the role of statutory designation and he has that confidence.

Members asked what areas would be looked at next and the CEX advised that in due course, there would be a comprehensive reshaping of SMT, this has not been done for a while and it is good practice to do this early on in an administration.

Members were pleased to see the reflection of social work in SMT and considered it would be useful to see how this is realised at a future committee meeting. The CEX agreed and added that social work is integral in SMT and Social Work SMT would be qualified social workers.

RESOLVED: The Committee AGREED that the Chairperson writes to the Cabinet Members on behalf of the Committee to convey their comments and observations.

81 : ANNUAL REPORT 2019/20

RESOLVED: to approve the report.

82 : WORK PROGRAMMING 2020/21

RESOLVED: to approve the report.

83 : URGENT ITEMS (IF ANY)

None received.

84 : DATE OF NEXT MEETING - TBC

The meeting terminated at 4.45 pm

By virtue of paragraph(s) 14, 16, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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CARDIFF COUNCIL CYNGOR CAERDYDD

CABINET MEETING: 15 OCTOBER 2020

SECURING THE FUTURE SUSTAINABILITY AND VIABILITY OF CARDIFF CITY TRANSPORT SERVICES LIMITED

FINANCE, MODERNISATION & PERFORMANCE (COUNCILLOR CHRIS WEAVER)

AGENDA ITEM: **X**

Annexe A and Appendices 1 to 8 to this report are not for publication as they contain exempt information of the description contained in paragraphs 14 (Information relating to the financial or business affairs of any particular person {including the authority holding that information}) and 21 (public interest) of Schedule 12A of the Local Government Act 1972. In all the circumstances of this case it is viewed that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, as without keeping certain of the information relating to the financial and business affairs exempt, such information may not have been provided to the authority in order to consider matters and or its disclosure could prejudice a party.

Appendix 6 to this report is not for publication as it contains exempt information of the description contained in paragraph 16 (Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings) of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. This report sets out the Council's proposal, as 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 highlights 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.
2. In parallel to securing a pension scheme valuation, the report considers the release of funding approved in the Council's budget framework (February 2020) for 2020/21 in order to enable the company to implement a turnaround plan to secure the future sustainability and financial viability of the company.

Background

3. Cardiff Bus is a private company limited by shares (Company Ref 02001229) and is wholly owned by the Council. Cardiff Bus was constituted as a Public Transport company within the meaning of Section 72 of the Transport Act 1985 and its main purpose is to carry out the business of a public transport company. The company Board currently comprises 11 Directors (5 Councillors, 2 Non-Executive Directors and 4 Employee Directors) and there is also a company secretary.
4. The company has faced a number of significant challenges in recent years including:
 - Reduced patronage and government funding impacting on turnover;
 - Relatively high and increases in operating costs;
 - An aging fleet;
 - A secured overdraft; and
 - Management and supervisory capacity constraints.
5. The above issues contributed to significant trading losses in 2017/18, following which the Council instigated an initial shareholder review.
6. As part of this shareholder review, the Council in November 2018 approved the appointment to the company Board of two experienced independent non-executive directors, with a background in transport as well as financial management. In January 2020, the company recruited a new Managing Director to support the Board to take the company forward and to address the challenges.
7. Cardiff Bus is the Statutory and Principal employer in a defined benefit pension scheme. This means it is legally responsible under legislation to meet the funding objectives and to fund the liabilities of the Scheme (Statutory Employer) and the “main” employer for the purposes of the Scheme rules, having certain decision making powers relating to the running of the Scheme (Principal Employer).
8. Common with all defined benefit pension schemes, the Trustees and company are required to agree a triennial valuation of the pension scheme in accordance with the Pension Act 2004.

Issues to Consider

9. The company had made significant headway in improving performance as part of a turnaround plan; however, in line with the entire public transport industry across the country, the Covid-19 pandemic and resulting restrictions since March 2020 has resulted in reductions in income and patronage, whilst it continues to provide essential services. The company, shareholder and Welsh Government are working closely in order to protect the delivery of bus services.
10. The regulations and requirements in respect of pension law, assessment of covenant strength and impact of this on the approach to pension scheme funding and Pension Protection Fund (PPF) levy (insurance policy payable by the Company) are complex. Accordingly the Council

has worked closely with actuaries and legal advisors in determining solutions to allow the company and Trustees to agree the Triennial Valuation of its pension scheme in line with the Pension Regulator requirements.

11. Annexe A sets out in more detail the background to the key issues and approach that the Council has undertaken to determine feasible solutions working with a range of stakeholders. The Annexe includes:
 - Background to the company and impact of covid-19
 - Position of various stakeholders involved in the Cardiff Bus Pension Scheme following the inability to agree the triennial valuation and risk to the viability of the company.
 - Interventions and rationale considered and proposed to complete the pension scheme valuation and secure the viability of Cardiff Bus.
 - Legal and Financial implications
 - Relevant correspondence as appendices
12. Annexe A is deemed confidential for the reasons set out at the start of this report. Members should note that legal and financial implications are also confidential and included as part of Annexe A. Members should consider these carefully as part of their decision making in respect to the recommendations set out in this report.

Reason for Recommendations

13. The interventions proposed in this report achieve the key principles of protecting the current and future entitlement of members and of the Cardiff Bus Pension Scheme as well as resolving immediate risks to the viability of the company. The proposal staves off an immediate risk to financial viability arising from the potential risk of winding up of the pension scheme and the Pension Regulator intervention, by allowing the completion of the 31 March 2018 valuation.
14. Financial risk to the Council is mitigated by a back to back agreement with the company to meet all ongoing costs in respect to the pension fund. This includes any future deficit contributions payable to the scheme, administration costs of and any pension levy payable. However, it should be noted that in the event of any future liquidating event of the company, pension liabilities would fall to the Council.
15. The proposal provides a solid base for the company and its stakeholders to take some really difficult but required actions to build a more sustainable financial and operational future and make significant improvements to the vital services people rely on.

Legal Implications

16. Confidential legal implications can be found in Annexe A (Confidential)

HR Implications

17. There are no HR implications for this report as the 'Employer' terminology that is being used in this report is in reference to pensions only.

Financial Implications

18. Confidential finance implications can be found in Annexe A (Confidential)

Property Implications

19. There are no property implications arising from this report.

RECOMMENDATIONS

Cabinet is recommended to recommend that Council:

1. Subject to Cardiff Council and Cardiff City Transport Services Limited concluding the agreements referred to in Recommendation 2:
 - 1.1 Agree that Cardiff Council becomes the Statutory and Principal Employer of the Cardiff City Transport Services Limited Pension Scheme.
 - 1.2 delegate to the Corporate Director Resources, in consultation with the Cabinet Member (Finance, Modernisation and Performance) authority to enter into legal agreements with Trustees and Cardiff City Transport Services Limited to become the Statutory and Principal Employer and deal with all ancillary matters relating thereto.
 - 1.3 agree that Cardiff Council enter into a 'Flexible Apportionment Arrangement' with the Trustees of the Cardiff City Transport Services Limited Pension Scheme meaning that all future liabilities in respect to pension obligations will fall to Cardiff Council.
2. In order to facilitate entering into a Flexible Apportionment Arrangement, delegate the Corporate Director Resources and Monitoring Officer, in consultation with the Cabinet Member (Finance, Modernisation and Performance) authority to enter into a back-to-back legal agreement with Cardiff City Transport Services Limited to ensure any sums payable by the Council in respect of:
 - a. contributions in to the scheme as part of any deficit recovery
 - b. allowance for scheme expenses
 - c. Pension Protection Fund levy and
 - d. any other costs and expenses incurred by the Council in respect to its obligations as Statutory and Principal employer are recovered from the Cardiff City Transport Services Limited.
3. Delegate to the Corporate Director Resources, in consultation with the Cabinet Member (Finance, Modernisation and Performance) authority to carry out on behalf of Cardiff Council the responsibilities of the Statutory and

Principal Employer of the Cardiff City Transport Services Limited Pension scheme.

4. a) Subject to completion of the actions set out in recommendations 1 & 2, delegate to the Corporate Director Resources, in consultation with the Cabinet Member (Finance, Modernisation and Performance) authority to release up to £7.0 million included in the 2020/21 capital programme with this payment being subject to Cardiff City Transport Services Limited agreeing to carry out the interventions to support viability and strengthen the balance sheet.
b) note that any release of funds allocated in future years will be subject to review and included as part of future budget proposals.
5. Delegate to the Corporate Director Resources, as Cardiff Council's shareholder representative, authority to approve any request by Cardiff City Transport Services Limited to issue additional equity as appropriate.
6. Agree that Cardiff Council acquire additional equity issued in Cardiff City Transport Services Limited as part of the implementation of any financial support package approved by the Council.
7. Delegate to the Corporate Director Resources, in consultation with the Cabinet Member (Finance, Modernisation and Performance) authority to identify and make necessary improvements to the governance process in respect to Cardiff City Transport Services Limited as outlined in this report and report back to a future Council meeting on the changes made.
8. Delegate to the Corporate Director Resources, authority to explore alternative means of providing financial support to Cardiff City Transport Services Limited that would reduce the requirement for Cardiff Council's allocation included in the indicative Capital Programme and authorise the Corporate Director Resources to conclude any such agreements on behalf of Cardiff Council.

SENIOR RESPONSIBLE OFFICER	CHRISTOPHER LEE Corporate Director Resources
	DATE: 09 October 2020

The following confidential Annexe and its appendices are attached:

Annexe A and Appendices 1 to 8 to this report are not for publication as they contain exempt information of the description contained in paragraphs 14 (Information relating to the financial or business affairs of any particular person {including the authority holding that information}) and 21 (public interest) of Schedule 12A of the Local Government Act 1972. In all the circumstances of this case it is viewed that the public interest in maintaining the exemption outweighs the public interest in disclosing the information, as without keeping certain of the information relating to the financial and business affairs exempt, such information may not have been

be provided to the authority in order to consider matters and or its disclosure could prejudice a party.

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Annexe A – Securing the Future Sustainability and Viability of Cardiff City Transport Services Limited.

Appendix 1 - Letter received from the board of Cardiff Bus on 2nd June 2020 setting out the intention to hold an Emergency Board Meeting on 11th June 2020

Appendix 2 – Letter from Trustees to Company

Appendix 3 – Trustee letter to the Pension Regulator setting out delay in agreeing a valuation

Appendix 4 – Letter from the Pension Regulator to the Council

Appendix 5 – Letter from the Chair of Cardiff City Transport Services Ltd seeking financial support for viability

Appendix 6 – Comparison of Guarantee as well as Statutory and Principal Employer options

Appendix 7 – Cardiff Bus Strategy Update

Appendix 8 – In principal approval by the Trustees of the Cardiff Bus Pension Scheme of measures to agree the 31 March 2018 scheme valuation

Appendix 9 – Welsh Minister consent for financial viability support

Background papers

- Grant Thornton - Report in the Public Interest concerning governance arrangements for Subsidiaries
- Confidential Communication passing between Company, Trustees, Pension Regulator and Council (exempt from publication for reasons given above)

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

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Simon Jones
Director, Economic Infrastructure
Department for Economy and Transport



Llywodraeth Cymru
Welsh Government

Mr Christopher Lee
Corporate Director Resources
Cardiff Council
Room 343, County Hall
Atlantic Wharf
Cardiff CF10 4UW

Eich Cyf/Your Ref: CDR/CL
Ein Cyf/Our Ref:

Date: 15th September 2020

Dear Chris

Cardiff City Transport Services Limited (“Cardiff Bus” “the Company”) Consent for Viability Financial Support

Thank you for your letter of 11 September outlining the work you have been undertaking with the company to secure its financial future and the ongoing work with the trustees and advisors regarding the pension’s issues.

I acknowledge the position you have achieved in negotiating a potential agreement in principal with the pension fund trustees to take to full council next week. I can confirm that the consent in my letter to you dated 5th June still stands as it is our view that nothing material has changed. Therefore I am content for my letter to be used to provide the viability support proposed pursuant to section 79(8) of the Transport Act 1985.

I would like to reiterate that such consent is subject to you continuing to have confidence that your proposed support will give the company a reasonable prospect of securing a sustainable future. I would also like to reiterate, on behalf of the Welsh Ministers, that it is the Council’s sole responsibility to ensure that the proposed financial support (and business plan implementation) is delivered lawfully and in full compliance with all applicable legislation.

I hope this provides the reassurance required for your council meeting on Thursday.

Yours sincerely

Simon Jones
Director of Economic Infrastructure

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.



Llywodraeth Cymru
Welsh Government

Grŵp Yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Mr Christopher Lee
Corporate Director Resources
Cardiff Council
Room 343, County Hall
Atlantic Wharf
Cardiff CF10 4UW

Eich Cyf/Your Ref: CDR/CL
Ein Cyf/Our Ref: MA-KS-0976-20

Date 5th June, 2020

Dear Chris

Cardiff City Transport Services Limited (“Cardiff Bus” “the Company”) Request to Provide Viability Financial Support

I refer to your letter of the 20th December 2019 requesting consent from the Welsh Ministers pursuant to section 79(8) of the Transport Act 1985 (“the 1985 Act”) to provide financial support to the Company to address viability.

In accordance with section 79(9) of the Act the Welsh Ministers have considered the business plan that you have submitted for the purposes of improving the Company’s operations and financial viability going forward and on the basis of the proposals put forward therein, have granted the necessary consent for the proposed financial support measures to be implemented.

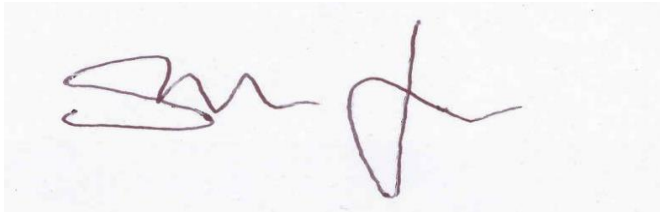
Please note that such consent is subject to you continuing to have confidence that your proposed support will give the company a reasonable prospect of securing a sustainable future and the completion of any outstanding or updated due diligence that may be required.

I would also remind you on behalf of the Welsh Ministers that it is the Council’s sole responsibility to ensure that the proposed financial support (and business plan implementation) is delivered lawfully and in full compliance with all applicable legislation. The Welsh Ministers have not undertaken their own independent analysis of this in providing the consent referred to herein. Should you have any concerns about compliant implementation then you should seek appropriate professional advice.

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I would be grateful if you could acknowledge receipt of this letter (which supersedes my letter of 29th May concerning the issue of consent under the 1985 Act), by return correspondence.

A handwritten signature in dark ink, appearing to read 'SJ', is centered on a light-colored rectangular background.

Simon Jones
Director of Economic Infrastructure

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