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## AGENDA

**Pwyllgor** PWYLLGOR ARCHWILIO

**Dyddiad ac amser y cyfarfod** DYDD LLUN, 27 MEHEFIN 2016, 10.30 AM

**Lleoliad** YSTAFELL BWYLLGORA 4 - NEUADD Y SIR

**Aelodaeth** Ian Arundale (Cadeirydd)  
Professor Pendlebury, Hugh Thomas

Y Cynghorwyr Howells, Kelloway, McGarry, Mitchell, Murphy, Weaver  
a/ac Walker

Tua  
Amser.

- |          |   |             |
|----------|---|-------------|
| <b>1</b> | <b>Ymddiheuriadau am absenoldeb</b>   | 10.30<br>am |
| <b>2</b> | <b>Penodi Cadeirydd</b><br><br>Penodi Cadeirydd ac Is-gadeirydd i'r Pwyllgor Archwilio ar gyfer<br>Blwyddyn y Cyngor 2016/17.           |             |
| <b>3</b> | <b>Datgan Buddiannau</b><br><br>I'w gwneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod<br>Ymddygiad yr Aelodau.                 |             |
| <b>4</b> | <b>Cofnodion</b> ( <i>Tudalennau 1 - 10</i> )<br><br>Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 22 Mawrth 2016 fel<br>gwir gofnod. |             |
| <b>5</b> | <b>Swyddfa Archwilio Cymru</b> ( <i>Tudalennau 11 - 14</i> )<br><br>5.1 Llythyr Rhaglen Reoliadol Caerdydd 2016-17                      | 10.40<br>am |
| <b>6</b> | <b>Cyllid</b> ( <i>Tudalennau 15 - 268</i> )  | 10.55<br>am |

- 6.1 Diweddariad Ariannol
- 6.2 Datganiad Cyfrifon Drafft / Datganiad Llywodraethiant blynyddol 2015/16
- 6.3 Teclyn Olrhain Swyddfa Archwilio Cymru/Astudiaethau Eraill  
1) Gwydnwch Ariannol  
2) Tystysgrif Cydymffurfiaeth
- 7 Adroddiad Blynyddol y Pwyllgor Archwilio 2015/16 (Tudalennau 269 - 324)** 11.15 am
- 7.1 Adroddiad Blynyddol y Pwyllgor Archwilio 2015/16
- 7.2 Cofrestr Risg Corfforaethol (Diwedd Blwyddyn)
- 7.3 Adolygiad Datganiad Sicrwydd Uwch Reolwyr - Adborth
- 8 Adroddiad ar Berfformiad (Tudalennau 325 - 332)** 11.35 am
- 8.1 Adroddiad ar Berfformiad
- 9 Adroddiad Cynnydd Archwiliad Mewnol 2016/17 (Tudalennau 333 - 372)** 11.50 am
- 9.1 Diweddariad ar Gynnydd (gan gynnwys Crynodebau Gweithredol)
- 9.2 Adroddiad Cynnydd Archwiliad Mewnol 2015/16
- 9.3 Cynllun Archwiliad Mewnol 2016/17 - Manwl
- 10 Rhaglen Waith (Tudalennau 373 - 378)** 12.10 pm
- 11 Materion Brys (Tudalennau 379 - 380)**
- Penodi Pwyllgor a Chylch Gorchwyl
- 12 Dyddiad y cyfarfod nesaf**
- Byd cyfarfod nesaf y Pwyllgor yn digwydd ar 19 Medi 2016 (yn amodol ar gymeradwyaeth gan y Cyngor ar 30 Mehefin 2016)

**Davina Fiore**

**Cyfarwyddwr Llywodraethu a Gwasanaethau Cyfreithiol**

Dyddiad: Dydd Mawrth, 21 Mehefin 2016

Cyswllt: Graham Porter, 029 2087 3401 g.porter@cardiff.gov.uk, 029 2087 3401, g.porter@cardiff.gov.uk

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Mae'r dudalen hon yn wag yn fwriadol



## AUDIT COMMITTEE

22 MARCH 2016

Present: Independent Members: Ian Arundale (Chair),  
Professor Maurice Pendlebury, Hugh Thomas

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

## 1 : APOLOGIES FOR ABSENCE

Apologies were received from Christine Salter, Janet McNicholas and Chris Pugh.

## 1 : DECLARATIONS OF INTEREST

No declarations of interest were received.

## 3 : MINUTES

The minutes of the meeting held on 1 February 2016 were approved as a correct record and were signed by the Chairperson.

## Finance

## 4 : FINANCE UPDATE 2015-16

The Committee received an update report on the Council's financial position for 2015/16. The report aimed to assist the Committee in understanding the financial context within which the Council is currently operating and provide a brief update on the 2016/17 budget approved by the Council on 25 February 2016 and the medium term.

The report highlighted the improved revenue monitoring position at Month 9. Members were advised that despite the improving position financial pressures and shortfalls against budget savings targets in directorate budgets continue to result in projected overspends. However these are offset by projected savings on capital financing, an anticipated surplus on Council Tax collection and by NDR refunds on Council properties.

Members were asked to note the proposed variance of £29.9 million in the Council's Capital Programme due to slippage in two areas, namely, construction of the new Eastern High School and various energy projects including LED for street lighting.

The 2016/17 budget approved by Council included budget savings of £28.835 million. Members were advised that the £28.835 million savings were risk rated for both residual risk and achievability. The residual risks include £9.888 million rated red or red / amber with £11.663 million similarly rated in relation to achievability. Savings have either been realised or detailed plans are in place for 90.5% of the proposed savings, a significantly increased percentage compared to the position in the previous financial year. The achievement of these savings will be closely monitored throughout the coming year.

Members discussed the various scenarios relating to the budget settlement. Officers were asked to clarify what the worse-case scenario would be. Officers stated that the worse-case scenario represented a 4% cut in the budget settlement figure.

The Committee also sought a further explanation on the use of the £4 million contingency. Members were advised that there were two separate budgets with £4 million contingency; the first £4 million represented part of the base budget; and the second represented an additional £4 million contingency for one-off items to support long term financial resilience.

The Committee asked whether more could be done to hold Directors to account for overspends. Officers advised that the policy has been to incentivise directorates to deliver their budget proposals. The 2016/17 budget aimed to reshape services in order to deliver savings, rather than continue with percentage based 'salami slicing' of budgets. If directorates were subsequently holding surpluses then these monies will be 'clawed back'.

RESOLVED – That the financial information provided in respect of the 2015/16 monitoring position and the outcome of the budget for 2016/17 and the medium term be noted.

## 5 : ACCOUNTING POLICIES UPDATE

The Committee received a report providing Members with an update on the changes to accounting policies included in the 2015/16 CIPFA Code of Practice and the potential impact for the Council's Statement of Account. Members were also advised that future updates to the Code are likely to have a significant impact on the accounts.

Officers stated that there were a number of changes to the code which would not impact on the accounts in any great detail. The most significant change, however, was in the application of *IFRS 13 Fair Value Measurement* of property, plant and equipment in local government. This requires a change in the valuation of assets to a fair value approach, and was deemed to give a fairer indication of the value of assets not used in service delivery.

The 2015/16 Code included confirmation that forthcoming editions of the Code are to include the adoption of the measurement requirement of the *Code of Practice on Transport/Infrastructure Assets* in the 2016/17. The Committee was advised that these changes had the potential to double the value of the non-current assets due to new depreciation policies being applied to the balance sheet. The Highways Network Infrastructure Asset included land, carriageways, footways, cycle tracks, street lighting, street furniture and traffic management systems. The changes were likely to require significant additional workload on the part of the finance function and directorates at a time of significant financial pressures.

The Committee also received details of the CIPFA 'Telling the Story' Consultation, which set out to make Local Authority accounts more understandable. The key change being considered is a change from reporting the net cost of services to reflect the management reporting structure of each local authority. In support of CIPFA's exercise, the Council is currently undertaking a review of its Statement of Accounts, with the intention of removing immaterial disclosures and superfluous narrative and information.

The Committee discussed the changes to the Code of Practice on Traffic/Infrastructure Assets. Members questioned the Council's capacity to collate the infrastructure and highways data. Officers advised that the data was already available and had been required for the whole of government accounts for a number of years. The Head of Finance explained that the authority has had support from external audit on this matter.

The Head of Finance is Chair of a Group of Accountants from across Wales who are discussing best practice in this area.

RESOLVED – That:

- (1) The report be noted;
- (2) A report be presented to the Committee later in the year providing an update on progress on the task of valuing the infrastructure asset.

Governance and Risk Management

6 : AUDIT COMMITTEE DRAFT ANNUAL REPORT 2015/16

The Committee were asked to consider the draft Audit Committee Annual Report 2015/16. The Head of Finance advised that some year-end date was awaited and was still to be included in the draft annual report. Members were asked if they would like to comment on the report or provide any comments to the Chairperson of the Committee by mid-April.

The following comments were noted:

- With regard to 5.3 of the report and the study of the Building Maintenance Framework, a Member requested that the observation on the framework included in the report be expanded upon. The Member questioned whether the framework was robust enough. The Member was requested provide any additional comments regarding this to the Chairperson of the Committee and the Principal Auditor.
- Members expressed concerns regarding the level of resources available to Internal Audit. Members asked the Audit Manager whether the level of resources was sufficient enough for Internal Audit to discharge its function. The Audit Manager stated that Internal Audit was faced with budget cuts. The Budget Strategy to be presented at the meeting accepts that the establishment will be reduced by two posts. The number of audit days would continue to be reduced. The issue was recognised and it was difficult for the Audit Manager to give a satisfactory opinion regarding the level of resource available in the Annual Report. Members recommended the wording of the annual report be strengthened in this regard. The Head of Finance stated that the post being lost were not part of the core function of Internal Audit. The Chairperson gave an undertaking that the wording of the draft Annual Report would be amended accordingly.

RESOLVED – That:

- (1) The draft Audit Committee Annual Report 2015/16 be updated to reflect the comments received;
- (2) Any further comments be sent to the Audit Committee Chairperson by mid-April;
- (3) The final draft of the Audit Committee Annual Report 2015/16 to be presented at the meeting of 16 June 2016 for approval.

7 : DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

The Audit Committee is required to review the Annual Governance Statement (AGS) prior to its approval. The Committee is also required to consider the Councils corporate governance arrangements against the good governance framework by way of the process of compiling the AGS.

The Audit and Risk Manager presented the draft Annual Governance Statement 2015/16. The Audit and Risk Manager highlighted the key issues in the statement. The Committee was requested to comment on the draft statement and give any feedback to the Corporate Director Resources for inclusion in the finalised AGS to be approved at the June meeting of the Committee.

The following observations were received:

- Members considered that Neighbourhood Delivery Plans are key to the delivery of an alternative delivery model for Infrastructure Services. Members would welcome recognition of the ADM project in the AGS.
- Members requested that further information be included in the report regarding the reassignment of Risk Manager responsibilities. The Head of Finance advised he will be responsible for risk management. The appointment of a new Audit Manager was likely to take up to 3-4 months.

RESOLVED – That the matters raised be reflected in the revised Audit Governance Statement for consideration at the June meeting of the Committee.

Wales Audit Office

8 : PROGRESS UPDATES AND VALUE FOR MONEY STUDIES

(a) *Delivering More With Less: Leisure Services*

The Committee received the Welsh Audit Office report entitled 'Delivering More with Less: Leisure Services'. John Donovan, Corporate Sales Manager, in the Sport, Leisure and Culture Directorate was welcomed to the meeting and was invited to present the report.

Members were advised that the authority has concentrated on the financial challenges facing the Sport, Leisure and Culture Service. There was a need to consider the wider, long-term vision for the service. There was some support for moving to a Trust model as this option can bring about savings in VAT and attract grant funding. The ADM options were listed in the report. The Welsh Government's focus has been on the use of Trusts. However, there were some drawbacks and challenges to Trust status, which were outlined in the report.

The Committee was asked to consider the health benefits offered by the service and the need to increase physical activity. The service was being challenged to become more commercially driven. Income was stable at £8 million per annum. The Income Strategy would continue to be used to increase income and drive down subsidy.

Members suggested that the Economy and Culture Scrutiny Committee be given an opportunity to consider the WAO report 'Delivering with Less: Leisure Services'.

RESOLVED – That:

- (1) The report be noted;
- (2) The Economy and Culture Scrutiny Committee be requested to consider the WAO report 'Delivering with Less: Leisure Services' as part of its scrutiny of alternative delivery models.

*(b) Update on Wales Audit Office Work Programme*

The Committee received a report providing an update on the improvement work conducted by WAO during 2015/16.

Viv Pearson advised that in October 2015 the Authority introduced a 'tracker' to capture the output of regulators, which is maintained by the Improvement and Information Team. The Tracker sets out the WAO improvement programme and provides indicative timeframes for reports, recommendations/proposals for improvement, the lead officer within the Council and evidence of action being taken.

Members requested that the 'tracker' be included as a standing item on all future agenda for the Committee.

RESOLVED – That:

- (1) The report be noted;
- (2) That update reports on the the Council's Improvement Programme 'Tracker' be included as a standing item on all future Committee agendas.

*(c) Regional Education Consortium*

The Committee received the Wales Audit Office National Report on Regional Education Consortia. The report was published on 15 June 2015 and seeks to identify the current position and indicators of good practice. The Auditor General concluded that after an uncertain start, the foundations for regional school improvement services are being established and there are positive signs of progress. However, some there are also some remaining weaknesses which are hindering the development of the system and the effective governance and financial management of regional consortia.

The Committee report included WAO's recommendation and comments and a summary of Cardiff Council's response. Members were advised that the Director of Education and his team of officers have been working closely with the consortia to bring about improvements.

Members received observations from Cardiff's viewpoint on the report from Nick Batchelar, Director of Education; Hannah Woodhouse, Managing Director of Central South Consortium; and Louise Bassett, Business Manager Central South Consortium. Members were advised that under the consortium arrangements performance and governance are delivered jointly. Other aspects of the consortium are commission based and there are mechanisms in place to hold the Consortium to account. The Consortium has focussed on sharpening its business planning and value for money. Nick Batchelar considered that the 'litmus test' for the Consortium was school improvement and whilst there had been significant gains made there was still work to do.

Hannah Woodhouse stated that the report was published in June 2015 following a visit from WAO in 2014. Work has been done to strengthen governance arrangements, decision making and addressing concerns regarding scrutiny of the Consortia. There was also evidence to show that the proper management of resources demonstrate the impact of investment on results. Efforts had also been made to tighten oversight and strengthen the role played by challenge advisers.

Responding to a question from the Committee, the officers advised that Cardiff provides £1.5 million or 34% of the Consortium's funding. The figure is proportionate based on pupil numbers.

RESOLVED – That the report be noted.

*(d) A Picture of Public Services Report*

The Chief Executive was invited to give his observations on the Wales Audit Office report 'A Picture of Public Services'. The Committee was advised that the report was a national study on public services responding to major financial challenges. The messages in the report address the short-termism characteristics in local authorities financial planning. In particular, the report addresses preventative approaches, performance management and corporate assessment.

The Chief Executive stated that in Cardiff the authority has overhauled its corporate planning and has a more meaningful medium-term financial place. An organisational development process was also in place and critical decisions are due regarding the Infrastructure and Leisure alternative delivery models to ensure that service delivery responds to the financial challenges facing the authority.

RESOLVED – That the report be noted.

9 : CORPORATE ASSESSMENT UPDATE

The Committee received a report and were asked to consider the Wales Audit Office Corporate Assessment Follow On report on the City of Cardiff Council.

The Chief Executive advised that the Corporate Assessment Update in September 2014 was critical of performance and governance. The Authority sought to address those concerns and a performance management strategy was subsequently introduced. The Council responded by addressing performance weaknesses and making the Council more responsive to financial challenges, rationalisation of estates and via service delivery. The Council's statement of action directly addresses WAO's specific proposals for improvement.

Members were advised that the Follow On Assessment report demonstrated that progress has been made and steps which still need to be taken. Members were advised that the overarching theme of the report was that improvements are continuing and the Authority is moving in the right direction. However, more improvement is required.

Members expressed concerns regarding the authority's ability to take a long-term view to decision-making. The Chief Executive sympathised with the view that the Council tends to

focus on 12-month cycles. There had been a significant shift to develop a longer horizon in terms of planning. The Medium Term Financial Plan now contains considerably more detail. The Section 151 Officer was also keen to bring forward planning for the 2017/18 budget setting process in order to engage Members. Furthermore, the policy cycle was not based on a 3-year cycle, but Directorate Delivery plans were still front-loaded over 12-months, so there was clearly more work to do.

The Chief Executive commented on PPDRs and advised the Committee that there had been improvements in the rigour of the PPDR process and examples of good practice. Improvements were still needed in other areas. Officers are attempting to build additional capacity around learning and development for managers with more emphasis on learning/behavioural objectives.

A Member advised that the Policy Review and Performance Scrutiny Committee had considered the Corporate Assessment update report. The Chairperson of the Policy Review and Performance Scrutiny Committee considered that whilst leadership had improved more capacity to challenge was needed. The Member also raised concerns regarding governance, specifically the number of vacancies on Scrutiny Committee and clarification was sought regarding how that issue might be addressed.

The Chief Executive was asked to explain how the authority would be able to comply with WAO's recommendations re short termism and also meet service demands. The Chief Executive stated that it was a question of balance. The challenge to the authority was the scale of the financial pressures. Achieving the savings necessary through a complex set of service delivery changes mean that this has to be managed over a longer period.

The Committee commended the Action Plan. Member considered the implementations dates set out in the Action Plan to be ambitious. The Chief Executive advised that a refresh of the Organisational Development Programme will be considered at the Cabinet meeting in June. The new Head of Performance was now in post and there was a clear mandate to strengthen performance management. The Chief Executive acknowledged the pressures around implementation dates.

RESOLVED – That:

- (1) The Committee notes the Corporate Assessment Follow On Report and proposed Statement of Action;
- (2) The Head of Performance be invited to attend a future meeting of the Audit Committee;
- (3) The Audit Committee have sight of the Cabinet Report on the review of the Organisational Development Programme;
- (4) The Chief Executive be invited to attend Audit Committee in 6 months to discuss alignment between the Organisational Development Programme and Medium Term Financial Plan;
- (5) WAO be invited to provide input from WAO perspective in 6 and 12 months time.

10 : IMPROVEMENT PLAN OF WORK AND ANNUAL FINANCIAL AUDIT OUTLINE

WAO advised that the financial audit work is risk-based, focussing on the risk of material misstatement. An overview of the process was outlined, including the assessment made in setting the audit fee. Members were advised that the Wellbeing of Future Generations Act will have an influence. It was proposed that there will be a 5% reduction in the audit fee.

The Committee was advised that the pension fund uses a risk based approach also and follows the same fee calculation process. The pension fee for last year was greater than quoted due to problems in reconciling data as a result of the pension systems used.

The fee calculation, including a number of factors which determine how much work is needed, was explained. Members were advised that WAO looks at the skill mix required and the rates for each officer level required. The costs are then internally scrutinised by WAO officers and then by the WAO board and the finance committee of the national assembly.

In terms of benchmarking the Cardiff fee is below average. Members questioned why some larger authorities pay a lower rate. It was explained that this was most likely to result from greater economies of scale, as the fee is demonstrated as a percentage of the revenue support grant.

RESOLVED – That:

- (1) The report be noted;
- (2) WAO be requested to collate further benchmarking data.

#### Treasury Management 11 : PERFORMANCE REPORT

The Committee received the Treasury Management Performance report. Members were advised that there had been little change to report in this area. Internal borrowing for year end is forecast to be £50 million. Officers advised that there was an adequate spread of investments. A small loan of £1.9 million was made in respect of schools and an interest free loan of £0.5 million was received from the Welsh Government.

RESOLVED – That the report be noted.

#### 12 : TREASURY MANAGEMENT PRACTICES

The Committee received a report on the proposed Treasury Management Practices (TMPs) to apply from April 2016. TMAs are a set of policies and practices required by CIPFA to demonstrate risk assessments, segregation of duties, etc, which ensure that the Council's Treasury Management activities are carried out in an open and transparent manner.

A Member raised a question regarding how credit and risk is managed. Officers stated that the authority uses FITCH criteria and we continue to review our investments with treasury advisors. The authority uses cash forecasts, does not hold high risk investments and has set a maximum exposure.

RESOLVED – That the report be noted.



## Internal Audit

### 13 : PROGRESS UPDATE

The Audit and Risk Manager advised Members of the Committee that the main work of the Internal Audit section had been captured in the Annual Report. Members were advised that the tracker has been updated. There was one new limited assurance audit, which the service area had welcomed and assigned resources to appropriately respond. There were some repeated follow up reports that are still in need of improvements. The Audit Committee will be provided with Executive Summaries at its June 2016 meeting.

Members were asked to note that there is an increasing trend in limited and no assurance audit reports.

RESOLVED – That Executive Summary reports be provided to the Audit Committee at its meeting on 22 June 2016.

### 14 : AUDIT STRATEGY 2016/17

The Audit and Risk Manager presented the Audit Plan and Strategy 2016/17. Members were advised that a thorough PSIAS review has been completed which had resulted in a number of the key documents being updated. The resource base is outlined with two people less than previously and a need to prioritise workloads.

Members were advised that the Quality Assurance Improvement Plan (QAIP) was important to meet performance and standards. The key challenges were outlined and these have formed new objectives for the Audit Team. As part of the audit planning process there is much collaboration, assurance mapping etc. The Internal Audit team are reviewing risks and objectives with Directors to feed into the Audit Plan.

A more detailed plan will be presented to Audit Committee in June. The plan remains flexible and there are opportunities to take on unplanned work.

RESOLVED – That:

- (1) The Committee approves Audit Strategy;
- (2) A more detailed Audit Plan be presented to Committee on 22 June 2016.

### 15 : OUTSTANDING ACTIONS

The Audit and Risk Manager advised that there are no outstanding actions.

### 16 : WORK PROGRAMME UPDATE

The Annual Governance Statement, Corporate Risk Register, Audit Committee Draft Report, and potentially the Audit/Scrutiny Protocol will be considered by Committee at its meeting on 22 June 2016. The Audit and Risk Manager also stated that the Director of Education will attend to discuss school deficits. Furthermore, in September an Audit Committee Self-Assessment Workshop will take place.

### 17 : URGENT BUSINESS

The Audit Committee Chair advised that it had not been possible to appoint to an Audit Committee lay member. The appointment process will re-commence.

18 : DATE OF NEXT MEETING

The next meeting will take place on 22 June 2016, subject to confirmation at Annual Council on 25 May 2016.

The meeting terminated at 4.00 pm



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Mr Paul Orders  
 Chief Executive  
 The City of Cardiff Council  
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Date 23 May 2016  
 Pages 1 of 4

Dear Paul

### **2016-17 Performance Audit Work and Fees**

Further to my letter of 16 March 2016 I am now in a position to confirm the programme of performance audit work at the City of Cardiff Council for 2016-17. This work is delivered under the Local Government (Wales) Measure 2009 (the Measure), the Local Government Act 1999 and the Public Audit (Wales) Act 2013.

The Auditor General for Wales has reviewed the existing local government performance audit programme in the light of the reform programme set out in the draft Local Government (Wales) Bill, taking into consideration that the Local Government (Wales) Measure 2009 will be extant, and that councils will be under an obligation to adopt the sustainable development principle from April 2016, as set out in the Well-being of Future Generations (Wales) Act 2015 (WFG Act).

As the draft Local Government (Wales) Bill proposes that the 2009 Measure will no longer apply to councils, we intend to minimise work that focusses on the process of improvement planning in favour of work that focusses on councils' capacity and capability to effect change whilst maintaining good governance.

However we will still need to satisfy audit requirements as the Measure remains in place for 2016-17. I can now confirm that we will do this through a basic audit check of your publications and will provide a certificate of compliance. I can also confirm that we will discharge our assessment requirements by undertaking three thematic reviews at all councils with the aim of providing assurance and insight as to where arrangements can support improvement and change, taking into account the requirements of the WFG Act. In addition to reporting to each council on their own arrangements, I will also publish

national summary reports, funded by the WPI grant, which will provide all-Wales overviews and signpost good practice and shared learning.

I also intend to leave some headroom within the fee structure for agreeing local risk-based work. As each of the thematic reviews will result in a local report, annual reporting will be by means of an annual letter providing summary highlights and linking to local reports.

In addition to the work outlined above, we will continue a programme of Local Government Studies as set out in the Auditor General's letter of 16 March 2016. These and the specific elements of our audit and assessment work are set out in the table below. Please note that each year's work programme and performance audit fee covers one cycle of Improvement Assessment work. However, as this work does not fit neatly within a period starting on 1 April and ending on 31 March, the delivery of the annual work programme may overlap financial years.

<b>WAO performance audit work 2016-17</b>	
<b>Improvement assessment work</b>	
<b>'Improvement Plan' Audit</b>	Audit of discharge of duty to publish an improvement plan.
<b>'Assessment of Performance' Audit</b>	Audit of discharge of duty to publish an assessment of performance.
<b>Financial Resilience review</b>	Councils are continuing to deal with austerity and an uncertain future. This review will seek to provide assurance that arrangements are focussed on maintaining resilience over the medium to long term.
<b>Governance review</b>	With the introduction of CIPFA's revised framework for 'Delivering good governance in local government', and the requirement for councils to adopt the sustainable development principle from April 2016, this review will provide councils with a baseline from which to plan improvements to governance.

<b>Transformation review</b>	This baseline review will examine how councils are approaching 'transformational change'.
<b>Local risk based work</b>	We will assess the Council's progress in addressing the recommendation and proposals for improvement contained in our Corporate Assessment Follow On review which was published in February 2016.
<b>Local Government Studies</b>	
<b>Addressing dependency and demand for public services through the development of effective prevention approaches</b>	In the last few years, Councils in Wales have developed a model of public service delivery based on a 'deficit approach' – focusing on problems, needs and deficiencies of individuals and communities, designing services to fill the gaps and fix the problems, leading to individuals and communities becoming both disempowered and dependent. This review will consider how councils are reducing demand for services focussing on alternative methods of delivery, will consider the impact of decisions specifically within deprived communities, and would include a critique of the Welsh Government Anti-Poverty Strategy.
<b>Strategic Commissioning</b>	The sharper focus on outcomes is leading to the reorientation of public services around a 'commissioning model'. The majority of service provider relationships are borne out of a desire to cut costs and improve service delivery, however the opposite can (and often does) occur. Many Local Authorities underestimate the complexities involved in establishing a strong service provider partnership from the outset. This study will look at

	how effective councils are at strategic commissioning.
<b>Improving joint work on housing and health</b>	Joint working between housing and health can reduce pressures on the NHS and improve an individual's overall wellbeing. It is widely recognised that the quality of housing and the surrounding neighbourhood are influential in shaping health and wellbeing at different points of people's lives. Given the critical role of housing in addressing health inequalities this review will consider how councils are working with health and housing bodies to deliver health improvements.

The table below sets out our indicative fee for performance audit work. The indicative fee for April 2016 to March 2017 is £108,774 and will be charged in equal instalments between April 2016 and March 2017. If during the course of the year any additional work is identified as being necessary, this may incur additional fees. Similarly should an issue arise of such importance that we consider a special inspection to be an appropriate response, we will charge an additional fee to conduct such an inspection.

<b>Fee April 2016 to March 2017</b>	<b>£</b>
Fee for WAO performance audit work	£108,774
<b>Total Fee</b>	

Should you wish to discuss any element of this work please do not hesitate to contact me or Non Jenkins (Non.Jenkins@audit.wales) or Chris Pugh (Chris.Pugh@audit.wales).

Yours sincerely



Alan Morris  
Director, Wales Audit Office

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE:****27 June 2016**

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**FINANCIAL UPDATE****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 6.1**

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**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide the Audit Committee with an update on the Council's final outturn position for 2015/16 and to outline the initial work being undertaken in relation to budget preparation for 2017/18.

**Background**

3. The Outturn position for 2015/16 was reported to the Cabinet Meeting on the 16<sup>th</sup> June and a brief summary of the overall position and key issues is set out below. Work in relation to the in-year financial monitoring position for 2016/17 is still at an early stage and updates will be provided to the Committee as the year progresses. Initial work has also begun in relation to budget preparation for 2017/18 and a report outlining the proposed budget strategy will be presented to Cabinet in July. A brief summary of the key issues and areas for consideration is set out below. Further information on the 2017/18 budget process will be provided to the Committee later in the year.

**Issues****2015/16 Outturn**

4. The revenue outturn position showed a surplus of £1.696 million after contributions to and from reserves as compared to the surplus of £988,000 reported at month nine. The improvement reflected a number of factors including a significant improvement to the directorate positions at the year end, a higher surplus on Council Tax and an increase in non-domestic rate (NDR) refunds on Council properties following successful appeals to the Valuation Agency. Additional funding of £862,000 was also received in relation to the Outcome Agreement Grant as a result of confirmation from the Welsh Government regarding meeting the agreed outcomes and successful performance in relation to 2014/15. These were partly offset by a reduction to the previously reported underspend on capital financing as a result of utilising the underspend to pay off historic premiums and penalties relating to rescheduling of borrowing undertaken

in previous years. This will enable savings to be released in support of the 2017/18 budget strategy. Contributions were also made to reserves including £1.0 million, which as set out in the Budget Report forms part of the funding for the 2016/17 Budget.

5. During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services, Corporate Management, City Operations and Economic Development. This reflected a range of factors including increased demographic pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2015/16 budget. Although overall, directorate budgets still reported an overspend of £4.635 million this represents a significant improvement compared to the monitoring position at month nine with the overall directorate position improving by £951,000. This included significant improvements to the positions in City Operations and Economic Development and both these directorates reported a surplus at the year end. Overspends of £5.022 million on Social Services and £372,000 on Corporate Management were still reported however these were partly offset by savings in other directorates. The directorate overspends were partially offset by the £4.0 million general contingency budget which was maintained as part of the 2015/16 budget in order to reflect the quantum, risk and planning status of the proposed savings in 2015/16. The overall position also included savings in other areas including Council Tax collection, NDR refunds on Council properties and additional income arising from successful performance against the 2014/15 Outcome Agreement Grant. A summary of the overall position is attached as an appendix to this report.
6. A shortfall of £6.586 million was reported against the £32.473 million directorate savings targets for 2015/16 with a further shortfall of £2.837 million against the savings targets carried forward from 2014/15. Although £3.029 million of these shortfalls was written back as part of the 2016/17 Budget this still leaves an on-going shortfall of £6.394 million to be achieved in 2016/17 in addition to the budget savings approved as part of the 2016/17 budget process itself. It is essential therefore that directorates continue to progress any outstanding savings from 2014/15 and 2015/16 so that these are fully achieved in the current financial year.
7. As part of the revenue budget proposals for 2015/16, the Council secured an in principal capitalisation direction from the Welsh Government allowing revenue costs based on securing service reform including statutory redundancy costs to be met from capital receipts from surplus assets. Eligible expenditure of £2.435 million was identified as part of the Council's outturn position and this was capitalised, with the capital receipts necessary to support this having been achieved during the year.
8. In total, redundancy costs incurred during the year amounted to £2.027 million of which £1.018 million was in respect of school based staff. The statutory redundancy costs were capitalised in line with the Welsh Government direction leaving just £399,000 to be funded in the General Fund via the voluntary severance budget in the SRA. The relatively low level of redundancy costs in 2015/16 allowed repayments of £4.377 million to be made to earmarked reserves to offset sums previously borrowed from reserves as part of the funding mechanism used to support the level of redundancy costs in previous years.



9. Increases in the Council's earmarked reserves as a result of the out-turn position will serve to improve the Council's overall financial resilience. In addition, the resources will be available to assist in funding one-off investments to support service transformation.
10. The Council Fund Balance at 31<sup>st</sup> March 2016 is £15.255 million. This includes the net revenue surplus of £1.696 million together with a further contribution of £1 million which in line with the 2016/17 budget proposals has been transferred to the balance and will be utilised in funding the 2016/17 budget.
11. Overall, schools increased their individual reserves by £1.234 million (net). A reduction of £1.106 million was also made to the on-going commitments arising from the 2014/15 overspend of £1.9 million on redundancy costs. When this is taken into account the overall increase in school balances is £2.34 million.
12. The Capital Programme Outturn for the General Fund and Public Housing for 2015/16 was £289.216 million, a variance of £35.565 million of which £33.631 million was in relation to slippage. The table below shows the movements in projected General Fund slippage from Month 4 through to Outturn. Significant elements of the increase in slippage for the General Fund (excluding SOP) between Month 9 and Outturn include £1.557 million Leisure, £1.032 million Highways Maintenance and £1.750 million Traffic and Transportation. Directorates are regularly reminded of the need to set achievable profiles and identify slippage at an early stage. This will be reinforced by the monitoring process in 2016/17.

<b>General Fund Slippage</b>	<b>Month 4 reported slippage</b>	<b>Month 6 reported slippage</b>	<b>Month 9 reported slippage</b>	<b>Outturn slippage</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
General Fund (excluding SOP)	4,868	7,427	7,967	15,397
SOP schemes	19,895	20,197	20,717	18,234
<b>Total</b>	<b>24,763</b>	<b>27,624</b>	<b>28,684</b>	<b>33,631</b>

13. The increased level of capital expenditure in 2015/16 is exceptional and is due to the £187.392 million settlement payment made by the Council to Welsh Government / HM Treasury to exit the Housing Revenue Subsidy System. This expenditure was funded by borrowing and HM Treasury required a cap on HRA borrowing to be implemented. Breach of this cap could result in the Council incurring financial penalties from Welsh Government, accordingly HRA capital expenditure priorities in its business plan and affordability of those will need to be managed so that any borrowing is within the cap.

### **2017/18 Budget Strategy**

14. The 2016/17 Budget Strategy was a result of more collaborative target setting with clear emphasis on how existing budgets might be reshaped over the medium term to address the financial challenge. This resulted in a more detailed response to the medium term budget reduction requirement as outlined in the 2016/17 Budget Report.

15. Preparation for the 2017/18 Budget seeks to build on this momentum by bringing forward the usual focus for budget strategy tasks by at least one quarter. The existence of a set of proposals for 2017/18 has negated the need for a detailed target setting exercise. This has allowed the focus to shift immediately to review and more detailed development of proposals; something that would not usually commence until September.
16. Senior Management Team and Informal Cabinet have been engaged from the outset of the budget preparation process. They have considered the approach, budget strategy assumptions and savings proposals. This work, along with a refresh of the estimated budget reduction requirement, will culminate in the 2017/18 Budget Strategy Report which is due to be presented to Cabinet in July 2016. Subject to the approval of this report, it is anticipated that public consultation on general savings themes will take place as part of the Ask Cardiff Survey with more detailed consultation during the Autumn.
17. Settlement announcements are expected to revert back to usual timeframes this year, and Provisional Settlement is expected in October 2016. This will be a key date in terms of budget preparation given that there are currently no indicative funding figures for 2017/18. Whilst confirmation of funding levels remains a key risk, the Council used the opportunity afforded by the better than anticipated 2016/17 settlement to establish a £4 million financial resilience mechanism. The mechanism, which is equivalent to approximately 1% of Aggregate External Finance supports one off investment in priority areas, and is available for release in subsequent years in the event that the settlement is worse than the 1% reduction assumed in the Medium Term Financial Plan.

### **Reason for Recommendations**

18. To inform Audit Committee of the Council's final outturn position for 2015/16 and to outline the work being undertaken in relation to the budget strategy for 2017/18.

### **Legal Implications**

19. No direct legal implications arise from this report.

### **Financial Implications**

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

### **RECOMMENDATIONS**

21. To note the Council's final outturn position for 2015/16 and the work being undertaken in relation to the budget strategy for 2017/18.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**June 2016**

The following appendix is attached:

Appendix 1 – Revenue 2015-16

**REVENUE 2015/2016**

	CASH LIMIT BUDGETS			PROJECTED OUTTURN			VARIANCES				VARIANCES		
	Gross Controllable Budget £000's	Income £000's	Net Expenditure £000's	Gross Controllable Spend £000's	Income £000's	Net Expenditure £000's	Gross Expenditure £000's	Income £000's	Net Expenditure £000's	Contribs to new reserves £000's	Gross Expenditure £000's	Income £000's	Net Expenditure £000's
<b>Service Area</b>													
City Operations	124,225	(74,320)	49,905	124,732	(74,830)	49,902	507	(510)	(3)	0	507	(510)	(3)
Communities, Housing & Customer Services	231,869	(185,614)	46,255	232,370	(186,281)	46,089	501	(667)	(166)	0	501	(667)	(166)
Corporate Management	30,105	(750)	29,355	30,133	(406)	29,727	28	344	372	0	28	344	372
Economic Development	31,678	(29,351)	2,327	32,861	(31,372)	1,489	1,183	(2,021)	(838)	630	1,813	(2,021)	(208)
Education & Lifelong Learning	310,875	(76,269)	234,606	311,354	(76,874)	234,480	479	(605)	(126)	0	479	(605)	(126)
Governance & Legal Services	6,143	(1,728)	4,415	6,249	(1,838)	4,411	106	(110)	(4)	0	106	(110)	(4)
Resources	37,621	(21,769)	15,852	36,789	(21,189)	15,600	(832)	580	(252)	0	(832)	580	(252)
Social Services	156,123	(18,520)	137,603	161,606	(18,981)	142,625	5,483	(461)	5,022	0	5,483	(461)	5,022
Capital Financing	39,437	(3,592)	35,845	39,714	(3,869)	35,845	277	(277)	0	0	277	(277)	0
General Contingency	4,000	0	4,000	0	0	0	(4,000)	0	(4,000)	0	(4,000)	0	(4,000)
Summary Revenue Account	9,756	0	9,756	11,698	(1,653)	10,045	1,942	(1,653)	289	50	1,992	(1,653)	339
Outcome Agreement Grant	0	0	0	0	(862)	(862)	0	(862)	(862)	0	0	(862)	(862)
Discretionary Rate Relief	300	0	300	291	0	291	(9)	0	(9)	0	(9)	0	(9)
<b>Total</b>	<b>982,132</b>	<b>(411,913)</b>	<b>570,219</b>	<b>987,797</b>	<b>(418,155)</b>	<b>569,642</b>	<b>5,665</b>	<b>(6,242)</b>	<b>(577)</b>	<b>680</b>	<b>6,345</b>	<b>(6,242)</b>	<b>103</b>
NDR refunds on Council properties	0	0	0	0	(370)	(370)	0	(370)	(370)	0	0	(370)	(370)
Council Tax Collection	0	0	0	0	(1,429)	(1,429)	0	(1,429)	(1,429)	0	0	(1,429)	(1,429)
<b>Total</b>	<b>982,132</b>	<b>(411,913)</b>	<b>570,219</b>	<b>987,797</b>	<b>(419,954)</b>	<b>567,843</b>	<b>5,665</b>	<b>(8,041)</b>	<b>(2,376)</b>	<b>680</b>	<b>6,345</b>	<b>(8,041)</b>	<b>(1,696)</b>

Mae'r dudalen hon yn wag yn fwriadol

**AUDIT COMMITTEE:**

**27 JUNE 2016**

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**DRAFT STATEMENT OF ACCOUNTS 2015/16**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.2**

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**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide Audit Committee Members with an opportunity to review and provide comments on the draft 2015/16 Statement of Accounts prior to them being signed by the Responsible Finance Officer and formally submitted for external audit and public inspection.

**Background**

3. The Statement of Accounts in Appendix 1 presents the draft accounts for Cardiff Council for the financial year 2015/16. Regulations require that the Responsible Finance Officer sign the accounts by 30 June 2016. A draft of these accounts was provided to Audit Wales on 14 June, ahead of the statutory deadline of the 30 June 2016. The next steps are:
  - To advertise the opportunity for Public inspection for a period of four weeks
  - To complete Whole of Government Accounts returns based on the draft accounts, in July 2016.
  - For all material amendments and adjustments to be agreed by Wales Audit Office and Council by end of August 2016.
  - For Audit committee consideration of the final accounts and audit report at its September meeting.
  - To propose that Full Council approve and sign the audited accounts at its meeting in September.
  - To publish the approved accounts by 30 September 2016 on Council website.
4. The Local Government (Wales) Measure 2011 identifies the review of the Council's Statement of Accounts as a specific function of the Audit Committee.

5. The Statement of Accounts are prepared in accordance with a Code of Practice on Local Authority accounting developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Accounts aim to give electors, those subject to levied taxes and charges, those charged with governance, members of the authority, employees and other interested parties, information about the authority's finances.
6. The accounts are important to ensure accountability of public funds, to allow comparison across organisations and to meet legislative requirements. However they are complex documents given the requirements to be met.
7. The Statement of Accounts includes a Narrative Report which provides a general explanation of the Council's overall financial position together with a guide to the financial statements included with the accounts. These financial statements are accompanied by notes which provide further detail on the accounts. The Group Accounts for the Council are also presented which consolidates the position to include the financial position of Cardiff Bus. The Accounts include an Annual Governance Statement which details the Council's governance arrangements. Lastly the accounts also include statements in respect of the Housing Revenue Account (HRA), Pension Funds, Trust Funds and Cardiff Port Health Authority.
8. The Council's core financial statements and their purpose are as follows:
  - The Movement in Reserves Statement which shows the movements in the year on different reserves. Usable reserves are those that can be used to fund expenditure or reduce local taxation for example general and earmarked reserves. Unusable reserves are those used for accounting entries, so cannot be used to fund expenditure or affect taxation levels.
  - The Comprehensive Income and Expenditure Account which accounts for the cost in the year of providing services in accordance with accounting practices.
  - The Council's Balance Sheet which provides a value at the balance sheet date of the assets and liabilities of the Council.
  - A Cash Flow Statement which identifies the movement in cash during the year classified into categories.
9. Whilst the accounts are complex documents, progress has been made in removing unnecessary and immaterial information and towards making them simpler where possible. However this is an ongoing process which will be continued in conjunction with Wales Audit Office who have a reviewing role.
10. The remainder of this report provides a summary of the main points evident in the Draft 2015/16 Statement of Accounts:

### **General and Useable Reserves**

11. The Council Fund balance has increased by £2.101 million to £15.255 million as at 31 March 2016, part of which was planned to be used towards meeting the budget for 2016/17. The detailed position in relation to the Outturn Report for the Council was presented to the June 2016 Cabinet meeting.

12. The Budget Strategy Report for 2017/18 and the Medium Term Financial Plan will consider the level of the Council Fund balance against the financial challenge ahead in setting a balanced budget whilst retaining financial resilience.
13. The Housing Revenue Account (HRA) reserve balance remained at £8.438 million as at 31 March 2016. This total sum is available for spending on HRA matters only.
14. Council Fund Earmarked Reserves have increased from £33.824 million to £51.637 million as at 31 March 2016. Earmarked reserves are amounts set aside to provide financing for future expenditure plans. Note 2 of the statement of accounts highlights the reserves held and movements to and from them in the year. Reserves continue to be reviewed in accordance with accounting practice and in order to improve financial resilience where possible.

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

15. There is a significant increase in the Net Cost of Services between 2014/15 (£573 million) and 2015/16 (£835 million). This is largely due to the £187 million settlement payment to WG in order to exit the Housing Subsidy system in April 2015 (shown as an exceptional item) and also the impact of revaluations of Council Dwellings and non schools operational assets during the year. Note that the latter are accounting adjustments that have no impact on the council tax and rent payable in the year.

### **Balance Sheet**

16. The net assets (Assets less Liabilities) shown on the balance sheet have reduced from £883 million (2014/15) to £649 million (2015/16). Some of the movements are highlighted in further detail below.
17. Property, Plant and Equipment – Whilst revaluations of assets should be undertaken at least every 5 years, the Council aims to do so every three years to ensure valuations are updated regularly. The accounting requirements are onerous and complex, particularly given the scale and volume of assets utilised by the Council in delivering services. Valuations also involve a significant number of assumptions, which are highlighted as critical judgements in preparing the accounts. Operational assets excluding schools as well as Council dwellings were revalued during the year. However as mentioned above, any such movements are accounting adjustments which are reversed elsewhere in the accounts and do not have an impact on the Council tax or rent.
18. Net Pensions Liability – there has been an increase in the net pensions liability of £6 million. Whilst this is based on assumptions made by the Council's Actuary including financial, demographic and changes in experience assumptions, the next actuarial valuation of the pension fund is to take place in 2016/17, which will update assumptions and set in place a long term strategy to manage any deficit.
19. Long term liabilities have increased, primarily as a result of the £187.3 million of borrowing that was required to be undertaken in order to make the Housing Subsidy exit settlement payment. This is the main cause of the reduction in net assets during the year.
20. Capital receipts - Income meeting the definition of usable capital receipts during the year totalled £11.4 million, which included sale of land identified in Note 20. This

included £1.7 million in respect of the Right to Buy Scheme for Dwellings and £2.4 million in respect of sale of land adjacent to County Hall, the first £2 million tranche from the disposal of the central bus station site and £1.3 million received from the disposal of the Council's Joint venture in the Medicentre. Where receipts are carried forward in the Usable Capital Receipts reserve, they are earmarked for future capital schemes.

### **Other accompanying notes to the accounts**

21. Other accompanying notes included in the statements either as a result of legislative or accounting requirements are:-
- Disclosures on financial instruments (Financial Assets and Financial Liabilities)
  - Capital Expenditure and financing
  - Officer remuneration and exit packages and
  - Civil Parking Enforcement funds
22. The Statement of Accounts includes critical judgements that have been used in applying accounting policies. This includes judgements that the Council has made in respect of complex transactions or those involving uncertainty about future events. Examples include judgements on the prudent level of reserves, materiality, valuation of assets and calculation of provisions.

### **Pension Fund**

23. The Cardiff & Vale of Glamorgan Pension fund assets fell by 1.6% during 2015/16 from £1.68 billion to £1.65 billion as at 31 March 2016. This was mainly as a result of volatility in global equity markets. Whilst the assets on average have grown over the past three years, the continuing low interest rates and expectations of lower investment returns in the future are likely to result in increased liabilities at this year's triennial valuation.

### **Annual Governance Statement**

24. The Statement of Accounts includes the Annual Governance Statement for the year 2015/16. Audit Committee's review should seek to satisfy itself that the Annual Governance Statement reflects the body's governance arrangements and the risk environment. This Statement acknowledges the financial challenges that the Council is facing and notes the impact of reductions in staff on the capacity of the organisation and the consequential increased pressure on staff. Audit Committee has previously considered the draft Annual Governance Statement and that comments made at that meeting have been incorporated into the attached final document.

### **Legal Implications**

25. No direct legal implications arise from this report.

### **Financial Implications**

26. This report provides Audit Committee Members with a summary of the details included within the 2015/16 Statement of Accounts and provides an opportunity for review and comment prior to the external audit of the Accounts. Attached as



Appendix 2 is a document prepared by Grant Thornton which aims to assist members of Audit Committees to understand and challenge the accounts, supporting notes and other statements. This paper was used in the Committee's training session in 2015 and is attached again for information.

## **RECOMMENDATIONS**

That Audit Committee:

- I. Subject to any comments in respect of the 2015/16 draft Statement of Accounts, note that these Accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.
- II. Note that the audited Statement of Accounts for 2015/16 will, prior to being presented to Council, be reviewed by this Committee in September.

### **CHRISTINE SALTER**

Corporate Director Resources

13 June 2016

The following appendix is attached:

Appendix 1 – Unaudited Statement of Accounts 2015/16

Appendix 2 – A guide to local authority accounts (Grant Thornton – March 2014)

Mae'r dudalen hon yn wag yn fwriadol

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**STATEMENT OF ACCOUNTS**

**2015/16**

**OF**

**THE COUNTY COUNCIL OF THE  
CITY AND COUNTY OF CARDIFF**



# Narrative Report

## 1.1 Narrative Report

### Introduction

This document presents the Statement of Accounts for The County Council of the City and County of Cardiff. These are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16.

### The Financial Statements

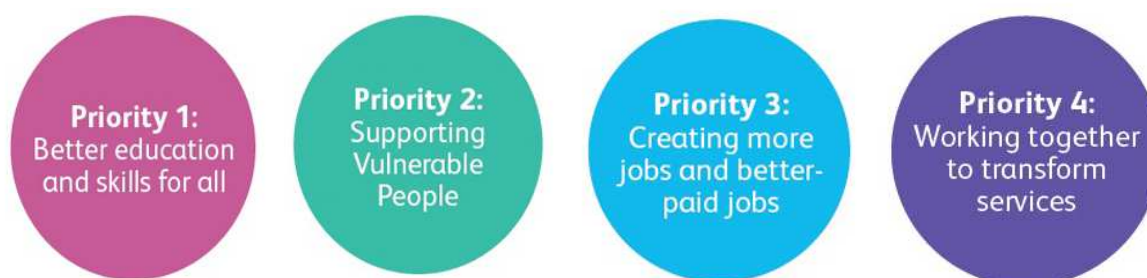
The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 19 to 146 and comprise:

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

The Council is lead authority for three Joint Committees: the Glamorgan Archives, Prosiect Gwyrdd, and the Welsh Purchasing Consortium. The Council is also a member of the Central South Consortium Joint Education Service, Shared Regulatory Service and the Regional Adoption Service Joint Committee. The Council's share of the transactions and balances of these Joint Committees are incorporated in these financial statements. Separate financial statements for each Joint Committee are also available.

### Corporate Plan 2015-17

The Corporate Plan sets out what the Council will do, how we'll do it, and how we will monitor progress. The City of Cardiff Council faces a number of pressures which needed to be taken into account when developing the Corporate Plan. For instance, Cardiff is projected to have the fastest growing population of any city in the UK - this means a growing demand for key services and need to address a budget gap. Because of these pressures, we need to focus our energy and scarce resources on the areas that need them most, and so the Plan has four priorities.



In each priority area the Corporate Plan sets out demanding targets for important performance indicators which have been subject to a thorough and rigorous target setting exercise between Cabinet Members and Directors.

### Medium Term Financial Plan

Cost pressures and reductions in funding for Local Government have resulted in significant financial challenges for the Council.

## Narrative Report

The Council has faced a prolonged period of financial restraint having identified over £200 million in savings or additional income over the past ten years in order to balance the budget. The scale of recent savings coupled with the redirection of funds into areas which are protected by Welsh Government or are the source of significant demand pressure, set an extremely challenging starting position from which to move forward.

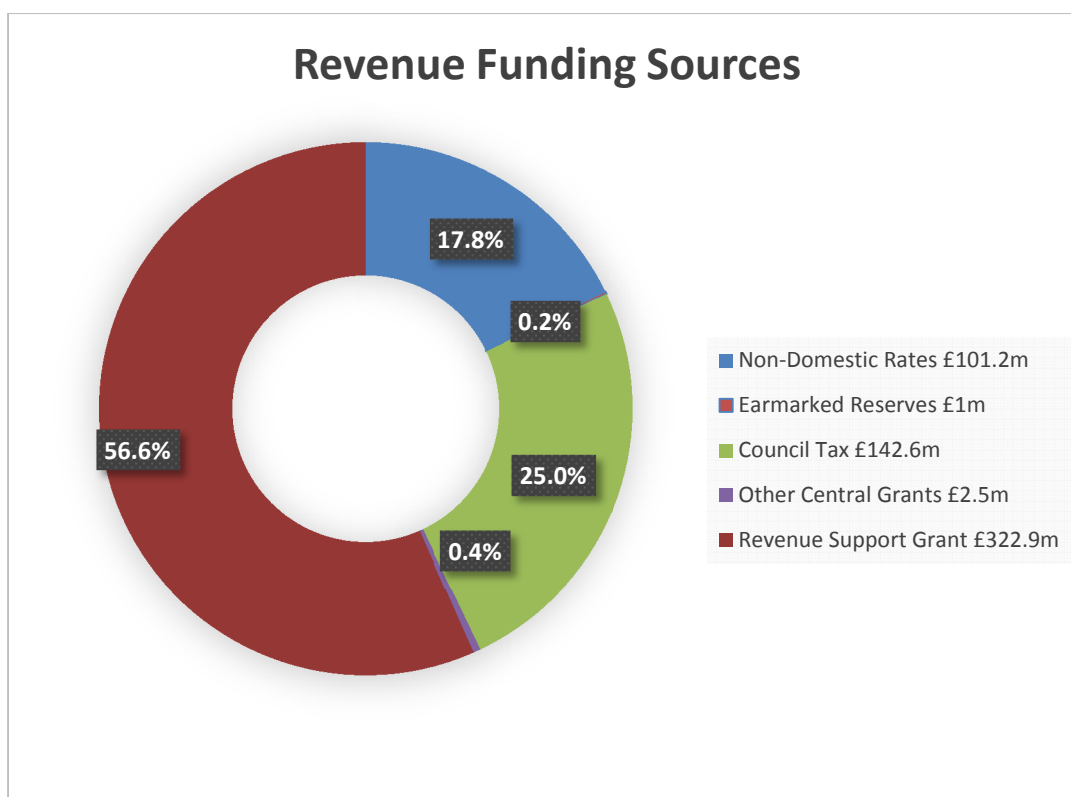
The economic climate and need to continue to demonstrate value for money will mean that such pressures will continue for a number of years as highlighted in the Council's Medium Term Financial Plan (MTFP). The 2016/17 Budget Report identified a budget reduction requirement of £73 million over the three year period covered by the MTFP, of which £25 million needs to be delivered in 2017/18. Whilst the gap identified is a lower reduction requirement than in recent years, it will still be a significant challenge to be addressed through a combination of further directorate budget savings, commercialisation of services, use of technology and alternative delivery structures to provide services and increases in the rate of Council Tax.

Members have received a number of briefings in respect of the financial resilience of the Council. A financial snapshot has been developed to aid discussions and identifies the key financial information from the Statement of Accounts alongside the in-year monitoring position and the medium term financial plan. This was included in the budget report to Council in February 2016.

### Financial Performance

#### **Revenue Funding and Revenue Expenditure Outturn**

The Council, at its meeting on 28 February 2015, set a cash limit budget of £570.219 million for 2015/16. The chart that follows displays the revenue expenditure budget funding sources, including the proportion of collected Council Tax that contributes towards the Council's expenditure.





# Narrative Report

## Directorate Outturn 2015/16

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	49,905	49,902	(3)
Communities, Housing & Customer Services	46,255	46,089	(166)
Corporate Management	29,355	29,727	372
Economic Development	2,327	2,119	(208)
Education & Lifelong Learning	234,606	234,480	(126)
Governance & Legal Services	4,415	4,411	(4)
Resources	15,852	15,600	(252)
Social Services	137,603	142,625	5,022
Capital Financing etc	35,845	35,845	0
General Contingency	4,000	-	(4,000)
Summary Revenue Account	9,756	8,296	(1,460)
Outcome Agreement Grant	-	(862)	(862)
Discretionary Rate Relief	300	291	(9)
<b>Total as per Outturn Report</b>	<b>570,219</b>	<b>568,523</b>	<b>(1,696)</b>

The final revenue outturn position indicates that the Council has maintained its spending within its overall net budget of £570.219 million in 2015/16 with an overall surplus of £1.696 million, after contributions to and from reserves.

In accordance with the 2015/16 budget report that was approved by Council in February 2015, £595,000 was utilised from the Council Fund Balance to fund the overall Council budget. Similarly, the 2016/17 budget report, approved by Council in February 2016, determined that a further £1m of the Council Fund Balance will be used to fund the 2016/17 Council budget.

The final revenue outturn position was a surplus of £1.696 million, after contributions to and from reserves. This represents a significant improvement to the budget monitoring positions reported throughout the year.

During the year the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services, Corporate Management, Economic Development and City Operations. This reflected a range of factors including increased demographic pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2015/16 budget. As a result, the outturn position contained an overspend of £4.632 million relating to directorate budgets. Apart from Social Services and Governance & Legal Services, all directorates reported an improved position compared to the projections at month 9. The overspend on directorate budgets was offset by a £4 million contingency sum, together with savings in other areas including Council Tax collection, NDR refunds on Council properties, and additional income in relation to the 2015/16 Outcome Agreement Grant.

The Council Fund Balance brought forward at 1 April 2015 was £13.154 million. The balance at 31 March 2016 has increased by £2.101 million to £15.255 million. The £2.101 million increase comprises the £1.696 million surplus outlined above, plus the £1 million amount set aside to fund the 2016/17 budget, less the £595,000 used in-year to fund the 2015/16 budget.

## Narrative Report

### Revenue Outturn:

	Budget	Outturn	Variance
	£000	£000	£000
<i>Financing:</i>			
Revenue Support Grant (RSG)	(322,851)	(322,851)	0
Non-domestic Rates (NDR)	(101,253)	(101,253)	0
Council Tax	(142,633)	(144,062)	(1,429)
Other central grants	(2,482)	(3,344)	(862)
Use of Earmarked Reserves & Council Fund Balance	(1,000)	(1,000)	0
<b>Total Funding</b>	<b>(570,219)</b>	<b>(572,510)</b>	<b>(2,291)</b>
<i>Net Expenditure</i>			
Net budgeted expenditure	570,219		(570,219)
Net deficit on services on Comprehensive Income & Expenditure Statement		304,349	304,349
Adjust deficit figure for:			
Items shown separately as financing (above)		572,510	572,510
Adjustments between accounting and funding bases under regulations for the Council Fund Balance and HRA (as per Movement in Reserves Statement)		(324,980)	(324,980)
Transfers (to)/from Earmarked Reserves (as per note 2)		18,935	18,935
Remove surplus on HRA		0	0
<b>Total Expenditure</b>	<b>570,219</b>	<b>570,814</b>	<b>595</b>
<b>Net (surplus)/deficit for year transferred to Council Fund Balance</b>			<b>(1,696)</b>

### Housing Revenue Account (HRA)

The net surplus for the year, prior to transfers to earmarked reserves, was £716,000. This included income from rents and charges for services totalling £67.636 million and repairs, maintenance, supervision and management costs totalling £40.627 million. Increased volume and demand for repairs to Council dwellings were offset by savings in a number of other areas including employees and insurance costs, contributing to the overall surplus. This surplus has been transferred to earmarked reserves for use in future years in tackling overcrowding and reinvesting in the housing stock. The HRA balance as at 31 March 2016 is £8.438 million.

During 2015/16, the Council made a one off payment of £187.392 million to exit the Housing Revenue Account Subsidy System (HRAS), which is recognised as capital expenditure and shown as an exceptional item in the Comprehensive Income & Expenditure Statement, within these accounts. The HRAS was a funding mechanism introduced many years ago by National Government whereby, in Cardiff's case, circa £15 million of net rental income received from dwellings rents had to be passed back to HM Treasury, via Welsh Government. Under the new self-financing regime, the Council can now retain and reinvest all income. However it is required to make annual payments for additional interest and to set monies aside towards the repayment of loans taken out in order to make the one off payment.

## Narrative Report

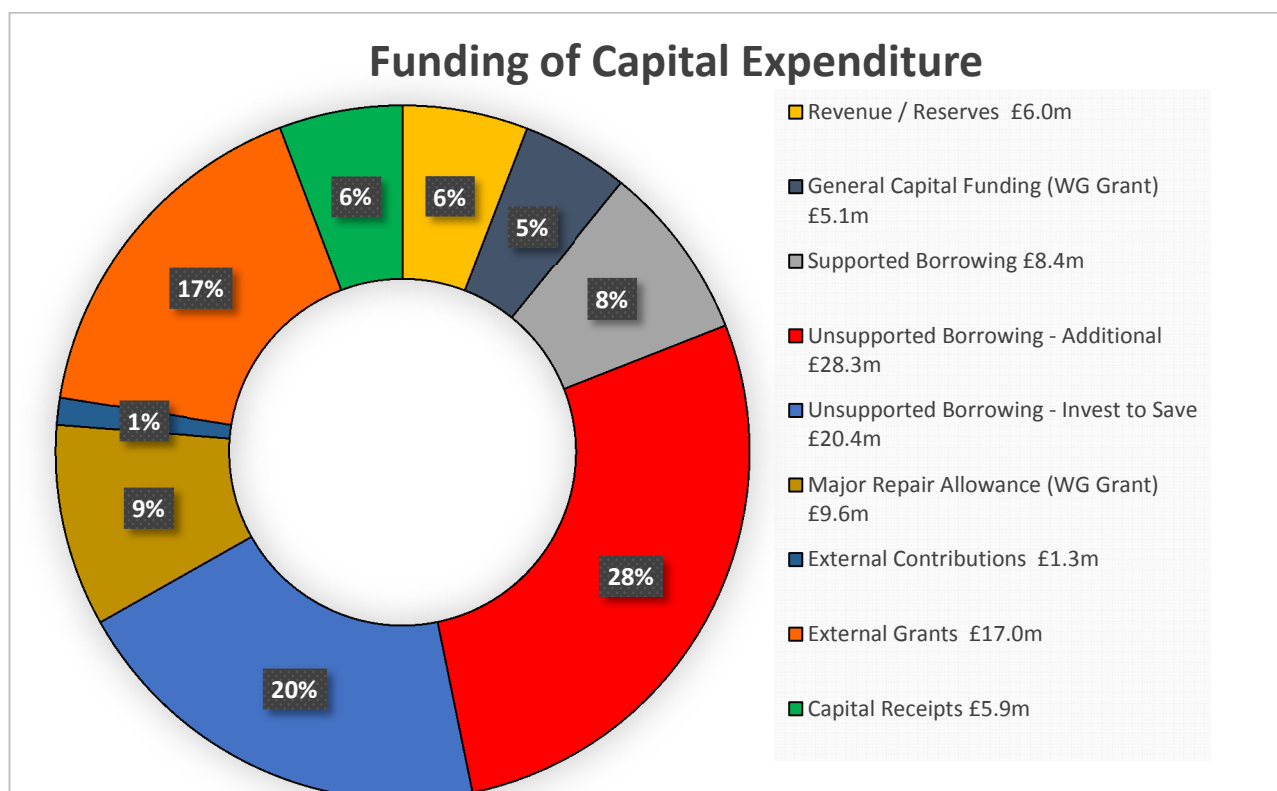
### Capital Expenditure

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services as well as a number of items determined by legislation. Expenditure totalled £289.3 million. This was £101.9 million after excluding the one off Housing Revenue Account settlement payment of £187.4 million to Welsh Government / HM Treasury in order to exit the Housing Finance Subsidy System.

The main items of capital expenditure are described in the following table.

Schemes	Detail	£m
Housing Revenue Account Subsidy System Exit Payment	One off settlement payment to Welsh Government / HM Treasury in order to be able to retain all income receivable from Council dwellings rather than paying over circa £15 million p.a. Local Authorities in England exited the system in 2012. 'Buy out' was paid for by borrowing, with annual costs of servicing borrowing paid from future rental income.	187.4
Housing & Neighbourhood Regeneration	Public housing investment in the fabric of dwellings, estate and area regeneration, as well as energy efficiency schemes. Preparatory work across sites in the city as part of the Housing Partnership Programme to build new dwellings. Disabled adaptations grants, allowing people to live independently in their homes, and other environmental improvements including a comprehensive regeneration scheme for Clare Road/Penarth Road District Shopping Centre.	28.3
Education & Lifelong Learning	Includes completion of a new primary school at Pontprennau, purchase of land for new welsh medium primary school in Butetown and a contribution towards the Penarth Learning campus. Continued investment in a number of schools as part of the School Organisation Plan including replacement of high schools in the east and west of the City, as well as investment in condition of properties.	22.8
Highways & Transportation	Road and footpath resurfacing, road safety improvements, Street lighting energy efficiency, public transport and telematics. Windsor Road bridge replacement, cycling strategy implementation, investment in safe routes in communities, as well as other pedestrian and junction improvements.	11.5
Leisure facilities and Citizen Hubs	Refurbishment of Eastern Leisure Centre, investment in Insole Court and development of hubs in areas of need including the new STAR hub and pool.	11.9
Economic Development	A voucher scheme to implement superfast broadband and providing the developer of the Tramshed in Grangetown with a loan as part of vibrant and viable places initiative. Public realm and temporary works to allow closure of the bus station were incurred as well as purchase of NCP car park site to allow regeneration of Central Square.	12.3
Energy and Waste Management	Reducing the size of residual waste bins and a range of energy efficiency and energy generation measures such as Radyr Weir Hydro facility.	7.5
Capitalisation Direction – Service Reform	Permission received from Welsh Government to treat revenue costs as capital expenditure to be paid for from sale of property assets.	2.4
Other	Creation of Welsh language Centre, Investment in Parks, ICT, and expenditure to enable the efficient use of space in Council buildings.	5.2

The Council pays for its capital expenditure from a number of sources including borrowing money. Borrowing and any associated interest costs must ultimately be repaid from the existing and future income of the Council. Excluding the one off settlement payment, the following chart shows how the capital monies spent during the year were paid for:-



The impact of the low level of support from Welsh Government for capital resources has been that the Council has to find a greater share of its requirement to meet essential investment via unsupported borrowing. Unsupported borrowing was used to pay for £48.7 million of expenditure during 2015/16. The need to undertake borrowing also applies to future capital expenditure plans as set out in the Budget report of February 2016.

This is as a result of:

- implementing new schemes, completing existing projects and demand for funding to maintain assets.
- undertaking invest to save schemes on the assumption that the borrowing will be repaid from future revenue savings or revenue income.
- use of Council borrowing powers by Welsh Government as part of their contribution towards 21st Century Schools Programme.
- The new Housing Partnership Project which aims to build new Council houses for social housing rental. During 2015/16, a partnership agreement with Wates Living Space was entered into with sites to be developed over a 10 year period.

The Council also plans significant investment in new school buildings, regeneration of Central Square and creation of a new transport interchange. These schemes rely on the disposal of land to help meet the costs. The Council's successful bid along with its partners for the City Deal investment is also likely to require significant investment to be paid for by borrowing. Accordingly borrowing represents an ongoing risk in terms of increasing the Council's requirement for any such expenditure to be paid back from future revenue resources.

The Council must continue to review whether capital expenditure plans remain prudent and affordable by consideration of :-

- affordability indicators showing projection of the cost of borrowing and impact on the revenue budget
- the advice of the Section 151 Officer on affordability and risk to future income

## Narrative Report

- potentially setting limits for invest to save schemes particularly for any discretionary expenditure
- ability to accelerate a reduction in the Council's asset base within a limited timeframe to help pay for expenditure.

### **Capital Receipts**

The sale of property assets and other income treated as capital receipts generated usable capital receipts of £11.4 million. The accounts include a note showing the main property disposals during the year. Receipts include the first £2 million tranche from the sale of the former central bus station site, land adjacent to County Hall £2.4 million, £1.3 million received for the disposal of the Council's joint venture investment in the Medicentre and £1.7 million from the sale of Council dwellings. Capital receipts not used to pay for capital expenditure or to repay debt, are carried forward in the useable capital receipts reserve to meet future capital expenditure. The useable capital receipts reserve increased by £4.1 million in the year.

### **Movements in Property, Plant Equipment and Other Non-Current Assets**

The previous sections on capital expenditure and receipts highlights some of the movements and Note 20 of these accounts provides significant information for accounting purposes.

In terms of revaluations, operational properties excluding schools, Council dwellings, and assets deemed surplus were re-valued during 2015/16 as part of a rolling programme of revaluation. The vacant possession value of Council Dwellings was deemed to be £1.3 billion as at 01/04/2015. However, in accordance with valuation requirements, the valuation is required to be adjusted downwards to show the economic cost of providing social housing to tenants at less than market rents. The valuation in the accounts is shown at 40% of the vacant possession value, adjusted by movements in accordance with the Council policies in respect to accounting for such assets.

Valuations of all assets involve a number of assumptions, however, movements in asset valuations as well as any accounting charges resulting from them have no impact on the council tax or rent as they are required to be neutralised from capital reserves.

In line with current guidance the value of infrastructure assets are required to be shown as the value of expenditure previously incurred on them from a point in time. CIPFA considers that current value (gross replacement cost adjusted for current condition) is a more appropriate measurement base for Highways Network Assets, with implementation required for next year's accounts. Highway Network Assets include, Roads, footpaths, highway structures such as bridges, lighting, drainage and associated land.

Whilst the change is intended to support the operational management of such assets, there is expected to be a significant requirement for estimation and judgement, with associated impact on accounting. Excluding land, the change in valuation basis is likely to increase the value of the assets shown in the accounts by over £2.0 billion along with an increase in the depreciation charged annually in the accounts reflecting the use of these assets in service delivery. These changes will not have an impact on Council tax or rent as depreciation accounting charges are required to be reversed out of the accounts. Accordingly a cost benefit approach to inclusion in the accounts will be taken.

### **Treasury Management and Financial Instruments**

#### **Borrowing**

The Council can borrow money to manage its daily cash flows and to pay for capital expenditure. The Council continues to use some of its temporary cash balances to pay for capital expenditure.

The Council has loans of £666.1 million of fixed interest loans at the end of the year, of which £612.8 million is owed to the Public Works Loan Board (PWLb) and £53.3 million is owed to other bodies, primarily financial institutions.



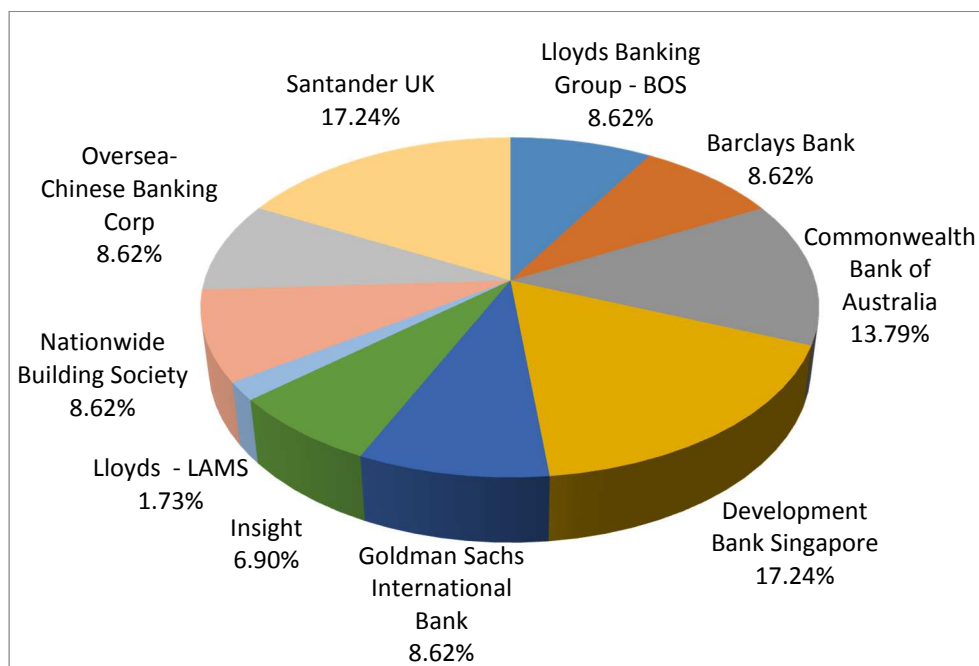
## Narrative Report

During the year external loans totalling £6.1 million were repaid and £201.6 million of new loans were raised, including £187.4 million to make the settlement payment to exit the Housing Revenue Account Subsidy System. The latter had to be borrowed from the PWLB at pre-determined rates set by HM Treasury. The impact of the above changes in borrowing resulted in the average rate on the Council's borrowing reducing during the year from 5.22% to 4.84% at the 31 March 2016.

All loans are in the name of the Council and not separated for Housing Revenue Account or Council Fund purposes. Total interest payable on borrowing was £32.2 million during 2015/16, of which £13.0 million was deemed payable by the Housing Revenue Account.

### Investments

Investments of £58.0 million at 31 March 2016 are represented primarily by temporary cash balances, which are deposited for various maturities with financial institutions, shown in the chart below.



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

In accordance with accounting requirements, the Council had assumed that loan principal and interest of £6.534 million owed at 21 December 2015 by Glamorgan County Cricket Club for the redevelopment of the stadium was 100% impaired. In March 2015, the Council approved a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This restructuring and write off was completed on 21 December 2015. The Council continues to adopt a prudent approach to the repayment of principal due and given the risks of recovery of sums due that still remain the balance due of 30% (£1.960 million) remains 100% impaired, but is shown as a contingent asset in these accounts. Repayments of the principal are proposed to begin in 2019.

# Narrative Report

## Reserves

Movements on earmarked reserves are detailed in note 2 to the core statements. Details of movements of other usable and unusable reserves are shown in notes 30 and 31 to the core statements respectively. Total usable reserves at the commencement of the year amounted to £56.990 million, increasing to £81.707 million at 31 March 2016. The year end outturn position provided the opportunity to increase the level of reserves for use in connection with future commitments, in turn this has improved the Council's financial resilience position.

Summary Reserves Movements:

	£000	£000
<b>Usable Reserves at 1 April 2015</b>		<b>56,990</b>
Movements to/(from) earmarked reserves:		
Council Fund Earmarked Reserves	17,813	
Council Fund Balance	2,101	
Housing Revenue Account Balance	0	
Housing Revenue Account Earmarked Reserves	716	
Usable Capital Receipts	4,087	
		<b>24,717</b>
<b>Total Usable Reserves at 31 March 2016</b>		<b>81,707</b>

## Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but in relation to which the exact amount and date of settlement may be uncertain. During 2015/16, total provisions decreased by £1.599 million to £38.811 million, which includes a number of movements. These include a net decrease in the insurance provision of £892,000 and a decrease in the Lamby Way Landfill provision of £419,000. In addition, a provision of £522,000 has been created in relation to potential maintenance costs in connection with the Council's occupancy of the Friary Centre. Details of the movement of individual provisions are shown in note 27 to the Core Statements.

## Cardiff and Vale of Glamorgan Pension Fund

The Council administers the Fund on behalf of the two Local Authorities and other contributing bodies. In 2015/16 pension benefits payable by the Fund totalled £83.9 million and the contributions receivable from employers and employees totalled £83.9 million. Net losses on investments totalled £27.0 million and the Fund's assets decreased by £27.0 million (1.6%), from £1.68 billion to £1.65 billion. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date covering 82% of the pension liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay. The next valuation is due to take place during 2016 which could impact on the Council's contribution rate.

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

## Pensions Assets and Liabilities

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

The Council's Actuary has estimated that the Council's future liability in respect of pension benefits payable, compared to assets held, is £545.680 million at 31 March 2016.

## Narrative Report

### **Corporate Governance**

The Council maintains a Corporate Risk Register (CRR) which highlights the strategic risks facing the Council. In order to minimise the impact of the risks identified, the Council has adopted a Governance Framework which is consistent with the principles of the CIPFA/SOLACE Framework – Delivering Good Governance in Local Government. Further details of the Governance Framework and CRR are in the Annual Governance Statement on pages 147 to 173.

### **Acknowledgements**

Finally, I wish to thank staff within Financial Services, and their colleagues throughout the Council, who have worked on the preparation of these statements. I also wish to thank Directors, Assistant Directors and all senior managers for their assistance and co-operation throughout this process.

**Christine Salter**  
**Corporate Director Resources**  
**June 2016**



## 1.2 Guide to the Financial Statements

### **Movement in Reserves Statement (page 35)**

Shows the changes to the Council's reserves over the course of the year. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services. The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves include reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that reflect 'adjustments between accounting basis and funding basis under regulations'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Council Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Council Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement (page 36)**

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

### **Balance Sheet (page 38)**

This is a snapshot of the Council's assets, liabilities, cash balances and reserves at the year end date. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Pension Fund and Trust Fund balances are not included as these represent assets held in trust for third parties rather than in ownership of the Council.

### **Cash Flow Statement (page 40)**

The Cash Flow Statement shows the reason for changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as arising from operating activities, new investment or financing activities such as repayment of borrowing and other long term liabilities.

### **Housing Revenue Account (HRA) Income & Expenditure Account (page 99)**

A separate account that must be maintained to record income and expenditure arising from the provision of Council Housing. The Council charges rent and other service charges to cover expenditure in accordance with regulations.

### **Pension Fund Accounts (page 104)**

Shows the contributions received, payments to pensioners and the value of net assets of the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers. The Fund also publishes a separate, more detailed report.

### **Group Accounts (page 124)**

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

### **Trust Funds (page 145)**

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

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

### The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2015/16 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts

**Councillor Monica Walsh**  
**Lord Mayor**

**Date:**

### The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 (the Code).

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

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

The Corporate Director Resources has also:

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

### The Corporate Director Resources Certificate

The financial statements for The County Council of the City and County of Cardiff give a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016.

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

**Date:**

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

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## 3.1 Accounting policies, critical judgements and assumptions

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SERCOP), supported by International Financial Reporting Standards (IFRS).

### Accounting policies used when formulating the accounts

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

The main change introduced by the Code, which will be required from 1 April 2016, relates to the adoption of the CIPFA Code of Practice on Transport Infrastructure Assets. This will require the Council to separately disclose its Highways Network Asset and measure it at Depreciated Replacement Cost (DRC), as opposed to Depreciated Historic Cost (DHC).

A prospective application will be required and, therefore, there is no impact upon the 2015/16 Statement of Accounts and no requirement to restate 2015/16 balances. The change will have a significant and material impact upon on the valuation of Highway Network Assets included in the Statement of Accounts. Had this policy been adopted for the 2015/16 Statement of Accounts, it would have increased the value of the assets shown in the accounts (excluding land) by over £2 billion along with an increase in the depreciation charge. However these changes will have no impact on Council tax or rent as depreciation charges are required to be reversed out of the accounts. Accordingly, a pragmatic approach will be taken when considering inclusion in the accounts.

In addition, there are a number of minor amendments to International Financial Reporting Standards, but these are not expected to have any material impact on the accounts.

#### 2. Accruals of Income and Expenditure

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

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

#### 3. Cash and Cash Equivalents

Cash is represented by cash in hand, bank balances of cheque book schools and the net balance on all of the Council's other accounts, including petty cash accounts. Cash equivalents include Call Accounts and Money Market Funds that are repayable without penalty on notice of not more than 24

hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

#### 4. Contingent assets and liabilities

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

#### 5. Deferred Liabilities

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

Obligations under finance leases are treated as deferred liabilities and measured on the basis disclosed in accounting policy 20.

#### 6. Disposals and Capital Receipts

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

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

The written-off value of disposals is not a charge against council tax or rent, as amounts are appropriated to the Capital Adjustment Account from the Council Fund Balance in the Movement in Reserves Statement.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

#### 7. Employee Benefits

##### Benefits Payable during Employment

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

##### Termination Benefits

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

## Accounting Policies, critical judgements and estimations

### Post-Employment Benefits

Employees of the County Council of the City and County of Cardiff are members of two separate pension schemes:

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

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

### Defined Benefit Schemes

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

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

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

- the attributable assets of the scheme have been valued at bid price
- the attributable liabilities have been measured on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value
- the surplus/deficit in the scheme has been calculated as the excess/shortfall in the value of the assets in the scheme over/below the present value of the scheme liabilities
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year.
- the interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period; discount rates are based on the annualised yields on the iBoxx over 15 year AA rated corporate bond index.
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2015/16 are the full costs relating to early retirements granted in the year, which have been calculated as the special contributions payable into the fund, adjusted for the financial assumptions used under IAS19, to represent the approximate cost of the increase in benefits granted to members under IAS19.

### Defined Contribution Schemes

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



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

### 8. Events After the Balance Sheet Date

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

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

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

### 9. Exceptional Items

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

### 10. Financial Assets

Financial assets are classified into three types:

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

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

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

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

Level 3 – unobservable inputs for the asset

**Loans and Receivables:** Initially measured at fair value and carried at their amortised cost. Where assets are identified as impaired, because of a likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

Credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset, multiplied by the effective rate of interest for the instrument. Interest that is due but unpaid at the end of the year is recognised in the Balance Sheet as a current asset.



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

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

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

Where the asset has fixed or determinable payments (e.g. interest), income is credited to the Comprehensive Income and Expenditure Statement for interest receivable based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments (e.g. dividends), income is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

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

### 11. Financial Liabilities

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

Where a fair value, price paid to transfer a liability, is estimated and disclosed, either in the accounts or notes to them, inputs to the valuation techniques used to determine fair value are attributed to either of the following in the fair value hierarchy :-

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

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

Level 3 – unobservable inputs for the liability

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

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

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

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

### 12. Foreign Currency Translation

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

### 13. Grants - Revenue

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

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

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

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

### 14. Grants and Contributions – Capital

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

Capital Grants and Contributions applied in paying for other capital works are credited to the Taxation and Non-Specific Grant Income line in the Comprehensive Income and Expenditure Statement. Where a specific capital grant or contribution has been received but remains unapplied, this is deemed to represent a condition in that the unused element could be returned to the funder.

Capital grants and contributions are identified separately on the Balance Sheet. Contributions such as those arising from Town and Country Planning Act 1990 obligations usually come with conditions that the funding can be clawed back by the provider if not spent within a certain period of time or if not spent on a specific project. Such items are treated as Capital Grants Receipts in Advance.

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

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

### 15. 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 Authority in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation, are reviewed for impairment and are re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment to reflect the pattern of consumption of benefits

## Accounting Policies, critical judgements and estimations

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

### 16. Interests in Companies and Other Entities

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

### 17. Inventories

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

### 18. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured at fair value, based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The valuations are undertaken by officers of the Council's Strategic Estates department, who fall within the competence demands set out by the Royal Institution of Chartered Surveyors and who are valuers registered in accordance with the RICS Valuer Registration Scheme.

Fair Value is deemed to be the market value assessed for each asset reflecting highest and best use, echoing market conditions at the balance sheet date. The valuation method is term & reversion, with passing rents capitalised at appropriate yields and estimated reversionary rental values based on prevailing rents for similar properties. Local comparable rental evidence and market yields have been utilised for the valuations.

Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Rentals received in relation to investment properties are credited to the 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.

### 19. Joint Committees

The relevant proportion of the transactions and balances of Joint Committees are included within the Council's Comprehensive Income Expenditure Statement and Balance Sheet. These reflect the transactions and balances as per the draft accounts prepared for each Joint Committee.

### 20. Leases

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

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

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

## Accounting Policies, critical judgements and estimations

### The Authority as Lessee

#### Finance Leases

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

Lease payments are apportioned between:

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

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

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

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

#### Operating Leases

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

### The Authority as Lessor

#### Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

## Accounting Policies, critical judgements and estimations

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

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

### 21. Non-current Assets Held for Sale

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

### 22. Overheads and Support Services Costs

The costs of overheads and support services are allocated to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SERCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

### 23. Prior Period Adjustments

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

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

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

### 24. 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 and those for the promotion of culture and knowledge and expected to be used during more than one financial year.



### Recognition:

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

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

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

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

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

### Measurement:

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

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

- Infrastructure Assets – depreciated historical cost. Not all Highway Network Assets such as roads, structures and associated land are included in the Balance Sheet, as the balance sheet values reflect historic expenditure incurred on such assets from a point in time. Accordingly, the Balance Sheet does not represent the true value and size of infrastructure assets. This will change in future years, but until then the asset values presented in the accounts understate the real value of infrastructure assets held and used by the Council.
- Community Assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage Assets and their nature make determining a value for them complex. Valuations may lack reliability, there may be no market, providing an estimate of replacement cost may be difficult and the cost of determining a valuation for accounting purposes only may not be justified on cost benefit grounds. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 40% (previously 41%) to adjust beacon values to existing use value.
- The Code requires Surplus Assets to be valued at Fair Value, based on highest and best use. The main types of assets held within this class include historic development land and buildings awaiting suitable open market disposal or use for identified schemes, sites held for the purpose of the Housing Partnership Programme Scheme, as well as former operational buildings awaiting disposal or alternative use.

All other assets are measured at Current Value. Where there is an active market for assets, Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as

## Accounting Policies, critical judgements and estimations

an estimate of current value. For schools land and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets. Non-property assets, such as plant and equipment, have short useful lives or low values (or both), and, therefore, depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at fair or current value are required to be revalued at least every five years. The Council must balance the requirement to ensure carrying amounts are not materially different from their fair 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 valuation services to ensure financial services are made aware of all property issues affecting the Council
- Having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

### **Revaluation:**

Where required by the Code, asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by in-house professional valuers, all of whom are RICS registered.

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

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

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

### **Charges to Revenue for Non-Current Assets:**

Service lines are debited with the following amounts to record the cost of holding assets during the year:

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

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

### **Impairment and Downward Revaluation:**

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

## Accounting Policies, critical judgements and estimations

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

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

### Depreciation:

Depreciation is provided for on all Property, Plant and Equipment assets by an allocation of their depreciable amounts over their estimated useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land, heritage and community assets), as well as assets that are not yet available for use (i.e. assets under construction). For assets depreciated by the Council, it charges a full year's depreciation on capital expenditure incurred in the year.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets, and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Depreciation is calculated on the following bases:

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

\* Included within Buildings is City Hall with an initial useful life of 125 years

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

### Component Accounting:

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

- Materiality with regards to the Council's financial statements. Componentisation will only be considered for individual non land assets that have a net book value of more than £1.5 million at the end of the financial year.
- Significance of component. For individual assets meeting the above threshold, where services within a building (Boilers / Heating / Lighting / Ventilation etc.), or items of fixed equipment (Kitchens / Cupboards) is a material component of the cost of that asset (> 30%), then those services/equipment will be valued separately on a component basis.
- Difference in rate or method of depreciation compared to the overall asset. Only those elements that normally depreciate at a significantly different rate from the non-land element as a whole, or that require a different method of depreciation will be identified for componentisation.



## Accounting Policies, critical judgements and estimations

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

Where assets are material and to be reviewed for significant components, it is recommended that the minimum level of apportionment for the non-land element of assets is:

- Plant and equipment and engineering services.
- Structure.

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

### 25. Provisions

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

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

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

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

### 27. Reserves

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

### 28. Value Added Tax

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

### Critical judgements in applying accounting policies

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

- Reducing levels of funding for local government require budget prioritisation and organisational development change to ensure resources are firmly aligned to priorities as outlined in the Corporate Plan. The Council continues to effectively manage its resources within this challenging environment. The continuing financial challenge will, over the medium term, have a significant impact on future operating structures and the assets used to deliver services. Consequently, the Council will put in place the necessary resources to ensure that a balanced budget can be delivered.
- It is assumed that where provision for doubtful debtors or impairment has not been made, all other deferred debtors and investment balances are recoverable and not impaired.
- The level of both Council and earmarked reserves held by the Council has been assessed by the Council's Section 151 Officer and is judged at present to be sufficient. Each request to establish an earmarked reserve is considered separately based on the evidence provided. It is the responsibility of the Section 151 Officer to advise Cabinet on the prudent level of reserves to hold and this is done following consideration and documentation of the risks the Council faces.
- All significant related parties are fully disclosed and figures included in the accounts produced by external organisations are robust and accurate.
- Provisions are made when clear and accurate information is available to do so. In the absence of this, creating a provision may be misleading and could have significant financial implications.
- It is assumed that the accounts for the year reflect all financial obligations under a contract required to be met by the Council during the year and that the Council is compliant with all such obligations placed upon it.
- Where an accrual has been made for future pension strain liabilities as a result of voluntary severance, it is assumed that these costs are not included in calculation of the pensions liability carried out by the actuary.
- If information is misstated, omitted, incorrectly shown or not disclosed, it has the potential to influence or change the decisions or judgement taken by the majority of reasonable persons relying on the financial report or those charged with governance. The Council recognises that any materiality threshold should be based upon what will affect the users' decisions and not on the assessment of the preparers of the accounts. Materiality is a matter of professional judgement influenced by the characteristics of the entity and the perceptions as to who are, or are likely to be, the users of the financial report and their information needs. The Council gives consideration to a number of quantitative and qualitative factors in assessing whether a misstatement is material.

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

## Accounting Policies, critical judgements and estimations

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

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 40% to adjust vacant possession values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non-current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve. Changes in future accounting practice could mean changes in valuation basis of non-current assets and in which assets are required to be included on the Councils balance sheet and which are not. Any such changes will have no impact on the level of Council Tax or rent.
Provisions	The Authority makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities; this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.
Provisions in relation to arrears	At 31 March 2016, the Authority had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of

## Accounting Policies, critical judgements and estimations

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet date may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	The level of creditor accrual may be under or over estimated. This will have no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

## Movement in Reserves Statement

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2014 carried forward (Restated)</b>	<b>11,413</b>	<b>30,559</b>	<b>8,124</b>	<b>684</b>	<b>1,399</b>	<b>52,179</b>	<b>888,580</b>	<b>940,759</b>
<b>Movement in Reserves during 2014/15</b>								
Surplus or (deficit) on the provision of Services	(11,619)	0	4,696	0	0	(6,923)	0	(6,923)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(51,290)	(51,290)
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,619)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(6,923)</b>	<b>(51,290)</b>	<b>(58,213)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	16,625	0	(4,828)	0	(63)	11,734	(11,734)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,006</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,811</b>	<b>(63,024)</b>	<b>(58,213)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(3,265)	3,265	446	(446)	0	0	0	0
Other Movements in Reserves	0	0	0	0	0	0	0	0
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>3,265</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,811</b>	<b>(63,024)</b>	<b>(58,213)</b>
<b>Balance at 31 March 2015 carried forward (Restated)</b>	<b>13,154</b>	<b>33,824</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,990</b>	<b>825,556</b>	<b>882,546</b>
<b>Movement in Reserves during 2015/16</b>								
Surplus or (deficit) on the provision of Services	(22,052)	0	(282,297)	0	0	(304,349)	0	(304,349)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	71,268	71,268
<b>Total Comprehensive Income and Expenditure</b>	<b>(22,052)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(304,349)</b>	<b>71,268</b>	<b>(233,081)</b>
Adjustments between accounting basis & funding basis under regulations (note 1)	41,966	0	283,013	0	4,087	329,066	(329,066)	0
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(257,798)</b>	<b>(233,081)</b>
Transfers to/(from) Earmarked Reserves (note 2)	(17,813)	17,813	(716)	716	0	0	0	0
<b>Increase/(Decrease) in 2015/16</b>	<b>2,101</b>	<b>17,813</b>	<b>0</b>	<b>716</b>	<b>4,087</b>	<b>24,717</b>	<b>(257,798)</b>	<b>(233,081)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>51,637</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>81,707</b>	<b>567,758</b>	<b>649,465</b>

## Comprehensive Income and Expenditure Account

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
51,249	(17,958)	33,291	Central Services to the Public		47,725	(14,023)	33,702
58,205	(27,886)	30,319	Cultural & Related Services		59,633	(28,652)	30,981
58,066	(23,779)	34,287	Environmental & Regulatory Services		65,354	(35,041)	30,313
20,081	(19,905)	176	Planning Services		26,851	(23,349)	3,502
404,850	(98,971)	305,879	Children's and Education Services		404,331	(108,231)	296,100
64,252	(19,387)	44,865	Highways & Transport Services		64,534	(32,325)	32,209
69,971	(65,231)	4,740	Housing Revenue Account		161,725	(67,727)	93,998
181,640	(175,755)	5,885	Housing Services (Council Fund)		182,799	(177,143)	5,656
127,857	(25,777)	102,080	Adult Social Care		125,100	(22,556)	102,544
9,982	(2,004)	7,978	Corporate & Democratic Core		11,899	(396)	11,503
3,405	323	3,728	Non-Distributed Costs	3	3,656	3,798	7,454
0	0	0	Exceptional Item	3	187,392	0	187,392
<b>1,049,558</b>	<b>(476,330)</b>	<b>573,228</b>	<b>Net Cost of Services</b>	<b>4</b>	<b>1,340,999</b>	<b>(505,645)</b>	<b>835,354</b>
26,411	0	26,411	Police and Crime Commissioner for South Wales	6	27,880	0	27,880
256	0	256	Community Council Precepts	6	290	0	290
16,984	0	16,984	Levies & Contributions	6	16,798	0	16,798
1,586	(5,774)	(4,188)	(Gain)/loss on sale of non-current assets		10,618	(11,814)	(1,196)
<b>45,237</b>	<b>(5,774)</b>	<b>39,463</b>	<b>Other Operating Expenditure</b>		<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>
24,616	0	24,616	Interest Payable on debt	21	32,152	0	32,152
19,416	0	19,416	Interest on net defined benefit liability/(asset)	19	16,618	0	16,618
0	(1,091)	(1,091)	Interest & Investment Income		0	(1,272)	(1,272)
6,161	(12,391)	(6,230)	Change in fair value of Investment Properties		3,954	0	3,954
0	0	0	Other Investment Income		1,092	(1,282)	(190)
<b>50,193</b>	<b>(13,482)</b>	<b>36,711</b>	<b>Financing and Investment Income &amp; Expenditure</b>		<b>53,816</b>	<b>(2,554)</b>	<b>51,262</b>
0	(28,165)	(28,165)	Recognised Capital Grants		0	(25,304)	(25,304)



## Comprehensive Income and Expenditure Account

2014/15 Restated				Note	2015/16		
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000			Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
			& Contributions				
0	(326,291)	(326,291)	Revenue Support Grant		0	(322,851)	
0	(109,695)	(109,695)	Non-Domestic Rates	9	0	(101,253)	
779	(165,499)	(164,720)	Council Tax Income	8	1,834	(173,287)	
0	(13,608)	(13,608)	Other Central Grants		0	(3,344)	
<b>779</b>	<b>(643,258)</b>	<b>(642,479)</b>	<b>Taxation &amp; Non-Specific Grant Income</b>		<b>1,833</b>	<b>(627,873)</b>	
		<b>6,923</b>	<b>(Surplus)/Deficit on Provision of Services</b>			<b>304,349</b>	
		(937)	Revaluation Gains	31		(134,307)	
		2,844	Revaluation Losses	31		73,310	
		412	Impairment losses on non-current assets charged to the Revaluation Reserve			591	
		(2,521)	(Surplus)/Deficit on revaluation of available for sale financial assets	31		1,484	
		51,492	Actuarial (gains)/losses on pension assets/liabilities	19		(12,346)	
		<b>51,290</b>	<b>Other Comprehensive Income &amp; Expenditure</b>			<b>(71,268)</b>	
		<b>58,213</b>	<b>Total Comprehensive Income &amp; Expenditure</b>			<b>233,081</b>	

## Balance Sheet

31 March 2015 Restated £000		Note	31 March 2016 £000
	<b>Property Plant &amp; Equipment:</b>	20	
569,012	Council Dwellings		529,464
765,665	Other Land and Buildings		741,101
14,989	Vehicles, Plant, Furniture & Equipment		15,446
308,666	Infrastructure		298,598
19,206	Community Assets		19,620
11,757	Assets under construction (AUC)		31,048
37,024	Surplus assets not held for sale		36,299
	<b>Heritage Assets</b>		
50,884	Heritage Assets	20	51,278
	<b>Investment Property</b>		
100,787	Investment Properties	20	110,556
	<b>Intangible Assets</b>		
4,346	Intangible assets including AUC	20	3,179
20,731	Long-term Investments		17,773
4,107	Long-term Debtors		6,534
<b>1,907,174</b>	<b>Total Long Term Assets</b>		<b>1,860,896</b>
42,122	Short-term Investments		54,215
3,040	Assets held for Sale	22	2,819
2,109	Inventories		2,139
91,045	Short-term Debtors	23	84,122
23,137	Cash and Cash Equivalents	24	17,352
<b>161,453</b>	<b>Total Current Assets</b>		<b>160,647</b>
(12,964)	Short Term Borrowing	21	(16,148)
(94,801)	Short Term Creditors	25	(82,933)
(2,830)	Pension Strain	28	(2,354)
(9,011)	Provisions	27	(9,514)
(1,024)	Deferred Liabilities	29	(986)
<b>(120,630)</b>	<b>Total Current Liabilities</b>		<b>(111,935)</b>
(464,808)	Long Term Borrowing	21	(659,408)
(31,399)	Provisions	27	(29,297)
(7,217)	Deferred Liabilities	29	(6,617)
(10,095)	Capital Contributions Receipts in Advance	32	(9,933)
(3,734)	Revenue Grants Receipts in Advance	32	(2,526)
(2,160)	Capital Grants Receipts in Advance	32	(1,791)



## Balance Sheet

31 March 2015 Restated £000		Note	31 March 2016 £000
(6,252)	Pensions Strain	28	(4,891)
(539,786)	Net Pensions Liability	19	(545,680)
<b>(1,065,451)</b>	<b>Total Long Term Liabilities</b>		<b>(1,260,143)</b>
<b>882,546</b>	<b>NET ASSETS</b>		<b>649,465</b>
	<b>Financed by:</b>		
13,154	Council Fund Balance		15,255
33,824	Council Fund Earmarked Reserves		51,637
8,438	Housing Revenue Account Balance		8,438
238	Housing Revenue Account Earmarked Reserves		954
1,336	Capital Receipts Reserve		5,423
<b>56,990</b>	<b>Usable Reserves</b>	30	<b>81,707</b>
201,371	Revaluation Reserve		253,947
1,164,708	Capital Adjustment Account		854,165
87	Deferred Capital Receipts		2,049
18,295	Available for Sale Financial Instruments Reserve		16,811
(2,367)	Financial Instruments Adjustment Account		0
(548,868)	Pensions Reserve		(552,925)
(7,670)	Accumulated Absences Adjustment Account		(6,289)
<b>825,556</b>	<b>Unusable Reserves</b>	31	<b>567,758</b>
<b>882,546</b>	<b>TOTAL RESERVES</b>		<b>649,465</b>

## Cash Flow Statement

2014/15 £000		Note	2015/16 £000
6,923	Net (Surplus) /Deficit on the provision of services		304,349
(89,240)	Adjust net surplus or deficit on the provision of services for non-cash movements	34	(190,687)
19,305	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	34	(172,729)
<b>(63,012)</b>	<b>Net cash flows from operating activities</b>		<b>(59,067)</b>
(1,112)	Interest Received		(1,196)
24,728	Interest Paid		30,034
(86,628)	Net cash flow from other operating activities		(87,905)
<b>67,618</b>	<b>Investing activities</b>		<b>273,925</b>
70,700	Purchase of property, plant and equipment, investment property and intangible assets		87,384
29,047	Purchase of short-term and long-term Investments		31,146
9,922	Other payments for investing activities		199,989
(5,774)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,814)
(33,754)	Capital Grants		(31,744)
(2,523)	Capital Contributions		(1,504)
0	Proceeds from short-term and long-term investments		(1,282)
0	Other receipts from investing activities		(250)
<b>14,018</b>	<b>Financing activities</b>		<b>(209,073)</b>
(5,700)	Cash receipts from short-term and long-term borrowing		(201,611)
0	Other receipts from financing activities		(13,454)
0	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
7,820	Repayments of short-term and long-term borrowing		5,992
11,898	Other payments for financing activities		0
<b>(18,624)</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>5,785</b>
<b>41,761</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>23,137</b>
<b>23,137</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>17,352</b>
182	Cash held e.g. Imprest Accounts		233
11,051	Cash and Bank		13,108
11,904	Short-term deposits with financial institutions		4,011

## Notes to the Core Financial Statements

### 3.6 INDEX OF NOTES TO THE CORE FINANCIAL STATEMENTS

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## Notes to the Core Financial Statements

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

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

2015/16	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	42,433	8,693	0	(51,126)
Revaluation losses of non-current assets	23,698	111,701	0	(135,399)
Reverse previous impairment on revaluation	(6,843)	(345)	0	7,188
Amortisation of intangible assets	1,104	120	0	(1,224)
Movements in the market value of Investment properties	3,954	0	0	(3,954)
Movement in the value of Held for Sale Assets	0	0	0	0
Capital grants and contributions applied	(15,122)	(10,181)	0	25,303
Revenue expenditure funded from capital under statute	4,879	187,392	0	(192,271)
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	0	0	0	0
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(23,661)	(7,915)	0	31,576
Statutory repayment of Debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the Council Fund and HRA balances	(1,136)	(4,818)	0	5,954
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(5,857)	5,857
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	31	(32)	1
Capital Receipts set aside for the repayment of debt	0	0	(1,159)	1,159
<b>Adjustments involving the Revaluation Reserve</b>				
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	193	(1,854)	11,097	(9,436)
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(2,400)	33	0	2,367
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	57,272	2,814	0	(60,086)
Employer's contributions to the Pension Scheme	(39,215)	(2,630)	0	41,845
Pension Strain Future Years	(1,781)	(56)	0	1,837
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on	(1,409)	28	0	1,381

## Notes to the Core Financial Statements

2015/16	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.				
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	38	(38)
<b>Total Adjustments</b>	<b>41,966</b>	<b>283,013</b>	<b>4,087</b>	<b>(329,066)</b>

### Comparative Movements in 2014/15

2014/15	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non current assets	47,830	14,475	0	(62,305)
Revaluation losses of non-current assets	780	1,380	0	(2,160)
Reverse previous impairment on revaluation	(950)	(1)	0	951
Amortisation of intangible assets	801	45	0	(846)
Movements in the market value of Investment properties	(6,310)	80	0	6,230
Movement in the value of Held for Sale Assets	504	0	0	(504)
Capital grants and contributions applied	(16,685)	(11,480)	0	28,165
Revenue expenditure funded from capital under statute	396	353	0	(749)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	268	1,145	0	(1,413)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	(23,374)	(2,899)	0	26,273
Statutory repayment of Debt (Finance Lease liabilities)	0	0	0	0
Capital expenditure charged against the Council Fund and HRA balances	(1,819)	(3,761)	0	5,580
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(4,753)	4,753
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	35	(35)	0
Capital Receipts set aside for the repayment of debt	113	0	(1,231)	1,118
<b>Adjustments involving the Revaluation Reserve</b>				
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure	(1,802)	(3,964)	5,939	(173)

## Notes to the Core Financial Statements

2014/15	Usable Reserves			Movement in Unusable Reserves £000
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	
Statement/Recoupment of Grant/Other				
<b>Adjustments involving the Financial Instruments Adjustment Account</b>				
Amortisation of Premiums and Discounts	(340)	(2)	0	342
<b>Adjustments involving the Pensions Reserve:</b>				
Net retirement benefits as per IAS19	55,881	1,290	0	(57,171)
Employer's contributions to the Pension Scheme	(40,396)	(1,507)	0	41,903
Pension Strain Future Years	844	(14)	0	(830)
<b>Adjustments involving the Accumulating Compensated Absences Adjustment Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	884	(3)	0	(881)
<b>Adjustments involving the Deferred Capital Receipts Reserve</b>				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	17	(17)
<b>Total Adjustments</b>	<b>16,625</b>	<b>(4,828)</b>	<b>(63)</b>	<b>(11,734)</b>

### 2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to fund future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2015/16.

	Balance	Contributions		Balance
	31 March 2015 £000	From Revenue £000	To Revenue £000	31 March 2016 £000
<b>SCHOOLS BALANCES</b>				
Schools Reserves	(613)	4,011	(1,671)	1,727
Cathays HS – Maintenance of Playing Field	3	0	0	3
Primary/Special Schools Repairs	95	509	(582)	22
	<b>(515)</b>	<b>4,520</b>	<b>(2,253)</b>	<b>1,752</b>
<b>SCHOOLS RESERVES</b>				
Schools Formula Funding	1,687	1,001	(760)	1,928
Out of School Childcare	111	25	(17)	119
Schools Catering	544	160	0	704
Schools Organisational Plan*	4,006	10,157	(6,040)	8,123
Special Educational Needs Unit	102	0	0	102
	<b>6,450</b>	<b>11,343</b>	<b>(6,817)</b>	<b>10,976</b>
<b>OTHER EARMARKED RESERVES</b>				
Apprenticeship	482	0	(55)	427
Bereavement Services	21	227	(205)	43
Building Control Fee Earning	381	213	0	594

## Notes to the Core Financial Statements

	Balance	Contributions		Balance
	31 March 2015 £000	From Revenue £000	To Revenue £000	31 March 2016 £000
Bute Park Match Funding	228	0	(25)	203
Cardiff Academy Training	95	50	0	145
Cardiff Dogs Home Legacy	33	85	0	118
Cardiff Enterprise Zone	2,929	624	(38)	3,515
Cardiff Insurance	4,245	1,542	(3)	5,784
Central Market Minor Works	1	41	0	42
Central Transport Service	166	402	0	568
City Deal	150	18	(55)	113
City Wide Management and Initiatives	45	479	(45)	479
Community Based Transitional	474	0	0	474
Community Safety	30	51	0	81
Connect to Cardiff Refurbishment	120	0	(110)	10
Corporate Events and Cultural Services	0	680	0	680
Discretionary Rate Relief	100	0	0	100
Emergency Management, Safeguarding and Prevent	125	148	(61)	212
Employee Changes	81	1,632	(81)	1,632
Energy Conservation	208	500	(190)	518
Energy/Carbon Reduction	789	0	(339)	450
Equal Pay	282	0	0	282
Flatholm	24	0	0	24
Fraud Detection	193	0	0	193
Harbour Authority	697	10	(63)	644
Highways Local Government Borrowing Initiative	1,047	1,047	(1,047)	1,047
HMO Licensing	63	0	0	63
Homelessness*	1,188	364	0	1,552
House Mortgage	29	0	0	29
Housing Options Centre *	694	501	(136)	1,059
Housing Support*	1,382	348	(326)	1,404
ICT Holding Account	206	582	(4)	784
Inspectorate Support	336	0	(28)	308
Integrated Partnership Strategy	31	0	0	31
Invest to Save	350	0	0	350
Joint Equipment Store	126	69	0	195
Kitchen Improvement	332	125	0	457
Legal Services	260	200	0	460
Local Lend a Hand Mortgage Scheme	132	45	0	177
Local Plan	170	0	(72)	98
Major Projects	1,705	0	(484)	1,221
Members Development	45	50	(14)	81
Municipal Election	293	351	(45)	599
Non-Domestic Rates Due Diligence	60	0	0	60
Organisational Development Programme	1,232	106	(61)	1,277



## Notes to the Core Financial Statements

	Balance	Contributions		Balance
	31 March 2015 £000	From Revenue £000	To Revenue £000	31 March 2016 £000
Parking & Enforcement	69	4,957	(4,656)	370
Projects, Design & Development - Impact on Design	75	62	0	137
Public Service Board Initiative	46	0	0	46
Property Asset Management	22	107	0	129
Registration Service Improvement	46	0	0	46
Resources	992	664	(75)	1,581
Scrutiny Development & Training	72	10	0	82
Social Care Technology	761	0	0	761
Waste Management/Prosiect Gwyrdd	2,020	1,704	(1,154)	2,570
Welfare Reform	1,608	1,799	0	3,407
Workshops Asset Maintenance	12	0	0	12
Youth and Community Education	259	190	0	449
	<b>27,562</b>	<b>19,983</b>	<b>(9,372)</b>	<b>38,173</b>
<b>CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES</b>				
Central South Consortium	170	0	(28)	142
Glamorgan Archives	98	0	(1)	97
Prosiect Gwyrdd	37	24	0	61
Regional Adoption Service	0	50	0	50
Shared Regulatory Service	0	386	0	386
Welsh Purchasing Consortium	22	0	(22)	0
	<b>327</b>	<b>460</b>	<b>(51)</b>	<b>736</b>
<b>Total Council Fund Reserves</b>	<b>33,824</b>	<b>36,306</b>	<b>(18,493)</b>	<b>51,637</b>
<b>HOUSING REVENUE ACCOUNT (HRA) RESERVES</b>				
Repairs & Building Maintenance Services	0	516	0	516
IT Reserve	238	0	0	238
Tackling Overcrowding	0	200	0	200
<b>Total HRA Reserves</b>	<b>238</b>	<b>716</b>	<b>0</b>	<b>954</b>
<b>TOTAL EARMARKED RESERVES</b>	<b>34,062</b>	<b>37,022</b>	<b>(18,493)</b>	<b>52,591</b>

\* Reserves that had previously been temporarily utilised to fund voluntary severance costs have now been fully repaid.

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

The **Schools' Balances** figure of £1.727 million debit comprises of two elements. Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. As at 31 March 2016 Schools' own balances, including the balances of nursery schools amounted to a surplus of £2.522 million for **individual schools** (£1.287 million in 2014/15 surplus). However, a deficit balance of £794,000 (£1.9 million in 2014/15) exists, which is the amount of severance and exit costs paid out in 2014/15 remaining to be paid back by schools over the next two financial years. In addition, the Council has established reserves to allow for contingencies affecting schools.

**Schools Formula Funding Reserve** - to deal with costs arising from schools that are unable to be met from the funding formula budget.



## Notes to the Core Financial Statements

**Schools Organisational Plan Reserve** - to fund the capital charges and other costs associated with schools reorganisation resulting from investment in the Schools Organisation Plan and 21<sup>st</sup> Century Schools.

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

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

**Cardiff Insurance Reserve** - to protect the Council from potential future liabilities based on current insurance policies.

**Central Transport Service Reserve** - to fund initiatives and costs in connection with the Council's vehicle fleet management.

**Corporate Events & Cultural Services Reserve** – to fund costs associated with events within Cardiff and any cultural initiatives.

**Employee Changes Reserve** - to meet the costs associated with Voluntary Severance and other employee costs.

**Energy Conservation Reserve** - to fund initiatives in connection with energy conservation.

**Harbour Authority Project & Contingency Fund** - to fund initiatives and one-off costs in connection with the Cardiff Harbour Authority.

**Highways Local Government Borrowing Initiative Reserve** - to fund future years' revenue borrowing costs arising from the Welsh Government Local Government Borrowing Initiative for Highways.

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

**Housing Options Centre Reserve** - to fund the capital financing loan charges incurred in building the new Housing Options Centre.

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

**ICT Holding Account Reserve** – to fund initiatives and costs in connection with the Council's use of technology.

**Major Projects Reserve** - to support the costs of major projects.

**Municipal Election Reserve** – to fund costs associated with future Council elections.

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

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

## Notes to the Core Financial Statements

**Waste Management/Prosiect Gwyrdd Reserve** - to mitigate the financial impact associated with the volatility of waste tonnages.

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

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

**Repairs & Building Maintenance Reserve (HRA)** - to fund costs arising in connection with repairs to Council dwellings.

### Parking & Enforcement Reserve

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.

2014/15 £000		2015/16 £000
	<b>Income</b>	
(3,917)	On-street pay car parking fees	(4,271)
(2,077)	Penalty charge notices	(2,085)
(254)	Residents parking permits	(309)
(667)	Off-Street car parking fees	(805)
(848)	Moving Traffic Offences	(2,840)
(54)	Other income	(2)
<b>(7,817)</b>	<b>Total Income</b>	<b>(10,312)</b>
	<b>Expenditure</b>	
1,341	Operational costs and Traffic Regulation Orders	1,484
2,602	Enforcement service	3,871
<b>3,943</b>	<b>Total Expenditure</b>	<b>5,355</b>
<b>(3,874)</b>	<b>Civil Parking Enforcement Net (Surplus)/Deficit</b>	<b>(4,957)</b>
	Appropriations to Parking Reserve:	
<b>121</b>	<b>Balance 1 April 2015</b>	<b>69</b>
3,874	Contributions from CPE	4,957
(3,926)	Contributions to revenue*	(4,656)
<b>69</b>	<b>Balance 31 March 2016</b>	<b>370</b>

\* Eligible expenditure totalling £4.656 million was drawn down from the reserve leaving a balance of £370,000 at the 31 March 2016. The budgeted drawdown of £4.656 million was used to support a range of Council services including on-going support and improvements to transport, parking, highways and environmental services.

### 3. Non-Distributed Costs and Exceptional Items

Non-Distributed Costs (NDC) amount includes £3.419 million in relation to IAS 19 past service costs, £4,083,829 in relation to accommodation and £658,794 in relation to Carbon Reduction.

The Exceptional Item in 2015/16 amounts to £187.392 million and relates to the Council's settlement payment to Welsh Government to facilitate the exit of the HRA Subsidy System. Whilst this means that

the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council will have to pay additional costs for the borrowing undertaken to fund this payment. This includes additional costs for interest and also setting aside from any income additional amounts for reducing the amount borrowed and outstanding. Any financial benefit from this transaction on an ongoing basis is proposed to be re-invested into the housing stock.

#### 4. Amounts reported for Resource Allocation Decisions

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

The service analysis, HRA and Harbour figures in the first two columns of the reconciliation to subjective analysis tables on pages 52 to 54 are based on the reported Outturn for Council Fund services which will be reported to the Cabinet Meeting of the Council in June 2016. The Outturn for the Housing Revenue Account (HRA) is reported separately at the same meeting. These figures include some depreciation charges and the corresponding reversing entry which is required in order to neutralise the impact on Council Tax.

#### Not included in Net Cost of Services

Certain types of income and expenditure which are included in the reported Outturn are required to be excluded from the Net Cost of Services and shown as either corporate amounts or included in the statutory adjustment accounts. These include the following:

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

#### Amounts not reported to management for decision making

Items included in the above classification mainly cover adjustments that are required under the Code.

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

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

Other items include:

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

#### Adjustment for recharges

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

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

## Notes to the Core Financial Statements

### Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

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

2014/15 £000		2015/16 £000
583,547	Net expenditure in Service Area Analysis (including Harbour)	568,523
(314)	Services not included in Service Area Analysis (HRA)	0
(16,893)	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	388,462
6,888	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(121,631)
0	Amounts in respect of presentation of internal recharges	0
<b>573,228</b>	<b>Net Cost of Services in Comprehensive Income &amp; Expenditure Statement</b>	<b>835,354</b>

The income and expenditure of the Council's principal Directorates recorded in the budget reports for 2015/16 is as follows:

	Social Services £000	Education £000	City Operations £000	Economic Development £000	Communities, Housing & Customer Services £000	Resources £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,011)	(23,094)	(57,012)	(30,442)	(7,403)	(6,240)	(8,834)	<b>(139,036)</b>
Government grants	(13,530)	(53,781)	(17,803)	(930)	(178,878)	(14,904)	(7,655)	<b>(287,481)</b>
<b>Total Income</b>	<b>(19,541)</b>	<b>(76,875)</b>	<b>(74,815)</b>	<b>(31,372)</b>	<b>(186,281)</b>	<b>(21,144)</b>	<b>(16,489)</b>	<b>(426,517)</b>
Employee expenses	32,738	229,958	50,223	12,116	23,347	30,639	8,957	<b>387,978</b>
Other service expenses	127,347	77,957	66,801	20,915	209,044	20,164	83,222	<b>605,450</b>
Support service recharges	1,521	3,439	7,693	459	(20)	(14,059)	2,579	<b>1,612</b>
<b>Total Expenditure</b>	<b>161,606</b>	<b>311,354</b>	<b>124,717</b>	<b>33,490</b>	<b>232,371</b>	<b>36,744</b>	<b>94,758</b>	<b>995,040</b>
<b>Net Expenditure</b>	<b>142,065</b>	<b>234,479</b>	<b>49,902</b>	<b>2,118</b>	<b>46,090</b>	<b>15,600</b>	<b>78,269</b>	<b>568,523</b>

## Notes to the Core Financial Statements

Comparative data for 2014/15 is as follows:

	Social Services £000	Education £000	City Operations £000	Economic Development £000	Communities, Housing & Customer Services £000	Resources £000	Other Service Areas (including Harbour) £000	Total £000
Fees, charges and other service income	(6,359)	(28,590)	(45,493)	(28,773)	(15,810)	(7,477)	(4,978)	<b>(137,480)</b>
Government grants	(12,947)	(50,225)	(13,443)	(917)	(180,359)	(15,752)	(11,123)	<b>(284,766)</b>
<b>Total Income</b>	<b>(19,306)</b>	<b>(78,815)</b>	<b>(58,936)</b>	<b>(29,690)</b>	<b>(196,169)</b>	<b>(23,229)</b>	<b>(16,101)</b>	<b>(422,246)</b>
Employee expenses	36,902	233,386	58,372	12,516	29,351	33,247	9,447	<b>413,221</b>
Other service expenses	123,010	70,650	59,133	20,301	213,272	22,891	82,175	<b>591,432</b>
Support service recharges	1,977	5,537	7,947	495	578	(14,265)	(1,129)	<b>1,140</b>
<b>Total Expenditure</b>	<b>161,889</b>	<b>309,573</b>	<b>125,452</b>	<b>33,312</b>	<b>243,201</b>	<b>41,873</b>	<b>90,493</b>	<b>1,005,793</b>
<b>Net Expenditure</b>	<b>142,583</b>	<b>230,758</b>	<b>66,516</b>	<b>3,623</b>	<b>47,031</b>	<b>18,644</b>	<b>74,393</b>	<b>583,547</b>

## Notes to the Core Financial Statements

### Reconciliation to Subjective Analysis

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

2015/16	Directorate analysis (including Harbour)	HRA	Not included in Net Cost of Services	Allocation of recharges	Not reported to management for decision making	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(106,399)	(67,230)	(4,587)	166,029	(187,091)	<b>(199,278)</b>	0	<b>(199,278)</b>
Interest & investment income	(999)	(72)	1,067	0	4	0	(1,462)	<b>(1,462)</b>
Income from Council Tax	0	0	0	0	0	0	(173,288)	<b>(173,288)</b>
Government grants & contributions	(301,083)	(643)	29,095	0	(33,736)	<b>(306,367)</b>	(452,751)	<b>(759,118)</b>
Capital Financing reversals (Net)	(18,036)	(32)	18,068	0	0	0	0	0
Gain/loss on disposal of non-current assets	0	0	1,479	0	(1,479)	0	(1,196)	<b>(1,196)</b>
<b>Total Income</b>	<b>(426,517)</b>	<b>(67,977)</b>	<b>45,122</b>	<b>166,029</b>	<b>(222,302)</b>	<b>(505,645)</b>	<b>(628,697)</b>	<b>(1,134,342)</b>
Employee expenses	387,977	17,247	0	(12,129)	17,949	<b>411,044</b>	0	<b>411,044</b>
Other service expenses	505,832	17,841	(728)	(84,819)	110,836	<b>548,962</b>	0	<b>548,962</b>
Support service recharges	1,612	6,458	(19,032)	(61,893)	72,855	0	0	0
Depreciation, amortisation, impairment & REFCUS	0	0	0	(7,188)	388,181	<b>380,993</b>	0	<b>380,993</b>
Interest payments	19,137	13,015	(32,152)	0	0	0	32,152	<b>32,152</b>
Interest on net defined benefit liability/asset	0	0	(16,610)	0	16,610	0	16,618	<b>16,618</b>
Precepts & levies	16,798	0	(16,798)	0	0	0	44,968	<b>44,968</b>
Change in fair value of investment properties	0	0	(3,954)	0	3,954	0	3,954	<b>3,954</b>
Capital financing	63,684	13,416	(77,479)	0	379	0	0	0
<b>Total expenditure</b>	<b>995,040</b>	<b>67,977</b>	<b>(166,753)</b>	<b>(166,029)</b>	<b>610,764</b>	<b>1,340,999</b>	<b>97,692</b>	<b>1,438,691</b>
<b>(Surplus)/deficit on provision of services</b>	<b>568,523</b>	<b>0</b>	<b>(121,631)</b>	<b>0</b>	<b>388,462</b>	<b>835,354</b>	<b>(531,005)</b>	<b>304,349</b>



## Notes to the Core Financial Statements

2014/15	Directorate analysis (including Harbour) £000	HRA £000	Not included in Net Cost of Services £000	Allocation of recharges £000	Not reported to management for decision making £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(109,208)	(64,674)	2,097	168,892	(183,915)	<b>(186,808)</b>	0	<b>(186,808)</b>
Interest & investment income	(165)	(65)	68	0	162	<b>0</b>	(1,091)	<b>(1,091)</b>
Income from Council Tax	0	0	0	0	0	<b>0</b>	(164,720)	<b>(164,720)</b>
Government grants & contributions	(284,766)	(748)	12,262	0	(16,270)	<b>(289,522)</b>	(477,759)	<b>(767,281)</b>
Capital Financing reversals (Net)	(28,107)	(481)	23,224	0	5,364	<b>0</b>	0	<b>0</b>
Change in fair value of investment properties	0	0	(80)	0	80	<b>0</b>	(6,230)	<b>(6,230)</b>
Gain/loss on disposal of fixed assets	0	0	(4,189)	0	4,189	<b>0</b>	(4,188)	<b>(4,188)</b>
<b>Total Income</b>	<b>(422,246)</b>	<b>(65,968)</b>	<b>33,382</b>	<b>168,892</b>	<b>(190,390)</b>	<b>(476,330)</b>	<b>(653,988)</b>	<b>(1,130,318)</b>
Employee expenses	413,221	10,487	0	(14,723)	15,253	<b>424,238</b>	0	<b>424,238</b>
Other service expenses	498,663	37,910	(1,870)	(96,608)	122,359	<b>560,454</b>	0	<b>560,454</b>
Support service recharges	1,140	5,789	(2,111)	(56,611)	51,793	<b>0</b>	0	<b>0</b>
Depreciation, amortisation, impairment & REFCUS	0	0	0	(950)	65,816	<b>64,866</b>	0	<b>64,866</b>
Interest payments	19,818	4,806	(4,806)	0	(19,818)	<b>0</b>	24,616	<b>24,616</b>
Interest on net defined benefit liability/asset	0	0	0	0	0	<b>0</b>	19,416	<b>19,416</b>
Precepts & levies	16,984	0	0	0	(16,984)	<b>0</b>	43,651	<b>43,651</b>
Capital financing	55,967	6,662	(17,707)	0	(44,922)	<b>0</b>	0	<b>0</b>
<b>Total expenditure</b>	<b>1,005,793</b>	<b>65,654</b>	<b>(26,494)</b>	<b>(168,892)</b>	<b>173,497</b>	<b>1,049,558</b>	<b>87,683</b>	<b>1,137,241</b>
<b>(Surplus)/deficit on provision of services</b>	<b>583,547</b>	<b>(314)</b>	<b>6,888</b>	<b>0</b>	<b>(16,893)</b>	<b>573,228</b>	<b>(566,305)</b>	<b>6,923</b>

## Notes to the Core Financial Statements

### 5. Harbour Authority & Associated Activities

Income, expenditure and assets relating to functions transferred to the Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000 are included within the Council's overall accounts. However a separate set of accounts are required to be prepared in accordance with the 1964 Harbours Act and can be seen from page 185. It should be noted that the Harbour Authority accounts have been prepared on a Companies Act 2006 basis and not in accordance with the Code.

### 6. Precepts and Levies

	2014/15 £000	2015/16 £000
<b>Precepts</b>		
Police and Crime Commissioner for South Wales	26,411	27,880
Community Councils:		
Lisvane	34	34
Pentyrch	80	85
Radyr	79	108
St Fagans	18	18
Old St Mellons	26	26
Tongwynlais	19	19
	<b>26,667</b>	<b>28,170</b>
<b>Levies &amp; Contributions</b>		
South Wales Fire & Rescue Service	16,650	16,507
Natural Resources Wales	171	141
Cardiff Port Health Authority	158	144
Newport Health Authority	5	6
	<b>16,984</b>	<b>16,798</b>

### 7. Participation in Joint Committees

During 2015/16 the Council was lead Authority for three Joint Committees and a member authority of three others:

Committee	Purpose	2014/15 £000	2015/16 £000
Glamorgan Archives	Management and administration of the Glamorgan Records Office (GRO)	218	218
Prosiect Gwyrdd	To manage residual waste treatment facility	26	49
Welsh Purchasing Consortium	Deliver joint, collaborative contracts and frameworks for procurement of goods and services	12	0
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	1,550	1,571
Regional Adoption Service	To develop and improve adoption services and share best practice	0	393
Shared Regulatory Service	To provide a shared regulatory service to Bridged, Cardiff and the Vale of Glamorgan	0	5,100
<b>Total</b>		<b>1,806</b>	<b>7,294</b>

The Council has included its share of the transactions and balances of each Joint Committee in its 2015/16 accounting statements on a line-by-line basis.



## Notes to the Core Financial Statements

### 8. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police Authority for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2015/16 was 139,500 (138,759 for 2014/15).

The amounts for a band D property in Cardiff during 2015/16 were as follows:

Band D Council Tax:	2014/15 £	2015/16 £
Cardiff Council	974	1,022
Police and Crime Commissioner for South Wales	190	200
<b>TOTAL</b>	<b>1,164</b>	<b>1,222</b>

The above amount (£1,222) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from council tax:

	2014/15 £000	2015/16 £000
Council Tax collectable	(165,499)	(175,121)
Provision for non-payment of Council Tax	779	1,834
	<b>(164,720)</b>	<b>(173,287)</b>

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

31 March 2015 £000		31 March 2016 £000
(5,596)	Council Tax Bad Debt Provision	(4,915)

### 9. Non-Domestic Rates

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.2p in 2015/16 and 47.3p in 2014/15) and, subject to the effects of transitory arrangements; local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to local Authorities on the basis of a fixed amount per head of population.

The NDR income of £193.351 million for 2015/16 (£178.576 million for 2014/15) was based on a total rateable value of £476.309 million for 2015/16 (£467.399 million for the year 2014/15).

Analysis of the net proceeds from non-domestic rates:

## Notes to the Core Financial Statements

	2014/15 £000	2015/16 £000
Non-Domestic Rates collectable	178,576	193,351
Cost of collection allowance	(879)	(886)
Provision for non payment of NDR	(4,305)	(3,784)
<b>Payment into national pool</b>	<b>173,392</b>	<b>188,681</b>
<b>Redistribution from national pool</b>	<b>(109,695)</b>	<b>(101,253)</b>

### 10. Agency Income & Expenditure

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

#### Welsh Government

- Non Domestic Rates collection. A net debtor of £8.773 million (£22.227 million in 2014/15) is shown in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Provide loans to bring back unused properties into homes. At 31 March 2016 the Welsh Government had provided £3.236 million of funding of which £2.040 million is outstanding as loans provided. The balance available for new loans was £1.196 million.
- Provide loans for home improvements. At 31 March 2016 the Welsh Government had provided £1.062 million of funding No loans have been issued by the Council to date.

#### South Wales Trunk Road Agency

The total reimbursement received £445,000 in 2015/16 (£538,000 in 2014/15).

### 11. Remuneration

**11.1.** The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2015/16 was 1:9. The median full time equivalent earnings for 2015/16 was £19,817.

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

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

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

## Notes to the Core Financial Statements

Remuneration band £	Number of Employees	
	2014/15	2015/16
60,000-64,999	90	46
65,000-69,999	28	44
70,000-74,999	8	14
75,000-79,999	15	4
80,000-84,999	6	10
85,000-89,999	6	3
90,000-94,999	8	3
95,000-99,999	0	3
100,000-104,999	2	0
105,000-109,999	2	2
110,000-114,999	1	1
115,000-119,999	10	1
120,000-124,999	1	8
125,000-129,999	0	1
130,000-134,999	0	0
135,000-139,999	1	0
140,000-144,999	1	0
145,000-149,999	0	1
150,000-154,999	1	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	1	0
170,000-174,999	0	2
175,000-179,999	1	0
180,000-184,999	0	0

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

No bonuses have been paid during 2015/16 (2014/15 - £nil)

The following persons fell within this definition for 2015/16:

## Notes to the Core Financial Statements

2015/16  Post title	R Salary, fees and allowances	R Taxable benefits	Compensation for loss of employment		R Employers pension contribution (23.9% of salary)	R Total
			R Received via payroll (taxable) (a)	R Received via creditors (non taxable)		
Paul Orders, Chief Executive	170,000	0	0	0	38,930	208,930
Director Governance & Legal Services, County Clerk & Monitoring Officer (a)	130,000	0	11,000	30,000	24,287	195,287
Corporate Director Resources & Section 151 Officer (b)	130,000	0	0	0	29,770	159,770
Director Education & Lifelong Learning	120,000	55	0	0	27,480	147,535
Director Social Services, Director Childrens Services (c)	120,000	47	0	0	27,480	147,527
Director Communities, Housing & Customer Services	120,000	0	0	0	27,480	147,480
Director Economic Development	120,000	0	0	0	27,480	147,480
Director City Operations, Director Strategic Planning, Highways, Traffic & Transport (d)	120,000	0	0	0	27,480	147,480
Assistant Director Education & Lifelong Learning	81,989	64	0	0	18,776	100,829
Assistant Director Housing & Communities	81,989	0	0	0	18,776	100,765
Assistant Director Customer Services & Communities	81,989	0	0	0	18,776	100,765
Assistant Director Environment	81,989	0	0	0	18,776	100,765
Chief HR Officer	81,989	0	0	0	18,417	100,406
Interim Assistant Director Adult Services and Operational Manager Learning Disabilities (e)	74,013	0	0	0	17,011	91,024
Interim Monitoring Officer and Operational Manager Legal Manager Litigation (f)	68,158	0	0	0	15,608	83,766
Head of Service, Finance (Commenced 10/08/2015) (g)	71,622	0	0	0	12,087	83,709
Assistant Director Childrens Services (Commenced 01/09/2015) (h)	82,500	0	0	0	0	82,500
County Solicitor (Leaving Date 13/09/2015) (i)	60,129	0	0	2,138	12,366	74,633
Director Sport, Leisure & Culture (Leaving Date 25/07/2015) (j)	37,742	2	0	19,594	8,643	65,981
Director Health & Social Care (Leaving Date 25/07/2015) (k)	36,135	40	0	10,688	8,643	55,506
Director Environment (Leaving Date 25/07/2015) (j)	36,361	4	0	7,125	8,643	52,133
Chief Officer Change & Improvement (Leaving Date 20/09/2015) (m)	38,533	0	0	0	8,913	47,447
Head of Performance & Partnerships (Commenced 15/02/2016) (n)	10,317	0	0	0	2,363	12,680

## Notes to the Core Financial Statements

- a) Director Governance & Legal Services from 16/06/2015 until 29/02/2016. Annualised salary of £120,000. Clerk & Monitoring Officer until 15/06/2015. Annualised salary of £120,000.
- b) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £16,437 (£13,080 in 2014/15).
- c) Director Social Services from 16/06/2015. Annualised salary of £120,000. Director Childrens Services until 15/06/2015. Annualised salary of £120,000.
- d) Director City Operations from 16/06/2015. Annualised salary of £120,000. Director Strategic Planning, Highways, Traffic & Transport until 15/06/2015. Annualised salary of £120,000.
- e) Interim Assistant Director Adult Services commenced 05/08/2016. Annualised salary of £81,600. Operational Manager Learning Disabilities. Annualised salary of £59,551.
- f) Interim Monitoring Officer commenced 01/03/2016. Annualised salary of £81,600. Operational Manager Legal Manager, Litigation. Annualised salary £65,313.
- g) Head of Service, Finance commenced 10/08/2015. Annualised salary of £81,600.
- h) During 2015/16 agency payments of £82,500 (nil in 2014/15) were made for service as Assistant Director Childrens Services.
- i) County Solicitor left the Authority on 12/09/2015. Annualised salary of £120,000.
- j) Director Sport, Leisure & Culture left the Authority on 24/07/2015. Annualised salary of £120,000.
- k) Director Health & Social Care left the Authority on 24/07/2015. Annualised salary of £120,000.
- l) Director Environment left the Authority on 24/07/2015. Annualised salary of £120,000.
- m) Chief Officer Change & Improvement left the Authority on 20/09/2015. Annualised salary of £81,600.
- n) Head of Performance & Partnerships commenced 15/02/2016. Annualised salary of £81,600.

### Comparative Data for 2014/15

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

## Notes to the Core Financial Statements

2014/15  Post title	£ Salary, fees and allowances	£ Taxable benefits	Compensation for loss of employment		£ Employers pension contribution (23.9% of salary)	£ Total
			£ Received via payroll (taxable) (a)	£ Received via creditors (non taxable)		
Assistant Director Housing & Communities	78,559	0	0	0	17,990	96,548
Assistant Director Customer Services & Communities	78,559	0	0	0	17,990	96,548
Assistant Director Environment	78,559	0	0	0	17,990	96,548
Chief Officer Change & Improvement	78,559	0	0	0	17,990	96,548
Chief HR Officer	78,252	0	0	0	17,920	96,172
Assistant Director Education & Lifelong Learning (Commenced 01.09.2014) (a)	45,405	0	0	0	10,398	55,803

a) Assistant Director Education & Lifelong Learning commenced 01/09/2014. Annualised salary £77,838.

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

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

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies for 2014/15 and 2015/16 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 cost of the additional contributions the Authority is required to make to the Pension Fund in respect of the individuals who are leaving the Authority. This is known as the Pension Strain cost. In comparing year-on-year figures, it should be noted that, following a review of the voluntary severance scheme, the multiplier used against the statutory scheme reduced from 3 to 1.5, as of 1 April 2015.

2015/16  Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	£ Total cost of exit packages in each band
£0 - £20,000	27	100	127	857,681
£20,001 – £40,000	2	28	30	824,167
£40,001 – £60,000	2	8	10	486,424
£60,001 – £80,000	0	2	2	126,296
£80,001 – £100,000	1	1	2	190,626



## Notes to the Core Financial Statements

2015/16 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	£ Total cost of exit packages in each band
£100,001 – £150,000	0	0	0	0
£150,001 – £200,000	1	0	1	189,147
<b>Total</b>	<b>33</b>	<b>139</b>	<b>172</b>	<b>2,674,341</b>

2014/15 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	£ Total cost of exit packages in each band
£0 - £20,000	36	295	331	2,841,328
£20,001 – £40,000	21	215	236	6,512,672
£40,001 – £60,000	2	46	48	2,363,107
£60,001 – £80,000	1	15	16	1,123,442
£80,001 – £100,000	0	12	12	1,088,877
£100,001 – £150,000	2	7	9	1,067,185
<b>Total</b>	<b>62</b>	<b>590</b>	<b>652</b>	<b>14,996,611</b>

The total amount of Members' Allowances (including basic and special responsibility) paid in 2015/16 was £1,293,164 (£1,289,268 in 2014/15). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances, and expenses which are directly reimbursed.

### 12. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store is a Section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale University Health Board for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Authority's transactions are included in the Health and Social Care line of the income and expenditure account. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2016 is as follows:

2014/15 £000		2015/16 £000
	<b>Expenditure</b>	
1,639	Equipment	1,685
124	Contribution to Overheads	124
<b>1,763</b>	<b>Total Expenditure</b>	<b>1,809</b>
	<b>Funding</b>	
1,194	Cardiff and Vale University Health Board	1,214
418	Cardiff Council	405
277	Vale of Glamorgan Council	259
<b>1,889</b>	<b>Total Funding</b>	<b>1,878</b>
<b>126</b>	<b>Surplus transferred to JES Partnership Reserve</b>	<b>69</b>

### 13. Related Parties

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

**Central Government** has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in the subjective analysis in [note 32](#) on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2016 are shown in [note 32](#).

**Members of the Council** have direct control over the Council's financial and operating policies. The total members' allowances paid in 2015/16 is shown in [note 11](#). Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2015/16, goods and services totalling £7,073,371 were commissioned from companies in which members had an interest (£8,065,836 in 2014/15). Grants totalling £1,779,787 (£2,627,448 in 2014/15) were paid to voluntary organisations in which members had an interest.

**Officer's** emoluments are shown in [note 11](#) to the Core Financial Statements. During 2015/16, the Council received income of £1,530 from senior employees relating to the repayment of loans taken out under the Assisted Car Purchase Scheme (£1,530 in 2014/15). In 2015/16 no goods and services were commissioned from companies in which Chief Officers had an interest. (£nil in 2014/15).

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

**Cardiff Medicentre** was a joint venture between the Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. Details of transactions with Medicentre are shown in [note 26](#) to the Core Financial Statements. The Council disposed of its interest in the Medicentre on 31 March 2016.

**Pension Fund** contributions paid to the Pension Fund are shown in [note 19](#) to the Core Statements.

**Precepts and Levies** – details of precepts collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in [note 6](#) to the Core Financial Statements. This includes the precept for the Police and Crime Commissioner for South Wales. In addition to this, the Council made payments of £134,799 to South Wales Police Authority during 2015/16 (£197,000 in 2014/15).



## Notes to the Core Financial Statements

### Related Party Balances

The following balances were held in respect of related parties:

31 March 2015			31 March 2016	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
30,604	(5,675)	Central Government Grants	18,415	(5,484)
29	(117)	Cardiff City Transport Services Ltd	0	(87)
144	(55)	Medicentre/CBTC/Cardiff Business Council	1	0
3	0	Chief Officers and above – outstanding car loan balances	1	0
0	0	Precepting Bodies	0	0
185	(26)	Companies in which members' interests declared/other	204	(5)

### 14. External Audit Costs

	2014/15 £000	2015/16 £000
Fees payable to Wales Audit Office for external audit services	421	400
Fees payable to Wales Audit Office for the certification of grant claims and returns	118	84
<b>Total</b>	<b>539</b>	<b>484</b>

### 15. Trading Accounts Summary

The following table summarises the results of the Council's trading activities in those areas where it is operating in a commercial environment. The following figures have been compiled in accordance with the requirements of the 2015/16 Code and SERCOP. Net capital charges, which include depreciation and impairment, are shown separately.

	2014/15 Restated	2015/16			
	Trading (Surplus) /Deficit £000	Income £000	Net Capital Charges £000	Other Expenditure £000	Trading (Surplus) /Deficit £000
Bereavement & Registration	220	(3,318)	1,661	3,201	<b>1,544</b>
Cardiff Castle	(357)	(3,414)	(83)	2,853	<b>(644)</b>
Commercial Catering	(38)	(1,500)	0	1,270	<b>(230)</b>
Land & Buildings & Workshops	(3,076)	(5,732)	2,087	1,953	<b>(1,692)</b>
Leisure Centres	7,279	(5,663)	3,769	9,953	<b>8,059</b>
New Theatre	1,019	(5,022)	577	5,513	<b>1,068</b>
Non Housing Building Maintenance	(282)	(12,852)	0	12,345	<b>(507)</b>
Non Schools Cleaning	163	(5,603)	0	5,467	<b>(136)</b>
Schools Catering	593	(9,864)	(77)	9,989	<b>48</b>
St. David's Hall	2,323	(6,481)	1,390	7,781	<b>2,690</b>
Other Trading Accounts*	5,803	(13,948)	1,267	18,067	<b>5,386</b>
<b>Total</b>	<b>13,647</b>	<b>(73,397)</b>	<b>10,591</b>	<b>78,392</b>	<b>15,586</b>

\* Other trading accounts totalled 14 in 2015/16 (15 in 2014/15).

## Notes to the Core Financial Statements

Community Maintenance Services is no longer treated as a trading account and the Education and Non-Schools Cleaning were merged in 2015/16.

### 16. Leasing

#### Authority as Lessee

##### Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2015/16:

	2014/15 Restated £000	2015/16 £000
Property leases	1,886	1,553
Other leases	1,371	2,365

The Council was committed at 31 March 2016 to making payments of £3.700 million under operating leases in 2016/17 (£2.912 million at 31 March 2015 for 2015/16) comprising the following elements:

	2014/15		2015/16	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	8	433	0	131
Leases expiring between 2 and 5 years	583	797	518	1,979
Leases expiring after 5 years	1,091	0	905	167

#### Finance Leases

There were no finance leases at 31 March 2016 (none in 2014/15) and there are no future obligations under finance leases.

#### Authority as Lessor

##### Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £6.352 million in 2015/16 (£5.903 million in 2014/15)

The Council was committed as at 31 March 2016 to receiving income of £5.856 million (£5.377 million as at 31 March 2015) under operating leases for Land & Buildings comprising the following elements:

	2014/15 £000	2015/16 £000
Leases expiring within 1 year	863	221
Leases expiring between 2 and 5 years	641	1,171
Leases expiring after 5 years	3,873	4,464

#### Finance Leases

The Council does not provide any leases of this type.

## Notes to the Core Financial Statements

### 17. Investment Properties

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

	2014/15 £000	2015/16 £000
Rental income from investment property	(5,166)	(5,511)
Direct operating expenses arising from investment property	1,911	1,861
<b>Net (gain) / loss</b>	<b>(3,255)</b>	<b>(3,650)</b>

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

### 18. Prudent Revenue Provision

The Council is required to set aside in the year from its Non housing and Housing Revenue Account budgets, a prudent amount for the repayment of borrowing historically undertaken to pay for capital expenditure. The amount is set having regard to Welsh Government Guidance and a policy agreed by Council as part its budget proposals each year. This amount reduces the Council's underlying need to borrow, the Capital Financing Requirement (CFR).

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

	2014/15 £000	2015/16 £000
Non Housing revenue provision	23,374	23,664
Housing Revenue Account provision	2,899	7,912
<b>Prudent revenue provision</b>	<b>26,273</b>	<b>31,576</b>

The increase in the provision for HRA is in relation to borrowing undertaken to meet the settlement payment to exit the housing subsidy system.

### 19. Pensions

#### Participation in Pension Schemes

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

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

- Teachers' Pension Scheme
- The Local Government Pension Scheme

#### The Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme unless they opt out, administered by the Teacher's Pension Agency on behalf of the Department for Education. The scheme is defined benefit scheme and although it is unfunded, Teachers pensions use a notional fund as a basis for calculating the employer's contribution rate paid by Local Education Authorities. However, it is not possible for the Authority to identify a share of the underlying liabilities of the scheme

## Notes to the Core Financial Statements

attributable to its own employees and so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme, i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2015/16 the Council paid £17.499 million in respect of teachers' pension costs, which represents 15.5% of teachers' pensionable pay (£15.917 million representing 14.1% of teachers' pensionable pay in 2014/15) In addition, the Authority is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

### The 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, for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Authority and the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

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

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

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

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

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

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

	2014/15			2015/16		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
<b>Comprehensive Income Expenditure Statement (CI&amp;E Statement)</b>						
<b>Net Cost of Services:</b>						
Current Service Cost	34,857	0	34,857	40,082		40,082
Past Service Costs	2,778	120	2,898	3,386	720	4,106
<b>Financing &amp; Investment Income &amp; Expenditure</b>						
Interest on net defined benefit liability/(asset)	17,876	1,540	19,416	16,618	1,180	17,798
<b>Net charge to C I&amp;E Statement</b>	<b>55,511</b>	<b>1,660</b>	<b>57,171</b>	<b>60,086</b>	<b>1,900</b>	<b>61,986</b>
<b>Movement in Reserves Statement</b>						

## Notes to the Core Financial Statements

	2014/15			2015/16		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Reversal of net charges made for retirement benefits in accordance with IAS19	(55,511)	(1,660)	<b>(57,171)</b>	(60,086)	(1,900)	<b>(61,986)</b>
<b>Actual amount charged against Council Tax in respect of pensions for the year</b>						
Employers contributions payable to the scheme	38,403	0	<b>38,403</b>	38,535	0	<b>38,535</b>
Payments in respect of unfunded pensions liabilities **	0	3,500	<b>3,500</b>		3,310	<b>3,310</b>
	<b>38,403</b>	<b>3,500</b>	<b>41,903</b>	<b>38,535</b>	<b>3,310</b>	<b>41,845</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 Taff (RCT) Council on behalf of the Council.

### Contributions for year ending 31 March 2017

Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2017 are estimated to be £36.61 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2017 the Council expects to pay £3.31 million directly to beneficiaries.

### Basis for estimating assets and liabilities

The latest actuarial valuation of the County Council of the City and County of Cardiff's liabilities in the Cardiff and Vale of Glamorgan Pension Scheme took place as at 31 March 2013. The latest actuarial valuation of unfunded benefits took place as at 31 March 2016.

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

#### (a) Principal financial assumptions

	31 March 2015 % pa	31 March 2016 % pa
Rate of inflation - RPI	2.9	2.9
Rate of inflation - CPI	1.8	1.8
Rate of general increase in salaries *	2.8	2.8
Rate of increase to pensions in payment**	1.8	1.8
Rate of increase to deferred pensions	1.8	1.8
Discount rate for scheme liabilities	3.2	3.4

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

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

## Notes to the Core Financial Statements

### (b) Mortality assumptions

	31 March 2015		31 March 2016	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.8	26.7	23.8	26.8
Currently age 45	25.8	29.0	25.9	29.1

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

	31 March 2015	31 March 2016
Pre 2010	75%	75%
Post 2010	75%	75%

### Asset Allocation

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

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

	31 March 2015	31 March 2016		
	Approx. split of assets	Quoted	Unquoted	Total
	%	%	%	%
Equities	77.4	70.1	5.0	75.1
Property	5.9	7.3	0	7.3
Government Bonds	6.8	8.1	0	8.1
Corporate Bonds	7.9	7.2	0	7.2
Cash	1.7	2.3	0	2.3
Other *	0.3	0.0	0	0.0
<b>Total</b>	<b>100</b>	<b>95.0</b>	<b>5.0</b>	<b>100</b>

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

### Reconciliation of funded status to balance sheet

	31 March 2015			31 March 2016		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,027,052	0	1,027,052	1,014,120	0	1,014,120
Present value of liabilities	(1,528,588)	(38,250)	(1,566,838)	(1,513,150)	(46,650)	(1,559,800)
<b>Net pension asset/(liability)</b>	<b>(501,536)</b>	<b>(38,250)</b>	<b>(539,786)</b>	<b>(499,030)</b>	<b>(46,650)</b>	<b>(545,680)</b>

## Notes to the Core Financial Statements

### Assets and Liabilities in relation to Retirement Benefits

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

	31 March 2015			31 March 2016		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,344,170)	(38,450)	<b>(1,382,620)</b>	(1,528,588)	(38,250)	<b>(1,566,838)</b>
Current service cost	(34,858)	0	<b>(34,858)</b>	(40,082)	0	<b>(40,082)</b>
Interest cost	(56,995)	(1,540)	<b>(58,535)</b>	(48,345)	(1,180)	<b>(49,525)</b>
Contributions by participants	(9,882)	0	<b>(9,882)</b>	(9,802)	0	<b>(9,802)</b>
Remeasurements in Other Comprehensive Income (OCI)	(128,181)	(1,640)	<b>(129,821)</b>	69,957	(9,810)	<b>60,147</b>
Net benefits paid out **	48,276	3,500	<b>51,776</b>	46,376	3,310	<b>49,686</b>
Past service cost	(2,778)	(120)	<b>(2,898)</b>	(2,666)	(720)	<b>(3,386)</b>
<b>Closing present value of liabilities</b>	<b>(1,528,588)</b>	<b>(38,250)</b>	<b>(1,566,838)</b>	<b>(1,513,150)</b>	<b>(46,650)</b>	<b>(1,559,800)</b>

\* Includes changes to the actuarial assumptions.

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

	31 March 2015 £000	31 March 2016 £000
Opening fair value of assets	909,593	1,027,052
Interest income on assets	39,119	32,908
Remeasurement gains/(losses) on assets	78,330	(47,801)
Contributions by employer	38,403	38,535
Contributions by participants	9,883	9,802
Net benefits paid out **	(48,276)	(46,376)
<b>Closing fair value of assets</b>	<b>1,027,052</b>	<b>1,014,120</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.



## Notes to the Core Financial Statements

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

	31 March 2015		31 March 2016	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities £000
Return on plan assets (in excess of) / below that recognised in net interest	(78,330)	0	47,801	0
Actuarial (gains)/losses due to change in financial assumptions	136,019	2,000	(56,824)	(1,000)
Actuarial (gains)/losses due to changes in demographic assumptions	0	0	0	0
Actuarial (gains)/losses due to liability experience	(7,838)	(360)	(13,133)	10,810
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	
<b>Total amount recognised in OCI</b>	<b>49,851</b>	<b>1,640</b>	<b>(22,156)</b>	<b>9,810</b>

### Actual return on assets

	31 March 2015 £000	31 March 2016 £000
Interest income on assets	39,119	32,908
Remeasurement gain/(loss) on assets	78,330	(47,801)
<b>Actual return on assets</b>	<b>117,449</b>	<b>(14,893)</b>

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

	31 March 2015			31 March 2016		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000
<b>Total Actuarial Gain/(Loss)</b>	(49,852)	(1,640)	(51,492)	22,156	(9,810)	12,346

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

	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m
Total gain/(loss) –funded scheme	(132.77)	(47.19)	263.70	(49.85)	22.16
Total gain/(loss) –unfunded liabilities	(3.04)	(2.56)	2.76	(1.64)	(9.81)
<b>Cumulative gain/(loss)</b>	<b>(516.25)</b>	<b>(566.00)</b>	<b>(299.54)</b>	<b>(351.03)</b>	<b>(338.68)</b>

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

	31 March 2012 £000	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000
Fair value of assets	711,530	818,465	906,610	1,027,052	1,014,120
Present value of funded liabilities	(1,303,680)	(1,482,889)	(1,341,187)	(1,528,588)	(1,513,150)
Present value of unfunded liabilities	(41,850)	(42,890)	(38,450)	(38,250)	(46,650)
<b>Surplus/(deficit)</b>	<b>(634,000)</b>	<b>(707,314)</b>	<b>(473,027)</b>	<b>(539,786)</b>	<b>(545,680)</b>



## Notes to the Core Financial Statements

### History of experience gains and losses

	Year ending 31.3.12 £m	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m
Experience gains/(losses) on funded assets	(37.93)	67.92	47.95	78.33	(47.80)
Experience gains/(losses) on funded liabilities	(8.24)	1.55	34.60	8.21	13.39
Experience gains/(losses) on unfunded liabilities	(0.94)	0.08	0.04	(0.36)	10.81

### Sensitivity Analysis

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

#### Discount rate assumption

Adjustment to discount rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,481,370	1,537,490
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	37,450	39,870
Approximate % change in projected service cost	-3.1%	3.2%

#### Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,516,560	1,501,860
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	38,650	38,650
Approximate % change in projected service cost	0.0%	0.0%

#### Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a. £000	-0.1% p.a. £000
Present value of total obligation	1,530,030	1,488,610
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	39,870	37,450
Approximate % change in projected service cost	3.2%	-3.1%

#### Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year £000	+1 year £000
Present value of total obligation	1,547,550	1,470,660
% change in present value of total obligation	2.5%	-2.6%
Projected service cost	39,890	37,400
Approximate % change in projected service cost	3.2%	-3.2%

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

## Notes to the Core Financial Statements

### 20. Non-Current Assets

#### Non-Current assets valuation

Non-Current assets are valued as per the accounting policies shown on pages 19 to 34.

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	604,426	805,389	41,388	575,174	19,206	37,024	11,757	<b>2,094,364</b>
Additions	16,866	18,213	4,739	11,284	389	2,103	25,540	<b>79,134</b>
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(9,605)	0	0	(3,200)	0	<b>(17,820)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(5,829)	656	886	25	3,751	(5,705)	<b>(5,794)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,042)	0	0	0	(415)	0	<b>49,363</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(25,518)	0	0	0	(2,452)	0	<b>(171,680)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>770,771</b>	<b>37,178</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>2,020,022</b>
<b>Depreciation</b>								
At 1 April 2015	35,414	39,724	26,399	266,508	0	0	0	<b>368,045</b>
Depreciation charge	8,298	16,864	4,862	22,238	0	0	0	<b>52,262</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(9,529)	0	0	0	0	<b>(9,576)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,675)	0	0	0	0	0	<b>(61,089)</b>
<b>At 31 March 2016</b>	<b>8,298</b>	<b>29,670</b>	<b>21,732</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>348,446</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>741,101</b>	<b>15,446</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>1,671,576</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>765,665</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,726,319</b>

\*\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Comparative Movements in 2014/15

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	772,948	44,172	557,909	18,734	55,403	24,036	<b>2,062,956</b>
Additions	17,777	24,410	3,966	16,785	472	785	8,795	<b>72,990</b>
Impairment losses/reversals to RR *	0	(21)	0	0	0	(389)	0	<b>(410)</b>
Impairment losses / reversals to SDPS **	(1,770)	(6,144)	(16)	0	0	(260)	0	<b>(8,190)</b>
Derecognition - disposals	(1,335)	(214)	(6,753)	0	0	(25)	0	<b>(8,327)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications	0	15,487	19	480	0	(13,237)	(21,074)	<b>(18,325)</b>
Revaluation increases /(decreases) to RR*	0	217	0	0	0	(1,796)	0	<b>(1,579)</b>
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	<b>(1,247)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>805,389</b>	<b>41,388</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,094,364</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,656	28,779	243,043	0	0	0	<b>320,839</b>
Depreciation charge	12,106	14,567	4,373	23,465	0	0	0	<b>54,511</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
Derecognition -disposals	(53)	(67)	(6,753)	0	0	0	0	<b>(6,873)</b>
Depreciation written out to SDPS **	0	(397)	0	0	0	0	0	<b>(397)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,724</b>	<b>26,399</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>368,045</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>765,665</b>	<b>14,989</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,726,319</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>747,292</b>	<b>15,393</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>1,742,117</b>

\*\* RR = Revaluation Reserve

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

## Notes to the Core Financial Statements

### Property, Plant & Equipment

The table below highlights some of the assets included within Property, Plant & Equipment:

Allotment Gardens	Libraries/Hubs
Caravan Park	New Theatre
Cardiff Bay Barrage	Parks & Public Open Spaces
Cardiff Castle	Play Centres
Cardiff International Swimming Pool	Roads, footpaths, structures and highway infrastructure
Cardiff International Sports Stadium	Road Safety Centre & Cycle Track
Cardiff International White Water Centre	Schools buildings and land where owned
Cardiff Story Museum	Sports and Leisure Centres
Cemeteries	St David's Hall
Council Dwellings	Storey Arms Outdoor Pursuits Centre
Crematorium	Surface Car Parks
Day Centres	Traveller Sites
Depots and Industrial Workshops	Administrative and Civic Buildings
Eastern Park & Ride	Various Property & Land Holdings
Family Centres	Vehicles, Plant, Furniture & Equipment
Horse Riding School	Works of Art, Civic Regalia & Heritage assets
Indoor Market	Youth and Community Halls

### Heritage Assets

2014/15 £000		2015/16 £000
50,789	<b>Balance at 1 April</b>	50,884
95	Additions	348
0	Other Reclassifications	46
<b>50,884</b>	<b>Balance at 31 March</b>	<b>51,278</b>

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

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

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

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

**Public Art** - There are over 100 pieces of public art owned by the Council across the City, including freestanding artworks and significant pieces integrated into the design of buildings. These assets are not identified or valued separately in the Council's Balance Sheet as conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these assets are held within the Cardiff Public Art Register, which is available on the Council's internet site [www.cardiff.gov.uk](http://www.cardiff.gov.uk) under the Resident, Planning, City Design and Public Art section.

**Scheduled Ancient Monuments** - The Council is responsible for a number of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge

## Notes to the Core Financial Statements

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.

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

### Council policy on acquisitions, disposals, care and conservation

Where resources allow, the Council will seek to create, acquire and preserve heritage resources for the benefits of its citizens in partnership with other public and private sector bodies using grant and other funding opportunities. Acquisitions are rare, although public art is often commissioned as part of regeneration schemes.

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.

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

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

## Notes to the Core Financial Statements

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

### Investment Properties

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

2014/15 £000		2015/16 £000
75,625	<b>Balance at 1 April</b>	100,787
726	Additions	8,753
(121)	Disposals	(618)
0	Reclassified (to)/ from Held for Sale	(301)
18,326	Other Reclassifications	5,889
(117)	Revaluation increases /(decreases) to RR*	(200)
6,348	Revaluation increases /(decreases) to SDPS**	(3,754)
<b>100,787</b>	<b>Balance at 31 March</b>	<b>110,556</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services

## Notes to the Core Financial Statements

### Intangible Assets

Movements in Intangible assets during 2015/16 are summarised as follows:

	Other Intangible Assets £000	Intangible AUC £000	Total £000
<b>Cost or Valuation</b>			
At 1 April 2015	4,523	3,112	7,635
Additions	98	377	475
Other reclassifications	1,790	(1,931)	(141)
Impairment Losses / reversals to SDPS	0	(277)	(277)
<b>At 31 March 2016</b>	<b>6,411</b>	<b>1,281</b>	<b>7,692</b>
<b>Amortisation</b>			
At 1 April 2015	3,289	0	3,289
Amortisation	1,224	0	1,224
<b>At 31 March 2016</b>	<b>4,513</b>	<b>0</b>	<b>4,513</b>
<b>Net Book Value:</b>			
<b>At 31 March 2016</b>	<b>1,898</b>	<b>1,281</b>	<b>3,179</b>
<b>At 31 March 2015</b>	<b>1,234</b>	<b>3,112</b>	<b>4,346</b>

Comparative Movements in 2014/15:

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



## Notes to the Core Financial Statements

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

2014/15 £000		CFR exc. landfill 2015/16 £000	Landfill CFR 2015/16 £000	Total CFR 2015/16 £000
<b>513,068</b>	<b>Opening Capital Financing Requirement</b>	<b>496,301</b>	<b>25,689</b>	<b>521,990</b>
	<b>Capital Expenditure:</b>			
72,991	Property, Plant and Equipment	78,705	0	<b>78,705</b>
95	Heritage Assets	348	0	<b>348</b>
0	Assets Held for Sale	0	0	<b>0</b>
726	Investment Properties	8,753	0	<b>8,753</b>
444	Intangible Assets	474	0	<b>474</b>
50	Loans	590	0	<b>590</b>
8,208	Expenditure on REFCUS	200,432	0	<b>200,432</b>
	<b>Sources of Finance:</b>			
(4,754)	Capital Receipts	(5,857)	0	<b>(5,857)</b>
(35,624)	Government grants and other contributions	(33,034)	0	<b>(33,034)</b>
(5,580)	Direct revenue contributions and reserves	(5,954)	0	<b>(5,954)</b>
(27,634)	Prudent revenue and capital provision for loan repayment	(31,924)	(1,156)	<b>(33,080)</b>
<b>521,990</b>	<b>Closing Capital Financing Requirement</b>	<b>708,834</b>	<b>24,533</b>	<b>733,367</b>
	<b>Explanation of movements in year:</b>			
(7,248)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(7,264)	0	(7,264)
16,170	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	219,797	(1,156)	218,641
<b>8,922</b>	<b>Increase in Capital Financing Requirement</b>	<b>212,533</b>	<b>(1,156)</b>	<b>211,377</b>

Increases in the Capital Financing Requirement will need to be repaid by making prudent provision for repayment of expenditure from future years HRA and Council Fund budgets.



## Notes to the Core Financial Statements

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

The following amounts were treated as capital expenditure to be paid for from capital resources. It includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from resources that can only be used to pay for capital expenditure. In 2015/16 it included the one off settlement payment of £187.4 million to exit the Housing Revenue Account Subsidy system, as well as a Capitalisation direction that allowed the Council to meet revenue costs of service reform from capital receipts.

	2014/15 £000	2015/16 £000
Expenditure:		
Housing Improvement Grants	5,219	6,645
Buildings not owned by Cardiff Council	886	2,293
Capitalisation Direction - Service Reform	0	2,435
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	0	187,392
Grants awarded (not Housing Grants)	2,103	1,667
<b>Charged to Income and Expenditure Account</b>	<b>8,208</b>	<b>200,432</b>
Funded by:		
Grants and Contributions	(7,460)	(8,161)
Borrowing, Receipts and Other Capital Resources	(748)	(192,271)
	<b>(8,208)</b>	<b>(200,432)</b>

### Non-Current Asset Disposals

The main disposals during the year are identified below:-

- Sale of land Schooner Way adjacent to County Hall
- Sale Central Bus Station site
- Sale of Council Dwellings
- Sale of land at International Sports Village
- Sale of former Dome community centre, Pentwyn
- Sale of former Dorothy Lewis care home
- Sale of former vehicle maintenance depot – Clare Road
- Sale of 26 Hampton Court Road – Former Caretakers House
- Sale of former Johnston's Buildings - City Centre

### Significant capital expenditure contractual commitments

At 31 March 2016 the figure for significant capital expenditure commitments scheduled for completion in 2016/17 and future years is £26.222 million (£32.767 million 2014/15) and includes the following:

	£000
Phase 1 Public Realm Ceiling – Central Square	8,620
STAR Community Hub	2,779
Adamsdown Primary School Refurbishment and Extension	2,179
Public Housing – Secure by Design Fire Doors	1,992
South Morgan and Edinburgh Court Refurbishment	1,873
Eastern Leisure Centre Refurbishment	1,847
Trowbridge Mawr Refurbishment Phase 2	1,763
Sandown Court Sheltered Housing Refurbishment	1,542
Ysgol Y Wern Extension	1,318
A469/A470 Bus Corridor	1,255
Llandaff North Hub Conversion of Library / Day Centre	1,054

## Notes to the Core Financial Statements

### 21. Financial Instruments

#### Financial Instrument Balances

The following categories of Financial Instruments (Assets and Liabilities) are included in the Balance Sheet. They arise as a result of the Council's Treasury Management activities as well as Financial Instruments issued to further service objectives. Further detail and where applicable a fair value, are shown in the sections below along with the method of determining fair value in accordance with accounting policies for Financial assets and Liabilities. Debtors and Creditors, with the exception of car loans, are shown separately in the respective notes rather than as financial instruments:-

	31 March 2015 Restated			31 March 2016		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
<b>Investments/Financial Assets</b>						
Loans & Receivables at amortised cost	2,803	65,738	<b>68,541</b>	2,250	71,953	<b>74,203</b>
Investments at Fair Value	19,730	0	<b>19,730</b>	17,214	0	<b>17,214</b>
<b>Total</b>	<b>22,533</b>	<b>65,738</b>	<b>88,271</b>	<b>19,464</b>	<b>71,953</b>	<b>91,417</b>
<b>Borrowings/Financial Liabilities</b>						
Financial Liabilities at Amortised Cost	<b>(464,808)</b>	<b>(12,964)</b>	<b>(477,772)</b>	<b>(659,408)</b>	<b>(16,148)</b>	<b>(675,556)</b>

#### Investments / Financial Assets

##### Loans and receivables include:

- **Cash and bank including temporary investments** of £72 million. £58 million is deposited for various maturities with financial institutions.
- **Car loans** to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement.
- **Loans to Organisations** include a £1 million loan repayable to Cardiff Bus for investment in vehicles and depot facilities. Loan of £900,000 million to various companies including £500,000 towards the redevelopment of the Tramshed in Grangetown.

	Valuation Method - Level	31 March 2015		31 March 2016	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	Cost	23,137	23,137	17,352	17,352
Deposits with banks and building societies	Level 2	42,088	42,108	53,093	53,138
Local Authority Mortgage Scheme	Level 2	1,042	1,109	1,042	1,076
Assisted Car Purchase Loans	Cost	900	900	726	726
Loan to Cardiff Bus	Cost	1,000	1,000	1,000	1,000
Loans to External Organisations / Subsidiary	Cost	374	374	990	990
<b>Financial assets</b>		<b>68,541</b>	<b>68,628</b>	<b>74,203</b>	<b>74,282</b>

##### Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The estimate value in 2014/15 accounts has been restated to £18.295 million from £13.563 million. The valuation is estimated using inputs other than quoted prices (Level 2), with the inputs being Earnings Before Interest Tax Depreciation and Amortisation (EBITDA),

## Notes to the Core Financial Statements

as well as estimates of a Multiplier to determine an enterprise value. These variables can fluctuate dependent on the company's performance and economic climate and so any accounting valuation may vary significantly from year to year. Accordingly, any valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Available for Sale Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2016 is estimated to be £16.8 million (£18.3 million 2014/15).

- The Council's Medicentre shareholding of 44.5%, included in the 2014/15 accounts is £1.1 million and was sold in 2015/16. This is shown in the accounts at cost. Various minority equity holdings in companies are included either at cost or at quoted prices where available.

### Borrowings / Financial Liabilities include:

- Borrowing is undertaken to fund the long term capital expenditure requirements of the Council and any short term cash flow requirements. It includes Lender Option Borrower Option Loans which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. The carrying amounts below also include accrued interest payable at 31 March 2016 and the additional borrowing in 2015/16 to make the Housing Revenue Account Subsidy exit settlement payment.

	Valuation Method - Level	31 March 2015		31 March 2016	
		Carrying amount	Fair value	Carrying amount	Fair value
		£000	£000	£000	£000
Public Works Loan Board Loans	Level 2	(423,181)	(599,216)	(620,098)	(839,641)
Lender Option Borrower Option Loans	Level 2	(51,636)	(61,610)	(51,634)	(63,468)
Market loans, Bonds and Temporary Balances	Level 2	(2,955)	(3,092)	(3,824)	(3,655)
<b>Financial liabilities</b>		<b>(477,772)</b>	<b>(663,918)</b>	<b>(675,556)</b>	<b>(906,764)</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 2016. An exit price fair value of £984.718 million is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Authority has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.

### Financial Instrument Gains/Losses

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

## Notes to the Core Financial Statements

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2014/15 £000	2015/16 £000	2014/15 Restated £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000
Interest Expense	24,616	32,152	0	0	0	0	24,616	32,152
Impairment Losses	0	0	0	0	0	0	0	0
<b>Interest Payable &amp; Similar Charges</b>	<b>24,616</b>	<b>32,152</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>24,616</b>	<b>32,152</b>
Interest / Dividend Income	0	0	(832)	(1,039)	0	0	(832)	(1,039)
<b>Interest and Investment Income</b>	<b>0</b>	<b>0</b>	<b>(832)</b>	<b>(1,039)</b>	<b>0</b>	<b>0</b>	<b>(832)</b>	<b>(1,039)</b>
(Surplus) / Loss on Disposal	0	0	0	0	0	(190)	0	(190)
(Surplus) / Loss on Revaluation	0	0	0	0	(2,521)	1,484	(2,521)	1,484
<b>(Surplus) / Loss arising on revaluation or Disposal of financial assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,521)</b>	<b>1,294</b>	<b>(2,521)</b>	<b>1,294</b>
<b>Net (gain) / loss for the year</b>	<b>24,616</b>	<b>32,152</b>	<b>(832)</b>	<b>(1,039)</b>	<b>(2,521)</b>	<b>1,294</b>	<b>21,263</b>	<b>32,407</b>

Gains and losses include interest payable on borrowing, amounts receivable on investments including a dividend of £250,000 from Cardiff Bus, gain 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 Authority's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks. In undertaking its treasury management activities, the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs. Given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. This risk is enhanced when loans to external organisations are provided for service delivery objectives and indicators of significant impairment are considered at the balance sheet date.

Treasury management risks include credit and counterparty, liquidity and refinancing, interest rate, market value, exchange rate, fraud and regulatory risk. The Council has Treasury Management Practices to address and mitigate these risks. It has adopted the CIPFA Treasury Management Code of Practice and sets indicators to control key financial instrument risks.

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 Authority. It arises from lending of temporary cash balances as part of the Council's Treasury Management Activities, from exposure to the Authority's customers and from organisations to whom a loan has been provided.

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

## Notes to the Core Financial Statements

Credit Risk	Likelihood of Default	31 March 2015 £000	31 March 2016 £000																											
Deposits – banks, buildings societies	<p>Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. Ratings are regularly reviewed.</p> <p>A risk of non-recoverability applies to all of the Authority's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the Authority has not experienced default of any institution and as the counterparty exposure following table shows this is not deemed to be a significant factor for investments held. Accordingly no provisions or losses are to be recognised.</p>	65,079	70,334																											
Local Authority Mortgage Scheme (LAMS)	The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. The Authority will only incur a loss if a house is repossessed and sale proceeds are insufficient to cover the debt. No defaults have occurred to date and an earmarked reserve for this purpose, should this be the case.	1,000	1,000																											
Car Loans	Repayments in respect of car loans are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.	900	726																											
Loans to External Bodies	Includes primarily loans to SME's £910,000 and loan to Cardiff Bus £1 million. Repayments on loans are dependent on financial and operating performance, which are monitored closely for large amounts. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.	1,380	1,910																											
Customers	<p>The Authority does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.</p> <p>The bad debt provision for 2015/16 was based on the adjusted age profile disclosed in the following table.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">2014/15</th> <th style="text-align: center;">2015/16</th> </tr> <tr> <th></th> <th style="text-align: center;">£000</th> <th style="text-align: center;">£000</th> </tr> </thead> <tbody> <tr> <td>Less than 1 year</td> <td style="text-align: center;">10,708</td> <td style="text-align: center;">14,180</td> </tr> <tr> <td>1 – 2 years</td> <td style="text-align: center;">734</td> <td style="text-align: center;">593</td> </tr> <tr> <td>2 – 3 years</td> <td style="text-align: center;">553</td> <td style="text-align: center;">426</td> </tr> <tr> <td>3 – 4 years</td> <td style="text-align: center;">133</td> <td style="text-align: center;">448</td> </tr> <tr> <td>4 – 5 years</td> <td style="text-align: center;">153</td> <td style="text-align: center;">100</td> </tr> <tr> <td>Over 5 years</td> <td style="text-align: center;">298</td> <td style="text-align: center;">372</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: center;"><b>12,579</b></td> <td style="text-align: center;"><b>16,119</b></td> </tr> </tbody> </table> <p>Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non-payment is not usually considered necessary.</p>		2014/15	2015/16		£000	£000	Less than 1 year	10,708	14,180	1 – 2 years	734	593	2 – 3 years	553	426	3 – 4 years	133	448	4 – 5 years	153	100	Over 5 years	298	372	<b>Total</b>	<b>12,579</b>	<b>16,119</b>	12,599	16,119
	2014/15	2015/16																												
	£000	£000																												
Less than 1 year	10,708	14,180																												
1 – 2 years	734	593																												
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4 – 5 years	153	100																												
Over 5 years	298	372																												
<b>Total</b>	<b>12,579</b>	<b>16,119</b>																												
<b>Total</b>		<b>80,958</b>	<b>90,089</b>																											

## Notes to the Core Financial Statements

### Counterparty Exposure at 31 March 2016

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland plc	UK	A+	5,000
Barclays Bank	UK	A	5,000
Commonwealth Bank of Australia	Australia	AA-	8,000
Development Bank Singapore	Singapore	AA-	10,000
Goldman Sachs International Bank	UK	A	5,000
Ignis - Money Market Fund	Domiciled in Ireland	AAA	4,000
Lloyds - LAMS	UK	A+	1,000
Nationwide Building Society	UK	A	5,000
Oversea-Chinese Banking Corp	Singapore	AA-	5,000
Santander UK plc	UK	A	10,000
<b>Total</b>			<b>58,000</b>

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2016, the probability of any default is 0.022% or £12,760.

### Liquidity and Refinancing Risk

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

31 March 2015 £000	Loans Outstanding	31 March 2016 £000
418,077	Public Works Loans Board	612,826
51,000	Lender Option Borrower Option	51,000
1,468	Market Debt / Bonds	2,348
<b>470,545</b>	<b>Total</b>	<b>666,174</b>
5,737	Under 12 months	6,766
6,726	12 months and within 24 months	5,594
10,941	24 months and within 5 years	5,680
15,150	5 years and within 10 years	20,276
86,306	10 years and within 20 years	144,214
80,602	20 years and within 30 years	164,000
133,049	30 years and within 40 years	178,689
93,034	40 years and within 50 years	123,955
34,000	50 years and within 60 years	12,000
5,000	60 years and within 70 years	5,000
<b>470,545</b>	<b>Total</b>	<b>666,174</b>

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £7.914 million and miscellaneous short term borrowing of £1.468 million.



## Notes to the Core Financial Statements

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

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	01/09/2016	6 months	23/05/2067
6	21/05/2016	6 months	21/11/2041
6	21/05/2016	6 months	21/11/2041
6	21/05/2016	6 months	23/05/2067
5	05/01/2018	5 years	17/01/2078
22	21/11/2020	5 years	23/11/2065

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

### Interest Rate Risk

The possibility that financial loss might arise for the Authority as a result of changes in interest rates.

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	<ul style="list-style-type: none"> <li>• Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure.</li> <li>• Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year.</li> <li>• By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.</li> </ul>
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Authority's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2015/16 been on average 1% higher with all other variables held constant.

## Notes to the Core Financial Statements

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(301)
Interest in interest receivable on investments	338
<b>Impact on Income and Expenditure Account</b>	<b>37</b>
Increase in interest transferred to HRA	(58)
Increase in interest transferred to other balances and accounts	(65)
<b>Net Income / (Expenditure)</b>	<b>(86)</b>

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	163
Decrease in Fair Value of Fixed Rate Borrowings	134,981

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

### Foreign exchange risk

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

### Price Risk

This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. Whilst the Council, excluding the pension fund, can invest directly in products such as Bank Certificates of Deposits and Gilts, at the Balance Sheet date, the Council has only small interest in such assets.

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 £839,000 gain or loss being recognised in the Movement in Reserves Statement.

## 22. Held for Sale Assets

2014/15 £000		2015/16 £000
380	<b>Balance at 1 April</b>	3,040
(10)	De-recognition	(1,751)
3,504	Reclassified to/(from) Held for Sale	2,553
(330)	Revaluation increases /(decreases) to RR*	(119)
(504)	Revaluation increases /(decreases) to SDPS**	(904)
<b>3,040</b>	<b>Balance at 31 March</b>	<b>2,819</b>

\*Revaluation Reserve

\*\* Surplus/Deficit on Provision of Services



## Notes to the Core Financial Statements

### 23. Debtors

31 March 2015 Restated £000		31 March 2016 £000
53,746	Central Government Bodies	40,618
7,008	Other Local Authorities	13,198
4,883	NHS Bodies	4,439
38	Public Corporations & Trading Funds	32
25,370	Other Entities and Individuals	25,835
<b>91,045</b>	<b>Total Debtors Net of Impairments</b>	<b>84,122</b>

### 24. Cash and Cash Equivalents

31 March 2015 £000		31 March 2016 £000
182	Cash	233
11,051	Bank (including cheque book schools)	13,108
11,904	Short-term deposit with banks and building societies	4,011
<b>23,137</b>	<b>Total Cash and Cash Equivalents</b>	<b>17,352</b>

Included within the bank figure above are bank balances of chequebook schools totalling £859,000 (£1.644 million in 2014/15).

In addition to the above, at 31 March 2016 the Council held £883,000 (£1.114 million at 31 March 2015) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

### 25. Creditors

31 March 2015 £000		31 March 2016 £000
(11,252)	Central Government Bodies	(11,134)
(6,576)	Other Local Authorities	(11,518)
(860)	NHS Bodies	(1,424)
(12)	Public Corporations & Trading Funds	(9)
(76,101)	Other Entities and Individuals	(58,848)
<b>(94,801)</b>	<b>Total Creditors</b>	<b>(82,933)</b>

### 26. Interests in companies and other organisations

The Council had interests in 3 subsidiary companies and one joint venture during 2015/16. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 124 to 144. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. They have therefore been excluded from the consolidation in 2015/16.

## Notes to the Core Financial Statements

### Cardiff City Transport Services Ltd. (Cardiff Bus)

Cardiff City Transport Services Limited is a private limited company with a share capital £4,618,000, which is wholly owned by the Council. Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2015/16 as summarised below:

	Year to 31 March 2015 £000	Year to 31 March 2016 £000
Turnover	(36,571)	(30,643)
Operating and other expenditure	33,912	30,279
<b>Net (Profit) / Loss before Taxation</b>	<b>(2,659)</b>	<b>(364)</b>
Less: Taxation	0	0
<b>(Profit) / Loss after Taxation</b>	<b>(2,659)</b>	<b>(364)</b>

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

	31 March 2015 £000	31 March 2016 £000
Bus and other operating assets	19,940	21,882
Current Assets	6,663	6,071
Less Current Liabilities	(3,483)	(4,782)
Net Assets	23,120	23,171
Creditors: Amounts falling due after more than one year	(4,292)	(6,252)
Provisions & Long term liabilities	(2,865)	(1,308)
Deferred Taxation	(613)	(863)
Pension Liability	(3,753)	(2,233)
<b>Total Assets less liabilities</b>	<b>11,597</b>	<b>12,515</b>
Represented by:		
Share Capital	4,618	4,618
Profit and Loss account	6,685	6,860
IAS19 Pension Reserve	(3,753)	(2,233)
Revaluation Reserve	4,047	3,270
<b>Net Worth</b>	<b>11,597</b>	<b>12,515</b>

In 2015/16 the Council made payments totalling £9.308 million to Cardiff Bus (£10.004 million in 2014/15), of which £8.655 million related to concessionary fares payments (£9.140 million in 2014/15). The Council also received income of £326,000 (£463,000 in 2014/15). During 2015/16 Cardiff Bus paid a dividend of £250,000 to the Council (£nil in 2014/15).

At 31 March 2016, Cardiff Bus had inter-company balances with the Council as follows: debtors £87,000 (£117,000 in 2014/15) and creditors £0 (£29,000 in 2014/15).

The accounts for year ended 31 March 2016 have not yet been audited.

### Cardiff Business Technology Centre Ltd. (CBTC Ltd.)

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

## Notes to the Core Financial Statements

	Year to 31 March 2015 £000	Year to 31 March 2016 £000
Net (Profit)/Loss before taxation	(59)	N/A
Less: Taxation	2	N/A
<b>(Profit)/Loss for year after taxation</b>	<b>(57)</b>	<b>N/A</b>

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

	31 March 2015 £000	31 March 2016 £000
Total assets less current liabilities	956	N/A
Creditors: falling due after more than one year	(7)	N/A
Provision for taxation	(6)	N/A
<b>Total Assets less liabilities</b>	<b>943</b>	<b>N/A</b>
Represented by:		
Retained Profit	223	N/A
Revaluation Reserve	720	N/A
<b>Net Worth</b>	<b>943</b>	<b>N/A</b>

During 2015/16 the Council received income of £36,000 (£36,000 in 2014/15) from CBTC Ltd. At 31 March 2016 CBTC Ltd. Owed the Council £792 (£125,965 at 31 March 2015) and was owed £0 (£10,851 at 31 March 2015).

The company's auditors are Gerald Thomas & Co. The accounts have not yet been finalised or audited.

### Cardiff Business Council

Cardiff Business Council is a company that was set up during 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. It is a wholly owned arms-length company of the Council limited by guarantee. This company is due to close in 2016/17 and is not considered a going concern. The company's closing operating results, as summarised as follows, are provisional:

	Year to 31 March 2015 £000	Year to 31 March 2016 £000
Net (Profit)/Loss before taxation	47	108
Taxation	0	0
<b>(Profit)/Loss for year after taxation</b>	<b>47</b>	<b>108</b>

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

	31 March 2015 £000	31 March 2016 £000
Total assets less current liabilities	150	42
<b>Total assets less liabilities</b>	<b>150</b>	<b>42</b>
Represented by		
Retained Profit	(150)	(42)
<b>Balance</b>	<b>(150)</b>	<b>(42)</b>

## Notes to the Core Financial Statements

During the year the Council made core funding payments totalling £340,000 to Cardiff Business Council and received income from the Company totalling £40,036. The Council incurred other expenditure in connection with Cardiff Business Council totalling £177,092. At 31 March 2016 the Company owed the Council £0 (£17,717 at 31 March 2015) and was owed £0 (£43,895 at 31 March 2015) by the Council.

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

### Cardiff Medicentre Joint Venture

Cardiff Medicentre was originally established to provide facilities for small firms in the medical and health care sector. This was a joint collaboration between the Council, Cardiff University, Welsh Government and the Cardiff and Vale University Health Board, with the Council owning a 44.5% share in the Council's balance sheet as an investment.

At the end of 2015/16, Cardiff University purchased the Council's interest in the Medicentre and a consideration payable (£1.282 million, net of fees) to the Council was agreed representing the net worth of the Joint Venture to cessation. This amount reflected the updated and independent valuation for the fixed assets and the Council's share of the revenue reserves. The latter included the distribution of profits for the 2015/16 financial year, being a net surplus of £180,325 (£163,365 in 2014/15).

During the year the Council received a total income of £4,750 from the Medicentre (£4,750 in 2014/15). The Medicentre's auditors are Gerald Thomas & Co. An unqualified audit opinion has been issued in respect of the accounts for the year ended 31 March 2016.

### 27. Provisions

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(11,334)	5,533	(4,641)	(10,442)
MMI Scheme of Arrangement Levy	(704)	0	(162)	(866)
Termination Benefits Provision	(59)	59	0	0
Ferry Road Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(16,993)	419	0	(16,574)
Other Provisions	(2,224)	1,411	(1,020)	(1,833)
<b>Total Provisions</b>	<b>(40,410)</b>	<b>7,422</b>	<b>(5,823)</b>	<b>(38,811)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(3,788)	(6,654)	(10,442)
MMI Scheme of Arrangement Levy	(297)	(569)	(866)
Ferry Road Landfill Provision	(69)	(9,027)	(9,096)
Lamby Way Landfill Provision	(3,586)	(12,988)	(16,574)
Other Provisions	(1,774)	(59)	(1,833)
<b>Total Provisions</b>	<b>(9,514)</b>	<b>(29,297)</b>	<b>(38,811)</b>

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

## Notes to the Core Financial Statements

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'. In total, insurance is provided for 32 different types of risk which have the potential to have a serious effect on the financial position of individual establishments and Directorates. These risks have been selected for insurance after consultation with the Council's insurance brokers.

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

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

**Landfill Aftercare Provision** - The Council has numerous landfill sites throughout the City's boundaries and whilst many are historic and have no obligations, others such as Lamby Way and Ferry Road require the Council to address restoration and after care in accordance with obligations made to Natural Resources Wales as part of initial permits. Such financial obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure obligations. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will be reviewed in 2016/17.

Included within Other Provisions is a new provision (£522,000) in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

### 28. Pension Strain

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

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

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

	Balance at 31 March 2015 £000	Balance at 31 March 2016 £000
Pension Strain due within 1 year	2,830	2,354
Pension Strain due later than 1 year	6,252	4,891
<b>Total Pension Strain</b>	<b>9,082</b>	<b>7,245</b>

### 29. Deferred Liabilities

These are primarily amounts provided by external bodies towards future year's maintenance costs.

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(8,241)	1,163	(525)	<b>(7,603)</b>
<b>Total Deferred Liabilities</b>	<b>(8,241)</b>	<b>1,163</b>	<b>(525)</b>	<b>(7,603)</b>

## Notes to the Core Financial Statements

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Commuted Maintenance Sums	(986)	(6,617)	(7,603)
<b>Total Deferred Liabilities</b>	<b>(986)</b>	<b>(6,617)</b>	<b>(7,603)</b>

### 30. Usable Reserves

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

#### Usable Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
<b>1,399</b>	<b>Balance as at 1 April</b>	<b>1,336</b>
	Movements during Year:	
3,825	Sale of Land, Buildings and other assets	8,739
2,022	Sale of Council Dwellings	2,426
13	Private Mortgage Repayments	0
204	Recoupments of grant/other	283
<b>6,064</b>		<b>11,448</b>
(4,753)	Finance Capital Expenditure	(5,857)
(1,361)	Provide for Repayment of External Loans	(1,504)
<b>(6,114)</b>		<b>(7,361)</b>
(13)	Additional set aside from Private Mortgage Repayments	0
<b>1,336</b>	<b>Balance as at 31 March</b>	<b>5,423</b>

The balance held at 31 March 2016 relates primarily to earmarked capital receipts to be used for future capital expenditure.

### 31. Unusable Reserves

#### Revaluation Reserve

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

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

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

2014/15 £000		2015/16 £000
<b>206,879</b>	<b>Balance as at 1 April</b>	<b>201,371</b>
937	Upward revaluation of assets	134,307
(3,256)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(73,901)
<b>(2,319)</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>60,406</b>
(3,017)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,580)



## Notes to the Core Financial Statements

2014/15 £000		2015/16 £000
(172)	Accumulated gains on assets sold or scrapped	(5,250)
<b>(3,189)</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>(7,830)</b>
<b>201,371</b>	<b>Balance as at 31 March</b>	<b>253,947</b>

### Capital Adjustment Account

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

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

2014/15 £000		2015/16 £000
<b>1,156,598</b>	<b>Balance as at 1 April</b>	<b>1,164,708</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(62,305)	Charges for depreciation and impairment of non-current assets	(56,104)
951	Reverse previous impairment on revaluation	7,188
(2,160)	Revaluation losses on Property, Plant and Equipment	(129,468)
(846)	Amortisation of intangible assets	(1,224)
(749)	Expenditure on REFCUS	(192,271)
(1,413)	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	(6,460)
<b>(66,522)</b>		<b>(378,339)</b>
3,017	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,580
<b>(63,505)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(375,759)</b>
	Capital financing applied in the year:	
4,753	Capital Receipts	5,857
4,621	Direct Revenue Financing	5,233
959	Reserves and provisions	721
31	Insurance settlement	42
28,134	Grants and contributions	25,261
26,273	Prudent Revenue Provision	31,576
1,361	Capital receipts to provide for repayment of external loans	1,504
(243)	Reduction in loan debtors	(120)
<b>65,889</b>		<b>70,074</b>
6,230	Movements in the value of Investment Properties	(3,954)
(504)	Movement in the value of Held for Sale assets	(904)
<b>1,164,708</b>	<b>Balance as at 31 March</b>	<b>854,165</b>

## Notes to the Core Financial Statements

### Deferred Capital Receipts Reserve

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

2014/15 £000		2015/16 £000
104	<b>Balance as at 1 April</b>	87
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,000
(17)	Transfers to the Capital Receipts Reserve upon receipt of cash	(38)
87	<b>Balance as at 31 March</b>	2,049

The balance has increased due to the deferred payment from disposal of the Central Bus Station site.

### Available for Sale Financial Instruments Reserve

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

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

2014/15 Restated £000		2015/16 £000
15,774	<b>Balance as at 1 April</b>	18,295
2,521	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(1,484)
18,295	<b>Balance as at 31 March</b>	16,811

It includes the Council's shareholding in Cardiff Bus which is not listed on any quoted market, and for which a valuation is estimated to comply with accounting for Financial Instruments. Any change in value within the Council's accounts does not have an impact on the Council Tax payer, revenue budget or cash flow in any one year as any movement in value of the asset is reflected in the 'available for sale reserve'. Any valuation should be treated with care as it is for accounting purposes only.

### Financial Instruments Adjustment Account

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

2014/15 £000		2015/16 £000
(2,709)	<b>Balance as at 1 April</b>	(2,367)
342	Proportions of premiums and discounts incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	2,367
(2,367)	<b>Balance as at 31 March</b>	0

The balance related to premiums paid to the Public Works Loans Board in previous years for the early repayment of loans. These were charged in their entirety to the Comprehensive Income and Expenditure Account during 2015/16.



## Notes to the Core Financial Statements

### Pensions Reserve

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

2014/15 £000		2015/16 £000
<b>(481,278)</b>	<b>Balance as at 1 April</b>	<b>(548,868)</b>
(51,492)	Actuarial gains or losses on pensions assets and liabilities	12,347
(57,171)	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 *	(59,891)
(830)	Reversal of amounts accrual in respect of pension strain for future years	1,837
41,903	Employer's pensions contributions and direct payments to pensioners payable in the year	41,650
<b>(548,868)</b>	<b>Balance as at 31 March</b>	<b>(552,925)</b>

### Accumulated Absences Account

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

2014/15 £000		2015/16 £000
<b>(6,789)</b>	<b>Balance as at 1 April</b>	<b>(7,670)</b>
(881)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,381
<b>(7,670)</b>	<b>Balance as at 31 March</b>	<b>(6,289)</b>

### 32. Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2015/16:

	2014/15 £000	2015/16 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	(326,291)	(322,851)
Outcome Agreement Grant	(3,305)	(3,344)
Concessionary Fares Grant*	(10,303)	0
Council Tax Reduction Scheme	0	0
Non-Domestic Rates	(109,695)	(101,253)
Capital Grants	(26,340)	(23,613)

## Notes to the Core Financial Statements

	2014/15 £000	2015/16 £000
Developers' Contributions	(1,825)	(1,691)
<b>Total</b>	<b>(477,759)</b>	<b>(452,752)</b>
<b>Credited to Services (Revenue Grants &amp; Contributions)</b>		
Central Government Bodies	(268,462)	(276,333)
Other Local Authorities	(6,995)	(13,300)
NHS Bodies	(7,498)	(8,798)
Public Corporations & Trading Funds	(108)	(189)
Other Entities and Individuals	(6,459)	(7,747)
<b>Total</b>	<b>(289,522)</b>	<b>(306,367)</b>

\*The Concessionary Fares Grant, which was credited to the taxation and non-specific grant income line in 2014/15, has been credited to services in 2015/16.

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

31 March 2015 £000		31 March 2016 £000
	<b>Capital Grants Receipts in Advance</b>	
(2,160)	Central Government Bodies	(1,791)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
<b>(2,160)</b>	<b>Total</b>	<b>(1,791)</b>

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

31 March 2015 £000		31 March 2016 £000
<b>(9,724)</b>	<b>Balance as at 1 April</b>	<b>(10,095)</b>
	Movements during Year:	
(2,523)	Contributions received during the year	(1,504)
1,850	Contributions applied to expenditure during the year	1,284
302	Reclassification	382
<b>(10,095)</b>	<b>Balance as at 31 March</b>	<b>(9,933)</b>

This represents amounts received from predominantly developers and other external sources, which are yet to be used to fund specific future expenditure. Schemes to be funded are specific and very often time limited.

31 March 2015 £000		31 March 2016 £000
	<b>Revenue Grants and Contributions Receipts in Advance</b>	
(3,005)	Central Government Bodies	(2,056)
0	Other Local Authorities	0
0	NHS Bodies	(29)

## Notes to the Core Financial Statements

31 March 2015 £000		31 March 2016 £000
0	Public Corporations and Trading Funds	(199)
(729)	Other Entities and Individuals	(242)
<b>(3,734)</b>	<b>Total</b>	<b>(2,526)</b>

### 33. Contingent Assets & Liabilities

#### Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2016 is £5.247 million.

At 21 December 2015, Glamorgan County Cricket Club owed the Council a total of £6.534 million. In March 2015, the Council approved a request from the club to write off 70% of sums due and restructure remaining sums in line with other major creditors. This was actioned on 21 December 2015 following completion of legal agreements and confirmation of no adverse tax implications for the club. Given the risks of recovery of sums due that still remain, the balance due of 30% (£1.960 million) remains 100% impaired, but is shown as a contingent asset in the statement of accounts to reflect the amounts potentially receivable in accordance with the proposed restructured loan. Repayments are proposed to begin in 2019.

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

#### Liabilities

As at 31 March 2016 there existed 9 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, racial and disability discrimination, council house disrepairs, personal injury claims for refunds of searches carried out, and unsuccessful tender of procurement and breach of contract. The maximum liability in respect of the 9 claims is estimated to be £165,000, although some are unknown. The Council is resisting liability in all cases, where appropriate the Council has included a provision for the estimated liability.

The former Authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. As at 31 March 2016 this liability amounted to £2.790 million for the former South Glamorgan County Council (shared 72/28 with the Vale of Glamorgan) and £229,691 for the former Cardiff City Council.

The Scheme was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of any future claims. A 15% levy has been paid and open and new claims will be paid at 85%. The Council has recognised as a provision the sum of £866,494 as at 31 March 2016 (as disclosed at note 27 of the Notes to the Statement of Accounts). Additional levies may be imposed on Authorities. A further 10% is due to be paid in April 2016 bringing the total levy to 25% but the value and timing of future levies is not yet known.

## Notes to the Core Financial Statements

### 34. Notes to Cash Flow Statement

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

	2014/15 £000	2015/16 £000
Depreciation, impairment & amortisation	(58,635)	(192,271)
Charges made for retirement benefits (IAS19) less employers contributions	(20,238)	(15,023)
Contributions (to)/from provisions	5,153	5,683
Gain/loss on disposal of non-current assets	(1,586)	(3,954)
Increase/(decrease) in stock	(588)	(30)
Increase/(decrease) in debtors (exc capital)	1,247	8,358
(Increase)/decrease in creditors (exc capital creditors) & super fund	(14,593)	6,550
	<b>(89,240)</b>	<b>(190,687)</b>

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

	2014/15 £000	2015/16 £000
REFCUS	(749)	(192,271)
Net gain/(loss) on sale of non-current assets	5,774	11,096
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	28,165	25,304
Other cash items which effect investing or financing activities	(13,885)	(16,858)
	<b>19,305</b>	<b>(172,729)</b>

### 35. Events after the Reporting Period

There are no events after the reporting period to report.

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

This Statement of Accounts was authorised for issue on XX September 2016 by Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

## Housing Revenue Account

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

During 2015/16, the Council paid a Settlement payment of £187.392 million to Welsh Government / HM treasury to exit the Housing Revenue Account Subsidy (HRAS) system. Whilst this means that the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council will have to pay additional costs for the borrowing undertaken to fund this payment for many years to come. This includes additional costs for interest and also setting aside from any income additional amounts for reducing the amount borrowed and outstanding. These changes can be seen in the note below for 2015/16. Any financial benefit from this transaction on an ongoing basis is proposed to be re-invested into the housing stock.

2014/15		Note	2015/16
£000			£000
	<b>Expenditure</b>		
20,739	Repairs and maintenance		22,740
17,833	Supervision and management		17,887
128	Rents, rates, taxes and other charges		133
14,464	Housing Revenue Account subsidy payable		32
523	Provision for bad and doubtful debts		565
15,899	Depreciation, impairment and revaluation of non-current assets	8	120,169
353	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	0
0	Housing Revenue Account settlement payment		187,392
32	Debt management costs		66
<b>69,971</b>	<b>Total Expenditure</b>		<b>348,984</b>
	<b>Income</b>	2	
(58,586)	Dwelling rents		(61,103)
(67)	Non-dwelling rents		(89)
(6,578)	Charges for services and facilities		(6,444)
<b>(65,231)</b>	<b>Total Income</b>		<b>(67,636)</b>
4,740	<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		281,348
42	HRA Services' share of Corporate and Democratic Core		42
<b>4,782</b>	<b>Net Cost for HRA Services</b>		<b>281,390</b>
	<b>HRA share of the operating income and expenditure included in the Comprehensive Income &amp; Expenditure Statement:</b>		
(2,819)	(Gain)/loss on sale of HRA non-current assets		(1,855)
4,806	Interest payable and similar charges		13,015
80	Changes in fair value of investment properties		0
(65)	Interest and Investment income		(72)
(11,480)	Capital Grants and Contributions applied		(10,181)
<b>(4,696)</b>	<b>(Surplus)/Deficit for year on HRA services</b>		<b>282,297</b>

## Notes to Housing Revenue Account

### MOVEMENT ON HRA STATEMENT

2014/15 £000		Note	2015/16 £000
(8,124)	<b>Balance on the HRA at the end of the previous year</b>		(8,438)
(4,696)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		282,297
4,828	Adjustments between accounting basis and funding basis under regulations	1	(283,013)
132	<b>Net (increase)/decrease before transfers to or from reserves</b>		(716)
(446)	Transfers to/(from) reserves		716
(314)	<b>Increase or decrease in the year on the HRA</b>		0
(8,438)	<b>Balance on the HRA at the end of the current year</b>		(8,438)

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

2014/15 £000		Note	2014/15 £000
	<b>Adjustments primarily involving the Capital Adjustment Account:</b>		
	Reversal of items debited or credited to the HRA Income and Expenditure Statement:		
15,899	Charges for depreciation and impairment of non-current assets	8	120,169
80	Movement in the market value of investment properties		0
353	Sums directed by Welsh Government	9	187,392
1,145	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		0
(11,480)	Capital grants and contributions applied		(10,181)
	<b>Insertion of items not debited or credited to the HRA Income and Expenditure Statement:</b>		
(2,899)	Prudent Provision for the financing of capital investment		(7,912)
(3,761)	Capital expenditure funded by the HRA		(4,818)
	<b>Adjustments involving the Pensions Reserve:</b>		
1,290	Net Retirement Benefits per IAS19		2,758
(14)	Pension Strain Accrual – future years		0
(1,507)	Employers Contributions to pension schemes		(2,630)
	<b>Adjustments involving the Capital Receipts Reserve:</b>		
(4,101)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(2,149)
35	Credit for disposal costs that qualify to be met from the resulting capital receipts		32
	<b>Adjustments involving the Revaluation Reserve:</b>		
137	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		290
	<b>Adjustments involving the Accumulated Compensated Absences Account:</b>		
(3)	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		28
	<b>Adjustments involving the Financial Instruments Adjustment Account:</b>		
(2)	Amortisation of premiums and discounts		34
(4,828)	<b>Total Adjustments</b>		<b>283,013</b>



## Notes to Housing Revenue Account

### 2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 2.03% of rental income (2.04% in 2014/15). Average rents were £88.23 per week (£84.33 in 2014/15) based on a 52 week year.

### 3. Rent Arrears and Bad Debt Provision

	As at 31 March 2015		As at 31 March 2016	
	Rent arrears	Bad debt provision	Rent arrears	Bad debt provision
	£000	£000	£000	£000
Ordinary HRA	2,459	1,929	2,795	2,189
Leasehold properties	44	44	41	41
Hostels	121	121	156	156
<b>Total</b>	<b>2,624</b>	<b>2,094</b>	<b>2,992</b>	<b>2,386</b>

In addition the following sums were also due from tenants:

	As at 31 March 2015		As at 31 March 2016	
	Arrears	Bad debt provision	Arrears	Bad debt provision
	£000	£000	£000	£000
Service Charges	55	33	81	49
Tenants recoverables	294	294	358	358
<b>Total</b>	<b>349</b>	<b>327</b>	<b>439</b>	<b>407</b>

During 2015/16 a number of old debts totalling £195,202 were written off as irrecoverable (£221,951 in 2014/15).

### 4. Pension Costs

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

	2014/15 £000	2015/16 £000
Cost of employer's contributions plus discretionary benefits	1,507	2,630
Current service cost	(1,290)	(2,758)
Pension Strain Accrual - Future Years	14	0
<b>Net transfer to Pensions Reserve</b>	<b>231</b>	<b>(128)</b>

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



## Notes to Housing Revenue Account

### 5. Housing Stock

The Council's housing stock is shown below:

	31 March 2015	31 March 2016
Houses	7,268	7,251
Bungalows	624	624
Flats/Bedsits	5,110	5,083
Maisonettes	240	168
Retirement complexes	358	357
<b>Total</b>	<b>13,600</b>	<b>13,483</b>

During the year the Council has demolished a number of units in preparation for new build schemes as part of the Housing Partnership Project.

The Council also had:

	31 March 2015	31 March 2016
Bed spaces in hostels	9	9
Flats in hostels	49	49
<b>Total</b>	<b>58</b>	<b>58</b>

### 6. Capital Expenditure and Capital Financing

2014/15 £000		2015/16 £000
<b>96,360</b>	<b>Opening Capital Financing Requirement</b>	<b>94,518</b>
	Capital Expenditure:	
17,777	Council dwellings	16,867
22	Other land & buildings	352
1	Vehicles, plant & equipment	786
422	Surplus assets	94
1,029	Assets under construction	1,259
61	Intangible Assets including intangible AUC	118
353	REFCUS	0
0	REFCUS - Housing Revenue Account settlement payment	187,392
1,100	Appropriation of Land	0
	Sources of Finance:	
(3,237)	Capital Receipts	(1,876)
(11,480)	Government grants and other contributions *	(10,181)
(3,761)	Direct revenue contributions and reserves	(4,818)
(4,129)	Prudent revenue and capital provision for loan repayment	(7,912)
<b>94,518</b>	<b>Closing Capital Financing Requirement</b>	<b>276,599</b>
0	Debt Cap at 31 March	316,554
<b>0</b>	<b>Headroom</b>	<b>39,955</b>
	<b>Explanation of Movements in Year:</b>	
(2,850)	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	0
1,008	Increase in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	182,081
<b>(1,842)</b>	<b>Movement in capital financing requirement</b>	<b>(182,081)</b>

## Notes to Housing Revenue Account

\*£9.614 million (£9.6 million in 2014/15) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council must adhere to a debt cap set by Welsh Government. This is based on the Housing Capital Financing Requirement (CFR) calculation and at 31 March 2016, the cap was £316.554 million. The table above shows the Council remained within its cap. Breach of the cap could result in financial penalties imposed on the Council by Welsh Government.

### 7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2015/16 were as follows:

- Council Dwellings and Home Purchase Contributions £2.426 million (£2.022 million in 2014/15)
- Land £0.207 million (£2.061 million in 2014/15)

### 8. Depreciation, Impairment and Revaluation charged

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

	2014/15 £000	2015/16 £000
Council dwellings	13,877	119,841
Land and buildings	1,901	(80)
Vehicles, plant & equipment	123	408
<b>Total depreciation, impairment and revaluation</b>	<b>15,901</b>	<b>120,169</b>

Council dwellings were revalued during 2015/16. The vacant possession value of Council Dwellings was deemed to be £1.3 billion as at 01/04/2015. However, in accordance with valuation requirements, the valuation is required to be adjusted downwards to show the economic cost of providing social housing to tenants at less than market rents. The valuation in the accounts is shown at 40% of the vacant possession value, adjusted by movements in accordance with the Council policies in respect to accounting for such assets.

### 9. Sums directed by the Welsh Government

Revenue expenditure funded from capital under statute charged to the Housing Revenue Account in 2015/16 was £187.392 million (£353,000 in 2014/15). The amount charged to the HRA in 2015/16 relates to the settlement payment made for the exit from the HRA Subsidy system.

	2014/15 £000	2015/16 £000
<b>Expenditure:</b>		
Buildings not owned by the Council	353	0
Capitalisation Direction – Housing Revenue Account Subsidy System Settlement Payment	0	187,392
Charged to Income and Expenditure Account	<b>353</b>	<b>187,392</b>
<b>Funded by:</b>		
Borrowing, receipts and other capital resources	353	187,392
	<b>353</b>	<b>187,392</b>

## Foreword

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

The Pension Fund's assets fell by 1.6% during 2015/16, from £1.68 billion to £1.65 billion mainly as a result of 2015/16 having been a difficult year for global equity markets, with periods of significant volatility during the year. Over the longer term the Fund's assets have grown, averaging 6.5% per annum over the past three years, but the continuing low interest rates and expectations of lower investment returns in the future are likely to result in increased liabilities at this year's triennial valuation.

In July 2015 the UK Government announced that all LGPS funds in England and Wales must join together to form investment pools. The eight funds in Wales have been working together for several years and had already made significant progress towards collaborative investing. An outline proposal was submitted in February 2016 for a Wales Investment Pool with assets of around £13 billion. The Department for Communities and Local Government (DCLG) have responded positively to the submission and detailed proposals will be submitted in July this year. The pooling arrangement will have a significant impact on how investments are managed in the future but each individual LGPS fund will continue to set its own investment strategy in the light of its specific funding position and liability profile. New investment regulations are expected towards the end of this year.

The Fund's Local Pension Board was established in 2015. The Board comprises three employer representatives, three scheme member representatives and an independent (non-voting) chair. The Board's role is to assist the Council in securing compliance with the LGPS regulations and related legislation. Members were appointed from 1 July 2015 and the Board held its first meeting on 30 July. The Board will meet at least three times a year.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 37,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

**Christine Salter**  
**Corporate Director Resources**  
**June 2016**

## Actuarial Statement

### Cardiff and Vale of Glamorgan Pension Fund

#### Introduction

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

#### Actuarial Position

1. The valuation as at 31 March 2013 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund's assets at that date (of £1,369M) covering 82% of the liabilities in respect of service prior to the valuation date allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2014 was:
  - 15.4% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
  - Plus
  - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 23 years from 1 April 2014, amounting to £16.9M in 2014/15, and increasing by 3.4% p.a. thereafter, before any phasing in or 'stepping' of contribution increases.

This would imply an average employer contribution rate of about 22.2% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 3.4% p.a.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt's report dated 28 March 2014 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, is set out in the actuarial valuation report.
5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

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

The assets were valued at market value.

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

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2014 to 31 March 2017 were signed on 28 March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2016 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013. The actuarial valuation of the Fund as at 31 March 2016 is currently underway and the Regulations require the formal report of the valuation and the Rates and Adjustment Certificate setting out employer contributions for the period from 1 April 2017 to 31 March 2020 to be signed off by 31 March 2017.
8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

The report on the actuarial valuation as at 31 March 2013 is available on the Fund's website at the following address:

<https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20Valuation%20Report%20-%2031%20March%202013.pdf>

**Aon Hewitt Limited**  
**June 2016**

# Cardiff and Vale of Glamorgan Pension Fund

## FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2016

2014/15 Restated £000		2015/16 £000
	<b>CONTRIBUTIONS AND BENEFITS</b>	
	<b>Contributions receivable</b>	
58,471	from employers (note 5)	60,370
16,026	from employees (note 5)	16,360
2,978	Transfers in	5,034
5,134	Other Income (Capitalised Payments and interest on deficit funding)	2,134
<b>82,609</b>		<b>83,898</b>
	<b>Benefits Payable</b>	
(55,983)	Pensions (note 6)	(59,118)
(19,439)	Lump Sums (note 6)	(16,387)
	Payments to and on account of leavers	
(76)	Refunds of contributions	(136)
(3,204)	Transfers out	(8,220)
<b>(78,702)</b>		<b>(83,861)</b>
	Net Additions/(Withdrawals) from dealings with Members of the Fund	
<b>3,907</b>		<b>37</b>
	<b>RETURNS ON INVESTMENT</b>	
17,388	Investment Income (note 9)	18,176
176,648	Change in market value of investments (note 10)	(32,698)
(10,929)	Management expenses (note 8)	(12,520)
<b>183,107</b>	Net Returns on Investments	<b>(27,042)</b>
<b>187,014</b>	Net Increase/(Decrease) in the Fund During Year	<b>(27,005)</b>
1,492,503	Opening Net Assets of the Scheme	1,679,517
<b>1,679,517</b>	<b>Closing Net Assets of the Scheme</b>	<b>1,652,512</b>

# Cardiff and Vale of Glamorgan Pension Fund

## NET ASSET STATEMENT AS AT 31 MARCH 2016

2014/15 £000		2015/16 £000
1,616,090	Investments at market value (note 10)	1,598,896
37,061	Cash & investment proceeds due (note 10)	29,002
<b>1,653,151</b>		<b>1,627,898</b>
	<b>Current assets</b>	
121	UK & Overseas Tax	128
4,488	Contributions due from Employers and deficit funding	4,533
793	Sundry Debtors (note 14)	602
3,078	Pension Strain costs due within one year	2,886
<b>8,480</b>		<b>8,149</b>
	<b>Non current assets</b>	
15,618	Deficit funding (former employers)	13,386
6,253	Pension strain costs due after one year	4,891
<b>21,871</b>		<b>18,277</b>
	<b>Current liabilities</b>	
(3,055)	Unpaid Benefits	(1,027)
(930)	Sundry Creditors (note 14)	(785)
<b>(3,985)</b>		<b>(1,812)</b>
<b>1,679,517</b>	<b>Net Assets of the Scheme</b>	<b>1,652,512</b>



## NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2015/16. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2015/16 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the "actuarial present value of the promised retirement benefits". This figure has been calculated by the Actuary as at 31 March 2013 as £2,028.8 million, with a comparator value as at the 31 March 2010 valuation of £1,950.4 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 105 and 106. This shows that the overall funding level as at 31 March 2013 is 82%.

## 2. Accounting Policies

### (a) Basis of Preparation

Bond and dividend income has been taken into account on the contractual payment date. Property and private equity income is credited on receipt. The Fund does not account for any benefits payable or receivable in respect of members wishing to transfer from one scheme to another until assets (either cash investments or other form) have been received by the receiving scheme. All other income and expenditure has been accounted for on an accruals basis, except the liability to pay pensions and other benefits in the future. As per IAS 26, a disclosure has been made of the Fund's pension liability i.e. the actuarial present value of promised retirement benefits

### (b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2016 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

### (c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2016 was **£83 million** (£87 million at 31 March 2015).

Pension fund liability -This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 105 and 106. This estimate is based on significant variances based on changes to the underlying assumptions.

**(d) Assumptions made about the future and other major sources of estimation uncertainty.**  
The Statement of Accounts contains estimated figures based on assumptions made taking into account historical experience, current trends and other factors. As balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Item	Uncertainties	Effect if actual results differ from assumptions
<b>Actual present value of promised retirement benefits</b>	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
<b>Private Equity Valuations</b>	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £83 million. There is a risk that this investment may be under, or overstated in the accounts.

**(e) Acquisition costs of Investments**

Acquisition costs are included with the original book cost at the time of purchase. At the year end, however, investments on the balance sheet are valued at market value. The difference is recorded in the Accounts as "Change in Market Value of Investments".

### 3. Taxation

**(a) UK Income, Capital Gains Taxes**

The Fund is an exempt approved fund able to recover UK income tax. No Capital Gains Tax is chargeable.

**(b) Value Added Tax**

The accounts are shown exclusive of VAT. As the County Council is the administering Authority, VAT is recoverable on all Fund activities.

**(c) Overseas Withholding Tax**

Foreign investment income usually suffers withholding tax in the country of origin, some of which may be recoverable. Irrecoverable tax is netted off against income.

### 4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2016 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

# Cardiff and Vale of Glamorgan Pension Fund

## 5. Employing Bodies – Contributions

	No. of contributors at 31.03.16	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
<b>SCHEDULED BODIES:</b>						
Barry Town Council	13	27.0%	0	75	18	93
Cardiff and Vale College	374	13.6%	260	1,293	484	1,777
Cardiff City Transport	27	25.4%	480	689	55	744
City of Cardiff Council	9,987	22.9%	0	35,625	9,714	45,339
Cardiff Metropolitan University	743	13.6%	527	3,299	1,390	4,689
Cowbridge Town Council	4	27.0%	0	18	4	22
Dinas Powys Community Council	1	27.0%	0	7	2	9
Lisvane Community Council	1	27.0%	0	3	1	4
Llantwit Major Town Council	4	27.0%	0	18	4	22
Penarth Town Council	14	27.0%	0	78	18	96
Penllyn Community Council	1	27.0%	0	1	0	1
Public Services Ombudsman for Wales	1	32.3%	266	290	6	296
Radyr & Morganstown Community Council	1	27.0%	0	7	1	8
St Davids Sixth Form College	39	13.6%	14	126	51	177
Stanwell School	78	16.4%	13	171	56	227
Vale Of Glamorgan Council	3,317	22.7%	0	13,258	3,672	16,930
Wenvoe Community Council	1	27.0%	0	2	0	2
<b>Sub-total</b>	<b>14,606</b>			<b>54,960</b>	<b>15,476</b>	<b>70,436</b>
<b>ADMITTED BODIES:</b>						
APP Clean UK	5	21.5%	0	6	2	8
Cardiff Business Technology Centre	4	28.7%	0	22	5	27
Cardiff Gypsy & Traveller Project	0	23.4%	0	1	0	1
Cardiff Institute For The Blind	2	20.6%	59	68	3	71
Cardiff University	54	27.3%	1,300	1,654	82	1,736
Careers Wales (Cardiff & Vale)	78	18.1%	0	389	138	527
Children In Wales	25	27.3%	0	153	36	189
Civic Trust For Wales	0	23.4%	8	8	0	8
Colleges Wales	6	19.8%	9	57	19	76
Design Commission for Wales	4	20.3%	0	34	13	47
Mirus Wales	6	23.4%	0	58	22	80
National Trust	9	20.7%	0	34	10	44
One Voice	2	19.4%	6	23	7	30
Play Wales	6	24.0%	8	54	14	68

## Cardiff and Vale of Glamorgan Pension Fund

	No. of contributors at 31.03.16	Contribution rates (% of pensionable pay)	Additional lump sum (memo) £000	Employers £000	Employees £000	Total £000
Royal National Eisteddfod	13	25.5%	32	150	36	186
Sport Wales	129	20.2%	1,050	1,866	281	2,147
Wales & West Housing	1	20.6%	105	133	15	148
Welsh Council For Voluntary Action	59	21.4%	36	455	131	586
Workers Education Association	52	22.3%	6	245	70	315
<b>Sub-total</b>	<b>455</b>			<b>5,410</b>	<b>884</b>	<b>6,294</b>
<b>Total</b>	<b>15,061</b>			<b>60,370</b>	<b>16,360</b>	<b>76,730</b>

### Additional deficit funding

There was no additional deficit funding in 2015/16.

### 6. Employing Bodies - Benefits Paid

	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
<b>SCHEDULED BODIES:</b>				
Barry Town Council	84	160	0	0
Cardiff City Transport	2,307	161	0	11
City of Cardiff Council	38,348	7,475	1,220	395
Cardiff and Vale College	640	192	55	2
Cardiff Metropolitan University	1,549	1,219	85	18
Cowbridge Town Council	11	10	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	43	14	0	0
Probation Service	39	0	0	0
Public Services Ombudsman for Wales	227	35	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	373	173	1	23
St Cyres School	48	0	56	0
St David's Sixth Form College	69	23	0	0
Stanwell School	57	37	0	0
Vale of Glamorgan Council	10,979	3,870	37	99
<b>Sub-total</b>	<b>54,886</b>	<b>13,369</b>	<b>1,454</b>	<b>548</b>
<b>ADMITTED BODIES:</b>				

## Cardiff and Vale of Glamorgan Pension Fund

	Retirement Pensions	Lump Sums on Retirement	Death Grants	Commutation Payments
	£000	£000	£000	£000
Cardiff Bay Arts Trust	11	3	0	0
Cardiff Bay Development Corp	502	46	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,076	211	0	(9)
Careers Wales (Cardiff & Vale)	348	136	65	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	14	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	74	0	0	0
Community Relations	2	2	0	0
Design Commission for Wales	3	0	0	0
Dimensions	10	0	0	0
Glam & Gwent Housing Assoc	58	0	0	0
Glamorgan Holiday Hotel	60	47	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	202	30	0	0
Intervol	22	0	0	0
Land Authority for Wales	304	0	0	0
National Eisteddfod	71	0	0	0
National Trust	10	91	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	839	64	0	23
STAR	7	0	0	0
Wales & West Housing	139	(7)	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	189	173	0	0
Workers Education Association	28	141	0	0
<b>Sub-total</b>	<b>4,232</b>	<b>937</b>	<b>65</b>	<b>14</b>
<b>TOTAL</b>	<b>59,118</b>	<b>14,306</b>	<b>1,519</b>	<b>562</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 7. Membership of the Fund

Fund membership at 31 March 2016 is as follows:

	2014/15 (Restated)	2015/16
Contributing Employers	33	36
Contributors	14,616	15,061
Pensioners	10,281	10,626
Deferred pensioners	12,073	12,308
<b>Total membership</b>	<b>36,970</b>	<b>37,995</b>

## 8. Management Expenses

Management Expenses fully charged to the Fund are:

	2014/15 Restated £000	2015/16 £000
Administration Costs	789	912
Investment Management Expenses	10,016	11,484
Oversight & Governance Costs	124	124
<b>TOTAL</b>	<b>10,929</b>	<b>12,520</b>

## 9. Investment Income

	2014/15 £000	2015/16 £000
UK Fixed Interest Securities	5,277	5,098
Overseas Fixed Interest Securities	2,345	2,663
UK Equities & Private Equity Funds	3,105	3,209
Pooled investments	1,278	1,432
Overseas Equities (net of irrecoverable tax)	3,682	3,817
Property Unit Trust Income	1,529	1,700
Interest on UK cash	75	132
Securities Lending	97	125
<b>TOTAL</b>	<b>17,388</b>	<b>18,176</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 10. Investments at Market Value

2014/15 £000		2015/16 £000
	UK Fixed Interest:	
53,976	Public Sector	66,966
129,201	Other (Pooled)	93,423
<b>183,177</b>		<b>160,389</b>
	Overseas Fixed Interest:	
61,913	Public Sector (Pooled)	86,645
<b>61,913</b>		<b>86,645</b>
101,886	UK quoted Equities & Convertibles	95,636
174,678	Foreign quoted Equities	161,746
<b>276,564</b>		<b>257,382</b>
<b>99,211</b>	UK & Global Property (Pooled)	<b>117,121</b>
<b>87,433</b>	Private Equity	<b>83,101</b>
	Pooled Funds	
484,258	UK	470,593
423,534	Overseas	423,665
<b>907,792</b>		<b>894,258</b>
(2,209)	Derivatives: Forward Currency contracts	(2,273)
	Cash:	
24,110	UK	24,267
13,559	Overseas	5,059
1,601	Net investment proceeds due	1,949
<b>39,270</b>		<b>31,275</b>
<b>1,653,151</b>	<b>TOTAL</b>	<b>1,627,898</b>

Gross purchases in the year (excluding cash and forward currency) were £180.949 million, whilst sales were £171.849 million. From these a net realised loss was accrued to the Fund of £798,000. Profits and losses are calculated on historical costs. When only part of a holding is sold, the average cost method is used.

The managing companies of all the pooled managed Funds are UK registered. Private Equity Funds are not quoted on recognised stock exchanges and may not be realisable as readily as quoted investments. Other than pooled funds, no single investment accounted for more than 5% of the Fund's assets.



## Cardiff and Vale of Glamorgan Pension Fund

	Value at 31/03/15	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/16
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	245,090	101,156	(98,590)	(622)	247,034
Equities	276,564	63,341	(55,312)	(27,211)	257,382
Pooled Funds	907,792	878	0	(14,412)	894,258
Property unit trusts	99,211	10,305	0	7,605	117,121
Private equity	87,433	3,269	(24,085)	16,484	83,101
<b>Sub total</b>	<b>1,616,090</b>	<b>178,949</b>	<b>(177,987)</b>	<b>(18,156)</b>	<b>1,598,896</b>
Forward Currency	(2,209)	2,709,754	(2,695,045)	(14,773)	(2,273)
Futures	0	0	0	0	0
<b>Total Derivatives</b>	<b>(2,209)</b>	<b>2,709,754</b>	<b>(2,695,045)</b>	<b>(14,773)</b>	<b>(2,273)</b>
Debtors	1,742				1,949
Creditors	(141)				0
Managers' Cash	7,700				5,004
Internal Cash	24,110				24,267
Currency Overlay	5,859				55
<b>Total Cash</b>	<b>39,270</b>			<b>231</b>	<b>31,275</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>37,061</b>			<b>(14,542)</b>	<b>29,002</b>
<b>Total</b>	<b>1,653,151</b>			<b>(32,698)</b>	<b>1,627,898</b>

Comparative data for 2014/15:

	Value at 31/03/14	Purchase at cost	Sale Proceeds	Change in Market Value	Value at 31/03/15
	£000's	£000's	£000's	£000's	£000's
Fixed Interest Securities	220,062	65,699	(57,319)	16,648	245,090
Equities	235,397	66,497	(59,102)	33,772	276,564
Pooled Funds	814,008	784	0	93,000	907,792
Property unit trusts	79,897	5,779	0	13,535	99,211
Private equity	92,925	7,856	(24,878)	11,530	87,433
<b>Sub total</b>	<b>1,442,289</b>	<b>146,615</b>	<b>(141,299)</b>	<b>168,485</b>	<b>1,616,090</b>
Forward Currency	884	2,089,769	(2,098,490)	5,628	(2,209)
Futures	0	286,496	(286,496)	0	0
<b>Total Derivatives</b>	<b>884</b>	<b>2,376,265</b>	<b>(2,384,986)</b>	<b>5,628</b>	<b>(2,209)</b>
Debtors	812				1,742
Creditors	0				(141)
Managers' Cash	9,049				7,700
Internal Cash	12,625				24,110
Currency Overlay	466				5,859
<b>Total Cash</b>	<b>22,952</b>			<b>(2,635)</b>	<b>39,270</b>
<b>Total Cash and Investment Proceeds Due</b>	<b>23,836</b>			<b>2,993</b>	<b>37,061</b>
<b>Total</b>	<b>1,466,125</b>			<b>171,478</b>	<b>1,653,151</b>

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs incurred during the year amounted to £258,473. In addition, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

## Analysis of derivatives

### Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the fund. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

### Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a proportion of the fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the fund has a currency management overlay in place managed by Mesirow, which hedges significant long term currency movements to limit losses. The portfolio covers US dollars, Yen and Euro currencies.

## 11. Summary of Manager's Portfolio Values at 31 March 2016

	£000	% of Fund
Aberdeen Asset Management	247,805	15.2
Aberdeen Emerging Markets	54,952	3.4
Blackrock Investment Management	181,088	11.1
Invesco Perpetual	91,944	5.6
J P Morgan	67,972	4.2
Majedie	98,197	6.0
Nikko	88,371	5.4
Schroder Investment Managers	76,851	4.7
State Street Global Advisers	498,301	30.6
Property	117,121	7.2
Private Equity Managers	83,101	5.1
Mesirow currency overlay & cash with custodian	(2,072)	(0.1)
Internally managed (Cash)	24,267	1.5
<b>Total</b>	<b>1,627,898</b>	<b>100</b>

# Cardiff and Vale of Glamorgan Pension Fund

## 12. Financial Instruments

### a) Classification of financial instruments

31/03/2015				31/03/2016		
Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs		Fair Value through profit and loss	Loans and Receivables	Financial Liabilities at Amortised Costs
£000	£000	£000		£000	£000	£000
			<b>Financial assets</b>			
245,090	0	0	Fixed Interest Securities	247,034	0	0
276,564	0	0	Equities	257,382	0	0
907,792	0	0	Pooled Funds	894,258	0	0
99,211	0	0	Property Unit Trusts	117,121	0	0
87,433	0	0	Private Equity	83,101	0	0
156,416	0	0	Derivatives	168,982	0	0
0	37,669	0	Cash	0	29,326	0
1,601	0	0	Other investments	1,949	0	0
0	30,351	0	Debtors	0	26,426	0
<b>1,774,107</b>	<b>68,020</b>	<b>0</b>		<b>1,769,827</b>	<b>55,752</b>	<b>0</b>
			<b>Financial liabilities</b>			
(158,625)	0	0	Derivatives	(171,255)	0	0
0	0	0	Other investments	0	0	0
0	0	(3,985)	Creditors	0	0	(1,812)
0	0	0	Borrowings	0	0	0
<b>(158,625)</b>	<b>0</b>	<b>(3,985)</b>		<b>(171,255)</b>	<b>0</b>	<b>(1,812)</b>
<b>1,615,482</b>	<b>68,020</b>	<b>(3,985)</b>		<b>1,598,572</b>	<b>55,752</b>	<b>(1,812)</b>

### b) Net gains and losses on financial instruments

31/03/2015 £000		31/03/2016 £000
294,432	<b>Financial Assets</b>	
	Fair value through profit and loss	(22,241)
0	Loans and receivables	0
	<b>Financial liabilities</b>	
(117,769)	Fair value through profit and loss	(12,630)
(15)	Loans and receivables	2,173
<b>176,648</b>	<b>Total</b>	<b>(32,698)</b>

## c) Valuation of financial instruments carried at fair value

Level 1 - Quoted prices for similar instruments. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Level 2 - Directly observable market inputs other than Level 1 inputs. Where an instrument is traded in a market which is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3 - Inputs not based on observable market data. The values of investment in private equity are based on valuations provided by the general partners to the private equity funds. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end.

Values as at 31st March 2016	Quoted market price	Using observable inputs	With significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
	£000	£000	£000	£000
<b>Financial assets</b>				
Financial assets at fair value	679,580	719,095	371,153	1,769,828
Loans and receivables	55,751	0	0	55,751
<b>Total financial assets</b>	<b>735,331</b>	<b>719,095</b>	<b>371,153</b>	<b>1,825,579</b>
<b>Financial liabilities</b>				
Financial liabilities at fair value	0	0	(171,255)	(171,255)
Financial liabilities at amortised cost	(1,812)	0	0	(1,812)
<b>Total financial liabilities</b>	<b>(1,812)</b>	<b>0</b>	<b>(171,255)</b>	<b>(173,067)</b>
<b>Net financial assets</b>	<b>733,519</b>	<b>719,095</b>	<b>199,898</b>	<b>1,652,512</b>

### 13. Nature and extent of risks rising from financial instruments

The fund maintains positions in a variety of instruments, as dictated by the Statement of Investment principles (SIP), and is consequently exposed to credit and liquidity risk, as well as market risk including foreign exchange and interest rate risks.

The Fund's primary long-term risk is that the fund's assets will fall short of its liabilities and will be unable to pay the promised benefits to members. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the fund and to maximise the opportunity for gains across the whole fund portfolio. The fund achieves this through asset diversification to reduce exposure to market risk and credit risk to an acceptable level. In addition, the fund manages its liquidity risk to ensure there is sufficient liquidity to meet the fund's forecast cash flows.

The management of risk is a key objective of the Pension Fund. A policy of diversification of its asset classes and investment managers helps the Pension fund to lower risk arising from financial instruments. Benchmarks for asset allocation and targets against which investment managers are expected to perform are further measures which are put in place in order to manage risk.

## Cardiff and Vale of Glamorgan Pension Fund

### Market Risk

Market risk is the risk that the fair value or future cashflows of an institution will fluctuate because of a change in market price.

In order to manage risk, the Fund invests in a diversified pool of assets, split between a number of managers with different performance targets and investment strategies. In order to mitigate risk, the Fund regularly reviews the pension fund investment strategy together with regular monitoring of asset allocation and investment performance.

**Interest rate risk** is the risk to which the Pension Fund is exposed to fluctuations in interest rates and mainly relates to changes in bonds.

To mitigate the risk, the Fund holds a fixed interest portfolio managed by Aberdeen, the appointed active bond manager.

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits

Asset Type	Carrying amount as at 31.03.2016	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	29,002	290	(290)
Fixed interest securities	247,034	2,470	(2,470)
<b>Total</b>	<b>276,036</b>	<b>2,760</b>	<b>(2,760)</b>

2014/15 Comparative:

Asset Type	Carrying amount as at 31.03.2015	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	37,061	371	(371)
Fixed interest securities	245,090	2,451	(2,451)
<b>Total</b>	<b>282,151</b>	<b>2,822</b>	<b>(2,822)</b>

**Currency risk** is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates.

The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

### Currency risk – sensitivity analysis

Following analysis of historical data, the fund's aggregate currency change has been calculated as 6.35%. A 6.35% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

## Cardiff and Vale of Glamorgan Pension Fund

Currency exposure – asset type	Asset value as at 31.03.2016	Change to net assets available to pay benefits	
	£000	£000	£000
		6.35%	-6.35%
Overseas quoted securities	602,830	641,110	564,550
<b>Total change in assets available</b>	<b>602,830</b>	<b>641,110</b>	<b>564,550</b>

Currency exposure – asset type	Asset value as at 31.03.2015	Change to net assets available to pay benefits	
	£000	£000	£000
		3.49%	-3.49%
Overseas quoted securities	616,984	638,493	595,476
<b>Total change in assets available</b>	<b>616,984</b>	<b>638,493</b>	<b>595,476</b>

**Price risk** is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

### Price risk sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2016 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,627,898</b>	<b>7.34%</b>	<b>1,747,386</b>	<b>1,508,410</b>
UK Equities	566,229	9.99%	622,795	509,663
Overseas Equities	585,411	10.05%	644,245	526,577
Total Bonds	247,034	4.74%	258,743	235,325
Cash	29,002	0.01%	29,005	28,999
Alternatives	83,101	3.18%	85,744	80,458
Property	117,121	2.12%	119,604	114,638

Asset type	Value as at 31.03.2015 £000	Percentage change %	Value on increase £000	Value on Decrease £000
<b>Total Assets</b>	<b>1,653,151</b>	<b>6.65%</b>	<b>1,763,086</b>	<b>1,543,216</b>
UK Equities	586,144	9.73%	643,176	529,112
Overseas Equities	598,212	9.68%	656,119	540,305
Total Bonds	245,090	3.78%	254,354	235,826
Cash	37,061	0.01%	37,065	37,057
Alternatives	87,433	2.25%	101,443	96,979
Property	99,211	3.35%	90,362	84,504

# Cardiff and Vale of Glamorgan Pension Fund

## Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme. This is run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2016 was £24.8 million (£24.6 million at 31.03.2015). This was held with the following institutions:

	Rating	Balance at 31.03.2015 £000	Balance at 31.03.2016 £000
<b>Money market funds</b>			
Ignis	AAA	12,000	<b>12,000</b>
Deutsche	AAA	12,000	<b>920</b>
Blackrock	AAA	650	<b>11,950</b>
<b>Bank current account</b>			
Lloyds Bank	A	6	<b>(80)</b>
<b>Total</b>		<b>24,656</b>	<b>24,790</b>

## Liquidity Risk

Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Pension Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

## 14. Sundry Debtors & Creditors

	2014/15 £000	2015/16 £000
<b>Debtors</b>		
Pensions Administration	26	0
Miscellaneous	767	602
	<b>793</b>	<b>602</b>
<b>Creditors</b>		
Management & Custody Fees	(899)	(785)
Miscellaneous	(31)	0
	<b>(930)</b>	<b>(785)</b>
<b>Total</b>	<b>(137)</b>	<b>(183)</b>

## 15. Additional Voluntary Contributions

Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts.



The amount of AVC contributions paid during the year amounted to £416,000 and the market value of separately invested AVC's as at 31 March 2016 was £3.225 million.

### **16. Commitments**

As at 31 March 2016 the Fund had outstanding private equity commitments of a maximum of £38.64 million (£40.57 million at 31 March 2015).

As at 31 March 2016 the Fund had forward currency contracts amounting to £168.98 million of purchases and £171.26 million of sales, showing an unrealised loss of £2.27 million.

### **17. Securities Lending**

At the year end the value of quoted equities on loan was £40.42 million (£38.00 million at March 2015) in exchange for which the custodian held collateral of £42.54 million (£40.35 million at March 2015). For the year ending 31 March 2016, the Fund received income of £120,991 from the lending of stock.

### **18. Contingent Liabilities**

The Fund has no contingent liabilities.

### **19. Related Party Transactions**

The relationship between the employers and the Pension Fund is, by its very nature, close, therefore, each participating employer is considered a related party as shown in notes 5 and 6.

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of The County Council of the City and County of Cardiff.

### **20. Post Balance Sheet Events**

There are no post balance sheet events to report.

## INTRODUCTION

The group accounts that follow comply with the requirement of the 2015/16 Code that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of The County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus). At the point of drafting these accounts, the accounts for Cardiff Bus had not been audited and, therefore, the draft figures have been consolidated within the Group Accounts.

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. In addition, the Council had an interest in the Cardiff Medicentre Joint Venture during 2015/16, however this interest had been sold as at 31 March 2016. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Authority to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2015/16. Details of the Council's interests in these organisations are included in note 26 to the Core Financial Statements.

## ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

### Basis of Consolidation

The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd. Inter-group transactions and balances between the Council and its subsidiary have been eliminated in full.

### Accounting policies

The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 19 to 34 with the following additions and exceptions:

#### 1. Retirement Benefits

Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with IAS19. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

#### 2. Value Added Tax

VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

#### 3. Goodwill

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

#### 4. Charges to Income and Expenditure for Non-Current Assets

A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

#### 5. Derivatives Financial Instruments

Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk. The company does not hold derivatives for speculative purposes.

## Group Accounts

### GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
<b>Balance at 31 March 2014 carried forward (restated)</b>	11,413	30,559	8,124	684	1,399	52,179	883,737	935,916
<u>Movement in Reserves during 2014/15 (restated)</u>								
Surplus or (deficit) on the provision of Services	(11,619)	0	4,696	0	0	<b>(6,923)</b>	2,065	<b>(4,858)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	(55,994)	<b>(55,994)</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,619)</b>	<b>0</b>	<b>4,696</b>	<b>0</b>	<b>0</b>	<b>(6,923)</b>	<b>(53,929)</b>	<b>(60,852)</b>
Adjustments between accounting basis & funding basis under regulations	16,625	0	(4,828)	0	(63)	<b>11,734</b>	(11,734)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>5,006</b>	<b>0</b>	<b>(132)</b>	<b>0</b>	<b>(63)</b>	<b>4,811</b>	<b>(65,663)</b>	<b>(60,852)</b>
Transfers to/(from) Earmarked Reserves	(3,265)	3,265	446	(446)	0	<b>0</b>	0	<b>0</b>
Other Movements in Reserves	0	0	0	0	0	<b>0</b>	0	<b>0</b>
<b>Increase/(Decrease) in 2014/15</b>	<b>1,741</b>	<b>3,265</b>	<b>314</b>	<b>(446)</b>	<b>(63)</b>	<b>4,811</b>	<b>(65,663)</b>	<b>(60,852)</b>
<b>Balance at 31 March 2015 carried forward (restated)</b>	<b>13,154</b>	<b>33,824</b>	<b>8,438</b>	<b>238</b>	<b>1,336</b>	<b>56,990</b>	<b>818,074</b>	<b>875,064</b>
<u>Movement in Reserves during 2015/16</u>								
Surplus or (deficit) on the provision of Services	(22,052)	0	(282,297)	0	0	<b>(304,349)</b>	364	<b>(303,985)</b>
Other Comprehensive Income and Expenditure	0	0	0	0	0	<b>0</b>	74,128	<b>74,128</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>(22,052)</b>	<b>0</b>	<b>(282,297)</b>	<b>0</b>	<b>0</b>	<b>(304,349)</b>	<b>74,492</b>	<b>(229,857)</b>

## Group Accounts

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves (including Group Reserves) £000	Total Authority Reserves £000
Adjustments between accounting basis & funding basis under regulations	41,966	0	283,013	0	4,087	<b>329,066</b>	(329,066)	<b>0</b>
<b>Net Increase/(Decrease) before Transfers to Earmarked Reserves</b>	<b>19,914</b>	<b>0</b>	<b>716</b>	<b>0</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,574)</b>	<b>(229,857)</b>
Transfers to/(from) Earmarked Reserves	(17,813)	17,813	(716)	716	0	<b>0</b>		<b>0</b>
Other Movements in Reserves						<b>0</b>		<b>0</b>
<b>Increase/(Decrease) in 2015/16</b>	<b>2,101</b>	<b>17,813</b>	<b>0</b>	<b>716</b>	<b>4,087</b>	<b>24,717</b>	<b>(254,574)</b>	<b>(229,857)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>15,255</b>	<b>51,637</b>	<b>8,438</b>	<b>954</b>	<b>5,423</b>	<b>81,707</b>	<b>563,500</b>	<b>645,207</b>

## Group Accounts

### THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2016

2014/15 (Restated)				2015/16			
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
51,243	(17,958)	<b>33,285</b>	Central Services to the Public		47,725	(14,023)	<b>33,702</b>
58,205	(27,886)	<b>30,319</b>	Cultural & Related Services		59,633	(28,652)	<b>30,981</b>
58,059	(23,779)	<b>34,280</b>	Environmental & Regulatory Services		65,347	(34,662)	<b>30,685</b>
20,081	(19,905)	<b>176</b>	Planning Services		26,849	(23,349)	<b>3,500</b>
404,770	(98,704)	<b>306,066</b>	Children's and Education Services		404,221	(108,102)	<b>296,119</b>
85,101	(42,017)	<b>43,084</b>	Highways & Transport Services		84,839	(53,798)	<b>31,041</b>
69,971	(65,231)	<b>4,740</b>	Housing Revenue Account		161,725	(67,727)	<b>93,998</b>
181,640	(175,755)	<b>5,885</b>	Housing Services (General Fund)		182,799	(177,143)	<b>5,656</b>
127,857	(25,777)	<b>102,080</b>	Adult Social Care		125,100	(22,556)	<b>102,544</b>
9,982	(2,004)	<b>7,978</b>	Corporate & Democratic Core		11,899	(396)	<b>11,503</b>
3,405	323	<b>3,728</b>	Non-Distributed Costs		3,656	3,798	<b>7,454</b>
0	0	<b>0</b>	Exceptional Item	6	187,392	(379)	<b>187,013</b>
<b>1,070,314</b>	<b>(498,693)</b>	<b>571,621</b>	<b>Net Cost of Services</b>		<b>1,361,185</b>	<b>(526,989)</b>	<b>834,196</b>
26,411	0	<b>26,411</b>	South Wales Police Authority Precept		27,880	0	<b>27,880</b>
256	0	<b>256</b>	Community Council Precepts		290	0	<b>290</b>
16,984	0	<b>16,984</b>	Levies & Contributions		16,798	0	<b>16,798</b>
1,589	(5,774)	<b>(4,185)</b>	(Gain)/loss on sale of non-current assets		10,618	(11,814)	<b>(1,196)</b>
<b>45,240</b>	<b>(5,774)</b>	<b>39,466</b>	<b>Other Operating Expenditure</b>		<b>55,586</b>	<b>(11,814)</b>	<b>43,772</b>
24,734	0	<b>24,734</b>	Interest Payable on debt		32,318	0	<b>32,318</b>
16	0	<b>16</b>	Interest element of finance leases	4	16	0	<b>16</b>
21,970	(3,728)	<b>18,242</b>	Interest on net defined liability/(asset)		18,728	(1,735)	<b>16,993</b>
0	(1,106)	<b>(1,106)</b>	Interest & Investment Income			(1,035)	<b>(1,035)</b>
			Other Investment Income		1,092	(1,282)	<b>(190)</b>
6,161	(12,391)	(6,230)	Change in fair value of Investment Properties		3,954	0	3,954

## Group Accounts

2014/15 (Restated)				2015/16			
Gross Expenditure £000	Gross Income £000	2014/15 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000
52,881	(17,225)	35,656	Financing and Investment Income & Expenditure		56,108	(4,052)	52,056
0	(28,165)	<b>(28,165)</b>	Recognised Capital Grants & Contributions			(25,304)	<b>(25,304)</b>
0	(326,291)	<b>(326,291)</b>	Revenue Support Grant			(322,851)	<b>(322,851)</b>
0	(109,695)	<b>(109,695)</b>	Non-Domestic Rates			(101,253)	<b>(101,253)</b>
779	(165,499)	<b>(164,720)</b>	Council Tax Income		1,834	(175,121)	<b>(173,287)</b>
0	(13,608)	<b>(13,608)</b>	Other Central Grants			(3,344)	<b>(3,344)</b>
779	(643,258)	(642,479)	Taxation & Non-Specific Grant Income		1,834	(627,873)	(626,039)
594	0	594	Tax expenses - Corporation Tax payable			0	0
1,169,808	(1,164,950)	4,858	(Surplus)/Deficit on Provision of Services		1,474,713	(1,170,728)	303,985
		<b>(937)</b>	Revaluation Gains				<b>(134,307)</b>
		<b>2,844</b>	Revaluation Losses				<b>73,310</b>
		412	Impairment losses on non-current assets charged to the Revaluation Reserve				591
		0	(Surplus)/Deficit on revaluation of available for sale financial assets				(37)
		51,491	Actuarial gains/losses on pension assets/liabilities				(12,346)
		2,184	Share of other comprehensive income & expenditure of subsidiaries				(1,339)
		55,994	Other Comprehensive Income & Expenditure				(74,128)
		60,852	Total Comprehensive Income & Expenditure				229,857

## Group Accounts

### GROUP BALANCE SHEET AS AT 31 MARCH 2016

31 March 2015 (Restated) £000		Note	31 March 2016 £000
	<b><u>Property Plant &amp; Equipment:</u></b>	7	
569,012	Council Dwellings		529,464
771,195	Other Land and Buildings		746,570
29,398	Vehicles, Plant, Furniture & Equipment		31,858
308,666	Infrastructure		298,598
19,206	Community Assets		19,620
11,757	Assets under construction (AUC)		31,048
37,024	Surplus assets not held for sale		36,299
50,884	Heritage Assets		51,278
100,787	Investment Properties		110,556
4,346	Intangible Non-Current Assets including AUC	7	3,179
3,754	Long-term Investments		1,441
2,790	Long-term Debtors		5,081
938	Deferred tax asset		558
<b>1,909,757</b>	<b>Total Long Term Assets</b>		<b>1,865,550</b>
42,122	Short-term Investments		54,215
3,040	Assets held for Sale	7	2,819
2,446	Inventories		2,398
92,028	Short-term Debtors	9	84,851
28,446	Cash and Cash Equivalents		22,360
<b>168,082</b>	<b>Total Current Assets</b>		<b>166,643</b>
(12,964)	Short Term Borrowing		(16,147)
(97,296)	Short Term Creditors	11	(84,927)
(2,830)	Pension Strain		(2,354)
(10,300)	Provisions	12	(10,584)
(1,746)	Deferred Liabilities	13	(2,224)
(397)	Deferred tax liability		(393)
<b>(125,533)</b>	<b>Total Current Liabilities</b>		<b>(116,629)</b>
(465,808)	Long Term Borrowing		(659,408)
(32,975)	Provisions		(30,605)
(10,509)	Deferred Liabilities		(11,869)
(10,095)	Capital Contributions Receipts in Advance		(9,933)
(3,734)	Revenue Grants Receipts in Advance		(2,526)
(2,160)	Capital Grants Receipts in Advance		(1,791)
(6,252)	Pensions Strain		(4,891)



## Group Accounts

31 March 2015 (Restated) £000		Note	31 March 2016 £000
(544,477)	Net Pensions Liability		(548,471)
(1,232)	Deferred tax liability		(863)
(1,077,242)	Total Long Term Liabilities		(1,270,357)
<b>875,064</b>	<b>NET ASSETS</b>		<b>645,207</b>
	<b>Financed by:</b>		
13,154	Council Fund Balance		15,255
33,824	Council Fund Earmarked Reserves		51,637
8,438	Housing Revenue Account Balance		8,438
238	Housing Revenue Account Earmarked Reserves		954
1,336	Capital Receipts Reserve		5,423
<b>56,990</b>	<b>Usable Reserves</b>		<b>81,707</b>
204,601	Revaluation Reserve		257,217
1,164,708	Capital Adjustment Account		854,165
87	Deferred Capital Receipts		2,049
4,618	Available for Sale Financial Instruments Reserve		4,656
(2,367)	Financial Instruments Adjustment Account		0
(552,621)	Pensions Reserve		(555,158)
(7,670)	Accumulated Absences Adjustment Account		(6,289)
6,718	Reserves (Group Entities)		6,860
<b>818,074</b>	<b>Unusable Reserves</b>		<b>563,500</b>
<b>875,064</b>	<b>TOTAL RESERVES</b>		<b>645,207</b>

## Group Accounts

### GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2016

2014/15 (Restated) £000		Note	2015/16 £000
4,858	<b>Net (Surplus) /Deficit on the provision of services</b>		<b>303,985</b>
(92,628)	Adjust net surplus or deficit on the provision of services for non-cash movements	14	(192,027)
21,712	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	15	(174,816)
<b>(66,058)</b>	<b>Net cash flows from operating activities</b>		<b>(62,858)</b>
(1,126)	Interest Received		(1,209)
24,744	Interest Paid		30,050
118	Finance lease interest paid		166
0	Dividends received		0
56	Taxation (group only)		0
(89,850)	Net cash flow from other operating activities		(91,865)
<b>69,447</b>	<b>Investing activities</b>		<b>278,328</b>
72,585	Purchase of property, plant and equipment, investment property and intangible assets		91,593
29,047	Purchase of short-term and long-term Investments		31,146
9,922	Other payments for investing activities		199,989
(5,830)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,870)
(33,754)	Capital Grants		(33,248)
(2,523)	Proceeds from short-term and long-term investments		(1,282)
<b>13,707</b>	<b>Financing activities</b>		<b>(209,384)</b>
(6,902)	Cash receipts from short-term and long-term borrowing		(202,813)
	Other receipts from financing activities		(13,454)
891	Cash payments for the reduction of outstanding liabilities relating to finance leases		891
7,820	Repayments of short-term and long-term borrowing		5,992
11,898	Other payments for financing activities		0
<b>17,096</b>	<b>Net (increase)/ decrease in cash and cash equivalents</b>		<b>6,086</b>
<b>45,542</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>		<b>28,446</b>
<b>28,446</b>	<b>Cash and cash equivalents at the end of the reporting period represented by:</b>		<b>22,360</b>
182	Cash held e.g. Imprest Accounts		233
13,842	Cash and Bank		15,513
14,422	Short-term deposits with financial institutions		6,614

## NOTES TO THE GROUP ACCOUNTS

The notes to the Council's Core Financial Statements as set out on pages 41 to 98 apply also to the Group Accounts with the following additions and exceptions:

### 1. Remuneration

(a) The number of employees of the Council and its subsidiary whose remuneration is over £60,000 per annum is disclosed below.

Remuneration band £	Number of Employees	
	2014/15	2015/16
60,000-64,999	91	46
65,000-69,999	28	44
70,000-74,999	8	14
75,000-79,999	17	5
80,000-84,999	6	10
85,000-89,999	6	3
90,000-94,999	8	3
95,000-99,999	0	3
100,000-104,999	3	1
105,000-109,999	2	2
110,000-114,999	1	1
115,000-119,999	10	1
120,000-124,999	1	8
125,000-129,999	0	1
130,000-134,999	0	0
135,000-139,999	1	0
140,000-144,999	1	0
145,000-149,999	0	1
150,000-154,999	1	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	1	0
170,000-174,999	0	2
175,000-179,999	1	0
180,000-184,999	0	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2015/16 Financial Statements.

(b) The disclosure for Members allowances is the same as for the single entity accounts.

### 2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 13 to the single entity financial statements.

### 3. External Audit Costs

In 2015/16 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

## Notes to Group Accounts

	2014/15 £000	2015/16 £000
Fees payable to Wales Audit Office for external audit services	421	400
Fees Payable to other external auditors in respect of external audit services	24	32
Fees payable to external auditors for the certification of grant claims and returns	118	84
Fees payable in respect of other services provided by external auditors	3	3
<b>Total</b>	<b>566</b>	<b>519</b>

#### 4. Leasing

##### Operating Leases

Operating leases exist in respect of properties, vehicles and other items of equipment. Payments made during 2015/16 were as follows:

	2014/15 (Restated) £000	2015/16 £000
Property Leases	1,886	1,553
Other Leases	1,371	2,365

The group was committed at 31 March 2016 to making payments of £3.700 million under operating leases in 2016/17 comprising the following elements:

	Property Leases £000	Other Leases £000
Leases expiring within 1 year	0	131
Leases expiring within 2 and 5 years	518	1,979
Leases expiring after 5 years	905	167

##### Finance Leases

Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2015/16 were as follows:

	2014/15 £000	2015/16 £000
Vehicles, Plant & Equipment	118	116

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2014/15 £000		2015/16 £000
8,934	Vehicles, Plant, Furniture and Equipment	11,620

## Notes to Group Accounts

Obligations under finance leases:

2014/15 £000		2015/16 £000
722	Obligations payable within 1 year	1,238
3,292	Obligations payable between 2 and 5 years	4,679
0	Obligations payable after 5 years	573
<b>4,014</b>	<b>Total liabilities as at 31st March</b>	<b>6,490</b>

### 5. Pensions

The following sums were charged to the Group Comprehensive Income Expenditure Statement in the year in respect of pensions:

	2014/15 £000	2015/16 £000
<i>Net Cost of Services</i>		
Current Service Cost	35,735	41,021
Past Service Costs	2,928	4,106
<i>Net Operating Expenditure</i>	0	0
Interest on net defined benefit liability/(asset)	18,242	15,688
<b>Net charge to Group Income &amp; Expenditure Account</b>	<b>56,905</b>	<b>60,815</b>
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(15,268)	(20,141)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	1,872	2,825
<b>Net charge to Council Fund Balance and Profit &amp; Loss Accounts of Subsidiaries in respect of Pensions</b>	<b>43,509</b>	<b>43,499</b>
<b>Presented by:</b>		
<i>Employers Contributions charged to Council Tax:</i>		
Employers Contributions Payable to the Scheme	(38,403)	(38,535)
Payments in Respect of Unfunded Pensions Liabilities	(3,500)	(3,310)
<i>Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year</i>	(1,606)	(1,654)
	<b>(43,509)</b>	<b>(43,499)</b>

### Pensions Assets and Liabilities of Cardiff Bus

The disclosures that follow relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2015/16 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced. This closed to new members in July 2013. The total cost charged in the profit and loss account for the money purchase scheme of £554,000 (£682,000 in 2014/15) represents contributions payable during the year. At 31 March 2016, contributions of £70,000 (£89,000 in 2014/15) due in respect of the current reporting period had not been paid over to the scheme.

### Cardiff City Transport Services Limited Pension Scheme

The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2012. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 1.4% per annum higher than the rate of future annual wage and salary growth and 1.9% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 0.9% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £30.0m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, was found to be 14.5% of members' pensionable pay from 1 April 2015. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

Company and employee contributions for members of the defined contribution section are payable in accordance with the scheme rules.

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2016 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 March 2014	31 March 2015	31 March 2016
Rate of increase in salaries	3.9% per annum	3.5% per annum	3.1% per annum
Discount rate	4.4% per annum	3.3% per annum	3.5% per annum
Inflation assumption	3.4% per annum	3.0% per annum	3.1% per annum
Pension increases	2.7% per annum	2.0% per annum	2.1% per annum
Inflation assumption (CPI)	2.7% per annum	2.0% per annum	2.1% per annum

### Mortality assumption

The mortality assumptions are based on SIPA tables, relevant to year of birth adjusted for medium cohort effects, rated up two years, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.5 years if they are male and for a further 22.5 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.8 years after retirement if they are male and for a further 24.0 years after retirement if they are female.

## Notes to Group Accounts

The assets in the fund and expected rates of return were:

	2013/2014		2014/2015		2015/2016	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.0% pa	7,341	6.5% pa	13,020	N/A	13,734
Diversified growth	6.8% pa	12,937	6.3% pa	15,742	N/A	15,348
Convertible Bonds	6.5% pa	9,748	6.0% pa	4,001	N/A	3,759
Bonds	N/A	0	N/A	0	N/A	0
Cash	2.0% pa	60	2.0% pa	32	N/A	83
		<b>30,086</b>		<b>32,795</b>		<b>32,924</b>

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Total market value of assets	30,086	32,795	32,924
Present value of scheme liabilities	(29,914)	(34,276)	(32,046)
<b>Net IAS19 Scheme Deficit</b>	<b>172</b>	<b>(1,481)</b>	<b>878</b>

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>Analysis of amount charged to operating profit</b>			
Current service cost and total operating charge	(644)	(588)	(669)
<b>Analysis of amount credited/(charged) to interest receivable/payable</b>			
Expected return on pension scheme assets	1,941	2,018	835
Interest on pension scheme liabilities	(1,251)	(1,304)	(1,120)
<b>Net finance income/(charge)</b>	<b>690</b>	<b>714</b>	<b>(285)</b>

### Analysis of amount recognised in the primary statements

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Actual return less expected return on pension assets	(474)	974	(315)
Changes in financial assumptions underlying the scheme/(liabilities)	245	(3,599)	2,664
Actuarial gain/(loss) recognised in the primary statements	(229)	(2,625)	2,349



## Notes to Group Accounts

### Movements in scheme deficit during the year

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>At 1 April b/f</b>	(546)	172	(1,481)
Movement in year:			
Total operating charge	(644)	(588)	(669)
Contributions	901	846	964
<b>Net finance income/(charge)</b>	690	714	(285)
Actuarial gain/(loss) in the primary statements	(229)	(2,625)	2,349
<b>At 31 March c/f</b>	<b>172</b>	<b>(1,481)</b>	<b>878</b>

### Cardiff and Vale of Glamorgan Pension Fund

Cardiff Bus also participates in the Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary.

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2013.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2011 continuing into 2016/17. In addition to this rate, Cardiff City Transport Services Limited is required to pay £480,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS19 in order to assess the liabilities of the Fund as at 31 March 2016. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company's contribution rate over the accounting period was 25.4% of pensionable pay plus a monetary amount of £480,000. The contribution rates certified for the company at the 31 March 2013 valuation are as follows:

April 2016 to March 2017 25.4% of pensionable pay plus £480,000.

These figures include the past service element of the contribution rate.

The scheme is now closed to the company's employees and the company's condition of continued participation is to pay contributions as required.

The main assumptions used for the purposes of IAS19 are as follows:

	At 31 March 2013	At 31 March 2014	At 31 March 2015
Rate of increase in salaries	3.7% pa	3.9% pa	3.5% pa
Discount rate	4.3% pa	4.4% pa	3.3% pa
Rate of increase in pensions in payment	2.5% pa	2.7% pa	2.0% pa
Rate of increase in deferred pensions	2.5% pa	2.7% pa	2.0% pa
Rate of inflation (RPI)	3.2% pa	3.4% pa	3.0% pa
Rate of inflation (CPI)	2.5% pa	2.7% pa	2.0% pa

## Notes to Group Accounts

### Mortality assumption

The mortality assumptions are based on SIPMA tables, for 100% of medium cohort, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 21.5 years if they are male and for a further 23.2 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 22.7 years after retirement if they are male and for a further 24.6 years after retirement if they are female.

The assets in the fund and expected rates of return were:

The assets in the fund and expected rates of return were:	2013/14		2014/15		2015/16	
	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000	Long-term expected return on assets	Fair value £000
Equities	7.6% pa	19,888	7.6% pa	21,285	N/A	19,917
Government bonds	3.4% pa	1,753	3.4% pa	1,870	N/A	2,148
Corporate bonds	4.0% pa	2,032	4.0% pa	2,173	N/A	1,909
Property	6.9% pa	1,372	6.9% pa	1,622	N/A	1,936
Cash	0.9% pa	330	0.9% pa	467	N/A	610
Other assets	7.6% pa	25	7.6% pa	83	N/A	0
		<b>25,400</b>		<b>27,500</b>		<b>26,520</b>

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Total market value share of assets	25,400	27,500	26,520
Present value of scheme liabilities	(29,210)	(30,710)	(30,190)
<b>Net IAS19 Scheme Deficit</b>	<b>(3,810)</b>	<b>(3,210)</b>	<b>(3,670)</b>

Analysis of amount charged to operating profit:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Current service cost	(310)	(320)	(270)
Past service cost	0	0	0
<b>Total Operating Charge</b>	<b>(310)</b>	<b>(320)</b>	<b>(270)</b>

Analysis of amount credited/(charged) to interest receivable/payable:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Expected return on pension scheme assets	1,610	1,710	900
Interest on pension scheme liabilities	(1,320)	(1,250)	(990)
<b>Net Finance Income/(Charge)</b>	<b>290</b>	<b>460</b>	<b>(90)</b>

## Notes to Group Accounts

### Analysis of amount recognised in the primary statements:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
Actual return less expected return on pension assets/(liabilities)	840	1,500	(1,300)
Changes in financial assumptions underlying the scheme (liabilities)/assets	2,240	(1,800)	510
Actuarial (loss)/gain recognised in the primary statements.	3,080	(300)	(790)

### Movements in scheme deficit during the year:

	At 31 March 2014 £000	At 31 March 2015 £000	At 31 March 2016 £000
<b>At 1 April</b>	<b>(7,670)</b>	<b>(3,810)</b>	<b>(3,210)</b>
Movement in year:			
Total operating charge	(310)	(320)	(270)
Contributions	800	760	690
Net finance income/(charge)	290	460	(90)
Actuarial (loss)/gain in the primary statements	3,080	(300)	(790)
<b>At 31 March</b>	<b>(3,810)</b>	<b>(3,210)</b>	<b>(3,670)</b>

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

	31 March 2015 £000	31 March 2016 £000
The Group and the Company		
Cardiff City Transport Scheme	1,481	(878)
Cardiff & Vale of Glamorgan Pension Scheme	3,210	3,670
Deferred Tax Asset	(938)	(558)
<b>Total</b>	<b>3,753</b>	<b>2,234</b>

### 6. Exceptional Item

There are no exceptional items reported in the 2015/16 Cardiff Bus Accounts.

## Notes to Group Accounts

### 7. Non-Current Assets note

2015/16	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	604,426	810,949	77,813	575,174	19,206	37,024	11,757	<b>2,136,349</b>
Additions	16,866	18,212	8,948	11,284	389	2,103	25,540	<b>83,342</b>
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	<b>(591)</b>
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	<b>(4,702)</b>
Derecognition - disposals	(815)	(4,200)	(10,777)	0	0	(3,200)	0	<b>(18,992)</b>
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	<b>(2,252)</b>
Other reclassifications	422	(5,829)	656	886	25	3,751	(5,705)	<b>(5,794)</b>
Revaluation increases /(decreases) to RR*	63,820	(14,042)	0	0	0	(415)	0	<b>49,363</b>
Revaluation increases /(decreases) to SDPS**	(143,710)	(25,578)	0	0	0	(2,452)	0	<b>(171,740)</b>
<b>At 31 March 2016</b>	<b>537,762</b>	<b>776,270</b>	<b>76,640</b>	<b>587,344</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>2,064,983</b>
<b>Depreciation</b>								
At 1 April 2015	35,414	39,754	48,415	266,508	0	0	0	<b>390,091</b>
Depreciation charge	8,298	16,970	7,058	22,238	0	0	0	<b>54,564</b>
Depreciation written out on impairment	0	(60)	0	0	0	0	0	<b>(60)</b>
Derecognition - disposals	0	(47)	(10,691)	0	0	0	0	<b>(10,738)</b>
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	<b>(1,136)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	(35,414)	(25,781)	0	0	0	0	0	<b>(61,195)</b>
<b>At 31 March 2015</b>	<b>8,298</b>	<b>29,700</b>	<b>44,782</b>	<b>288,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>371,526</b>
<b>Net Book Value:</b>								
<b>At 31 March 2016</b>	<b>529,464</b>	<b>746,570</b>	<b>31,858</b>	<b>298,598</b>	<b>19,620</b>	<b>36,299</b>	<b>31,048</b>	<b>1,693,457</b>
<b>At 31 March 2015</b>	<b>569,012</b>	<b>771,195</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,746,258</b>

\* RR = Revaluation Reserve

SDPS = Surplus or deficit on Provision of Services

## Notes to Group Accounts

### Comparative information for 2014/15:

2014/15	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P, P & E under construction £000	Total Property, Plant & Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2014	589,754	778,553	80,926	557,909	18,734	55,403	24,036	<b>2,105,315</b>
Additions	17,777	24,410	5,849	16,785	472	785	8,795	<b>74,873</b>
Impairment losses/reversals to RR *	0	(21)	0	0	0	(389)	0	<b>(410)</b>
Impairment losses / reversals to SDPS **	(1,770)	(6,144)	(16)	0	0	(260)	0	<b>(8,190)</b>
Derecognition - disposals	(1,335)	(214)	(8,965)	0	0	(25)	0	<b>(10,539)</b>
Reclassified (to)/from Held for Sale	0	(1,294)	0	0	0	(2,210)	0	<b>(3,504)</b>
Other reclassifications	0	15,487	19	480	0	(13,237)	(21,074)	<b>(18,325)</b>
Revaluation increases /(decreases) to RR*	0	172	0	0	0	(1,796)	0	<b>(1,624)</b>
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	(1,247)	0	<b>(1,247)</b>
<b>At 31 March 2015</b>	<b>604,426</b>	<b>810,949</b>	<b>77,813</b>	<b>575,174</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>2,136,349</b>
<b>Depreciation</b>								
At 1 April 2014	23,361	25,793	50,947	243,043	0	0	0	<b>343,144</b>
Depreciation charge	12,106	14,567	6,392	23,465	0	0	0	<b>56,530</b>
Depreciation written out on impairment	0	(35)	0	0	0	0	0	<b>(35)</b>
Derecognition -disposals	(53)	(67)	(8,924)	0	0	0	0	<b>(9,044)</b>
Depreciation written out to SDPS **	0	(397)	0	0	0	0	0	<b>(397)</b>
Reclassifications	0	0	0	0	0	0	0	<b>0</b>
Depreciation written out on revaluation	0	(107)	0	0	0	0	0	<b>(107)</b>
<b>At 31 March 2015</b>	<b>35,414</b>	<b>39,754</b>	<b>48,415</b>	<b>266,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,091</b>
<b>Net Book Value:</b>								
<b>At 31 March 2015</b>	<b>569,012</b>	<b>771,195</b>	<b>29,398</b>	<b>308,666</b>	<b>19,206</b>	<b>37,024</b>	<b>11,757</b>	<b>1,746,258</b>
<b>At 31 March 2014</b>	<b>566,393</b>	<b>752,760</b>	<b>29,979</b>	<b>314,866</b>	<b>18,734</b>	<b>55,403</b>	<b>24,036</b>	<b>1,762,171</b>

## Notes to Group Accounts

### 8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

#### Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

#### Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2016, the company had no contracts to buy fuel.

### 9. Debtors

31 March 2015 (Restated) £000		31 March 2016 £000
53,976	Central Government Bodies	40,769
7,168	Other Local Authorities	13,234
4,883	NHS Bodies	4,439
38	Public Corporations & Trading Funds	32
25,963	Other Entities and Individuals	26,377
<b>92,028</b>	<b>Total Debtors Net of Impairments</b>	<b>84,851</b>

### 10. Investments

This figure represents cash temporarily available for investment at balance sheet date and includes £2.596 million (£2.512 million in 2014/15) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.603 million (£2.519 million in 2014/15) in money market accounts that are not instant access.

### 11. Creditors

31 March 2015 (Restated) £000		31 March 2016 £000
(11,252)	Central Government Bodies	(11,134)
(6,576)	Other Local Authorities	(11,518)
(860)	NHS Bodies	(1,424)
(12)	Public Corporations & Trading Funds	(9)
(78,596)	Other Entities and Individuals	(60,842)
<b>(97,296)</b>	<b>Total Creditors</b>	<b>(84,927)</b>

### 12. Provisions

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(11,334)	5,533	(4,641)	(10,442)
MMI Scheme of Arrangement Levy	(704)	0	(162)	(866)

## Notes to Group Accounts

	Balance 1 April 2015 £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Cardiff Bus Insurance Provision	(2,865)	1,227	(740)	(2,378)
Termination Benefits Provision	(59)	59	0	0
Ferry Rd Landfill Provision	(9,096)	0	0	(9,096)
Lamby Way Landfill Provision	(16,993)	419	0	(16,574)
Other Provisions	(2,224)	1411	(1,020)	(1,833)
<b>Total Provisions</b>	<b>(43,275)</b>	<b>8,649</b>	<b>(6,563)</b>	<b>(41,189)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Cardiff Insurance Provisions	(3,788)	(6,654)	<b>(10,442)</b>
MMI Scheme of Arrangement Levy	(297)	(569)	<b>(866)</b>
Cardiff Bus Insurance Provision	(1,070)	(1,308)	<b>(2,378)</b>
Termination Benefits Provision			<b>0</b>
Ferry Rd Landfill Provision	(69)	(9,027)	<b>(9,096)</b>
Lamby Way Landfill Provision	(3,586)	(12,988)	<b>(16,574)</b>
Other Provisions	(1,774)	(59)	<b>(1,833)</b>
<b>Total Provisions</b>	<b>(10,584)</b>	<b>(30,605)</b>	<b>(41,189)</b>

### 13. Deferred Liabilities

	Balance 1 April 2014 (Restated) £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2016 £000
Commutated Maintenance Sums	(8,241)	1,163	(525)	(7,603)
Cardiff Bus Finance Lease Liability	(4,014)	1,312	(3,788)	(6,490)
<b>Total Deferred Liabilities</b>	<b>(12,255)</b>	<b>2,475</b>	<b>(4,313)</b>	<b>(14,093)</b>

	Not later than one year £000	Later than one year £000	Balance 31 March 2016 £000
Commutated Maintenance Sums	(986)	(6,617)	(7,603)
Cardiff Bus Finance Lease Liability	(1,238)	(5,252)	(6,490)
<b>Total Deferred Liabilities</b>	<b>(2,224)</b>	<b>(11,869)</b>	<b>(14,093)</b>



## Notes to Group Accounts

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

	2014/15 (Restated) £000	2015/16 £000
Depreciation and impairment	(60,581)	(194,571)
Charges made for retirement benefits (IAS19) less employers contributions	(20,713)	(14,053)
Contributions (to)/from provisions	5,153	5,683
Changes in fair value of investment properties	(1,589)	(3,954)
Cardiff Bus Taxation	(594)	0
Increase/(decrease) in stock	(515)	(108)
Increase/(decrease) in debtors (exc capital)	899	8,146
(Increase)/decrease in creditors (exc capital creditors) & super fund	(14,688)	6,830
	<b>(92,628)</b>	<b>(192,027)</b>

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

	2014/15 £000	2015/16 £000
REFCUS	(749)	(192,271)
Net gain/(loss) on sale of non-current assets	5,774	11,096
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	28,165	25,304
Other cash items which affect investing or financing activities	(11,478)	(18,945)
	<b>21,712</b>	<b>(174,816)</b>

### 15. Segmental Reporting

Please refer to note 4 in the Notes to Core Financial Statements for the Council's segmental reporting analysis. The group report is not prepared on the basis that Cardiff Bus prepares its accounts in accordance with UK GAAP.

During 2015/16, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the sole trustee of the following charities the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

**Llandaff War Memorial Fund (219060)** – For defraying the cost of upkeep of the war memorial at Llandaff.

**Maindy Park Foundation (524137)** – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

**Cardiff Further Education Trust Fund/Craddock Wells Trust** – Apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to University of Wales, Cardiff.

**Norwegian Church Preservation Trust** - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor's attraction on the Cardiff Bay Waterfront for future generations.

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31 March 2016 have yet to be examined. This is to be undertaken in January 2017 which is within the statutory deadlines set.

A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christine Salter  
Corporate Director Resources  
County Hall  
Cardiff  
CF10 4UW

## Trust Funds

	Balance as at 31 March 2015 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2016 £
<b>General Funds</b>					
Llandaff War Memorial Fund	1,443	8	0	11	1,440
Maindy Park Foundation	78,095	265	0	11	78,349
Norwegian Church Preservation Trust	(105)	71,073	0	71,073	(105)
<b>Further Education</b>					
Cardiff Further Education Trust/ Craddock Wells	21,185,393	131,993	213,799	248,677	20,854,910
<b>Total funds for which the Council is sole trustee</b>	<b>21,264,826</b>	<b>203,339</b>	<b>213,799</b>	<b>319,772</b>	<b>20,934,594</b>
<b>Other funds administered by the Council</b>					
R Fice Memorial Trust	63,348	2,162	3,731	2,168	<b>59,611</b>
The Howardian Trust	29,695	934	871	353	<b>29,405</b>
<b>Total other funds which are administered by the Council</b>	<b>93,043</b>	<b>3,096</b>	<b>4,602</b>	<b>2,521</b>	<b>89,016</b>
<b>Total</b>	<b>21,357,869</b>	<b>206,435</b>	<b>218,401</b>	<b>322,293</b>	<b>21,023,610</b>

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for year ended 31 March 2016 have yet to be examined. This is to be undertaken in January 2017 which is within the statutory deadlines set.

## Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.
3. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). The governance arrangements detailed in this Annual Governance Statement apply equally to the Council's responsibilities to the Pension Fund and CPHA. There are further specific requirements for the Pension Fund which are:
  - The Statement of Investment Principles;
  - Funding Strategy Statement;
  - A full Actuarial Valuation to be carried out every third year
4. The Council has approved and adopted a Governance Framework, which is consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. A copy of the framework can be obtained from the Audit Manager.
5. The CIPFA/SOLACE framework has been subject to consultation for revision, with the intention of building on the *'International Framework: Good Governance in the Public Sector' (CIPFA/IFAC 2014)*. The International Framework places sustainable economic, societal and environmental outcomes as a key focus for governance processes and structures. It emphasises the importance of considering the longer term and the links between governance and public financial management. CIPFA has confirmed that the existing framework should be used for the purpose of the Annual Governance Statement (AGS) for 2015/16.
6. This statement explains how the Council has complied with the Governance Framework and also meets the requirements of the Accounts and Audit Regulations 2015.

## The Purpose of the Governance Framework

7. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled together with its activities through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
9. The following paragraphs summarise the core principles of the Council's Governance Framework and reflects the arrangements in place to meet the six core principles of effective governance:
  - Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
  - Members and Officers working together to achieve a common purpose with clearly defined functions and roles;

- Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- Developing the capacity and capability of Members and Officers to be effective;
- Engaging with local people and other stakeholders to ensure robust public accountability.

### **Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area**

10. The Council's vision is an integral part of the city's 10 Year What Matters Strategy (2010-2020) which has been developed in conjunction with public, private and voluntary sector stakeholders and following citizen engagement.

11. The What Matters Strategy brings together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment into a single plan which is based on a vision of delivering 7 shared outcomes. The Council participated in the development of seven Citizen Outcomes with the Cardiff Partnership Board partners.

12. The Council approved a strategic and focused Corporate Plan in March 2015 for the period 2015 - 2017 setting out the strategic direction and providing a framework for more detailed service plans and performance management objectives. The Corporate Plan provides a road map for meeting the twin challenges of facing increasing demand for services from a growing population, whilst funding is reducing, to enable the Council to continue to deliver great public services with the vision to build on successes to become Europe's most liveable capital city. The four Corporate Plan priorities which have been maintained in the 2015 – 2018 Corporate Plan are identified as below to be delivered as part of the public service values of "open", "fair" and "together":

- Better education and skills for all;
- Supporting vulnerable people;
- Creating more jobs and better paid jobs;
- Working together to transform services.

13. Under each of these priorities sit a number of improvement objectives which set out the specific outcomes which the Council has agreed to focus on. In turn these improvement objectives have associated activities and performance indicators. This level of information will be used to evaluate the Council's performance in delivering both the improvement objectives and the agreed priorities. For each priority, improvement objectives have been established, with high level commitments and performance indicators identified for each improvement objectives

14. To ensure there is clear accountability for delivering each objective a Lead Member, or in some instances Members, are identified. The delivery of the revised Corporate Plan is monitored through the Council's Performance Management Framework, including:

- Performance Challenge sessions of the Council's Senior Management Team;
- Joint Cabinet and Senior Management Team Performance Challenge meetings;
- A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan.

15. Delivery against the What Matters outcomes is subject to an annual review, and the 2015 review was presented to the Policy Review and Performance Scrutiny Committee. In May 2015 the Policy Review and Performance Scrutiny Committee was asked to take overarching responsibility for scrutiny of the Council's partnership work, specifically scrutiny of the Cardiff Partnership Board (CPB). On publication of the Improving Scrutiny Project in September 2015, the transfer of responsibilities from a decommissioned Local Service Board Scrutiny Panel was agreed.

16. The Council's Constitution provides each of the Council's five scrutiny Committees with authority to scrutinise partnership activity within their terms of reference, and so, complementing this Committee's

strategic overview of partnership activity, all Council scrutiny committees will continue to factor scrutiny of relevant What Matters work streams into their forward work programmes.

17. The CPB is the successor to the Cardiff Local Service Board, set up in 2007 as part of a Welsh Assembly Government initiative across Wales. The CPB consists of South Wales Police, South Wales Fire & Rescue Service, The City of Cardiff Council, Cardiff Third Sector Council, Cardiff and Vale University Health Board and the Wales Probation Trust. The CPB strengthens local public service management to tackle 'fundamental and unmet' challenges from a citizen perspective. To achieve this, the Board is responsible for overseeing the performance of city-wide programmes and work streams to address major issues in Cardiff.

18. The Well-being of Future Generations Act (which comes into force from April 2016) is to ensure that the governance arrangements in public bodies for improving the well-being of Wales take into account the needs of future generations. The aim is for public bodies to improve the economic, social and environmental well-being of Wales in accordance with the detailed sustainable development principles and well-being goals that are prescribed by the Act.

19. From April 2016 the CPB will become a statutory Public Service Board and its work will contribute to achieving the seven well-being goals for Wales. The Well-being goals for Wales align well with Cardiff's seven citizen outcomes, providing an opportunity for our strategy to not only deliver those priorities that will improve quality of life in Cardiff, but also make a contribution towards the seven Well-being goals for all of Wales as follows:

- A prosperous Wales;
- A resilient Wales;
- A healthier Wales;
- A more equal Wales;
- A Wales of cohesive communities;
- A Wales of vibrant culture and thriving Welsh Language;
- A globally responsible Wales.

20. Since the publication of the first What Matters Strategy in 2010 there has been an increased recognition that local areas are best placed to respond to local need. Within Cardiff the Neighbourhood Partnership model has become significant in providing a coherent structure for allowing organisations to work together and problem solve within localities to deliver the priorities for different communities. The Building Communities – A New Approach to Neighbourhood Working White Paper was published in 2013 and facilitated improvements to the existing model by strengthening local engagement, including the identification of a 'Lead Elected Member' to work with other elected members and partners to agree priorities set out in each of the six Neighbourhood Partnership Action Plans.

21. Neighbourhood Partnership teams exist in each of the six localities across Cardiff and are made up of multi-agency staff working together to share local intelligence to solve problems for their particular neighbourhood. This means that a range of expertise from across the public and voluntary sectors is brought to bear on the issues that really matter to communities. The initiative has increased partners' awareness and understanding of their respective roles and activities, leading to more collaborative and responsive working. It has also redefined the conventional way of working by concentrating on bringing decision-making and resources closer to communities through a model tailored specifically to Cardiff.

22. The model, in addition to being successful in delivering tangible improvements in each neighbourhood has helped shape the work of some of our delivery programmes such as Families First, Communities First, Flying Start and Youth Engagement Panels to target our resources where they are needed most to support a preventative approach, reduce duplication of provision and identify gaps in service. This approach has also being embraced by other partners, and NHS primary and community care services are organised into 6 matching clusters with a GP lead for each. Clusters provide an easily recognisable level of aggregation of GP practices and Cluster Plans address population health priorities, reflecting issues specific to the area and the actions required to be taken forward with partners to provide improved outcomes.



23. 'Joined-up' thinking and cutting across the traditional lines of responsibility for service funding and provision, has also encouraged some of our core services to take an area based approach and ensure that services are being delivered to those most in need. Cardiff's Community Hubs are an example of locality based partnership working and have delivered tangible benefits to meet identified needs within communities. Building on this model will ensure that the diverse needs of Cardiff's population continue to be met.

24. Neighbourhood delivery is influencing the way in which services are being redesigned such as waste collections, street cleansing and highways maintenance. New multi-skilled teams are now developing a neighbourhood approach to tackling different issues and needs and this approach is already leading to increased financial savings and improved satisfaction through increased efficiency. Neighbourhood delivery has formed a part of the consideration for alternative models of service delivery.

25. The Executive adopted a Community Councils Charter ("the Charter") in March 2012, following consultation with relevant stakeholders, including the six Community Councils within the Council's area and the Standards and Ethics Committee. The Charter reflects the model Charter issued by the Welsh Government under section 130-133 of the Local Government (Wales) Measure 2011. The aim of the Charter is to support structured, regular engagement and communication between the County Council and the six Community Councils in Cardiff, based on the key principle of equality of partnership between the two tiers of local government.

26. In June 2015 the Cabinet reaffirmed its commitment to the aims of the Charter; and delegated authority to the Monitoring Officer (in consultation with the relevant Cabinet Member, the Standards and Ethics Committee and the six Community Councils), to update the Charter for authorisation by the relevant Cabinet Member. Discussions have been held with the Clerks of the six Community Councils and the Monitoring Officer has produced a revised draft which was presented to the Standards and Ethics Committee in December 2015.

27. The City Deal for the Cardiff Capital Region has also made good progress, with the Council and nine other participating local authorities currently working on proposals to support investment in infrastructure and skills development across the city-region. Underpinning the proposals will be a £1.28bn fund. The projects which will have the biggest impact on the city-region economy will be prioritised. Supporting this, new governance arrangements are being proposed. This will include the development of a Joint Cabinet made up of the Leaders of the ten local authorities to oversee investment across the city-region.

28. The Council recognises the need to change the way it delivers many services to ensure that their long term sustainability is secured and that underperformance in some statutory services is addressed. In order to do so, a rolling three year Organisational Development Programme has been established to:

- Review the shape and scope of the organisation and the way in which services are currently delivered to meet demand;
- Enhance citizen engagement and widen opportunities for people and communities to shape services around their needs;
- Identify delivery models that may be established to meet demand pressures and reflect budgetary realities;
- Significantly strengthen performance management, workforce development and staff engagement arrangements;
- Identify opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery and better use of assets and infrastructures.

29. The Council has agreed a performance management framework and a range of performance measures that demonstrate progress in meeting the priorities in the Corporate Plan. This framework also includes the statutory National Strategic Indicators as specified by Order together with local indicators which will enable a wider understanding of performance. The annual Outturns against these indicators are submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between the What Matters Strategy, Corporate Plan, Strategic Equality



Plan, Directorate Delivery Plans and Personal Performance and Development Plans. Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

30. The Corporate Plan and Directorate Delivery Plans include key performance targets and these are monitored on a regular basis. Every quarter, each Directorate provides monitoring reports to the Senior Management Team (SMT) and the Cabinet with Scrutiny involvement where required. This enables the Council to track progress against the key objectives, monitor performance against targets and inform remedial action where required.

31. Enhancements were made in 2014/15 to strengthen the performance management arrangements given the range of challenges facing the Council, examples include the Star Chamber Sessions chaired by the Leader and Improvement Boards chaired by the Chief Executive for each Directorate.

32. An annual Improvement Report sets out the progress over the previous financial year in terms of:

- a review against the key objectives;
- progress and comparative information regarding the National Strategic Indicators and a balanced set of Core and Local Indicators which will in future be based on the measures in the Corporate Plan;
- an account of the challenges for the future to be part of the requirements of the Corporate Planning regime.

33. The Corporate Assessment Follow On report issued in February 2016 by the Wales Audit Office has made proposals to further strengthen performance management and performance reporting arrangements to enable further enhancements to processes.

34. The Local Government (Wales) Measure 2009 amended the statutory basis of the Improvement Agenda and from 2010 the drafts of the Corporate Plan and Improvement Report have been discussed at Scrutiny and the Cabinet before being debated and approved by Council prior to publication. The Auditor General for Wales' is required to issue Certificates of Compliance to the Council to discharge his requirements under the Local Government (Wales) Measure 2009. The Council also receives reports regarding key elements of governance i.e. finance and performance management. The proposals for improvement in these reports help to /shape the processes and outputs of the Council.

### **Members and Officers working together to achieve a common purpose with clearly defined functions and roles**

35. The Council aims to ensure that the roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. It has done this by appointing a Leader, and a Cabinet which has collective decision making powers. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee and recommendations made to Council. A number of Committees have been appointed by Council to discharge regulatory and scrutiny functions.

36. The Council's Constitution sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:

- Functions and subsections delegated to officers;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Protocol on Member / Officer Relations;
- Cardiff Undertaking - upon election all Members sign "The Cardiff Undertaking" which underlines their duties to the City and its citizens.

37. The Council is required to agree and publish a Schedule of Member Remuneration on an annual basis which sets out the levels of remuneration and allowances payable to Members. This is subsequently updated in line with the determinations made by the Independent Remuneration Panel for Wales in any annual or supplementary reports. Information relating to officers' pay levels is included

in the Council's Annual Pay Policy Statement as required by the Localism Act 2011 and also in the annual Statement of Accounts.

38. The Corporate Plan forms part of the strategic policy framework set out within the Council's Constitution and is considered annually by the Council. The document outlines the Council's strategic policy priorities and improvement objectives, and forms part of the required statutory improvement framework as it discharges the Council's obligations under the Local Government (Wales) Measure 2009 to publish a stage one plan, setting out how the Council plans to achieve its priorities for improvement.

39. The Annual Improvement Report 2014/15 was approved by the Council in October 2015 and incorporated several proposals for improvement raised by the Auditor General which have been instigated, including ensuring:

- actions and targets support the delivery of, and determine progress against the improvement objectives;
- baseline data and targets are included for all improvement objectives;
- comparative data is represented for all performance indicators and is consistently presented;
- progress against the Outcome Agreement is presented to support the explanation of progress against the improvement objectives;
- an assessment of performance for each of the improvement objectives is provided;
- performance indicators have a target and that where targets have not been set that there is an explanation

40. The Council has responded positively to the findings of the Corporate Assessment in 2014, of the Wales Audit Office and put in place better arrangements to support improvement and address longstanding issues. The Corporate Assessment Follow On, issued in February 2016, concluded that: 'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'. This progress is made against the 2014 report concluded that 'fragmented leadership and management have meant that weak performance in key service areas has not improved'.

41. The Budget Strategy for 2016/17 and the medium term was approved by Cabinet and Council in July 2015. It set out how the Council's Aggregate External Finance (AEF) was decreased by £12.516 million or 2.9% in cash terms over 2014/15, and when measured on a per capita basis resulted in Cardiff being ranked as 21 out of the 22 councils in relation to the per capita funding it received from the Welsh Government.

42. In response to increasing financial pressures, an updated approach to identifying savings targets was acknowledged in the 2015/16 Budget Report in consideration of the future shape of the Council. This was taken forward as a Reshaping the Base Budget exercise. The exercise identified services at the minimum statutory level and considered whether discretionary services could be covered by income. The difference between this picture and the current shape of services highlighted the opportunities for budget reductions over both one and three years against the following four savings drivers:

- Policy led savings;
- Business process efficiency savings
- Discrete Directorate led savings;
- Income / commercialisation.

43. A robust budget setting process was developed to deliver a balanced budget for 2015/16, given the scale of the Budget Reduction Requirement. This required the use of a number of positive practices, including:

- Setting budget strategy planning assumptions for both one and three years. This led to earlier engagement on choices in respect of council tax, employment costs, schools pressures and balance sheet assumptions;
- High level consideration of savings proposals against the Council's proposed target operating model as part of Budget Strategy development;
- Use of market place sessions for members to review the budget proposals for 2015/16, with budgetary analysis sheets provided for context;
- An extensive engagement exercise with citizens, business, partners and staff through The Cardiff Debate;
- An eleven week consultation process on the proposed savings for 2015/16 including the preparation and consideration of an extensive feedback report for Cabinet to consider;
- A due diligence process on the proposed savings, which resulted in a number of savings being removed or reduced due to concerns in respect of their achievability;
- A future year's outlook section up until 2029/30 being included in the Medium Term Financial Plan (MTFP);
- The inclusion of opportunities for further savings in respect of 2016/17 and 2017/18 in the Budget Report.

44. The Council's Budget for 2016/17 was presented to Cabinet in February 2016. At this point in the budget process the Council would usually be in receipt of the Final Local Government Settlement and would therefore have a firm figure of Aggregate External Finance (AEF) for the forthcoming financial year. However Welsh Government's budget timetable has been delayed as a result of the UK Government's Comprehensive Spending Review (CSR) with the result that this budget is predicated on the Provisional Local Government Settlement that was published in December 2015. The Welsh Government has stated that there is no intention for significant variation between the Provisional and Final figures for 2016/17.

45. The Corporate Plan 2016-2018 was approved by Cabinet in February 2016. To ensure clear lines of accountability, the Corporate Plan is structured around Cabinet portfolio responsibility. It is supported by individual Directorate Delivery Plans which contain detailed objectives and outcomes and integrate financial and service planning. The Delivery Plans provide clear lines of responsibility and increased accountability and are subject to effective management challenge and scrutiny.

46. In January 2015, Cabinet considered a report from the Chief Executive with proposals for an amended senior management structure, designed to meet the Council's objectives, the changing requirements of service delivery and the proposed budget saving. This was outlined in the Cabinet report '2015/16 Budget proposals – For Consultation' which was considered in November 2014, together with the objectives set out in the Cabinet report 'Senior Management Arrangements' considered in January 2015. The proposed restructure was supported by Hay Group benchmarking analysis which compared the management structure of Cardiff Council with other Core City Councils and a selection of other Unitary/City Councils of a similar size (in terms of population).

47. The subsequent restructure reduced the number of Director (Tier 1) posts from eleven to seven. It involved the creation of three new roles, namely the Director of City Operations, Director of Social Services and Director of Governance & Legal Services (reporting to Corporate Director Resources). Appointments were made to these roles in June 2015. Throughout the financial year (2015/16) a number of Tier 2 (Assistant Director) posts have been filled, in creating a remodelled management structure which is closer aligned with the benchmark Unitary/City Councils.

48. All employees, including senior management, have clear conditions of employment and job descriptions which set out their roles and responsibilities. The Employment Conditions Committee maintains an overview of such conditions.

49. On 19 February 2015 the Cabinet approved an Officers' Personal Interests & Secondary Employment Policy. All Council employees are obliged, under the Employees' Code of Conduct, to

ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests (paragraph 8(1) of the Code). The Standards and Ethics Committee reviewed the draft policy which was also shared with Audit Committee members. Measures have been undertaken to make all officers aware of the new policy, including providing awareness information enclosed with payslips.

50. Under the policy, staff are required to disclose any personal interest which actually or potentially conflict with their duties to the Council and all secondary employment. Their manager must then decide, in consultation with the staff member, whether an actual conflict exists. If it's decided that there is a conflict then a decision must be taken on how that conflict should be managed, which may include the re-allocation of duties.

51. The Cabinet at their meeting on 2 April 2015 agreed a Workforce Strategy in order to strengthen links between business, financial and workforce planning, particularly during the current period of financial challenge and rapid organisational change. An integral part of the strategy is the Employee Charter. The Charter is a response to a series of challenges the Council has faced and issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier WLGA Peer Review. The Employee Charter, founded on the Council's values, sets out the expectations of employees, managers and senior managers.

52. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. Additionally, a Head of Finance has been appointed in 2015/16 in order to strengthen financial control. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

53. Central finance employees provide advice and guidance to all Directorates, for instance providing support to forecast and monitor budgets on a periodic basis, with regular financial reports which indicate actual and projected expenditure against the budget and setting targets to measure financial performance.

54. All reports to the Council, the Cabinet and Committees are required to be considered from a financial perspective. All relevant employees are expected to be aware of the Council's Financial Procedure Rules (FPR) and the Contract Standing Order and Procurement Rules (CSO&PR). Both the FPR and CSO&PR are in a process of review to ensure an appropriate balance between financial probity, compliance and effective and efficient operations in forthcoming revisions.

55. An Impact Screening Tool has been developed by the Council to assess strategic policies and ensure that they take into account statutory requirements such as the impact of economic, social and environmental wellbeing and meet the requirements of the 2010 Equality Act. The Impact Screening Tool has been in place for several years and has been reviewed over time, most recently revised in 2013. The tool brings together the requirements of Equality Impact Assessments and Strategic Environmental Assessments in to one place to embed impact assessments in all decision making. The requirement for completion of screenings is also included within the Cabinet Report template to ensure the Council meets its statutory duties.

### **Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

56. In October 2014, the Cabinet agreed a renewed set of Values for the organisation, focusing on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. The Council's values have been actively communicated across the Council. The organisation's personal performance and development arrangements include specific tools to support staff in reflecting on how best to bring these values to life in their day to day work.

57. Governance and conduct matters are monitored by the Standards and Ethics Committee of which public meetings are held regularly and are chaired by an independent person. All Members and

Officers are expected to comply fully with Codes of Conduct as set out in the Constitution. Protocols are in place for working relationships between Members and Officers e.g. Officer-Member Protocol. A Member Enquiry System logs Member enquiries and the responses from Officers.

58. In April 2015, the Standards and Ethics Committee was presented with a report on the revised guidance on member code of conduct. This revised Guide provides an overview of the Model Code of Conduct (“the Code”) introduced in 2008. It is intended to help members understand their obligations under the Code. The Ombudsman reinforces the importance of member training on the Code whether by the Monitoring Officer or from a representative body.

59. The Corporate Assessment Follow-on, issued in February 2016, recognised the Council’s governance arrangements, such as the ‘Cardiff Undertaking’ for Members, which sets out expectations in relation to conduct, in addition to the ‘10 Principles of Public Life’. However, it has been concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking.

60. The Audit Committee was established under the Local Government Measure (Wales) 2011, the key function of the Committee is to review, scrutinise and challenge the governance, risk management and internal control arrangements of the Council. The Committee has 12 seats; 8 elected members and 4 independent lay members and a full induction programme is provided to all members. There have been vacancies with 1 elected and 1 independent lay member being unoccupied for much of the municipal year 2015/16. In June 2015, Sir Jon Shortridge stepped down as Chairperson of the Audit Committee. Ian Arundale was elected as Chairperson, with Professor Maurice Pendlebury appointed as Deputy Chairperson. Both the Chair and Deputy Chairperson of the Audit Committee are independent lay members.

61. The Audit Committee continues to provide assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements. In providing such assurance the Audit Committee has followed a wide ranging programme of work focusing on strategic risks and fundamental financial processes. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Committee is supported by the Council’s Section 151 Officer as the principal advisor, the Audit Manager, who provides technical support and Democratic Services provide secretariat support. Agendas, minutes and meeting papers are available on the Council’s Website.

62. The Audit Committee has participated in a response to the Draft Local Government (Wales) Bill Consultation in February 2016, which will see the Committee change name to Governance and Audit Committee and a widening of responsibilities. The Monitoring Officer has presented the requirements of the draft bill to the Audit Committee and consideration will be made in 2016/17 as to the most opportune time for potential early adoption of the Bill.

63. All staff undertake induction training which provides information on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security.

64. The Council takes fraud, corruption and maladministration very seriously and takes a zero tolerance approach to this, with the following policies to prevent, and deal with, such occurrences:

- Financial Procedure Rules;
- Contract Standing Order and Procurement Rules;
- Whistleblowing Policy;
- Fraud, Bribery & Corruption Policy;
- Anti-Money Laundering Policy;
- HR policies regarding discipline of staff involved in such incidents;
- Local Government Code of Conduct (for employees).



65. An Anti-Fraud Bribery and Corruption Policy and a Money Laundering Policy and Procedure were approved by Cabinet in June 2015 following consideration by the Audit Committee in March. The policy review has been supported by a mandatory fraud training programme, developed to ensure consistently high professional standards within fraud investigating activities and application of the policy. All Investigating Officers will be required to receive mandatory fraud training. Developments have been made within the DigiGOV system to enhance the availability and visibility of investigation records and to improve the timescales of actions.

66. Cabinet approved the revised Disciplinary Policy in January 2016, following a detailed review involving key stakeholder groups, with a view to streamlining the current procedure, improve efficiencies and ensuring a standardised process. New elements of the policy include the provision of a twenty four hour, seven day a week counselling support service via the Employee Assistance Programme and a new Fast Track process, to promptly modify behaviour around misconduct issues. The main aim of the Disciplinary Policy is to improve an employee's performance or correct their behaviour. However, grievance procedures are in place for issues or problems to be raised concerning their employment. Workplace investigations, as part of Grievance or Disciplinary Procedures are designed to enable quick, cost-effective resolution to problems in the workplace.

67. The Council in May 2013 introduced a Comments, Complaints and Compliments Policy which ensures that the public and other stakeholders are given the opportunity to tell the Council what they think about the services we provide. In the run up to its introduction, briefings were carried out across the Council to raise awareness of the revised procedure. The streamlined procedure reflected guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and now places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.

68. The Council has developed an Information Governance Strategy which includes a suite of Information Governance Policies which set out the responsibilities of the corporate body and staff. These policies provide the framework for the Council to ensure that it is compliant with the Data Protection Act, including the Privacy & Electronic Communications Regulations, CCTV Code of Practice, Employment Code of Practice, the Freedom of Information Act, and Environmental Information Regulations.

69. The Information Governance Training Strategy sits alongside the Information Governance Strategy to ensure that all staff receive training in respect of their employment within the Council in addition to training to support the function and role that they deliver, which is reviewed annually. The training programme is set out over three levels with 'level one' being mandatory for all staff who use a PC as part of their duties. Compliance reports for 'level one' training are regularly distributed to Directors and Operational Managers. All other staff are provided with a booklet which sets out the Council's Policies and outlines their responsibilities. They are required to attend a briefing session and sign for receipt of the booklet. This has provided the Information Commissioner's Office with the required assurance that the Undertaking requirements have been appropriately implemented and, they are satisfied that this will support compliance to the Data Protection Act 1998.

70. The Council has continued to strengthen information governance arrangements and capabilities, for instance, by assigning directorate representatives to be Service Information Asset Owners, providing them with training and key tasks. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by the Corporate Information Management Team, managing the overall Council approach to Information Management. Annually the team produces an Information Security Report which looks to address continuous improvement in this area.

71. Members are registered with the Information Commissioner as individual Data Controllers.

### **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

72. Responsibility for decision making in relation to the functions of the Council is clearly set out in the Council's Constitution. This describes the roles and relationships for decision making, between the Full

Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.

73. All decisions taken by Members are on the basis of written reports by officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool. Decisions Registers for the Cabinet, Senior Officers, and for the Regulatory Committees are published on the Council's website.

74. To assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model Evaluation Methodology has been developed by the Commissioning and Procurement Service. This methodology has been approved by the Commissioning Programme Board and reviewed by Informal Cabinet and the Council's Policy Review and Performance Scrutiny Committee. The methodology, together with the other elements of the options appraisal, has also been subject to external challenge and review and has also been subject to consultation with the Trade Unions which has included a series of meetings and workshops.

75. Organisational Development (OD) programmes and projects are an essential mechanism for delivering a robust approach to enabling business change. The Project Quality Assurance (PQA) approach (based on the principles of PRINCE2) is the framework adopted by the Council. This provides an effective framework for planning, monitoring and delivery of projects demonstrating probity, accountability and transparency. Internal Audit has engaged with OD management, and developed a Control Risk Self Assessment (CRSA) audit approach which is being used to provide assurance on a range of projects at varying stages in their lifecycles.

76. The Organisational Development Programme (ODP) has robust and effective governance arrangements in place. In 2015/16 appointments were made of two Operational Managers who each have a portfolio of responsibility. The due process is for all new programmes as part of the ODP to be approved by SMT, with individual projects approved by their respective boards. Additionally, the Investment Review Board (IRB) approves all programmes and projects for which there is a financial implication. Senior Management Team (SMT) acts as the Organisational Development Board and receives monthly updates. Key risks are reported to SMT, as and when required, and 'deep dives' take place on requested projects to provide SMT with an update of progress.

77. The ODP has two portfolios of work; i) Enabling and Commissioning Services (Led by the Corporate Director Resources) and ii) Reshaping Services (Led by the Director of Communities, Housing and Customer Services). Each portfolio has its own Programme Board that meets on a monthly basis to review each project within its respective programme. The Investment Review Board is also provided with updates on specific projects as and when required. Additionally, an annual review of the ODP is undertaken and reported to members and SMT. It has been recognised that there is the opportunity to develop more explicit links between the Medium Term Financial Plan and the OD Plan, given that it is a key driver for reviewing the shape and scope of services within available budgets.

78. Scrutiny Services plays an important role in facilitating robust challenge to the organisation through the work of the Scrutiny Committees and a variety of informal scrutiny panels and activities. The Council has appointed five standing Scrutiny Committees, each of which meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review. Scrutiny is an integral part of the Wales programme for improvement, and its challenge is designed to support the cabinet in providing accessible, efficient and effective services for citizens.

79. The Council's Scrutiny Committee Work Programmes for the municipal year 2015/16 were published on the Council's website by way of a forward plan, which gave details of the task and finish inquiries to be undertaken through the year and the associated timescales for delivery.

80. Each Committee launches a number of in depth inquiries each year to help the Cabinet develop and review robust, evidence driven policies and services. The Committees provide recommendations



to the Cabinet following Scrutiny Inquiries, the majority of which are fully accepted. Each Inquiry is formally presented to Cabinet and a formal response given, detailing exactly how many recommendations are accepted / partially accepted / rejected. Scrutiny Committees then monitor the implementation of recommendations at appropriate points going forward, often annually.

81. A number of letters are written by the Council's five Scrutiny Chairs to Cabinet Members following Scrutiny Committee meetings, offering advice on service improvements. Where Scrutiny Chairs write letters to Cabinet Members the Chair formally requests a response from the Cabinet, again in the form of a letter, which should give a clear indication of whether recommendations are accepted or not. Both letters are published with Committee papers for transparency. If a Scrutiny Committee has an ongoing interest in a subject they will often ask for a progress update on implementation of recommendations.

82. The Council has collaborative scrutiny arrangements with its partners. Examples include the Prosiect Gwyrdd five Council Joint Scrutiny Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.

83. In January 2015, a project brief for Improving Scrutiny was presented to the Governance and Member Engagement Programme Board. The purpose of the Project is to ensure that scrutiny remains agile and able to play its role as a critical friend, in an environment that will see greater emphasis on partnerships, collaboration, commissioning and other alternative delivery models. This Improving Scrutiny Project has concluded, with actions approved by Committee Members.

84. In addition to the Council's five Scrutiny Committees the Audit Committee provides a role in challenging and scrutinising the Council's governance, risk management and internal control arrangements. The work of the Audit Committee is very much informed by the work of the Internal Audit Team. The Audit Committee has reinforced the work of the Internal Audit Team, by writing to the Chief Executive or relevant Scrutiny or Cabinet Members, following reports which have been presented to the Committee.

85. Scrutiny Services and Internal Audit have collaborated in the development of a Scrutiny and Audit Protocol. This is in recognition that, with a limited Scrutiny and Audit resource, there is an increasing need for engagement and cooperative working in order to maximise collective assurance. The protocol addresses issues arising from the Wales Audit Office Annual Improvement Report including the Corporate Assessment 2014 relating to agenda management, the inefficiencies of reports being presented to multiple Committees and detailed reports being presented for information only. It is anticipated that this protocol will be approved in the beginning of 2016/17, which aims to:

- clarify the purpose and objectives of Audit and Scrutiny Committees;
- provide detail of which Committee is responsible for certain key roles;
- facilitate sharing of information and work programming;
- outline the option to refer matters between Committees;
- facilitate Committee engagement at Member and Officer levels.

86. Following the Organisational Development Plan report to Cabinet in May 2014, the Chief Executive instigated the Cardiff Manager Programme, which has been rolled out and delivered to over 300 middle managers across the Council. The programme delivered training on a number of themes including financial understanding, the management of budgets, evaluating and managing risks, financial compliance, commercial awareness and business case management. The programme provides a benchmark of information and understanding to enable managers to make informed and transparent decisions. Cohorts commenced on the programme in the autumn of 2014 which continued through 2015/16, with positive feedback from attendees. A wider roll out of the training programme will commence from May 2016.

87. For several years each Director has been asked to complete a Senior Management Assurance Statement (SMAS), with responses reviewed by the Audit Manager. The statements received contribute to ongoing reviews of governance and risk management.

88. The purpose of the SMAS exercise is to provide a true reflection of the governance arrangements in place within the Council. Good governance ensures that as a Council we are open and transparent in our affairs and any areas which are of concern at a corporate level are identified and managed.

89. Completion of the SMAS requires each Director to respond to a number of statements with regards to the functions for which they have been responsible during the financial period. In addition, there is a requirement to declare if any significant governance issues have occurred during the period, which may merit inclusion on the Annual Governance Statement Action Plan, in addition to providing updated comments on four ongoing significant governance issues.

90. In 2015/16 the SMAS pro forma was refreshed to require Directors to provide examples and comments in support of their responses. Audit Relationship Managers have met with their respective Directors to discuss SMAS responses. This involved attendance at many Directorate Management Team meetings where Directorate responses were discussed, challenged where appropriate and collated. A Chief Executive Assurance Statement has also been developed and introduced to ensure a complete set of assurance statements from Senior Management at the year end position.

91. Work is continually ongoing to review the extent to which risk management is becoming embedded within the Council. The Council has a Risk Management Steering Group which is made up of Directors, a Member Risk Champion and dedicated officers from Internal Audit, Insurance, Improvement & Information Management and Partnership & Citizen Focus. Councillor Graham Hinchey is the nominated Member Risk Champion and the Corporate Director Resources has continued as Senior Officer Risk Champion through 2015/16. The work of the Risk Management Steering Group is cascaded to the network of Risk Champions who assist with identifying, assessing and managing risks at a Directorate level.

92. In recent years, the Audit and Risk Manager role had been undertaken through a job share arrangement, which in May 2015 became a part-time post as a result of one retirement in May 2015. The remaining post holder of Audit and Risk Manager retired on 31 March 2016. This has presented an opportunity to reassign risk management responsibilities outside of Internal Audit and to strengthen the independence and objectivity of the Internal Audit function. The Head of Finance has taken on the responsibility for leading on risk management, supported by a small dedicated team, enabling the Internal Audit function to focus on risk management assurance and other core elements of its role.

93. Efforts have been made to contribute to the formal definition and communication of Cardiff Council's risk appetite. A risk appetite review has been prepared and completed by the Senior Management Team and the Risk Management Steering Group. In the current economic climate, the Council is required to make decisions which contain increasing inherent risks, and the senior management team have consistently recognised this need. The establishment of a formal risk appetite will support officers and Members in the application of the existing risk management framework. It will support them in their decision making considerations and rationale, and help to provide a balance between consideration of opportunities for innovation and change and risk exposure. Work is ongoing, and a position paper will be provided to Cabinet in 2016/17 to seek formal approval of a corporate risk appetite.

94. During the financial year the Risk Management Steering group has created a draft partnership and collaborative working protocol and toolkit, to provide a consistent and practical approach to considering the viability of, and risk management arrangements in, partnership and collaborative working arrangements. Work is ongoing to finalise the document through the Risk Management Steering Group.

95. The Council has a Risk Management Policy, Strategy and Methodology, which was last reviewed in 2013/14. The Cabinet approved the revised document on 13 March 2014. Audit Committee members were also provided with risk management training during the year.

96. A Corporate Risk Register (CRR) is maintained which highlights the strategic risks facing the Council. The CRR is reviewed by SMT quarterly and by the Audit Committee and Cabinet on a six monthly basis. Each year an assessment is undertaken to cross reference the CRR to the Corporate

Plan which incorporates the strategic objectives. This forms the focus for senior managers in identifying their business risks, as detailed in their Directorate Delivery Plans.

97. All major programmes and projects are required to develop and maintain an up to date risk register as an integral part of the Project Quality Assurance (PQA) process.

98. Risk assessment continues to be a key strand to the Budget Strategy where risks are considered as a factor in allocating resources.

### **Developing the capacity and capability of Members and Officers to be effective**

99. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity required to discharge their responsibilities. The Council recognises the value of well trained, competent people in effective service delivery. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.

100. The Democratic Services team coordinate and facilitate a range of training courses to assist Members in carrying out their roles as ward members and community leaders. Where Members feel they require specific training then this is arranged. This may be undertaken in a group environment or one to one with officers. The Council provides a Member development programme which includes both mandatory (Code of Conduct, Planning) and discretionary elements.

101. As part of a Governance and Member Engagement Programme Board supporting the Enabling and Commissioning Organisational Development portfolio a number of activities have taken place in the financial year 2015/16 in order to enhance member development, and support the upholding of high standards of conduct and behaviour including the introduction of appraisals for all Committee chairs and executive members.

102. Following an all Member survey in January 2014, the Democratic Services Committee established a Task and Finish Group with a remit to develop and deliver a Member Development Strategy. This Strategy provides a framework for ensuring Members are provided with a full range of development opportunities to enable them to effectively carry out their many roles as Community Leaders and representatives of the Council. In July 2015 Members approved the Member Development Strategy for 2015/16. The adoption of the Member Development Strategy and Member Charter supports the importance of Elected Member development and appraisal programmes and in particular supports Senior Councillors on their roles and responsibilities.

103. The Democratic Services Committee has approved the use of the WLGA Continuing Professional Development for Councillors Competency Framework in order to inform the preparation of the 2015/16 Member Development Programme. The framework sets out the range of skills and knowledge required by Members. It provides a 'curriculum' of areas that authorities can consider when developing local strategies on Member Development including generic and specific competencies. Many of these competencies form part of the key themes identified in the Member Development Strategy.

104. The Council has joined the All Wales Academy for Local Government is a collaboration of Local Authorities, Welsh Local Government Association, Wales TUC and Skills for Justice. It is an e-learning site available in English and Welsh to all 22 Local Authorities with 24/7 access for Local Government staff and Elected Members which has just been launched.

105. A task and finish inquiry was led by the Council's Scrutiny Committee Chairs as part of the current Improving Scrutiny Project. In consideration of the significant programme of change within the Council the work in partnership with the Centre for Public Scrutiny was established to ensure that Cardiff's Scrutiny Function remains agile and able to play its role as a critical friend, in a future environment that will see greater emphasis on partnership, collaboration, commissioning and other alternative models of delivery.

106. The Chairs have delivered on this project plan, and summarised their findings in a draft report. In the report the Chairs set out a series of actions to directly address four areas of concern about

governance issues raised by the Wales Audit Office in their September 2014 Annual Cardiff Improvement Report on Cardiff Council following their Corporate Assessment visit. Committee Member access to information has been enhanced through the launch of the Modern.Gov platform in June 2015, giving Members access to a wider range of opportunities to access information about the Council and public policy in Wales. The Members' Online Library is available from the Council's website. Additionally, an Audit Committee Member site has been created to enable access to audit related information, reports and other publications.

107. The Corporate Assessment Follow On, issued in February 2016, recognised the development of a more engaged culture and good Member and officer commitment to attending and engaging in full Council meetings. It was reported that more variable Member engagement and attendance was observed at Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. It was also reported that some roles and responsibilities within the Council's decision making framework require clarification.

108. The Council operates a Personal Performance and Development 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 Development Reviews are also in place and seen as a means to help Members update their knowledge and learn new skills to help them to be more effective in supporting their communities.

109. The City of Cardiff Council Academy demonstrates a clear commitment to investing in staff as we make significant changes across the organisation. Supported by the Trade Unions, plans are in place for a programme of learning and development courses that will provide staff at all levels with opportunities to strengthen their existing skills and develop new skills.

110. Senior officers and those involved with financial and procurement matters are expected to comply with the system of financial management within the Council, which is based on a framework of regular management information, Financial Procedure Rules, Contract Standing Orders and Procurement Rules. The rules underpin the Council's Constitution and a system of delegation and accountability.

111. In some areas compliance with Council rules has been identified an issue and training has been delivered to Managers in those areas and continues to be offered on an ongoing basis. A Risk Management training workshop was delivered to a Directorate Management Team upon identifying compliance gaps and training sessions are also delivered on Financial Procedure and Contract Standing Orders and Procurement Rules where needs are identified.

### **Engaging with local people and other stakeholders to ensure robust public accountability**

112. The Council's planning, decision making and scrutiny processes facilitate public involvement providing opportunities for the views of local people to inform decisions. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees.

113. In October 2014, the Cabinet agreed a renewed set of Cooperative Values for the organisation, focusing on fairness, openness and working together. The values mention specifically the importance of being "open and honest about the difficult choices we face, and leading a debate where people can have their say on what's important to them and their communities." Greater consultation, engagement and joint working with citizens are at the heart of these values, particularly being an Open Council.

114. The Cardiff Debate was launched with partners in June 2014 as a three year 'conversation' about the future of public services in Cardiff. The first phase of engagement involved 37 events across the city, covering every Neighbourhood Partnership area and ward. The events involved a combination of 'on-street' sessions which were at existing community events, festivals or at community facilities such as supermarkets and a number of 'Drop-In' Workshops. The sessions focussed on which services



mattered most; how the public service can save money and do things differently, and how can the community get more involved.

115. For the 2016/17 budget consultation 3,348 people recently completed a 'Changes for Cardiff' questionnaire and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The survey included 49 questions specific to the budget proposals plus demographic monitoring information. Of these, 20 were qualitative questions allowing the public the opportunity to explain any specific reasons for their opposition to proposed changes or provide additional commentary regarding local services. The consultation ran for more than four weeks and included 20 community engagement events, a youth council event, an online questionnaire, a video, social media promotion and hard copy questionnaires distributed across the city.

116. The Council continues to provide a webcasting service for live meetings, with the facility to download relevant documents or presentations discussed. The service is designed to be as easy to use as possible so once the meeting is archived an agenda item can be selected to view the discussion. Webcasting means it is easier than ever before to see how the Council works and decisions are made, whilst also giving the public the chance to feedback on items being discussed.

117. Scrutiny meetings are held in public, with annual reports published by each of the Council's five Scrutiny Committees presented to Council. Scrutiny reports and inquiries are published on the Council website. Scrutiny in-depth inquiries often include large scale surveys of public opinion on specific issues, and also take detailed evidence from academic experts, and public and third sector leaders on topics of their expertise.

118. Arrangements for consultation and for gauging the views of local people include the Citizen's Panel, the Ask Cardiff Survey, service specific consultations, and processes to receive and respond to petitions and community referenda. Consultations undertaken by Directorates are in accordance with the Council's Corporate Consultation Strategy.

119. All reports, minutes and decision registers are published in a timely manner and are open for inspection. All meetings are held in public, subject to the consideration of exempt information as defined by the Local Government Act 1972.

120. The system 'Modern.gov' was implemented in November 2014 and has increased the efficiency of the Democratic Services Team in administering meeting papers. The system stores all committee reports, back dated to May 2012 and is publically accessible.

121. Elected Members engage with local residents in a number of ways as part of their community leadership role, including ward correspondence, newsletters, ward surgeries, public meetings and bringing forward petitions to Council meetings which have been submitted by local people. The Council is also actively developing Neighbourhood Management arrangements to facilitate the engagement of local people and other stakeholders in the identification of local priorities and solutions.

122. The Council publishes a newsletter 'Capital Times' which is distributed six times a year on alternate months to 150,000 homes in Cardiff and all council buildings providing up to date information on the Council's vision, priorities, news and events.

123. Performance against the Council's targets and objectives is reported publicly on a quarterly and annual basis.

124. Institutional stakeholders to whom the Council is accountable include the Welsh Government and External Auditors (Wales Audit Office). Regular meetings are held with representatives from both organisations to ensure effective working relationships are in place.

125. To ensure staff are consulted and involved in decision making, various channels of communication are used including the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars.

126. The Council's Ambassador Network continues to grow with over 130 employees at all levels from across the Council helping to take forward the Employee Engagement agenda. In addition 'Have Your Say' sessions have been introduced as a response to employees' preference for face to face communication. The Employee Survey, launched in May 2015, provides an opportunity to better engage with and understand the needs of employees going forward.

127. The Council regularly engages in consultation with the Trade Unions. Consultation with Trade Unions has taken place through 2015/16, particularly with regards to budget saving proposals. The Partnership for Change Agreement was signed off as part of the Council's final budget setting at Council on 26 February 2015. The agreement sets out details of the joint partnership approach between the Council and Trade Unions in relation to budget savings for 2015/16 on the basis that the Trade Unions did not wish any impact on employees' terms and conditions.

128. Progress has been made as part of this agreement, laying the groundwork to address the difficult challenges ahead around how, irrespective of any service delivery models agreed, the Council will jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction.

129. A Joint Partnership Board has been established to support the reform agenda. The Terms of Reference and proposed dates for fortnightly meetings were agreed in February 2015 to ensure that partnership working is supported and that 2 way communication is maintained between the Council and Trade Unions on key planned and emerging issues.

### **Review of Effectiveness**

130. The Accounts and Audit (Wales) Regulations 2015 requires Authorities to carry out an annual review of the effectiveness of the system of internal control. This is informed by:

- The senior managers within the Authority who have responsibility for the development and maintenance of the internal control environment;
- The opinion of the Audit Committee;
- The outcome of any Scrutiny reviews;
- Views or comments from any Committee, the Cabinet or Council;
- The work of the Internal Auditors;
- The external auditors and other review agencies and inspectorates.

### **An Internal Control Self Assessment**

131. On a biannual basis, Directors are required to complete a Senior Management Assurance Statement, reflecting on the internal control arrangements within their Directorate. Management teams are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant issues will be highlighted in the Assurance Statement.

132. A Chief Executive Assurance Statement has also been developed and introduced to ensure a complete set of assurance statements from Senior Management at the year end position.

133. Building on previous work of the Annual Governance Statement 2014/15, Internal Audit following year end will facilitate an update of the 'Significant Governance Issues'. The Chief Executive and Directors are asked to consider any outstanding significant issues and either close these, where action has been taken, or update them where the issues are ongoing.

134. Any new issues captured on individual Senior Management Assurance Statements, which also feature on the CRR, will not be listed in the issues log but instead managed through the CRR review process so to avoid duplication in the review process.

### **Assurance Mapping**

135. During a period of unprecedented financial challenge and stretched resources, providing Council wide assurance is becoming a challenge. This is being managed through an assurance

mapping process. The Audit Manager has created a panel of audit management, who are responsible for the delivery of an ongoing assurance map and to assist with risk based audit planning.

136. The assurance map begins with the contents of the corporate risk register, senior management assurance statements and significant governance issues arising from the annual governance statement. The outputs of different sources of assurance are populated on the assurance map, utilising a three lines of defence model. This model considers the assurance gained from management / internal controls, inspection / regulatory / compliance activities and the work of external audit.

137. During a time of limited audit resources, with a strong ongoing need for audit assurance, the assurance map considers the work of others in providing assurance in relation to governance, risk and internal control matters. This is used to shape Internal Audit priorities and impact on the work and timing of the Internal Audit Team, to avoid duplication and ease pressure on Directorates, who may be subject to both internal and external assurance reviews.

138. Sources of assurance have been mapped and collated to inform this annual governance statement, through a review of key information presented to Cabinet and Committees of the Council. The aim of the exercise is to ensure that key sources of assurance are captured in this statement.

### External Audit and Inspection

139. The Council is subject to Statutory External Inspections by various bodies including the Wales Audit Office, ESTYN and Care and Social Services Inspectorate Wales.

140. Annually the Wales Audit Office produces an Annual Improvement Report based on an assessment of the Council's arrangements to secure continuous improvement through the delivery of services.

141. During the financial year 2015/16 the Wales Audit Office completed the Corporate Assessment Follow On of the Council. The follow-on assessment reviewed the extent to which the Council was effectively addressing the issues raised in the Corporate Assessment where in September 2014 it was concluded that 'Fragmented leadership and management have meant that weak performance in key service areas has not improved'.

142. The follow-on review concluded that 'The Council has put in place better arrangements to support improvement and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes.' It was reported that the Wales Audit Office came to this conclusion because:

- 'overall, the Council has responded positively to the Corporate Assessment findings, and put better arrangements in place to support improvement and address longstanding issues; and
- the Council is now at a critical point in ensuring that improved arrangements are embedded and implemented consistently and constructively across the organisation in order to achieve a step change in delivering improved outcomes.'

143. A tracker system has been introduced to monitor external regulator reports and Council actions in respect of relevant recommendations and proposals for improvement.

### Internal Audit

144. Based on the programme of audit and investigatory work undertaken, and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for financial control within the Council for 2015-16 remains satisfactory. This opinion has taken into consideration the existing complement of audit posts and focussed on priority areas and identifying productivity improvement opportunities as they arise through improved performance management.

145. It is becoming increasingly difficult to provide a satisfactory opinion, as whilst the financial control framework remains robust, audits continue to highlight system weakness in some areas and / or



compliance issues which identify further opportunities to enhance control. There is a huge pressure on budgets and inevitably there are significant cuts being made to posts at a time where demands are steady or increasing and there is an appetite for change which brings with it new challenges and risks that needs to be managed.

146. It is noted that there has been an increase in the percentage of audits completed where a "Limited or No assurance" opinion was provided, which it is felt reflects to a degree, the pressure on resources across directorates, to maintain a sound control environment while struggling to retain efficient and effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.

147. In addition to this general pressure on resources, areas of particular concern have been highlighted in quarterly progress reports presented to the Section 151 Officer and Audit Committee, and include:

- The Control Risk Self-Assessment approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangements and has been well received. In schools it has provided an overview of key governance issues and in some individual schools follow up visits have identified some significant weaknesses in different aspects of governance and financial control. This continues to be closely monitored and the Group Auditor meets regularly with the Director of Education and now attends School Budget Forum. Audit also inputs to Head teacher briefings.
- Work on contracts has identified concerns over contract management skills as new ways of operating are being explored. Some Social Service audits highlighted some contract related matters and how these need addressing given the significance of the contract sums.
- In some audits it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact, with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

148. On a positive note the opportunity for Internal Audit to provide training on risk management and internal control as part of the Cardiff Manager programme is seen as a major step forward in raising awareness with managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance

### **Audit Committee**

149. At the strategic level, based on the evidence presented to the Audit Committee during 2015/16, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks are well captured and reviewed on a regular basis and these represent the true challenges facing the Council at the present time. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2016/17, include:

#### Organisational Development Programme

150. The Organisational Development Programme (ODP) has been discussed at Audit Committee meetings in 2015/16. This is with the clear recognition that delivery against the Organisational Development Plan is being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee).

151. Although some assurance can be placed on the work of Scrutiny, the Audit Committee has expressly noted that the importance of this programme of work for the Council on its improvement journey. The programme has a key role in moving the Council towards its new shape and is acknowledged as a critical savings enabler.

152. At a time when Audit Committee has continued to challenge the budget position when faced with unprecedented financial pressure, the recently issued Corporate Assessment Follow On report from the Wales Audit Office has highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

153. Audit Committee will reflect on the comments raised by the Wales Office, and will seek assurance from relevant management and through the work of Internal Audit, that the ODP is clearly aligned to and monitored against critical business objectives. In the forthcoming year, Audit Committee intends to invite the Leader and Chief Executive to attend and answer questions related to the Corporate Assessment Follow On.

154. In recognising the critical importance of the ODP to the Council, Internal Audit has initiated a Control Risk Self-Assessment (CRSA) approach to auditing an initial pilot of ODP projects and regular engagement with Management in the OD Team. Audit Committee anticipates the findings of Internal Audit and the ongoing assurance from the roll-out of the audit approach throughout 2016/17.

### Financial / Internal Control

155. The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. The Committee continues to receive regular updates from the Corporate Director Resources and other senior managers to seek assurances around governance and fundamental financial control.

156. Audit Committee receives regular reports in respect of the budget, treasury management and financial resilience. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired in the use of public monies.

157. Over 2015/16 there has been an increase in limited or no assurance audit reports from the Internal Audit Section. This is a concern that will require regular review by the Audit Committee, particularly when some isolated functions have repeatedly failed to maintain the required standards of internal control. The number of such reports is not yet at a level of significant concern, but the trend of limited assurance being reported has captured the attention of the Audit Committee. In instances where improvements are not promptly made we will be inviting those accountable to attend Audit Committee and explain the reasons for control weaknesses and to provide a firm commitment to improvement. This is with strong support and commitment from the Chief Executive to support management and the Audit Committee in driving improvements.

### Contract and Procurement Matters

158. Through a number of Internal Audits completed this year a consistent weakness has been contract management and performance monitoring. Some areas of the Council such as Social Services rely heavily on commissioned services for certain aspects of their services and spend a significant amount of money on this purpose. Internal Audit reports are regularly reporting limitations to assurance on the basis of a lack of clear contracts for high value spend and instances of lapsed contracts, in addition to weaknesses in contract management where contracts are in place.

159. The Building Maintenance Framework contract involves a significant amount of spending with a limited number of contractors for services under different lots. For some time, Audit Committee members have identified and raised concerns about the cost effectiveness and quality of work carried out by contractors within the current Framework. This has been based on Member observations of elderly and/or vulnerable tenants receiving substandard work or delays from contractors and sub-contractors. Some of these delays have been significant i.e. for weeks if not months. Many Members have also reported poor communication and situations where tenants have been left waiting in their homes all day for services which were not received when arranged.

160. Members have sought assurances that the quality of the work would be monitored more closely in future and welcomed the commissioning of the independent review by Constructing Excellence Wales (CEW). Far from being dismissive of concerns, the report echoed members'

concerns and made a series of recommendations such as a Building Maintenance Project Board, which includes a Principal Auditor, to develop a series of actions and targets to address all the highlighted issues.

161. A presentation by the Assistant Director Housing and Communities and the Senior Category Manager (commissioning and Procurement) was made on the Building Maintenance Framework in November 2015 and the reasoning behind the five contract categories explained. With the help of OMs in Facilities Management and Community Maintenance, the Committee received a detailed explanation of the CEW remit, its findings and the resulting action plan.

Members have raised observations and the expectation that updated processes and standardisation will ensure effective management of contractor performance. This needs to be enabled through embedding clear and accessible processes to raise concerns, issues or feedback which are consistently and transparently managed and responded to in a timely manner. Improvements are needed in monitoring and accountability to ensure that quality, time and cost issues are identified and rectified promptly, with lessons learnt from the existing framework and external (CEW) review and with contractors held to account for substandard performance through enactment of contractual terms and clauses. Members have welcomed the introduction of 'mini-tendering' within each five categories as a means of introducing competition and hopefully value for money within the Framework arrangements.

162. The Audit Committee is seeking greater engagement with the Building Maintenance Framework Programme Board and such arrangements for the clear communication of concerns and also demonstration and assurance of progress made by the Board have been initiated following the year end.

163. The commissioning of the CEW review represents positive steps in seeking to improve contract management processes, but on a Council-wide basis there are areas where significant amounts of money are being spent without clear contracts, or where contracts are not being sufficiently monitored and managed. This is a finding which is consistently being reported.

At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Framework Project Board.

### Schools Governance & Compliance

Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' audit reports in relation to schools, compared to the rest of the Authority. This trend has not improved in 2015/16, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.

164. 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. Although practices can only be commended, given the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and commending of best practice guidance to schools in the interests of strengthening financial control.

165. Effective financial management is another important element of governance in schools. Audit Committee has received a position statement on schools in deficit in June 2015. The Committee was advised that there are only a small number of schools that continue to cause concern to the authority. The Committee will continue to receive information on schools balances as part of the Director of Education & Life Long learning's report on governance in schools.

### Internal Audit Resources

166. The financial challenges facing the Authority are having an impact across all services resulting in the reduction of resources. The Internal Audit section like others has seen a significant reduction in the number of staff in recent years, and a loss of experienced officers. Reliance is placed on the

## Annual Governance Statement

Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Authority.

167. The Audit Committee has continued to express concern about the reducing number of audit staff, requesting that this is expressly stated in the Annual Governance Statement 15/16. Audit Committee members have also questioned if Internal Audit has sufficient resource to discharge its responsibility. The Head of Finance has assured the Audit Committee that although resourcing concerns are valid, post reductions in Internal Audit have not related to its core function. The Audit Committee will continue to require details of the Internal Audit resources available relative to its required activities, and the management of staffing limitations and risks through the Audit Manager's quarterly progress reports.

168. At a time of financial pressure and significant change, with lots of officers leaving who have many years of experience, it is considered vital that a strong audit presence is maintained.

### Significant Governance Issues

169. Included in the Chief Executive and Senior Management Assurance Statements returned were twelve new issues which were discussed at a Senior Management meeting in May 2016. At this meeting, having considered each, it was decided that one new issue relating to progressing the recommendation and proposals for improvement in the WAO Corporate Assessment Follow On report should feature as a new significant governance issue in the Annual Governance Statement. The majority of the other issues presented were not considered strategic and were felt, best addressed within Directorates. The rest were mainly linked to Corporate risks (some of which may need changing to reflect new pressures).

170. There were four significant issues carried forward into 2015/16. Work has continued to be done on all of these with the issue relating to the Organisational Development Plan considered to be at a stage where issues have been addressed. The other three issues are considered to be ongoing at the end of the financial year 2015-16, together with the new governance issue identified through the review. Further work will be done in order to ensure these issues are addressed. As a result of the review, the four issues to carry forward at the year end position and details of these, with an updated position, are shown below.

Significant issue	Year End Position 2015/16	Responsible Officer
<p><u>WAO Corporate Assessment Follow On Report</u></p> <p>The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues.</p> <p><b>New issue</b></p>	<p><u>WAO Corporate Assessment Follow On Report</u></p> <p>The Statement of Action in response to the WAO recommendations was agreed by Cabinet on 21 March 2016 for implementation during 2016/17. WAO to review position in 12 months. Progress will be monitored by the Senior Management Team during 2016/17.</p>	<p>Senior Management Team</p>
<p><u>Capacity &amp; Decision Making</u></p> <p>The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on</p>	<p><u>Capacity and Decision Making</u></p> <p>Continued reductions in resources (including staff) across the Council has reduced capacity and increased pressures on staff to provide professional and sound advice. Directorates have</p>	<p>Senior Management Team</p>

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Significant issue	Year End Position 2015/16	Responsible Officer
<p>staff to have the capacity to provide professional and sound advice.</p> <p><u>Action at year end position 2015/16</u></p> <p>Reviewing delivery plans to ensure they remain fit for purpose when considering the likely amount of resources available in future years.</p>	<p>continued to mitigate against this by revising their service delivery plans and streamlining their activities to reflect the resources available. Much work has been done on identifying key activities to ensure efficient and effective use of reducing resources.</p> <p>Much work has been done on improving performance management arrangements and reporting thereof with a number of completed or ongoing restructures to deliver services most effectively with limited resources.</p> <p>Decision making has improved through prioritising work and restructuring teams to make the best use of internal expertise.</p> <p>In 2016/17 Directorates will be required to further tighten, rationalise and prioritise their work through their delivery plans and review action plans and consider what they can restructure or stop doing. Improvements will be monitored through performance management arrangements ensuring that there is clear visibility and management of risks. Further embedding of technology such as SharePoint and Online Services will improve access to information for staff and customers and therefore increase capacity for staff to provide advice.</p>	
<p><u>Organisational Development (OD) Programme</u></p> <p>The Cabinet acknowledges the range of critical challenges facing the Council. In order to respond to these challenges an ambitious programme of organisational change has been established to reflect the transformational ambition for the Council and for Cardiff. This includes a wide number of capital and other projects. We need to ensure that</p>	<p><u>Organisational Development (OD) Programme</u></p> <p>The OD programme is embedded in Year 2 of a 3 year programme, with programme management arrangements effectively in place. This view is supported by WAO recognition in their follow on corporate assessment that although there is work to do the OD programme is providing the direction of travel for organisation.</p>	<p>Senior Management Team</p>



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Significant issue	Year End Position 2015/16	Responsible Officer
<p>projects are commissioned through proper arrangements and that their subsequent sponsorship ensures that project objectives are met. The requirement to have sound processes and governance arrangements are critical to the success of the Programme.</p> <p><u>Action at year end position 2015/16</u></p> <p><b>Completed</b></p>		
<p><u>Commissioning Capability and Capacity</u></p> <p>In the new Organisational Framework this will be a critical competency and capability. The success of a number of programmes depends on having this capability and capacity in place e.g. Health &amp; Social Care transformation.</p> <p><u>Action at year end position 2015/16</u></p> <p>Building on the framework and developments there will be a further embedding of Strategic Commissioning across the Council.</p>	<p><u>Commissioning Capability and Capacity</u></p> <p>The Council has pursued a more effective strategic commissioning approach. Directorates have worked with the Commissioning and Procurement team to develop the new Commissioning Framework. Whilst work has been ongoing there remains opportunity for enhancement as strategic commissioning becomes further embedded and formalised across the Council.</p> <p>Health and Social Care have developed commissioning models for residential and nursing care, domiciliary care and supported living.</p> <p>In 2015/16 Social Services has refocussed existing senior management resources to support a more effective strategic commissioning approach. A Central Social Service Business Unit is being developed and this will include the commissioning function.</p>	<p>Senior Management Team</p>
<p><u>Transparency of Internal Market Costing</u></p> <p>The Council's internal charging arrangements are not always sufficiently transparent in terms of rate setting, monitoring and charging. Some council wide arrangements, for instance the timescales operated by Service</p>	<p><u>Transparency of Internal Market Costing</u></p> <p>Where possible Directorates have used in-house support and advice teams but have challenged some costs. Reviews in areas such as Central Transport Service remain ongoing in order to increase the transparency of charging.</p>	<p>Senior Management Team</p>

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Significant issue	Year End Position 2015/16	Responsible Officer
<p>Desks are not always sufficiently aligned to the requirements of business critical services within Directorates.</p> <p><u>Action at year end position 2015/16</u></p> <p>Reviews continuing to be carried out to improve costing arrangements in the most critical areas.</p> <p>Building on the exercise with schools, there will be further work on other charging arrangements in 2016/17.</p>	<p>Internal charges to schools were reviewed in order to ensure full transparency and alignment of costs with income.</p>	

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

171. During 2015/16, the governance structure for the Pension Fund was amended to include the Local Pension Board, in compliance with the Public Service Pensions Act 2013. The role of the Board is to assist the Council as Scheme Manager and Administering Authority to secure compliance with LGPS regulations and other legislation relating to the scheme. Board members were appointed from 1 July 2015 and the Board first met on 30 July. The Board will meet three times a year.

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



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Issue	Action	Responsible Officer
<p><u>Welsh Local Government Pension Funds Working Together – Wales Investment Pool.</u></p> <p>During 2014/15 Mercers were commissioned to work on the detailed business case for a collaborative investment vehicle for the eight LGPS Funds in Wales. The report was published in May 2015.</p> <p>In July 2015 the UK Government announced that all LGPS Funds in England and Wales would be required to join investment pools. Criteria for the pools were published in November.</p> <p>The Welsh Funds submitted their outline proposal to the DCLG in February 2016 and received a positive response in March. A detailed pooling proposal must be submitted in July 2015.</p> <p>The proposal will include a Joint Governance Committee of elected members from each Administering Authority supported by an Officer Working Group.</p>	<p><u>Welsh Local Government Pension Funds Working Together – Wales Investment Pool.</u></p> <p>The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the development of the Wales Investment Pool.</p> <p>Developments are regularly reported to the Pension Fund's Investment Advisory Panel and the Local Pension Board.</p>	<p>Corporate Director Resources</p>
<p><u>Pension Committee</u></p> <p>The Council's current constitution does not include a Pension Committee and all pensions functions are delegated to the Corporate Director Resources. It is proposed to establish a Pension Committee with responsibility for strategic issues whilst operational matters continue to be covered by officer delegations.</p>	<p><u>Pension Committee</u></p> <p>Amendment to the Council's Constitution to establish a Pension Committee.</p>	<p>Corporate Director Resources</p>

### Cardiff Port Health Authority (CPHA)

173. During 2015/16, no significant governance issues have been identified in respect to the Cardiff Port Health Authority.

### Monitoring

174. We propose over the coming year to continue to take the steps required in order to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

## **Certification by the Leader of the Council and the Chief Executive**

175. The Council's Section 151 and Monitoring Officers are content that the process followed has been robust and has ensured the engagement of the Council's Senior Management Team.

176. We have been advised, by the Council's Section 151 and Monitoring Officers, on the implications of the review of effectiveness based on the systems of internal control. There are plans to provide improvements in review processes and address weaknesses to ensure continuous improvement of the system of internal control.

177. On the basis of this process, the legal and financial advice of the statutory officers, and the Council's Policies and working arrangements we certify that we approve the Annual Governance Statement 2015/16.

**Paul Orders, Chief Executive**  
**Date:**

**Councillor Phil Bale, Leader of the City of Cardiff Council**  
**Date:**

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

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **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 Authority 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**

An Authority's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

### **Capital Receipts**

Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal or where a ministerial permission allows.

# Glossary of Local Government Accountancy Terms

## **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 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**

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.

## **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**

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**

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 Authority 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.

## **Highways Network Asset**

A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include

carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

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

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

### **Impairment**

A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

### **Infrastructure Assets**

Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

### **Intangible Assets**

These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **Investment Properties**

Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

### **Investments**

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

### **Joint Venture**

A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

### **Lender Option Borrower Option Loans (LOBOs)**

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The council at this point has the option to repay the loan.

### **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.

## **Property, Plant and Equipment (PPE)**

Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

## **Provisions**

Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

## **Prudential Code for Capital Finance**

The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

## **Prudent Revenue Provision (PRP)**

An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure. This has the effect of reducing the Capital Financing Requirement (CFR).

## **Public Works Loan Board (PWLB)**

The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local Authorities and other prescribed bodies, and to collect the repayments.

## **Recharge**

An internal charge for services rendered by one Council directorate or section to another.

## **Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.



### **Reserves**

Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Authority must maintain as a matter of prudence.

### **Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Authority 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 Authority e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

### **Revenue Support Grant**

General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

### **Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

### **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.

**ANNUAL RETURN**

**2015/16**

**of**

**CARDIFF PORT HEALTH AUTHORITY**

## NARRATIVE REPORT

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its Authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of the Council, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on the County Council of the City and County of Cardiff and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates (SSCEC/SSCC).

## ACCOUNTING POLICIES

### 1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014 (as amended).

### 2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

### 3. Support Services Costs

The Council makes recharges in respect of the cost of support services to the services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Accounting Practice 2015/16 (SERCOP). This applies to support service recharges from the Council directorates to the Port Health Authority.

## Section 1 – Accounting statements for Cardiff Port Health Authority:

	Year ending	
	31 March 2015 (£)	31 March 2016 (£)
1. Balances brought forward	93,268	133,210
2. (+) Income from local taxation and/or levy	175,825	159,850
3. (+) Total other receipts	1,837	1,314
4. (-) Staff costs	108,011	125,428
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	29,709	17,725
7. (=) Balances carried forward	133,210	151,221
8. (+) Debtors and stock balances	72	0
9. (+) Total cash and investments	143,916	154,637
10. (-) Creditors	10,778	3,416
11. (=) Balances carried forward	133,210	151,221
12. Total non-current assets and long-term assets	0	0
13. Total borrowing	0	0

## Section 2 – Annual Governance Statement

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2016, that:

	Agreed?	
	Yes	No
1. We have approved the accounting statements which have been prepared in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and proper practices.	Yes	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes	
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	
6. We have maintained an adequate and effective system of internal audit of the Body's accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes	
7. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes	
8. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	Yes	

## Section 3 – Certification and approval

### Approval and certification of the accounts and annual governance statement

The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return which:

- summarises the Body’s accounting records for the year ended 31 March 2016; and
- confirms and provides assurance on those matters that are important to the external auditor’s responsibilities.

<b>Certification by the RFO</b>  <b>Certificate under Regulation 15(1) Accounts and Audit (Wales) Regulations 2014</b>  I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2015.	<b>Approval by the Body</b>  <b>Approval of accounting statements under Regulation 15(2) Accounts and Audit (Wales) Regulations 2014 and the Annual Governance Statement</b>  I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
<b>RFO signature:</b>	<b>Chair signature:</b>
<b>Name: Christine Salter</b>	<b>Name: Councillor Monica Walsh, Lord Mayor</b>
<b>Date:</b>	<b>Date:</b>

### External Audit Certificate

The external auditor conducts the audit in accordance with guidance issued by the Auditor General for Wales.

On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met. We certify that we have completed the audit of the Annual Return for the year ended 31 March 2016 of Cardiff Port Health Authority:

### External auditor’s report

On the basis of our review, in our opinion, the information contained in the Annual Return is in accordance with proper practices and no matters have come to our attention giving cause for concern that relevant legislation and regulatory requirements have not been met.

Other matters not affecting our opinion which we draw to the attention of the Body are included in our report to the Body dated XX September 2016.

<b>External auditor’s signature:</b>	
<b>For and on behalf of the Auditor General for Wales</b>	
<b>External auditor’s name:</b>	<b>Date:</b>

### Electronic Publication of Financial Statements

*The maintenance and integrity of the County Council of the City and County of Cardiff’s website is the responsibility of the Accounting Officer/Client Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

**STATEMENT OF ACCOUNTS**

**2015/16**

**OF**

**CARDIFF HARBOUR AUTHORITY**



## Foreword

### Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared on an IFRS basis, in line with the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is, therefore, not a company. As a result, this foreword is in place of the director's report required by the Companies Act 2006.

### Agreement

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the harbour authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25 August 2006 and made between the National Assembly for Wales and the Council.
- Dated 27 March 2007 and made between the National Assembly for Wales and the Council.
- Dated 15 September 2009 and made between the Welsh Ministers and the Council.
- Dated 5 April 2011 and made between the Welsh Ministers and the Council.
- Dated 3 April 2014 and made between the Welsh Ministers and the Council.

### Review of the Financial Year

The existing three year budget, which was agreed with the Welsh Ministers, covers the period 2014/15 to 2016/17. The revised budget for 2015/16 was set at £6.253 million which represented a reduction of £0.144 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement.

An amount of £10,000 was received in respect of the share of previous years underspend against the fixed cost budget. This increased the budget allocation to £6.263 million.

The financial deficit for the year ended 31 March 2016 was £2.852 million (£2.429 million in 2014/15).

Total Capital Expenditure incurred and funded by Harbour Grant during the year was £312,000. This forms part of a three year programme to 2016/17 for works at the harbour, barrage and surrounding environmental infrastructure. Works included in the programme are: barrage crane, catamaran survey vessel, public realm improvements and replacement of water quality monitoring equipment.

## Key Achievements

During 2015/16 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. The achievements against the Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Operated with a budget reduction and delivered the business plan within budget at year end.
- The resilience of the Barrage and Harbour Master teams has been further enhanced by the recruitment of a mechanical engineering apprentice and a marine engineer apprentice.
- In June 2015 the Extreme Sailing Series (ESS) returned to Cardiff. This was the first year as a stand alone event – without the support of the Bay Beach or Harbour Festival. The marketing and PR campaign was successfully delivered as per the ESS contract. Also the new format proved popular with visitors, with a variety of positive feedback, and the footfall over the three day event was a success with over 65,000 attendees.
- The community liaison team created a partnership with the Reardon Smith Nautical Trust to deliver the 'Reardon Smith Sailing Academy' with the Cardiff Sailing School. Over the next year RSNT will invest £10,000 to cover the cost of a variety of courses and equipment to give school children the opportunity to complete courses for free. The objective of the academy is to encourage the participants to forge a career in the sailing industry.
- With a significant amount of time and effort from the Barrage engineering team they have managed to considerably increase the efficiency of the Pont y Werin fibre optic link and replaced the pedestrian gates which were previously problematic.
- High river flows have been discharged in the last 5 months without any issues affecting residents on the rivers. There have been several unexpected issues with the Sluice gates however due to the efforts of the Engineering and Operational teams any potential serious events have been mitigated.
- 2015 saw the return of the Welsh Schools Indoor Rowing Championships & Welsh Indoor Rowing Championships to the Water Activity centre after a two year absence. Both returned with excellent entry levels to establish its position as one of the premier events within the indoor rowing schedule, being extremely popular with competitors and spectators alike.

## **Annual Governance Statement**

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. For reference, the Annual Governance Statement can be found with the Statement of Accounts for the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 that are not recognised by International Financial Reporting Standards.

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

### **The Corporate Director Resources responsibilities**

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources has also:

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

### **The Corporate Director Resources Certificate**

The financial statements for the Cardiff Harbour Authority give a true and fair view of the financial position of the Authority at 31 March 2016 and its income and expenditure for the year ended 31 March 2016

**Christine Salter**  
Corporate Director Resources

**Date:**

Audit report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority

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## Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:-

### **Accounting policies used when formulating the accounts**

#### **1. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

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

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to expenditure.

#### **3. Grants - Revenue**

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

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

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

#### **4. Grants and Contributions – Capital**

Grants and contributions that are applied in the year to fund capital schemes are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement.

#### **5. Inventories**

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

#### **6. Operating Leases**

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

#### **7. Overheads and Support Services Costs**

The Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority. The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

## 8. Property, Plant, Equipment, Community and Heritage Assets

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

### Recognition:

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

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

### Measurement:

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

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

- Infrastructure assets – depreciated historical cost. Balance sheet values reflect historic expenditure incurred on such assets from a point in time. Accordingly the balance sheet does not represent the true value and size of infrastructure assets. This is likely to change in future years,
- Community Assets and Assets under Construction are included in the Balance Sheet at historic cost.
- Heritage Assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.

### Revaluation:

Assets included in the Balance Sheet at fair value are revalued as part of a three year rolling programme.

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

### Charges to Revenue for Non-Current Assets:

Services are debited with the following amounts to record the cost of holding assets during the year:

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

The Harbour Authority does not receive grant for depreciation or any other accounting adjustments for non-current assets.

### Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be reduced in value, either due to a reduction in service potential (impairment) or general market fluctuations (downward revaluation). Where either type of loss is identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)



- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is charged to expenditure in the Comprehensive Income and Expenditure Statement.

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

### Depreciation:

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

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	5
Land	n/a
Buildings	17-70
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

### 9. Reserves

The Harbour Authority holds one usable reserve. It is used to hold accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

### 10. Value Added Tax

The Harbour Authority does not have a separate VAT registration to the Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have, therefore, been prepared exclusive of this tax.

## Guide to the Financial Statements

### **Comprehensive Income and Expenditure account**

This statement shows the accounting cost in the year of providing services, in accordance with generally accepted accounting practices.

### **Balance Sheet**

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by the Harbour Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves comprise both those reserves that may be used to provide services and those that the Authority is not able to use to provide services. Reserves also include those that hold unrealised gains and losses.

### **Cashflow Statement**

A Cashflow statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Information in relation to the cashflows of the Harbour Authority can be found within the Council's Statement of Accounts.

### **Notes to the Core Financial Statements**

These notes provide any further analysis required to explain those figures contained in the financial statements.

## Comprehensive Income and Expenditure Account for the year ended 31 March 2016

2014/15 £000		2015/16 £000
	<b>Income</b>	
(6,044)	Government Grants	(5,930)
(280)	Grants Relating to Previous Years	0
(324)	Capital Grants Applied	(312)
(884)	Fees and Charges	(876)
<b>(7,532)</b>	<b>Total Income</b>	<b>(7,118)</b>
	<b>Expenditure</b>	
2,664	Employees	2,616
1,298	Premises	1,461
73	Transport	172
2,269	Supplies and Services	2,049
628	Support Services	558
3,029	Depreciation	3,114
<b>9,961</b>	<b>Total Expenditure</b>	<b>9,970</b>
<b>2,429</b>	<b>Net Expenditure for the year</b>	<b>2,852</b>

**Balance Sheet as at 31 March 2016**

31 March 2015 £000		Note Ref	31 March 2016 £000
	<u>Property, plant and equipment</u>		
7,532	Land and Buildings	2	6,692
338	Vehicles, Plant, Furniture & Equipment	2	404
163,218	Infrastructure	2	160,876
1,103	Community Assets	2	1,103
475	Surplus Assets	2	0
0	Investment Assets		358
<b>172,666</b>			<b>169,433</b>
56	Heritage Assets	2	56
128	Intangible Assets	2	64
<b>172,850</b>	<b>Long-term assets</b>		<b>169,553</b>
485	Stocks and Work in Progress	5	382
537	Debtors	3	589
1,936	Cash		2,418
<b>3,008</b>	<b>Current assets</b>		<b>3,389</b>
(2,424)	Creditors	4	(2,558)
<b>(2,424)</b>	<b>Current liabilities</b>		<b>(2,558)</b>
<b>173,434</b>	<b>Net assets</b>		<b>170,384</b>
	<b>Reserves:</b>		
168,501	General Reserve	1	165,649
4,933	Revaluation Reserve	1	4,735
<b>173,434</b>	<b>Total Reserves</b>		<b>170,384</b>

## Notes to the Core Financial Statements

### 1. Reserves

2015/16	General Reserve £000	Revaluation Reserve £000
<b>Balance at 1 April 2015</b>	168,501	4,933
Surplus/(Deficit) for the year	(2,852)	(198)
<b>Closing Balance at 31 March 2016</b>	165,649	4,735

Comparative movements for 2014/15:

2014/15	General Reserve £000	Revaluation Reserve £000
<b>Balance at 1 April 2014</b>	170,930	4,933
Surplus/(Deficit) for the year	(2,429)	0
<b>Closing Balance at 31 March 2015</b>	168,501	4,933

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £0.756m in 2015/16 (£0.697m).

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.

2015/16	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
At 1 April 2015	7,774	504	218,563	1,103	475	0	228,419	56	319
Additions	56	161	95	0	0	0	312	0	0
Impairment losses/reversals to RR	(445)	0	0	0	0	0	(445)	0	0
Impairment losses / reversals to SDPS **	(325)	0	0	0	0	0	(325)	0	0
Disposals	0	0	0	0	(117)	0	(117)	0	0
Other reclassifications	0	0	0	0	0	0	0	0	0
Revaluation increases /(decreases) to RR*	(142)	0	0	0	0	0	(142)	0	0
Revaluation increases /(decreases) to SDPS**	(169)	0	0	0	0	0	(169)	0	0
<b>At 31 March 2016</b>	<b>6,749</b>	<b>665</b>	<b>218,658</b>	<b>1,103</b>	<b>358</b>	<b>0</b>	<b>227,533</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
At 1 April 2015	242	166	55,345	0	0	0	55,753	0	191
Depreciation charge	57	95	2,437	0	0	0	2,589	0	64
Depreciation written out on impairment	(20)	0	0	0	0	0	(20)	0	0
Disposals	0	0	0	0	0	0	0	0	0
Depreciation written out to SDPS	(222)	0	0	0	0	0	(222)	0	0
<b>At 31 March 2016</b>	<b>57</b>	<b>261</b>	<b>57,782</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,100</b>	<b>0</b>	<b>255</b>
<b>Net Book Value:</b>									
<b>At 31 March 2016</b>	<b>6,692</b>	<b>404</b>	<b>160,876</b>	<b>1,103</b>	<b>0</b>	<b>358</b>	<b>169,433</b>	<b>56</b>	<b>64</b>
<b>At 31 March 2015</b>	<b>7,532</b>	<b>338</b>	<b>163,218</b>	<b>1,103</b>	<b>0</b>	<b>475</b>	<b>172,666</b>	<b>56</b>	<b>128</b>

# Cardiff Harbour Authority

Comparative movements for 2014/15:

2014/15 Restated	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
<b>Cost or Valuation</b>									
At 1 April 2014	7,759	1,057	218,409	1,103	0	475	<b>228,803</b>	56	319
Additions	15	155	154	0		0	<b>324</b>	0	0
Impairment losses/reversals to RR	0	0	0	0	0	0	<b>0</b>	0	0
Impairment losses / reversals to SDPS **	0	0	0	0	0	0	<b>0</b>	0	0
Disposals	0	(708)		0	0	0	<b>(708)</b>	0	0
Other reclassifications	0	0	0	0	475	(475)	<b>0</b>	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	<b>0</b>	0	0
Revaluation increases /(decreases) to SDPS**	0	0	0	0	0	0	<b>0</b>	0	0
<b>At 31 March 2015</b>	<b>7,774</b>	<b>504</b>	<b>218,563</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>228,419</b>	<b>56</b>	<b>319</b>
<b>Depreciation</b>									
At 1 April 2014	188	802	52,506	0	0	0	<b>53,496</b>	0	127
Depreciation charge	54	72	2,839	0	0	0	<b>2,965</b>	0	64
Depreciation written out on impairment	0	0	0	0	0	0	<b>0</b>	0	0
Disposals	0	(708)	0	0	0	0	<b>(708)</b>	0	0
Depreciation written out to SDPS	0	0	0	0	0	0	<b>(222)</b>	0	0
<b>At 31 March 2015</b>	<b>242</b>	<b>166</b>	<b>55,345</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>55,753</b>	<b>0</b>	<b>191</b>
<b>Net Book Value:</b>									
<b>At 31 March 2015</b>	<b>7,532</b>	<b>338</b>	<b>163,218</b>	<b>1,103</b>	<b>475</b>	<b>0</b>	<b>172,666</b>	<b>56</b>	<b>128</b>
<b>At 31 March 2014</b>	<b>7,571</b>	<b>255</b>	<b>165,903</b>	<b>1,103</b>	<b>0</b>	<b>475</b>	<b>175,307</b>	<b>56</b>	<b>192</b>



**3. Stock**

Movements in stock during the financial year are as follows:

	2014/15 £000	2015/16 £000
At 1 April 2015	1,113	485
Stock transferred from CI&E	0	0
Stock transferred to Cardiff Bay Visitor Centre	(17)	0
Stock written off to the CI&E	(611)	(103)
<b>Balance carried forward</b>	<b>485</b>	<b>382</b>

**4. Debtors**

	2014/15 £000	2015/16 £000
Central Government Bodies	513	513
Trade Receivables	24	24
<b>Total</b>	<b>537</b>	<b>589</b>

**5. Creditors**

	2014/15 £000	2015/16 £000
Central Government Bodies	(2,001)	(1,978)
Trade Payables	(423)	(580)
<b>Total</b>	<b>(2,424)</b>	<b>(2,558)</b>



Grant Thornton

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# A guide to local authority accounts

March 2014





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# Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

*“It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading.”*

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**Mary Archer**  
British scientist



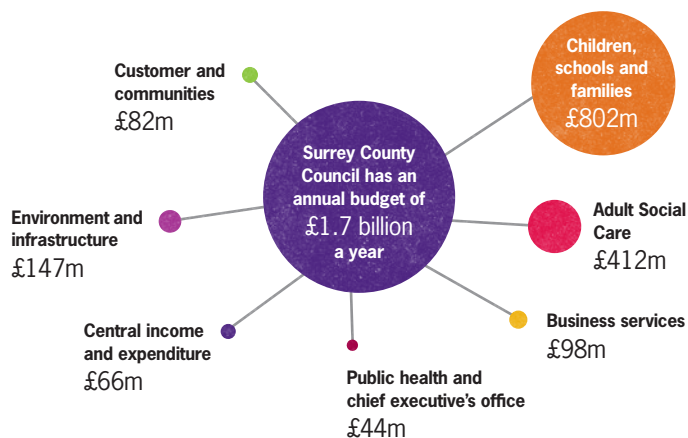
# Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



## Challenge questions

- 1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?
- 2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?
- 3 Can you trace the figures to the financial statements? Are they consistent?
- 4 If last year's figures have been restated, is the reason clearly explained?
- 5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



# Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

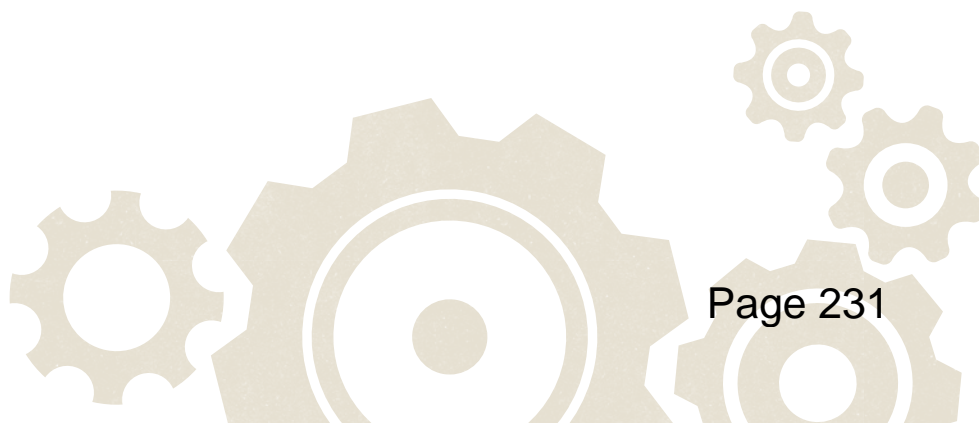
- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

## Challenge questions

- 1 Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
- 2 Does the AGS succinctly describe the control environment in an understandable way?
- 3 In particular, does the AGS include:
  - all significant risks that you were aware of during the year?
  - the actions the authority is taking to address the identified risks?

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*Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.*



# Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.



## Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
  - general fund
  - earmarked reserves
  - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.



### Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
  - pensions reserve
  - revaluation reserve
  - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

### Challenge questions

- 1 Are the movements in the two types of reserves shown in separate tables?
- 2 Do the opening balances agree with last year? Have any restatements been clearly explained?
- 3 Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
- 4 Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
- 5 Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**



# Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a 'film' of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority's own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.



## Five broad sections within the CIES

<b>Cost of services</b>	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
<b>Other operating income and expenditure</b>	Includes the surplus or deficit from the sale of property, plant and equipment.
<b>Financing and investment income and expenditure</b>	Includes interest payable and receivable.
<b>Taxation and general grant income</b>	Includes revenue from council tax and the revenue support grant.
<b>Other comprehensive income and expenditure</b>	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

## Challenge questions

- 1 Does the CIES reflect the financial performance of your authority as you know it?
- 2 Have there been significant changes year on year? If so, are these clearly explained?
- 3 Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?

# Balance sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

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<b>Non current assets including:</b> <ul style="list-style-type: none"><li>• <b>property, plant and equipment</b></li><li>• <b>heritage assets</b></li><li>• <b>intangible assets</b></li><li>• <b>investment property</b></li></ul>	Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority’s objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.
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<b>Current assets</b>	Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
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<b>Current liabilities</b>	Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.
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<b>Long-term liabilities</b>	Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme.
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<b>Provisions</b>	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
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<b>Reserves</b>	These are usable and unusable reserves.
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## Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?
- 3 Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority’s capital programme and movements in market prices?
- 4 Are movements in investments and borrowing consistent with the authority’s treasury plans and with the cash movements in the cash flow statement?
- 5 Are the reasons for provisions and details of how they have been calculated clearly shown?
- 6 Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

# Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

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<b>Cash flow statement</b>	<p>Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities.</p> <p>Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received.</p> <p>The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.</p>
<b>Collection fund</b>	<p>Shows the transactions in respect of council tax and business rates during the year.</p>
<b>Housing revenue account</b>	<p>Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.</p>
<b>Pension fund accounts</b>	<p>Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.</p>
<b>Group accounts</b>	<p>Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.</p>

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## Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?



# Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

<b>Accounting policies</b>	Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should: <ul style="list-style-type: none"><li>• provide additional information where needed</li><li>• remove accounting policies that are not relevant or apply to immaterial amounts.</li></ul>
<b>Critical judgments</b>	Show the key areas where officers have made judgements about the application of accounting policies. For example: <ul style="list-style-type: none"><li>• classification of leases and public finance initiative (PFI) schemes</li><li>• identification of provisions</li><li>• impairment of assets.</li></ul> The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.
<b>Estimates</b>	The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
<b>Property, plant and equipment</b>	Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
<b>Leases and PFI schemes</b>	Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
<b>Employee remuneration</b>	Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
<b>Contingent liabilities</b>	Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

## Challenge questions

- 1 Have you already seen and been able to comment on the proposed accounting policies?
- 2 Are you comfortable with the critical judgements disclosed?
- 3 Do the figures reported in the financial statements agree to those included in the relevant notes?
- 4 Are the notes easy to find and follow?
- 5 Is too much information included? Could it be better presented?

# And finally...

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

## About the financial statements

- 1 Are they clear, concise and easy to follow?
- 2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
- 3 Is detailed information on the most important items easy to find?
- 4 Are technical terms explained in plain English? Is there a glossary?
- 5 Is it clear how a reader could find out more information?
- 6 Where are the accounts to be published? Are they easy to find?

## About the process

- 1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
- 2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
- 3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- 4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see **Grant Thornton's Declutter your accounts – top 10 tips**



**CIPFA's Financial statements: a good practice guide for local authorities**



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# About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county

councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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EPI1074





**AUDIT COMMITTEE: 27 June 2016**

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**FINANCIAL RESILIENCE**

**REPORT OF THE CORPORATE DIRECTOR  
RESOURCES**

**AGENDA ITEM: 6.3**

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**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to inform the Audit Committee of the assessment carried out by the Wales Audit Office on behalf of the Auditor General for Wales in respect of Financial Resilience.

**Background**

3. The Wales Audit Office undertook an assessment during the period May to October 2015, and followed up issues highlighted in the 2014/15 financial position work. The focus on the work was on the delivery of 2014/15 savings plans and the 2015/16 financial planning period.
4. The work focussed on answering the question: Is the City of Cardiff Council managing budget reductions effectively to ensure financial resilience? In the report they consider whether effective support arrangements are in place in respect of:
  - Financial Planning
  - Financial Control
  - Financial Governance

**Issues**

5. The full assessment report can be found in Appendix A. The assessment concluded that "The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals".
6. In concluding their investigation, WAO determined the following risk ratings for each element as follows;
  - Financial Planning - Medium Risk
  - Financial Control - Low Risk
  - Financial governance - Low Risk

7. The Financial Resilience Assessment contains four recommendations in respect of financial planning and the Council's response can be found in Appendix B. The four recommendations were as follows;
- Develop more explicit links between the Medium Term Financial Plan and the Council's improvement planning arrangements
  - Strengthening links between the Medium Term Financial Plan and service plans
  - Ensuring that savings proposals owned by Directorates are linked to the Organisational Development Programme Board
  - Ensuring that all budget savings plans are fully developed as appropriate with realistic timescales when the annual budget is set.
8. The Council's response in Appendix B can be summarised as below:
- The 2016/17 Budget Report marks an improvement to the Medium Term Planning Process in that it identifies a draft solution to the budget gap for 2017/18 and 2018/19 with a clear direction of travel targeted for 2019/20.
  - Further work has already been undertaken in ensuring that there are explicit links between the plan, budget and Medium Term Financial Plan.
  - Steps have also been taken to ensure that there are clear links between directorates' medium term savings proposals and the Organisation Development Programme's focus on accelerating the shift to online services, facilitating alternative delivery models, increasing revenue from commercial activity and reducing the Council's asset base.
  - A series of officer challenge session were held following submission of proposals in September. Directorates are required to indicate their planning status, residual and achievability risk along with mitigating actions, and to outline the next steps and key milestones to achieving the saving.
  - At the time of the 2016/17 Budget Report, a total of 90.5% were realised or at detailed planning stage, compared to 82.4% in the 2015/16 budget report.
  - The 2016/17 Budget Report contained proposals to fully address the Medium Term budget gap for 2017/18 and 2018/19, with a direction of travel set for 2019/20.
9. The 2016/17 Budget process commenced prior to the WAO review and the subsequent publication of their financial resilience assessment. Therefore, the revisions in our approach to the 2016/17 Budget Process were not reviewed by WAO as part of this assessment. The continued drive for improvement in the budget process is an acknowledgment that the scale of the budget savings is such that there is a significant element of risk in them being fully achieved. The procedures put in place look to ensure that detailed plans are in place in order for individual savings to be managed effectively.
10. Financial Control and Governance have been identified as low risk. The assessment highlights the frequent reporting at both officer and member level of both monitoring reports, financial comparators and the reliance WAO has had in the key financial systems of the Council which are seen to be adequate to meet future needs. In addition, good governance is noted through the extensive consultations with many stakeholders that are carried out

### **Reasons for Recommendations**

11. To inform the Audit Committee of the WAO Financial Resilience Assessment of City of Cardiff Council.

### **Legal Implications**

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

## **Financial Implications**

13. The financial implications are contained within the body of the report

## **Recommendations**

14. To note the assessment carried out by the Wales Audit Office on behalf of the Auditor General for Wales in respect of Financial Resilience, together with the Council's response.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**Date: 27.06.16**

Appendix A – WAO's Financial Resilience Assessment Report  
Appendix B – Council's Response to the Assessment Report

Mae'r dudalen hon yn wag yn fwriadol





# Financial Resilience Assessment

## **The City of Cardiff Council**

**Audit year:** 2015-16

**Issued:** March 2016

**Document reference:** 153A2016

# Status of report

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This document has been prepared as part of work performed in accordance with statutory functions.

In the event of receiving a request for information to which this document may be relevant, attention is drawn to the Code of Practice issued under section 45 of the Freedom of Information Act 2000. The section 45 Code sets out the practice in the handling of requests that is expected of public authorities, including consultation with relevant third parties.

In relation to this document, the Auditor General for Wales and the Wales Audit Office are relevant third parties. Any enquiries regarding disclosure or re-use of this document should be sent to the Wales Audit Office at [info.officer@audit.wales](mailto:info.officer@audit.wales).

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# Summary report

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1. Good financial management is essential for the effective stewardship of public money and the delivery of efficient public services. Good financial management:
  - helps authorities take the right decisions for the short, medium and long term;
  - helps authorities deliver services to meet statutory obligations and the needs of local communities;
  - is essential for good corporate governance;
  - is about managing performance and achieving strategic objectives as much as it is about managing money;
  - underpins service quality and improvement;
  - is the basis of accountability to stakeholders for the stewardship and use of resources; and
  - is a key management discipline.
2. Long-term financial management is not about predicting the future; it is about preparing for it. Authorities need to understand future demand, assess the impact of probable changes, review the gap between funding needs and possible income and develop appropriate savings strategies.
3. Well-considered and detailed long-term financial strategies and medium-term financial plans (MTFPs) can ensure the delivery of strategic priorities by enabling appropriate financial choices. Conversely, short-term annual budget planning alone encourages an incremental and process-driven approach that can be ineffective in a period of rapid external change.
4. Financial resilience is achieved when an authority has robust systems and processes to effectively manage its financial risks and opportunities, and to secure a stable financial position.
5. Given the continuing pressures on funding, we have considered whether the Council has appropriate arrangements to plan to secure and maintain its financial resilience in the medium term (typically three to five years ahead). While there may be more certainty for the council over an annual cycle, financial pressures impact beyond the current settlement period. We have considered evidence of the Council's approach to managing its finances in the recent past and over the medium term when reaching our view on its financial resilience.
6. We undertook our assessment during the period May to October 2015, and followed up issues highlighted in the 2014-15 financial position work. The focus of the work was on the delivery of 2014-15 savings plans, and the 2015-16 financial planning period.
7. The work focussed on answering the following question: **Is the City of Cardiff Council managing budget reductions effectively to ensure financial resilience?** In this report we also consider whether:
  - **financial planning arrangements effectively support financial resilience;**
  - **financial control effectively supports financial resilience; and**
  - **financial governance effectively supports financial resilience.**

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8. Overall, we concluded that: ‘The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements, but now needs to develop robust plans to support the timely delivery of its savings proposals.’ We came to this conclusion based on our findings in relation to financial planning, financial control, and financial governance arrangements.
  9. This report gives a risk rating for each aspect: financial planning, financial control and financial governance. The descriptors for risk ratings are set out below.

<b>Low risk</b>	Arrangements are adequate (or better) with few shortcomings in systems, process or information. Impact on the authority’s ability to deliver its financial plan may be minimal.
<b>Medium risk</b>	There are some shortcomings in systems, processes or information that may affect the authority’s ability to deliver the desired outcomes of its financial plan.
<b>High risk</b>	There are significant shortcomings in systems, processes or information and/or there is a real risk of the authority’s financial plan not delivering the desired outcomes.

10. We rate the risk to the Council’s delivery of its financial plan for each of these elements as follows.

<b>Medium Risk</b>	<b>Financial Planning</b>
<b>Low Risk</b>	<b>Financial Control</b>
<b>Low Risk</b>	<b>Financial Governance</b>

11. Our April 2015 report ‘The financial resilience of councils in Wales’ was based on fieldwork carried out in all Welsh local authorities. From this work, and from other available material related to aspects of financial management, we have drawn together some key characteristics of good practice to assist practitioners in developing their arrangements. These characteristics can be found in [Appendix 1](#).

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## Proposals for improvement

- P1 The Council should improve its financial planning processes by:
- developing more explicit links between the Medium Term Financial Plan and the Council's improvement planning arrangements;
  - strengthening links between the Medium Term Financial Plan and service plans;
  - ensuring that savings proposals owned by Directorates are linked to the Organisational Development Programme where relevant, are fully costed and that delivery is driven by the Organisational Development Programme Board; and
  - ensuring all budget savings plans are fully developed as appropriate with realistic timescales when the annual budget is set.

# Detailed report

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The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements, but now needs to develop robust plans to support the timely delivery of its savings proposals

## Financial planning

The Council has improved its financial planning arrangements, and has a track record of operating within its overall budget, but has not delivered all of its in-year planned savings

12. The Council has a corporate framework in place for financial planning which recognises that resources to deliver its vision, improvement priorities and statutory services will be constrained or reduced in the medium to longer term. This has resulted in the Council changing its approach to setting savings targets with a more focussed approach being applied for 2015-16. This new approach is underpinned by three key drivers: policy-led savings; business process-led corporate efficiency savings; and discrete Directorate-led savings. A further driver, income and commercialisation, has been added for 2016-17.
13. The Council's MTFP forecasts a shortfall of £116 million for the period 2016-17 to 2018-19, which includes a target of £44 million for policy-led savings. The Council recognises that the budget gap for future years is subject to change, and key variables will need to flex to reflect this.
14. The Council's Organisational Development Plan is the key driver for reviewing the shape and scope of services that can be delivered in future years. Whilst projects in the Organisational Development Plan enable managers to make changes in services, not all projects or work streams will result in financial savings. The Council made a conscious decision not to link any projects which may result in savings to the Organisational Development Plan for 2015-16. The primary aim of the Organisational Development Plan was, initially, to promote accountability and ownership for organisational change within services. However, from 2016-17, as projects are developed, the Council has told us that work stream projects will, where appropriate, be linked to savings plans.
15. Not all savings plans are fully developed when the annual budget is set. For example, for 2015-16, the Council identified that of the savings requirement of £33.1 million for that year, £25.7 million (approximately 77 per cent) were at the detailed planning stage, £5.8 million at the general planning stage, and £1.6 million had already been achieved.



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16. Savings proposals are risk assessed in terms of residual risk and achievability, and assigned a Red/Amber/Green status as defined in the Council's Risk Management Policy, Strategy and Methodology document<sup>1</sup>. For 2015-16, the Red/Amber/Green status showed that when the annual budget was agreed, £6.1 million of savings were Green, £16.7 million were Amber/Green, £7.7 million were Red/Amber and £2.6 million were Red.
  17. The Council maintains a central contingency budget equating to approximately 10 per cent (£4 million) of the total annual savings requirement and includes this in its base budget to mitigate the risk of planned savings not being achieved in-year. At the financial year-end the Council reviews budget savings and decides whether unachieved savings are rolled forward to future years or written off.
  18. The Council reported a net surplus of £1.741 million on its 2014-15 budget. This was achieved by application of one-off savings not originally anticipated when the budget was agreed, and the use of the central contingency budget of £4 million used to mitigate planned savings not being achieved. The 2014-15 outturn position included a shortfall on the savings target of £6.9 million. As at 12 November 2015, the reported projection was that £2.8 million of the total 2014-15 savings brought forward, along with £5.7 million of the 2015-16 target savings, were unlikely to be achieved by 31 March 2016. Projected undelivered savings for 2015-16 mainly relate to service delivery changes which have not happened or are taking longer to implement than anticipated, resulting in either a part-year or no in-year saving. This suggests that savings delivery plans are not sufficiently developed when the budget is set.
  19. We were informed by the Council that during the budget setting process, consideration is given to corporate priorities and outcomes through discussions with the leadership team and Cabinet, but this is not formally documented. Whilst the Council's improvement objectives are linked to the respective Directorate Delivery Plans not all Directorate Delivery Plans contain links to the Council's MTFP.
  20. We found that comprehensive and reasonable planning assumptions, underpinned by robust data, have been made in identifying the budget shortfall for 2015-16. The Council has used a range of scenarios and sensitivity analysis to model projections for budget shortfalls for the period 2016-17 to 2018-19, along with a longer-term forecast up to 2030.
  21. The capital programme criteria for new schemes has been reviewed and improved to ensure that the ratio of capital financing costs to controllable revenue budgets does not become unsustainable. The Council has also reviewed its Balance Sheet to release funds where possible to help meet the budget shortfall.

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<sup>1</sup> [Risk Management Policy, Strategy and Methodology](#)

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## Financial control

### The Council has sound financial control arrangements in place

22. The Council has a clear framework for managing its financial affairs. Policies on financial and budget management are embedded in the Council's Constitution which defines the roles and responsibilities of Members and Officers.
23. Budgets are monitored at Officer and Member level and reported to Corporate Management Team, Cabinet and Scrutiny on a regular basis. Budget monitoring reports are comprehensive and include savings monitoring reports. Projected overspends and underspends are reported at an early stage and potential mitigating actions identified.
24. The Council has a reserves policy and reviews its useable reserves bi-annually. The General Fund balance is kept at or above a locally agreed minimum level as advised by the Council's S151 Officer. The creation and planned use of earmarked reserves are transparent and subject to appropriate approval.
25. The Council does not have an overarching policy on income generation and charging. However, the annual budget report includes a comprehensive schedule of changes to fees and charges which encompasses all services. An Income and Commercialisation Stream is being added to the Organisational Development Plan work stream projects for 2016-17.
26. The profile of financial resilience has been raised throughout the Council. A financial resilience dashboard has been developed which provides a snapshot of key financial comparators for past, present and future years. This is available to all Members, officers and staff. It includes comparisons of reserve levels, sources and split of external revenue funding for previous and current year, revenue and capital outturn position, and a risk analysis of 2015-16 savings proposals. Financial performance indicators include calculation of working capital and gearing ratios and a local indicator for capital financing costs as a percentage of controllable budget. However, there is no evidence of benchmarking with other councils.
27. Budget Strategy reports include an appendix which provides a synopsis in a 'Quick Question and Answer' style on the major budget issues, assumptions, impacts and financial challenges facing the Council. It is also used at staff training and Member briefing sessions.
28. Neither the external auditor's report included in the 2014-15 Statement of Accounts nor internal audit reports for 2014-15 have highlighted any significant issues in financial control or systems, which indicates that key financial systems are adequate to meet future needs.
29. The Council recognises that reducing staff numbers while making significant changes in business processes could impact negatively on the financial control environment. Consequently, plans to reduce the headcount in the finance section will take place in the latter years of the MTFP to mitigate the risk.

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## Financial governance

### The Council has sound financial governance arrangements in place

- 30.** The Council has developed an Organisational Development Programme which identifies key enablers through which the Council will reposition its approach to delivering services. This programme will inform the Council's target operating model, and is central to meeting the service challenges facing the Council within a more challenging financial environment.
- 31.** The Organisational Development Programme provides a model to implement fundamental changes required to ensure sustainable services are developed for the future. The programme is governed by the Organisational Development Board which is chaired by the Chief Executive and comprises all Directors. The Organisational Development Board is complemented by the Investment Review Board which approves resource decisions and is chaired by the Corporate Director of Resources who is also the S151 Officer.
- 32.** The Organisational Development Programme is split into two portfolios. The first portfolio is the Enabling Technology and Strategic Commissioning Portfolio, which includes: Assets and Property; Commercialisation and New Income Streams: Improvement; Governance and Engagement; and Strategic Commissioning. The second portfolio is the Reshaping Services Portfolio which comprises: Reshaping Customer Focus and Enabling Technology; Reshaping Infrastructure and Neighbourhood Delivery; Reshaping Services for Vulnerable Adults; and Reshaping Services for Vulnerable Children.
- 33.** The Reshaping Services Programme will continually review how services are reshaped against the target operating model. This will focus on delivering sustainable services that are classed as: targeted delivery through gateways; universal provision of services using the One Council approach; or enabling services within the organisation. The Organisational Development Programme also identifies and addresses skills gaps to enable effective delivery of the projects.
- 34.** The Council recognises that going forward it needs to link any budget savings resulting from work stream projects within the Organisational Development Programme projects to its MTFP.
- 35.** The S151 Officer provides regular briefings and budget strategy updates on the financial challenges facing the Council to Directors and Members. As part of budget strategy development, Market Place Sessions were held with Members to review the budget savings proposals for 2015-16 with budgetary analysis sheets provided for context. Extensive consultations were also held with citizens, businesses, partners and staff on the 2015-16 budget, and an extensive feedback report was produced. For 2016-17 the Council has produced a video which explains the financial challenges the Council is facing in the medium term, how the Council is planning to address these challenges and citizens are invited to comment on the plans for future service delivery.

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- 36.** The Council's MTFP covers the period 2016-17 to 2018-19. Positive steps have been taken to improve the identification of savings for 2016-17 and for the medium term, through engagement with directorates and an exercise to reshape the base budget. Members and directorates are actively involved in the process of setting the savings targets.
  - 37.** Directors are held to account for performance through the Council's 'Star Chamber' performance management process which was established to promote a culture of accountability and continuous improvement. The Chief Executive also holds monthly meetings with Directors to discuss financial performance and savings targets.
  - 38.** There are robust budget monitoring processes in place both at Member and Officer level, with regular reports being made to Cabinet and Scrutiny Committees.

# Appendix 1

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## Key characteristics

### Key characteristics of good financial planning

The authority's budget is set in the context of a longer-term financial strategy and a medium-term financial plan covering a three to five-year horizon.

The authority has clearly identified the savings it intends to make over a three to five-year term. The savings plan is underpinned by detailed costings and delivery plans for individual savings (including transformation/change savings).

The authority has a good track record of delivering on its savings plans.

Medium-term financial planning and annual budgeting reflect the authority's strategic objectives and priorities for the year, and over the longer term.

Assumptions around inflation, income levels, demographics, future demand for services and the costs of delivering services are modelled and based on reasonable predictions.

The authority understands its sources of income and the risks arising from these, and has reviewed its approach to fees and charges to ensure it achieves value for money.

Financial and corporate planning processes are integrated, link to risk management arrangements, and incorporate strategic planning for other resources including the capital programme and workforce planning.

The authority uses financial modelling to assess likely impacts on financial plans and required savings for different scenarios, and to help ensure short-term fixes are not achieved at the expense of long-term sustainability.

The authority models key expenditure drivers (for example, population changes and demand for services), sources of income (for example, income and government grant forecasts), revenue consequences of capital and resource requirements and balances.

The authority operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members, and appropriate to the strategic, operational and financial risks it faces.

If the authority is not at its target level for balances, there is planned action in place to achieve this, taking account of any associated risks to the organisation's financial position and delivery of its priorities.

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### Key characteristics of good financial control

The authority has an appropriate and effective budget management policy that clearly sets out roles, responsibilities and accountability. The scheme of delegation is clear, and processes are set out to manage budget under and overspends.

Financial monitoring and forecasting are fit for purpose and accruals based, helping to ensure a clear link between the budget, in-year forecasts and year-end position.

The authority analyses and extrapolates relevant trends, and considers their impact on the projected final out-turn.

The authority takes timely action to address any budget pressures, for example, by taking corrective action to manage unfavourable variances or by revisiting corporate priorities.

The authority has a good recent record of operating within its budget with no significant overspends.

The authority has agreed a clear policy on the use of its reserves. There is a clearly justified minimum level for its 'general fund' reserves balance. There is a clear rationale to explain transfer from, or between, reserves. Clear protocols explain how and when each reserve should be used. Decisions about reserves are underpinned by a comprehensive assessment of risk and current performance.

The reserves policy has been agreed by members and is subject to scrutiny.

The authority has a clear policy on income generation/charging. There is a register of charges across its services to help manage charges consistently. The authority has corporate guidelines on how concessions should be applied. Charges are regularly reviewed and the policy updated.

The authority monitors its key financial ratios, benchmarks them against similar bodies and takes action as appropriate.

The annual governance statement gives a true reflection of the authority.

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### Key characteristics of good financial governance

The leadership team clearly understands the significant and rapidly changing financial management challenges and risks facing the organisation, and is taking appropriate action to secure a stable financial position.

The authority has sufficient capacity and capability to promote and deliver good financial management.

The leadership team fosters an environment where there is good understanding and routine challenge of financial assumptions and performance, and a culture of transparency about the financial position.

The leadership team provides constructive scrutiny and challenge on financial matters to ensure arrangements remain robust and fit for purpose.

There is regular and transparent reporting to members. Reports include detail of action planning and variance analysis.

Members scrutinise and challenge financial performance effectively, holding officers to account.

Internal and external audit recommendations are dealt with effectively and in a timely manner.

There is effective engagement with stakeholders on budget issues, including public consultations.





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P12: Proposal for Improvement

Further strengthen the Council's financial planning processes by:

- a. developing more explicit links between the Medium Term Financial Plan and the Council's improvement planning arrangements;
- b. strengthening links between the Medium Term Financial Plan and service plans;
- c. ensuring that savings proposals owned by Directorates are linked to the Organisational Development Programme where relevant, are fully costed, and that delivery is driven by the Organisational Development Programme Board; and
- d. ensuring all budget savings plans are fully developed as appropriate with realistic timescales when the annual budget is set.

The Council's Medium Term Financial Plan (MTFP) identifies a budget reduction requirement arising from funding reductions, inflationary and demand pressures. The 2016/17 Budget Report marks an improvement to the Medium Term Planning Process in that it identifies a draft solution to the budget gap for 2017/18 and 2018/19 with a clear direction of travel targeted for 2019/20.

The savings identified as part of this solution were identified as part of an exercise aimed at reshaping the Council's base budget in a way that considered statutory minimum levels of service, the Council's Reshaping Services Programme and Target Operating Model.

The Council's corporate plan, budget and MTFP are developed concurrently, and work is undertaken to ensure their compatibility and consistency. This will be further strengthened.

At a directorate level, as noted above, the Council's approach to identifying a solution for addressing the Medium Term budget gap was based on an exercise that was underpinned by the Council's Target Operating Model. The proposed solution for the medium term should therefore have close synergies with service plans.

Steps have also been taken to ensure that there are clear links between directorates' medium term savings proposals and the Organisation Development Programme's focus on accelerating the shift to online services, facilitating alternative delivery models, increasing revenue from commercial activity and reducing the Council's asset base. Issues arising from both the Organisational Development Programme and the development of budget strategy are considered at Senior Management Team (SMT) on a recurring basis.

In order to ensure that budget savings plans are fully developed with realistic timescales, a series of officer challenge sessions are held following submission of proposals in September. Due diligence considerations are continued throughout the budget setting process. Furthermore, in identifying savings proposals, directorates are required to indicate their planning status, residual and achievability risk along with mitigating actions, and to outline the next steps and key milestones to achieving the saving. They are also asked to outline impacts on capital programme, employee implications and severance costs to give a rounded view of the proposal's implications.

Enhancements have been made to this process as part of 2016/17 budget setting and directorates were requested by Finance to undertake regular review of the planning status of their proposals, with continued emphasis on moving towards a detailed planning stage. Regular updates on the planning status of proposals were supplied into SMT and Informal Cabinet to ensure ongoing momentum. This is evident in the increase in the percentage of budget proposals that were at detailed planning stage at the time of the 2016/17 Budget Report. A total of 90.5% were realised or at detailed planning stage, compared to 82.4% in the 2015/16 budget report.

A further improvement for 2016/17 is the inclusion within the Budget Report of proposals to fully address the Medium Term budget gap for 2017/18 and 2018/19, with a direction of travel set for 2019/20. Post budget setting, this will enable focus to move directly to development and challenge of proposals for 2017/18, with less time and effort during the early part of the year expended on a detailed target-setting exercise. This should enable directorates to move to a detailed planning stage much earlier in the process.

Ref	Action	Timescale	Responsible Officer (s)	
P12a	Develop more explicit links between the MTFP and improvement planning arrangements as part of the 2017/18 budget process	December 2016	Corporate Resources	Director,
P12b	Strengthen the link between the MTFP and service plans as part of 2017/18 budget preparation work	December 2016	Corporate Resources	Director,
P12c	Review, as part of Budget Strategy, the opportunities to enhance linkages between savings proposals from Directorates and the ODP	July 2016	Corporate Resources	Director,
P12d	Continue - and build upon - approach adopted for 2016/17 budget	March 2017	Corporate Resources	Director,

**AUDIT COMMITTEE: 27 June 2016**

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**Wales Audit Office Report: Certificate of Compliance for the City and County of Cardiff Council (Improvement Plan)**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.3**

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**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to present to the Audit Committee the Certificate of Compliance issued by the Wales Audit Office (WAO) in respect of the Council's Corporate Plan 2016/17.

**Background**

3. The Auditor General for Wales (AGW) is required under sections 17 and 19 of the Local Government (Wales) Measure 2009 (LG(W)M 2009) to carry out an audit of the Improvement Plan, to certify that he has undertaken this, and to report whether he believes that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and the associated statutory guidance.
4. For the purposes of discharging this element of the LG(W)M 2009 the Council publishes a Corporate Plan.
5. The Certificate of Compliance is based on an assessment conducted after the publication of the Corporate Plan on 7<sup>th</sup> April 2016.

**Certificate of Compliance**

6. The AGW concluded that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

**Reason for Report**

7. To present the Auditor General's findings and set out the process for providing assurance that the Council is discharging its obligation under the Local Government (Wales) Measure 2009 and is having due regard to the output of regulatory activity.

## **Legal Implications**

8. There are no legal implications directly arising from this report.

## **Financial Implications**

9. There are no financial implications directly arising from this report.

## **RECOMMENDATIONS**

10. To note the work of the Auditor General and identify any issues which the Audit Committee consider relevant to their work programme.

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

*The following appendix is attached*

**Appendix 1:** Wales Audit Office (WAO) Certificate of Compliance: Audit of the City of Cardiff Council's Improvement Plan 2016/17

## Certificate of Compliance

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### Audit of The City of Cardiff Council's 2016-17 Improvement Plan

#### Certificate

I certify that, following publication on 7 April 2016, I have audited The City of Cardiff Council's Improvement Plan in accordance with section 17 of the Local Government (Wales) Measure 2009 (the Measure) and my Code of Audit Practice.

As a result of my audit, I believe that the Council has discharged its duties under section 15(6) to (9) of the Measure and has acted in accordance with Welsh Government guidance sufficiently to discharge its duties.

#### Respective responsibilities of the Council and the Auditor General

Under the Measure, the Council is required to prepare and publish an Improvement Plan describing its plans to discharge its duties to:

- make arrangements to secure continuous improvement in the exercise of its functions;
- make arrangements to secure achievement of its improvement objectives; and
- make arrangements to exercise its functions so that any performance standard specified by Welsh Ministers is met.

The Measure requires the Council to publish its Improvement Plan as soon as is reasonably practicable after the start of the financial year to which it relates, or after such other date as Welsh Ministers may specify by order.

The Council is responsible for preparing the Improvement Plan and for the information set out within it. The Measure requires that the Council has regard to guidance issued by Welsh Ministers in preparing and publishing its plan.

As the Council's auditor, I am required under sections 17 and 19 of the Measure to carry out an audit of the Improvement Plan, to certify that I have done so, and to report whether I believe that the Council has discharged its duties to prepare and publish an Improvement Plan in accordance with statutory requirements set out in section 15 and statutory guidance.



## Scope of the Improvement Plan audit

For the purposes of my audit work I will accept that, provided an authority meets its statutory requirements, it will also have complied with Welsh Government statutory guidance sufficiently to discharge its duties.

For this audit I am not required to form a view on the completeness or accuracy of information, or whether the Improvement Plan published by the Council can be achieved. Other assessment work that I will undertake under section 18 of the Measure will examine these issues. My audit of the Council's Improvement Plan, therefore, comprised a review of the plan to ascertain whether it included elements prescribed in legislation. I also assessed whether the arrangements for publishing the plan complied with the requirements of the legislation, and that the Council had regard to statutory guidance in preparing and publishing its plan.

The work I have carried out in order to report and make recommendations in accordance with sections 17 and 19 of the Measure cannot solely be relied upon to identify all weaknesses or opportunities for improvement.



**HUW VAUGHAN THOMAS**

**AUDITOR GENERAL FOR WALES**

CC: Leighton Andrews, Minister for Public Services

Non Jenkins, Manager

Chris Pugh, Performance Audit Lead

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 27 JUNE 2016****DRAFT AUDIT COMMITTEE ANNUAL REPORT 2015/16****REPORT OF CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 7.1****Reason for Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to consider and approve the Audit Committee Annual Report 2015/16.

**Background**

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

**Issues**

5. Members are requested to consider the Audit Committee's Annual Report 2015/16 (Appendix A) as a record of the activities and opinion of the Audit Committee for the municipal year 2015/16. The report has been prepared based on the evidence presented to the Committee throughout the year and following consideration of the Draft Audit Committee Annual Report, in the Audit Committee meeting of 22 March 2016.

**Legal Implications**

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

## **Financial Implications**

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

## **Recommendation**

8. Members of the Committee consider and agree the Audit Committee Annual Report 2015/16 for consideration by Council.

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

The following Appendix is attached:

**Appendix A** – Audit Committee Annual Report 2015/16

# **Audit Committee Annual Report 2015/16**



**The City of Cardiff Council**

# The Ten General Principles of Public Life

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

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## **1. Foreword by Ian Arundale, Chairperson of the Committee**

I am pleased to present this report which provides an overview of the Audit Committee's work during the municipal year 2015/16. It is my first Audit Committee Annual Report since taking over the role of Chairperson in June 2015.

This Municipal year has seen the departure of key Members and Officers, including Sir Jon Shortridge (Chairperson), Marie Rosenthal (Corporate Director - Governance & Legal Services) and Derek King (Audit & Risk Manager) all of whom have provided a tremendous service to the Audit Committee. I would like to acknowledge their efforts and thank them, on behalf of the Audit Committee, for their highly valued services.

I wish to record my thanks to all Elected Members and the Independent Lay Members who have served on the Committee this year. Members from across the political groups have come together in an extremely effective way in our five meetings this year. It is also very encouraging to report well attended meetings, given how busy members are in fulfilling other roles and responsibilities.

Throughout the year Audit Committee has continued to receive highly valued professional support from Accountancy, External Audit (Wales Audit Office), Internal Audit, Treasury Management and Improvement & Information Management. Additionally, we have invited officers to attend Committee to respond to concerns raised by Members or identified through various Committee reports, such as internal and external audit reports.

We have reviewed our work programme at each Committee meeting, taking account of changing risks and priorities through the reports and information we receive from Members, Officers, external stakeholders and other Committees of the Council. Our Work Programme has been extremely busy this year with a wide range of issues brought before the Committee.

We acknowledge the broad remit of our role and have reflected on the effectiveness of governance, risk management and control at all organisational levels in providing an overall assurance opinion and informing the Council's Annual Governance Statement 2015/16.

We have considered comments from the Wales Audit Office regarding the need for a more streamlined process for Committee meetings, and have taken a number of actions to improve our focus. These include holding informal discussions before formal meetings, the creation of a Member's SharePoint reference site and greater use of email for sharing information. In addition, through collaboration with Scrutiny Services, we have developed a protocol for complimentary working and understanding between our respective Committees. We will reconsider our performance through a new Audit Committee Self-Assessment review in September 2016.

In looking forward to 2016/17 and beyond, in the context of continued financial pressures facing the Council, reshaping of services, new models of service delivery and a growing demand for public services, the importance of an effective Audit Committee remains critical. In February 2016, Committee Members considered the Welsh Government's draft Local Government (Wales) Bill proposals, which will see the Audit Committee renamed as 'Corporate Governance and Audit Committee'.

The Audit Committee welcomes the anticipated widening of its roles and responsibilities from the Local Government (Wales) Bill. Having recently received a report from the Monitoring Officer and participated in Cardiff Council's consultation response, we will keep a watching brief on the implementation of the Bill.



Cardiff Council can take some assurance from the positive improvement steps recognised in the Corporate Assessment Follow On, issued by the Wales Audit Office in February 2016. However, there is still much to do to embed change and improvement within the Council. There is a need for the Council to continue to work hard to fulfil its responsibilities and to ensure robust arrangements are in place for effective governance, risk management and control which are essential to ensure sustained improvements.

## **2. The Role of the Audit Committee**

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

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

The Measure requires an Audit Committee to be established that includes Independent Lay Members. The City of Cardiff Council determined that the membership of its Audit Committee would be twelve Members; eight Elected Members and four Independent Lay Members, which meets the requirement of the proposed new Local Government (Wales) Bill.

Specifically, the Terms of Reference of the Committee embraces the following:

### Governance, Risk & Control

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

### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.

- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.
- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### External Audit

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

#### Financial Reporting

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

#### Accountability Arrangements

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

#### Training & Development

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

### **3. Our Work in 2015/16**

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

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

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

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

### **4. Standard Items**

#### **4.1 Finance**

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

The Audit Committee Chair has written to the Chief Executive this year, requesting an increase in the level of rigour placed on the identification and allocation of Directorate savings. Assurance on the due process has been provided by the Section 151 Officer.

This year saw a new risk added to the Corporate Risk Register relating to Financial Resilience and the Corporate Director Resources (Section 151 Officer) has provided regular updates on this and agreed to continue to do so at future meetings.

Much work has gone into preparing the Budget Strategy for 2016/17 and the medium term, which was approved by Cabinet and Council in July 2015. The Corporate Director Resources has outlined the process involved and assured Audit Committee that robust due diligence and scrutiny of 2016/17 proposals has been undertaken through the updated budget strategy approach which was introduced in 2015/16 in consideration of the future shape of the Council.

On 22 June 2015, the Committee was given opportunity to review and provide comments on the 2014/15 draft Statement of Accounts, prior to them being signed by the Corporate Director Resources and subsequently submitted for external audit and public inspection. On 16 September 2015 the Wales Audit Office reported to Committee that they were issuing an

unqualified audit opinion. Officers were congratulated on completing a very comprehensive and complex piece of work within the required timescale.

## **4.2 Governance, Risk Management & Internal Control**

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

The Annual Governance Statement (AGS) is a fundamental governance document which the Audit Committee plays a key role in contributing to and challenging. During the municipal year 2015/16 the AGS was considered by the Audit Committee, in conjunction with the draft Statement of Accounts for 2014/15, in June and September.

The Committee has had early involvement with the draft AGS 2015/16. In February 2016 Audit Committee was provided with a report on the process in place for compiling the AGS, inclusive of an update on the senior management assurance process. In March 2016, Audit Committee was provided with the opportunity to comment on the draft AGS.

Levels of assurance from a number of sources have been incorporated into the AGS in reporting on the Council's governance arrangements. A Governance and Member Engagement Programme Board, comprising officers throughout the Resources and Governance and Legal Services Directorates has contributed to producing the AGS.

The revised senior management structure took effect in June 2015, and Audit Committee has engaged with each Director since their appointment. Audit Committee has continued to receive update reports biannually on the corporate risk register and senior management assurance statement responses.

The Audit Committee has received the analysis of a benchmarking exercise with UK Core Cities which identified the broad alignment of Cardiff Council's corporate risk register with those in other Core Cities. This has provided assurance on the content of the corporate risk register and the risk management focus at a time when its composition has been relatively static.

In November 2015, Audit Committee received a briefing on the senior management exercise undertaken in order to inform the development and formalisation of a corporate risk appetite by Cabinet. At a time when difficult strategic decisions need to be made there is a need to accept a level of risk which is acceptable to the Council, and within tolerance. The Audit Committee will monitor the progress in formalising this approach and embedding risk appetite considerations in decision making.

The Audit Committee has received a report on the expanded use of senior management assurance statements in order to support the AGS, by engaging the assurance of the Chief Executive in addition to each Director at the year end. This provides more comprehensive assurance which now represents the full management team.

The Audit Committee have also recognised the work undertaken within Internal Audit to create an assurance "map", gathering information from a wide range of reports and studies undertaken from both inside and outside the Council, applying the "three lines of defence" approach.

### **4.3 Treasury Management**

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

Over the past twelve months the Committee has received reports on the Treasury Management Annual Report, Mid-Year Report 2015/16, Treasury Management Strategy 2016-17 and the Treasury Performance Report.

This has given Members the opportunity to scrutinise and challenge the approach adopted and decisions taken. This is a complex area, and the Committee believes that it has added value by probing and scrutinising policies and the data provided in conjunction with Officers.

The Committee is satisfied with the way in which the Council is currently undertaking its Treasury Management responsibilities, but has emphasised the need to ensure a spread of debt repayments. At the Mid-Year position, it was reported that the maturity of debt profile has improved with a stable projection to 2056.

The Committee has been provided with an update on the Treasury Management position in each Committee meeting, but has previously expressed an interest in receiving further benchmarking data on treasury management activities with comparable Councils. The Council has subsequently become part of the Capita Benchmarking Club, which it is anticipated will enable meaningful comparisons. Benchmarking has also been carried out to compare the Council's level of debt with the Public Works Loan Board, from which in June 2015 we are assured that of other local authorities the Council's average rate of debt was below the Welsh average.

Audit Committee updates have been provided on borrowing in relation to the Housing Revenue Account settlement payment, and the final details of the settlement payment made to exit the Housing Revenue Account Subsidy (HRAS) system.

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

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

The Committee has received key documents throughout the year such as the Regulatory Programme; Audit of Financial Statements Report; Audit Plan; Annual Financial Audit Outline (including the Cardiff & Vale Pension Fund Audit Plan) and in September 2015 the WAO's Annual Improvement Report.

An arrangement has been set up for Members of the WAO team to be present at each meeting in order to engage with members on key report findings and on the progress and timetable of forthcoming reports.

In February 2016 WAO issued the Corporate Assessment Follow On of the Council. The follow-on assessment reviewed the extent to which the Council was effectively addressing the issues raised in the Corporate Assessment in September 2014.

The follow-on review concluded that 'The Council has put in place better arrangements to support improvement and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes.'

The positive steps which have been made by the Council should be commended, but there is a need to avoid complacency and ensure that the recommendations and proposals for improvement are promptly and effectively acted upon.

Audit Committee Members receive a number of other reports and studies from WAO. These reports are of interest, but often present broad national or regional findings and conclusions. Each report / study is considered and any lessons learned are reported separately to Audit Committee and officers asked to attend to provide assurance any findings will be acted upon in the best interest of the Council. There have been three such reports /studies during 2015-16.

## **4.5 Internal Audit**

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

- Internal Audit Strategy (including Internal Audit Charter)
- Internal Audit Plans
- Internal Audit Quarterly Progress Reports
- Internal Audit Executive Summaries
- Internal Audit Annual Report
- Value for money Studies
- Changes to key documents / policies.

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

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

The Audit Committee has been provided with an overview of all audit reports issued but emphasis has been on those audits where "Limited assurance" audit opinions have been reported and in seeking assurance around improvement, through implementing audit recommendations. The level of "Limited assurance" opinions has slightly increased on last year (22 to date + 6 on hold) which requires careful monitoring, but encouragingly the outcomes from follow up audits are much improved on previous years.

Members have welcomed a new protocol introduced this year so that every "Limited assurance" report is now shared with the Chief Executive and Section 151 Officer, which enables the Committee to focus on area where there are significant control weaknesses i.e. "No assurance" audit opinion reported, and where follow up audits have failed to evidence satisfactory improvement to the internal control environment.

Further detail on some outcomes from the work of the Internal Audit Team is shown later in the section 'Non-Standard Reports to the Audit Committee' and the Committee will receive a full year overview of audit work completed, and key messages, when the Internal Audit Annual Report is presented to the June 2016 meeting of the Audit Committee. This report will provide the Audit Manager's opinion on the Council's overall position in relation to risk, governance and internal control, based on the work undertaken by the Internal Audit team.



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

The Committee received a number of reports throughout 2015/16 which were not standard items. Details of these reports are given below:

### **5.1 Education & Lifelong Learning**

Glyn Derw and Michaelston Federation - The Committee considered an Executive Summary Report on Glyn Derw and Michaelston Federation in February 2016. This audit highlighted a wide range of concerns around governance and financial control which were discussed with the Director. Audit Committee has been advised that a new business manager has taken up post and has been working with staff and provided with additional support from the LFM Manager to address concerns. Audit Committee has expressed concern about financial accountability and governance prior to the establishment of a new school and this will be included in the follow up Internal Audit review.

Youth Centre Inventories - The Audit Committee was provided with an Internal Audit briefing which outlined how improvements identified in an audit of Youth Centres Inventories in 2013 had not been sustained. Consequently 'No Assurance' could be given on the management of assets in the centres. Meetings have been held with the Director and appropriate Managers with regard to the report, and it has been agreed that the audit findings will be considered as part of any changes to the youth service in the coming months. A follow up audit will be undertaken in six months to ensure that controls have been appropriately enhanced.

Annual Report on School Governance and Deficit - The Committee received a position statement on schools in deficit at its meeting on 22.06.15. Although there did not appear to be timescales for the schools to bring their budgets out of deficit, the Committee was advised that there are only a small number of schools that continue to cause concern to the authority. It has also been reported that there has been an increase in performance management in schools with some good changes in leadership, which includes financial management. There are cases where excess balances have not reduced over the last four years, however, the Committee was advised that most of these balances would be reduced in setting school budgets for 2015/16. The Committee will continue to receive information on schools balances as part of the Director of Education & Life Long Learning's report on governance in schools.

### **5.2 City Operations**

Highways Street Operations – In June 2015, the Director of City Operations (formerly Strategic Planning, Highways & Traffic & Transport) provided Audit Committee with a response to an internal audit report which raised a number of concerns including monitoring of staff activity, hours worked and use of vehicles. Improvements were reported with a commitment to change through the appointment of new works managers and a team leader, and the introduction of several initiatives to improve efficiency. Internal audit will assess the progression of these initiatives and review the progress in implementing audit recommendations raised in a forthcoming follow-up review which is scheduled for the first quarter of 2016/17.

### **5.3 Communities, Housing & Customer Services**

Building Maintenance Framework Contract – Audit Committee Members have raised a number of concerns about work quality, cost effectiveness and operational matters in relation to the Building Maintenance Framework. Assurances have been sought through a number of information streams, including the commissioned independent review of the framework by Constructing Excellence Wales (CEW) and the presence of a Principal Auditor on a Building



Maintenance Project Board, which has developed a series of actions and targets in order to meet the objectives of the CEW recommendations.

In November 2015, Audit Committee received a presentation on the Building Maintenance Framework from the Assistant Director Housing and Communities, Senior Category Manager, Commissioning & Procurement and OMs in Facilities Management and Community Maintenance Services. The presentation provided Committee with a briefing on key features of the Building Maintenance Framework Agreement, the remit of CEW Review and a summary of the findings and action plan.

Members welcomed the detailed briefing on this area and a number of matters were raised which included in particular:

- the need for better communication of the policies and processes with Elected Members;
- the need for a focussed single Council delivery approach to provide best use of resources and improved monitoring, customer service and satisfaction;
- the need to ensure effective use of Council resources, value for money in parallel to effectiveness and efficiencies of current framework;
- the need to learn from current framework contract arrangements;
- the importance of a robust process for complaints; their review; and consideration be given to a quality assurance report for tenants / clients to complete and return (aimed at providing the more vulnerable people with a greater opportunity to comment on work done and quality issues);
- the Asset Management group continue to monitor the implementation of the recommendations arising from the CEW report.

## 5.4 Internal Audit

Measuring Effectiveness of Internal Audit – This year the Audit & Risk Manager has presented details of work undertaken as part of the Quality Assurance and Improvement Programme used to measure the effectiveness of internal audit in relation to the following different elements:

- Delivery against the Audit Plan;
- Delivery against Annual Objectives;
- Internal quality assurance reviews;
- Extent to which audit recommendations are agreed and implemented;
- Director meetings and audit assurance questionnaires;
- Public Sector Internal Audit Standards – self assessment;
- Institute of Internal Auditors – “ What Every Director Should Know “ self-assessment;
- Audit Committee view as part of Audit Committee Self-Assessment;
- Benchmarking;
- External Assessment ;
- Wales Audit Office opinion on Internal Audit and overall financial control opinion;
- Management Performance Review.

Audit Committee welcomed the report and commended the team on its robust audit work against a reducing level of resources. The client feedback has showed that the effectiveness; professionalism and understanding of the audit function have been high.

Assurance Mapping - The Committee has received a report from the Audit and Risk Manager on the development of an Assurance framework which is being used to review the Council's internal control environment. The assurance map begins with the contents of the corporate risk register, senior management assurance statements and significant governance issues arising from the annual governance statement. The outputs of different sources of assurance are populated on the assurance map, utilising a three lines of defence model. This model considers

the assurance gained from management / internal controls, inspection / regulatory / compliance activities and the work of external audit.

During a time of limited audit resources, with a strong ongoing need for audit assurance, the assurance map considers the work of others in providing assurance in relation to governance, risk and internal control matters. This is used to shape Internal Audit priorities and impact on the work and timing of the Internal Audit Team, to avoid duplication and ease pressure on Directorates, who may be subject to both internal and external assurance reviews.

Public Sector Internal Audit Standards - The Audit and Risk manager has provided an update on the Public Sector Internal Audit Standards (PSIAS) which were adopted in April 2013. The PSIAS have a number of requirements, including the requirement for an external assessment at least once every five years. The Welsh Chief Auditor's group are proposing that all Welsh authorities establish a joint peer group to undertake such assessments. This approach is consistent with a peer group established for Core cities across the UK, being based around a robust self-assessment and an external evaluation that fully meets the requirements of the Standard, whilst being cost effective. The Audit Committee has approved the above approach to carrying out external assessments in compliance with Public Sector Internal Audit Standards (PSIAS). In readiness for the external assessment, an Internal Audit Self-Assessment has been completed and has produced improvement actions which are being progressed.

Internal Audit Management – In February 2016, Members received a report on the amended management arrangements for Internal Audit.

Following the appointment of a Head of Finance in September 2015, a review was undertaken to consider the overall management structure in Finance, including suitable arrangements for the Internal Audit functions.

With the Audit & Risk Manager retiring at the end of March 2015, after 45 years in local government, primarily working within Internal Audit, a decision was taken to appoint a new Audit Manager with a focus on the core roles of Audit and Investigation services. The retiring Audit & Risk Manager had been instrumental in the development of the Audit Committee since 2003, when the first Audit Panel was established, and continued to provide technical support and reports to every meeting since then.

Members have been keen to ensure a seamless transition and the appointment of a new Audit Manager who offers effective leadership and direction to the Audit teams and a professional service in supporting the work of the Audit Committee. There has been a temporary period where the Audit Manager role has been facilitated by the Head of Finance, during a period where the post has been advertised. This arrangement will continue until a suitable appointment is made.

Risk Management Assurance – The retirement of the Audit and Risk Manager has provided an opportunity to allocate risk management responsibilities to a senior officer who is outside of the Internal Audit function. This serves to reduce any perceived impairment to objectivity or independence in risk management activities. It also enables the Internal Audit Team to focus audit resources on risk management assurance, with a reduction in risk management coordination requirements.

Value for Money Studies (VFM) - The Internal Audit Team has produced a number of value for money (VFM) studies which have been welcomed by the Audit Committee. Committee has been provided with VFM briefings on Agency Spend, Standby Payments, Annual Leave, Overtime, Home to Office Travel, and Mileage Claims and each report has presented potential

opportunities for management to realise efficiencies and reduce costs. The Audit and Risk Manager has sought assurances on the appropriateness of spend and asked Directors to identify and consider potential areas for savings. In addition to efficiency based concerns, some compliance and control issues were highlighted through these studies which Directors have been asked to address. Audit Committee will continue to monitor the results of value for money briefings received and seek assurances that progress is being made to improve processes and practices.

## **5.5 Scrutiny Services**

Audit / Scrutiny Protocol - The Audit Committee Members and Council Officers have collaborated with the Policy, Review and Performance (PRAP) Scrutiny Committee to create a draft protocol between our respective Committees. The protocol ensures roles and responsibilities are clearly defined, work planning is complementary and that any potential work duplications are avoided. It is supported by clearly defined areas of responsibility and processes to share work programmes, information and certain reports. It is anticipated that the report can be finalised once the terms of reference of each Committee have been approved for the municipal year 2016/17.

## **6. Audit Committee Self-Assessment**

On 19 January 2015 a workshop was held prior to the meeting of the Audit Committee to undertake a Self-Assessment exercise. On 23 March 2015 the outcomes were summarised and reported back to the Committee for approval.

At the Audit Committee meeting in on 1 February 2016, the Audit and Risk Manager provided an updated assessment, following a review of the current position relating to the sixteen improvement actions from the January 2015 Self-Assessment. The follow-up review showed that most of the actions had been implemented, with two actions contingent on the finalisation of a Scrutiny and Audit Protocol. This protocol has been drafted and discussed with only minor amendments anticipated before it can be approved.

The follow-up assessment is appended to this Annexe 1, and the next full Self-Assessment exercise is scheduled for September 2016.

## **7. Key Observations 2015/16**

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

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

maintained. The Committee will continue to support the Council as it responds to these challenges.

## **8. Opinion of the Audit Committee for 2015/16**

At the strategic level, based on the evidence presented to the Audit Committee during 2015/16, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks are well captured and reviewed on a regular basis and these represent the true challenges facing the Council at the present time. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2016/17, include:

### **8.1 Organisational Development Programme**

The Organisational Development Programme (ODP) has been discussed at Audit Committee meetings in 2015/16. This is with the clear recognition that delivery against the Organisational Development Plan is being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee).

Although some assurance can be placed on the work of Scrutiny, the Audit Committee has expressly noted that the importance of this programme of work for the Council on its improvement journey. The programme has a key role in moving the Council towards its new shape and is acknowledged as a critical savings enabler.

At a time when Audit Committee has continued to challenge the budget position when faced with unprecedented financial pressure, the recently issued Corporate Assessment Follow On report from the Wales Audit Office has highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

Audit Committee will reflect on the comments raised by the Wales Office, and will seek assurance from relevant management and through the work of Internal Audit, that the ODP is clearly aligned to and monitored against critical business objectives. In the forthcoming year, Audit Committee intends to invite the Leader and Chief Executive to attend and answer questions related to the Corporate Assessment Follow On.

In recognising the critical importance of the ODP to the Council, Internal Audit has initiated a Control Risk Self-Assessment (CRSA) approach to auditing an initial pilot of ODP projects and regular engagement with Management in the OD Team. Audit Committee anticipates the findings of Internal Audit and the ongoing assurance from the roll-out of the audit approach throughout 2016/17.

### **8.2 Financial / Internal Control**

The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. The Committee continues to receive regular updates from the Corporate Director Resources and other senior managers to seek assurances around governance and fundamental financial control.

Audit Committee receives regular reports in respect of the budget, treasury management and financial resilience. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be

finance driven it is essential that internal controls are not neglected or impaired in the use of public monies.

Over 2015/16 there has been an increase in limited or no assurance audit reports from the Internal Audit Section. This is a concern that will require regular review by the Audit Committee, particularly when some isolated functions have repeatedly failed to maintain the required standards of internal control. The number of such reports is not yet at a level of significant concern, but the trend of limited assurance being reported has captured the attention of the Audit Committee. In instances where improvements are not promptly made we will be inviting those accountable to attend Audit Committee and explain the reasons for control weaknesses and to provide a firm commitment to improvement. This is with strong support and commitment from the Chief Executive to support management and the Audit Committee in driving improvements.

### **8.3 Contract and Procurement Matters**

Through a number of Internal Audits completed this year a consistent weakness has been contract management and performance monitoring. Some areas of the Council such as Social Services rely heavily on commissioned services for certain aspects of their services and spend a significant amount of money on this purpose. Internal Audit reports are regularly reporting limitations to assurance on the basis of a lack of clear contracts for high value spend and instances of lapsed contracts, in addition to weaknesses in contract management where contracts are in place.

The Building Maintenance Framework contract involves a significant amount of spending with a limited number of contractors for services under different lots. For some time, Audit Committee members have identified and raised concerns about the cost effectiveness and quality of work carried out by contractors within the current Framework. This has been based on Member observations of elderly and/or vulnerable tenants receiving substandard work or delays from contractors and sub-contractors. Some of these delays have been significant i.e. for weeks if not months. Many Members have also reported poor communication and situations where tenants have been left waiting in their homes all day for services which were not received when arranged.

Members have sought assurances that the quality of the work would be monitored more closely in future and welcomed the commissioning of the independent review by Constructing Excellence Wales (CEW). Far from being dismissive of concerns, the report echoed members' concerns and made a series of recommendations such as a Building Maintenance Project Board, which includes a Principal Auditor, to develop a series of actions and targets to address all the highlighted issues.

A presentation by the Assistant Director Housing and Communities and the Senior Category Manager (commissioning and Procurement) was made on the Building Maintenance Framework in November 2015 and the reasoning behind the five contract categories explained. With the help of OMs in Facilities Management and Community Maintenance, the Committee received a detailed explanation of the CEW remit, its findings and the resulting action plan.

Members have raised observations and the expectation that updated processes and standardisation will ensure effective management of contractor performance. This needs to be enabled through embedding clear and accessible processes to raise concerns, issues or feedback which are consistently and transparently managed and responded to in a timely manner. Improvements are needed in monitoring and accountability to ensure that quality, time and cost issues are identified and rectified promptly, with lessons learnt from the existing framework and external (CEW) review and with contractors held to account for substandard

performance through enactment of contractual terms and clauses. Members have welcomed the introduction of 'mini-tendering' within each five categories as a means of introducing competition and hopefully value for money within the Framework arrangements.

The Audit Committee is seeking greater engagement with the Building Maintenance Framework Programme Board and such arrangements for the clear communication of concerns and also demonstration and assurance of progress made by the Board have been initiated following the year end.

The commissioning of the CEW review represents positive steps in seeking to improve contract management processes, but on a Council-wide basis there are areas where significant amounts of money are being spent without clear contracts, or where contracts are not being sufficiently monitored and managed. This is a finding which is consistently being reported.

At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Framework Project Board.

## **8.4 Schools Governance & Compliance**

Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' audit reports in relation to schools, compared to the rest of the Authority. This trend has not improved in 2015/16, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses.

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. Although practices can only be commended, given the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and commending of best practice guidance to schools in the interests of strengthening financial control.

Effective financial management is another important element of governance in schools. Audit Committee has received a position statement on schools in deficit in June 2015. The Committee was advised that there are only a small number of schools that continue to cause concern to the authority. The Committee will continue to receive information on schools balances as part of the Director of Education & Life Long learning's report on governance in schools.

## **8.5 Internal Audit Resources**

The financial challenges facing the Authority are having an impact across all services resulting in the reduction of resources. The Internal Audit section like others has seen a significant reduction in the number of staff in recent years, and a loss of experienced officers. Reliance is placed on the Internal Audit team to provide assurance to the Section 151 Officer and senior management on the key controls in place across the Authority.

The Audit Committee has continued to express concern about the reducing number of audit staff, requesting that this is expressly stated in the Annual Governance Statement 15/16. Audit Committee members have also questioned if Internal Audit has sufficient resource to discharge its responsibility. The Head of Finance has assured the Audit Committee that although resourcing concerns are valid, post reductions in Internal Audit have not related to its core



function. The Audit Committee will continue to require details of the Internal Audit resources available relative to its required activities, and the management of staffing limitations and risks through the Audit Manager's quarterly progress reports.

At a time of financial pressure and significant change, with lots of officers leaving who have many years of experience, it is considered vital that a strong audit presence is maintained.

## **9. Looking ahead to 2016/17**

During the forthcoming municipal year the Committee will continue to be guided by the Corporate Director Resources, External and Internal Audit teams.

Audit Committee will seek to further develop the assurances relative to our remit and will continue to contribute to an effective control framework. The Committee will monitor the issues highlighted in the 'Opinion of the Audit Committee 2015/16' contained within this report ensuring these are incorporated within the Committee's programme of work.

Audit Committee has a keen interest in appointment of the new Audit Manager, who will not have the responsibilities for risk which were held by the retiring Audit and Risk Manager. This provides an opportunity to separate out any perceived independence and objectivity issues with the coordination role being removed from the Internal Audit Section.

With risk management being a key activity in our terms of reference, we will be seeking assurance that new structures for risk management and control are robust, and will look to the Internal Audit team to provide independent assurance to Audit Committee on their effectiveness.

Additionally, Audit Committee will keep a watching brief on the development of the Local Government (Wales) Bill. Any required measures will be put in place to ensure that the Committee is well placed to discharge all responsibilities effectively resulting from the widening of its responsibilities which result from the bill.

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

## **10. Audit Committee Membership 2015/16**

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

The Committee is serviced by Council Officers, principally the Corporate Director Resources (Section 151 Officer) and the Audit & Risk Manager. Representatives from the Wales Audit Office have attended three of the four (to date) meetings.

The Audit Committee met on 5 occasions throughout the municipal period 2015/16 on the following dates: 22 June 2015, 16 September 2015, 30 November 2015, 01 February 2016 and 22 March 2016.



## 11. Attendance in 2015/16

### Attendance 2015/16 Possible Actual

Attendance 2015/16	Possible	Actual
<b>Independent Lay Members</b>		
Ian Arundale (Chairperson)	4	3
Professor Maurice Pendlebury (Deputy Chairperson)	4	4
Sir Jon Shortridge	2	1
Hugh Thomas	4	2
<b>Non Executive Councillors</b>		
Councillor Nigel Howells	4	4
Councillor Bill Kelloway	2	2
Councillor Mary McGarry	4	3
Councillor Paul Mitchell	4	3
Councillor Jim Murphy	4	4
Councillor Dianne Rees	4	3
Councillor Christopher Weaver	4	4

During 2015/16 the Committee experienced a number of changes in membership; Sir Jon Shortridge stepped down from the Committee in September, following his extensive experience as the Chair of the Audit Committee, and former Audit Panel of the City of Cardiff Council.

Councillor Walker took up his new role as Lord Mayor, and subsequently left the Committee in May 2015. Councillor Robson left in June, following a change in political party and was replaced by Councillor Kelloway, who has previously served on the Audit Committee.

Councillors, Dianne Rees and Eleanor Sanders, joined the Committee following Annual Council in May 2015, however, shortly after, Councillor Sanders stepped down.

Induction training was provided to Councillors Rees and Murphy. The Audit & Risk Manager provided an overview of the Committee's remit in line with the Committee's Terms of Reference, governance, risk management and internal control. The Operational Manager, Capital & Treasury, provided specialist training around the Committee's role with regards to Treasury Management.

There have been two vacancies on the Committee this year; one Lay member position has been vacant since June.

## 11. Audit Committee Contacts

<b>Ian Arundale</b> Chairperson of Audit Committee	<a href="mailto:arundale@btinternet.com">arundale@btinternet.com</a>
<b>Christine Salter</b> Corporate Director Resources	029 2087 2301 <a href="mailto:C.Salter@cardiff.gov.uk">C.Salter@cardiff.gov.uk</a>
<b>Audit Manager</b> (Vacant)	029 2087 2248
<b>Ann-Marie Harkin</b> Engagement Director, Wales Audit Office	029 2032 0562 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a>
<b>Janet McNicholas</b> Manager, Wales Audit Office	029 2087 2259 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a>
<b>Non Jenkins</b> Manager, Wales Audit Office	07879 848671 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a>
<b>Chris Pugh</b> Performance Audit Lead, Wales Audit Office	029 2032 0523   07748 181685 <a href="mailto:info@wao.gov.uk">info@wao.gov.uk</a>

## Annex 1 Self-Assessment: Improvement Actions – Updated Position (February 2016)

Ref.	Proposed Improvement Actions	Target Date	Action Owner	February 2016 Position	February 2016 Status
	<b>Roles &amp; Responsibilities</b>				
1	<p><u>Audit Committee Terms of Reference</u></p> <p>Officers to undertake a review of the Committee's Terms of Reference prior to Annual Council in May 2015 to ensure fit for purpose and in line with current best practice.</p>	May 2015	Audit & Risk Manager	The Audit Committee Terms of Reference was reviewed and approved in May 2015.	Actioned.
Page 291	<p><u>Volume of Meeting Papers</u></p> <p>Members noted that although the agenda supports the Work Programme there are often large volumes of paper associated with each agenda item. It can be difficult for Members to digest prior to the meeting given other demands. Officers to be reminded that the information put in front of Members to be relevant and concise and not overly detailed. Where Members of the Committee have concerns over such matters to report to the Committee Chair.</p>	Ongoing	Corporate Director Resources & Audit & Risk Manager	<p>To reduce the agenda size in Audit Committee meetings three new approaches have been introduced.</p> <p>1) An Audit Committee SharePoint site has been created so that documentation of interest to the Audit Committee can be stored for Member information. This is being developed, with solutions being sought for Independent Members who are not currently able to access the SharePoint site.</p> <p>2) Emails are being circulated to Members for information communications, to limit Audit Committee agendas.</p> <p>3) Members are invited to a pre meeting of the Audit Committee giving them an opportunity to raise and discuss any issues prior to the formal meeting.</p>	Actioned
3	<p><u>Information Items</u></p> <p>Items for information to be taken off the Agenda and distributed for information only.</p> <p>Any ongoing actions to be reviewed and where appropriate to be reported, in brief, under Outstanding Actions (for information only.)</p>	Ongoing	Secretariat	<p>As above, information only items are being reduced in Audit Committee meetings.</p> <p>Pre meeting allows Members with the opportunity to raise issues.</p>	Actioned

Ref.	Proposed Improvement Actions	Target Date	Action Owner	February 2016 Position	February 2016 Status
4	<p><u>Assurance Summary</u></p> <p>The Audit Committee annually are presented with an Assurance Summary of the key governance issues and corporate risks. Members of the Committee to continue to receive this summary annually to provide a level of assurance against the Committee's Work Programme.</p>	Annually	Audit & Risk Manager	<p>On a biannual basis, the Audit Committee receives</p> <ul style="list-style-type: none"> <li>An action plan of the 'Significant Governance Issues' affecting the Council, as updated by the Senior Management Team, and;</li> <li>The Corporate Risk Register (detailed and summary versions).</li> </ul>	Actioned
5	<p><u>Circulation of Work Programme</u></p> <p>The Committee's Work Programme is to be published more widely amongst elected Members similar to Scrutiny.</p>	Ongoing	Democratic Services	Meeting papers published on the Council Website.	Ongoing
6	<p><u>Audit Committee &amp; Scrutiny Committees</u></p> <p>In order to address the issue of items being considered by Scrutiny overlapping with Audit Committee a protocol is to be developed by officers.</p> <p>In order to support this notion the Audit Committee Chair would consider it beneficial to meet with the Scrutiny Chairs on an annual basis.</p> <p>In future, Scrutiny work programmes to be shared with Audit Committee Members and used to inform Audit Committee work programme to avoid duplication.</p>	Ongoing	Secretariat	<p>A draft Scrutiny and Audit Protocol has been developed to promote work synergies.</p> <p>The Audit Committee Chair also attended a Scrutiny Chair's Liaison Forum in quarter two (2015/16).</p>	Draft protocol Prepared - Ongoing

Ref.	Proposed Improvement Actions	Target Date	Action Owner	February 2016 Position	February 2016 Status
7	<p><u>Chairperson's Letters</u></p> <p>There have been instances where issues have been reported to the Committee on more than one occasion, where action has not been taken. In order to escalate these matters the Chair will in future write to the Chief Executive, relevant Cabinet Member or relevant Scrutiny Chair if the Director cannot provide a resolution.</p>	Ongoing	Audit & Risk Manager	This is now happening and the Chair does raise issues with the Chief Executive, Cabinet Member or relevant Scrutiny Chair as considered appropriate.	Actioned
8	<p><u>Independent Members</u></p> <p>Engagement with Members - To benefit the independent Members an item to be included on each agenda which can be used for elected members to bring any matters of interest to the independent Members.</p> <p>Members Newsletter - The newsletter circulated to elected Members to be distributed to the Independent Members.</p>	Ongoing	Democratic Services	<p>All Members receive induction training.</p> <p>There is a pre meeting before every Audit Committee meeting, where there is an opportunity for all Members to have discussions and to bring any matters of interest to the independent members.</p> <p>Being considered as to best means of sharing this. Potential to use SharePoint website once access provided to Independent members.</p>	<p>Actioned</p> <p>Ongoing</p>
<b>Monitoring &amp; Oversight</b>					
9	<p><u>Internal Audit Resource</u></p> <p>The impact of reducing resources within the Internal Audit Team to be highlighted in the Audit Committee's Annual Report.</p>	March 2015	Audit & Risk Manager	<p>The impact of reducing resources within the Internal Audit Team was highlighted in the Audit Committee's Annual Report and emphasised in the Annual Governance Statement.</p> <p>Regular updates to Audit Committee mention resource issues and next year's Audit Plan will highlight any resource implications on audit coverage.</p>	Ongoing

Ref.	Proposed Improvement Actions	Target Date	Action Owner	February 2016 Position	February 2016 Status
10	<u>Chief Executive Attendance</u> The Committee would appreciate if the Chief Executive would attend the Audit Committee on an annual basis to provide an update on the progress of the Organisational Development Plan and the strategic direction of the Council.	December 2015	Corporate Director Resources, Secretariat & Chief Executive	The CEO and Leader have attended Audit Committee to provide updates on the ODP and have agreed to continue to provide updates and attend as appropriate.	Actioned
11	<u>Monitoring Officer</u> The Monitoring Officer to attend Audit Committee when the Annual Governance Statement is considered.	In accordance with the Work Programme	County Clerk	The Monitoring Officer now attends Audit Committee whenever a governance item is included on the Agenda. She also attends the Agenda conference meeting with the Chair.	Actioned
Page 294	<u>Audit Committee Self Assessment</u> The assessment exercise to be held on an annual basis.	January 2016	Secretariat & Audit & Risk Manager	The Audit Committee Self Assessment position will be reviewed annually. Agreed the next workshop would be held in Sept 2016.	Actioned & Ongoing
	<b>Internal &amp; External Audit Process</b>				
13	<u>Meeting with Audit Manager</u> A formal arrangement will be offered to Members of the Committee to meet with the Internal Audit Manager and External Auditors on an individual basis.	Commencing June 2015	Secretariat & Audit & Risk Manager & Wales Audit Office	Members are aware that this is possible. The introduction of time to get together pre Audit Committee helps raise issues of interest and retain focus during the meeting.	Actioned
14	<u>Wales Audit Office</u> External Auditors to be represented at all meetings.	Ongoing	Wales Audit Office	In Place.	Actioned
<b>Membership</b>					

Ref.	Proposed Improvement Actions	Target Date	Action Owner	February 2016 Position	February 2016 Status
15	<p><u>Vice Chair</u></p> <p>It was agreed that a Vice Chair should be nominated by the Committee for the municipal year and to act in the absence of the Chair.</p>	June 2015	Audit Committee	Actioned and a Vice Chair appointed in June when the Chair was appointed. MP (independent member) for current year.	Actioned
	<b>Meetings</b>				
	No matters to report			N/A	N/A
	<b>Skills &amp; Training</b>				
Page 295	<p><u>Individual Self Assessment</u></p> <p>The Committee Members may wish to undertake a personal self assessment in context with the role of an Audit Committee Member which may identify gaps in knowledge and areas where training can be arranged.</p> <p>The suggested framework was presented to <a href="#">Council in December 2013</a>: The Wales Charter for Member Support and Development: An Introduction for Authorities. Specifically the role of a Member of an Audit Committee.</p>	-	Chairperson, Secretariat, Corporate Director Resources & Audit & Risk Manager	This opportunity has been offered to members	Actioned



## Annex 2 - Audit Committee Member Profiles

### Current Membership



**Ian Arundale**  
**(Chair)**  
(Independent Lay  
Member)

Ian Arundale is a self-employed Law Enforcement and Security Consultant. He was a police officer for 32 years serving in South Wales, West Mercia and Dyfed-Powys Police Forces rising to the rank of Chief Constable.

Ian was the UK lead on behalf of the Association of Chief Police Officers (ACPO) for 'Armed Policing' policy and practice and chaired the UK 'Conflict Management' portfolio.

He works internationally and has recently assisted police forces and organisations in the USA and New Zealand.

Ian holds a diploma in Applied Criminology from Cambridge University, an MSc (Econ) degree in Criminology and Criminal Justice from Cardiff University and a BA (Hons) degree in Police Studies. He is a Fulbright Fellow and a graduate of the Prime Ministers 'Top Management' programme.

In addition to his role with work with Cardiff Council, he is also a member of the Discipline Committee of the Royal College of Veterinary Surgeons and a board member of the International Law Enforcement Forum (ILEF)." He was awarded the Queens Police Medal (QPM) in 2011.



**Professor Maurice**  
**Pendlebury**  
(Independent Lay  
Member)

Maurice Pendlebury is a qualified accountant and until his retirement he was a professor of accounting at Cardiff Business School.

He has wide experience of many areas of management in both the public and private sectors and is the author of numerous books and articles on accounting and financial management topics.

He was a non-executive director of the Cardiff and Vale NHS Trust from April 2007 to September 2009 and he is currently a governor of a high school in Cardiff.

He was appointed as an independent member of the Audit Panel in 2010 and remained a member when the panel changed and became the current Audit Committee.








**Hugh Thomas**  
(Independent Lay  
Member)

Hugh Thomas, a retired Solicitor, pursued a Local Government career for forty years culminating in his being Chief Executive of Mid Glamorgan County Council (the largest local authority in Wales) for fifteen years. During this time he served as Clerk to the South Wales Police Authority and Honorary Secretary of the Assembly of Welsh Counties. He retired in 1995.


He has since chaired a number of public bodies and national voluntary organisations including those in the health and higher education sectors. He was Vice Chairman and Chair of the Audit Committee of the Wales Centre for Health. He was also a non-Executive Director of Welsh Water.

Currently, he is Chair of the Regulatory Board for Wales and one of fifteen trustees of The National Library of Wales.

 <p><b>Cllr Nigel Howells</b> (Liberal Democrats)</p>	<p>Serving the <b>Adamsdown</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Bilingual Cardiff Member Group</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Economy &amp; Culture Scrutiny Committee</a></li> <li>• <a href="#">Policy Review and Performance Scrutiny Committee (Chair)</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff Business Technology Centre (CBTC)</a>  <a href="#">Local Government Association General Assembly</a></p>
 <p><b>Cllr Bill Kelloway</b> (Liberal Democrats)</p>	<p>Serving the <b>Penylan</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Licensing Committee</a></li> <li>• <a href="#">Licensing Sub Committee</a></li> <li>• <a href="#">Public Protection Committee</a></li> <li>• <a href="#">Public Protection Sub Committee</a></li> </ul>
 <p><b>Cllr Mary McGarry</b> (Labour)</p>	<p>Serving the <b>Plasnewydd</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Community &amp; Adult Services Scrutiny Committee (Chairperson)</a></li> <li>• <a href="#">Council</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff Action for the Single Homeless (Huggard Centre)</a>  <a href="#">Cardiff County Club</a>  <a href="#">Standing Advisory Council for Religious Education (SACRE)</a></p>
 <p><b>Cllr Paul Mitchell</b> (Labour)</p>	<p>Serving the <b>Fairwater</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Environmental Scrutiny Committee (Chairperson)</a></li> </ul> <p><b>Outside Bodies:</b></p> <p><a href="#">Cardiff County Club</a>  <a href="#">South Wales Intercultural Community Arts (SWICA)</a></p>
 <p><b>Cllr Jim Murphy</b> (Labour)</p>	<p>Serving the <b>Ely</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Children and Young People Scrutiny Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Council Appeals Committee</a></li> <li>• <a href="#">Democratic Services Committee</a></li> <li>• <a href="#">Licensing Committee</a></li> <li>• <a href="#">Licensing Sub Committee</a></li> </ul>

	<ul style="list-style-type: none"> <li>• <a href="#">Policy Review and Performance Scrutiny Committee</a></li> <li>• <a href="#">Public Protection Committee</a></li> <li>• <a href="#">Public Protection Sub Committee</a></li> </ul> <p><b>Outside Bodies:</b>  <a href="#">Cardiff &amp; Vale of Glamorgan Community Health Council</a></p>
 <p><b>Cllr Dianne Rees</b> (Conservative)</p>	<p>Serving the <b>Pontprenau &amp; Old St Mellons</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 -</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Children and Young People Scrutiny Committee</a></li> <li>• <a href="#">Constitution Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Council Appeals Committee</a></li> </ul>
 <p><b>Cllr Christopher Weaver</b> (Labour)</p>	<p>Serving the <b>Cathays</b> Ward.</p> <p><b>Term of Office:</b> 03/05/2012 –</p> <p><b>Serving on the following committees:</b></p> <ul style="list-style-type: none"> <li>• <a href="#">Audit Committee</a></li> <li>• <a href="#">Council</a></li> <li>• <a href="#">Economy &amp; Culture Scrutiny Committee</a></li> </ul>
<p><b>Vacant - Labour Member</b></p>	

## Past Membership 2015-16

 <p><b>Sir Jon Shortridge</b> (Independent Lay Member)</p>	<p>Jon Shortridge has degrees in Philosophy, Politics and Economics from Oxford University, and in Urban Design and Regional Planning from Edinburgh University.</p> <p>He became Permanent Secretary of the Welsh Office in March 1999 and of the National Assembly on its creation in May 1999. In May 2007 he became Permanent Secretary of the Welsh Assembly Government. He retired in May 2008, but returned to Whitehall briefly as interim permanent secretary of DIUS (and subsequently BIS) in the summer of 2009.</p> <p>He is now Chair of Community Service Volunteers, Chancellor and Chair of Glyndwr University, a board member of the Parliamentary and Health Service Ombudsman and an advisory member of the Commission for Local Government in England. He chairs the audit committees of the Parliamentary and Health Service Ombudsman and of the Local Government Ombudsman, and is a member of the audit committees of Oxford University and the Royal Society.</p> <p>He is married to Diana, and has a daughter and a son. He was knighted in 2002.</p>
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**David Walker**

Serving the **Lisvane** Ward.

**Term of Office:** 05/12 – 5/15

**Serving on the following committees:**

- [Council](#)



**Cllr Adrian Robson**

Serving the **Rhiwbina** Ward.

**Term of Office:** 05/12 – 6/15

**Serving on the following committees:**

- [Appointments Committee](#)
- [Council](#)
- [Democratic Services Committee](#)
- [Glamorgan Archives Joint Committee](#)
- [Planning Committee](#)

Mae'r dudalen hon yn wag yn fwriadol

**CORPORATE RISK REGISTER – YEAR END REVIEW 2015/16**

**REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 7.2**

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**Reason for Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to bring the Corporate Risk Register (CRR) to the attention of the Audit Committee, in order to consider the strategic risks facing the Council.

**Background**

3. To support the arrangements for good corporate governance, it is necessary for the Council to have a clear statement of its overall position in relation to corporate risks which are reviewed on a regular basis.
4. Sections 81 to 87 of the Local Government (Wales) Measure 2011 sets out provisions for Audit Committees. One of the key roles of the Committee is to review, scrutinise and issue reports and recommendations on the appropriateness of the authority's risk management, internal control and corporate governance arrangements.
5. The CRR should identify the main risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind. The process followed is to identify the risk and then to address it through the control measures and mitigations in place or planned within the Council. This exercise results in a residual risk score which should demonstrate the effectiveness of the controls in place to manage the risk.
6. From 2016/17, the responsibility for leading on risk management was assigned to the Information Governance and Risk Section. Work has commenced in order to build upon the risk management practices previously facilitated by the Internal Audit Section. The existing reporting processes and the well-established risk management infrastructure will continue.
7. The Audit Committee last sighted the CRR on 30 November 2015 containing 24 risks, which reflected the mid-year position 2015/16. The register continues to be updated quarterly and presented to the Senior Management Team, to ensure their collective ownership and agreement of the strategic risks facing the Council. On this occasion the register has been updated to reflect the year end position 2015/16.

8. The CRR is a key governance document and the intention is to continue to bring the register to the attention of the Audit Committee on a biannual basis in line with reporting to Cabinet.

## Issues

9. The CRR is currently made up of 24 risks, all of which are assigned to members of the Senior Management Team to ensure the most senior level of ownership and accountability by officers.
10. Each risk has been reviewed and updated by the respective risk owner to reflect the year end position, and then the full register was shared with all Directors at the Senior Management Team meeting on 24 May 2016, to gain their collective agreement. It is felt that the updates have strengthened the mitigating actions against the risks currently identified.
11. At the meeting with Senior Management Team, the corporate risks register was discussed together with collated comments received from the Risk Champion Team. The consensus was that that two risks from the year-end position have been sufficiently addressed, which were:
  - Preparing a Local Development Plan that is considered 'sound' by the inspector, within the proposed timescale, and;
  - To ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and saving.
12. For the year-end position risk descriptions, controls and risk ratings have been updated resulting from the management review. Some positive milestones have been achieved in relation to certain corporate risks which represent areas of good progress. However, in 2016/17 consideration will be given to whether achieving certain milestones will represent the closure of particular risks, or whether it is a case that new risks have now emerged which require management and monitoring at a corporate level. Decisions about any changes to the content and structure of the CRR will be made in the next Risk Management Steering Group meeting and prior to the mid-year review for 2016/17.
13. When considering progress made in respect of the CRR it is important to be reminded that there are some areas, such as Social Services and Health & Safety, where there will always be an element of unpredictability which merits a high priority score irrespective of how well the service is managed. For these, the important aspect is to continue to demonstrate sound management, a proactive approach to mitigating the risks and a robust monitoring process.
14. It is important to note that risks are liable to change as circumstances alter and the CRR presents the position at a point in time i.e. this report reflects the year end position. The register will continue to be refreshed quarterly and the identified risk owners have a responsibility to ensure the register remains focused and relevant.
15. In order to recognise the importance of monitoring and reviewing the CRR, the Audit Committee and Cabinet will continue to consider reports on a biannual basis. Councillor Graham Hinchey's role, as Member Risk Champion, includes raising the profile of risk management and promoting the benefits to Members, as well as promoting the accountability and responsibility of all staff within the Council as set out in the Council's Risk Strategy. The Member Champion will bring forward ideas from the Members to the



Risk Management Steering Group which they consider relevant for the Corporate Risk Register.

16. In order to recognise the fundamental importance of the CRR, in the governance of the Council, the Audit Committee will continue to consider reports on a biannual basis prior to Cabinet. On this occasion the register will be presented to Cabinet in July 2016.
17. Following last years' success, the opportunity has continued to raise management awareness around the CRR, through the Cardiff Manager Programme, which includes a separate training session on risk management.
18. It is appreciated that there is considerable detail in the complete register and, therefore, two appendices are attached; Appendix A details the complete register while Appendix B is a summarised version.

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

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

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

The following Appendices are attached:

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

Mae'r dudalen hon yn wag yn fwriadol

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<b>EVENT DRIVEN RISKS</b>										
<p><b>Social Services and Wellbeing (Wales) Act</b></p> <p>Failure to implement the Social Services &amp; Wellbeing (Wales) Act 2014.</p>	<p>Reputational / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> <li>Legal challenge around interpretation of 'duties' under the 'wellbeing' concept.</li> <li>Increases in demand, or service offer, stimulated by new duties under the Act.</li> <li>Social care sector staff not sufficiently trained to implement Act from 6<sup>th</sup> April 2016.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Governance arrangements in place to ensure effective monitoring of progress across the region.</li> <li>Senior lead officers identified with responsibility for each work stream.</li> <li>Regional task and finish groups established for each work stream and action plans being delivered.</li> <li>Director leading workforce development planning for the region.</li> <li>Updated Social Care Development and Workforce Plan submitted to Welsh Government in September 2015.</li> <li>Successful partnership workshop held to ensure full engagement in process.</li> <li>Officers contributing to national work groups as required.</li> <li>Regular reports to Scrutiny Committee with references to Cabinet in place.</li> <li>National Learning &amp; Development Plan being developed by Care Council for Wales to support implementation of the Act.</li> <li>Staff attending workforce development sessions on a prioritised basis</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Joint approaches to developing opportunities across Cardiff, the Vale of Glamorgan and University Health Board (UHB) closely monitored through the regional Strategic Leadership Group.</li> <li>Establishment of the Regional Implementation Plan.</li> <li>Establishment of Regional Partnership Board as required by Part 9 of the Social Services &amp; Wellbeing (Wales) act 2014.</li> </ul>	<p><b>Tony Young</b></p> <p><b>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</b></p> <p><b>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</b></p> <p><b>Updated Current Controls and Proposed Improvement Actions</b></p>
<p><b>Hostile Vehicle Mitigation in Cardiff</b></p> <p>Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.</p>	<p>Service Delivery / Reputation / Legal / Financial / Health &amp; Safety / Financial / Partnership / Community &amp; Environment / Stakeholders</p> <p>Potential for:-</p> <ul style="list-style-type: none"> <li>Large no's of fatalities, injuries to public in crowded place.</li> <li>Extensive structural damage and/or collapse of surrounding buildings.</li> <li>Major fire.</li> <li>Damage/disruption to utilities (gas, electricity, water etc.)</li> <li>Immediate impact to businesses in the Cardiff area.</li> <li>Media coverage affecting public perception, leading to a loss of public confidence directly resulting in reduced business, retail and tourism revenues generated in the city.</li> <li>Area to be viewed as a risk for potential future business investment.</li> <li>Inability to attract major future national and international events (political, sporting etc.)</li> <li>Increase in demand for council services/support for all affected.</li> <li>Current economic climate to reduce the effectiveness of any recovery/regeneration of the area</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>All existing identified high risk; crowded places have been formally assessed.</li> <li>Most crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge.</li> <li>Most crowded places have varying standards of boundary treatments protecting them; providing a limited/cursory visual deterrent but little/no protection from a hostile vehicle.</li> <li>CONTEST Protect/Prepare Task &amp; Finish Group has developed a City Gateways Public Realm Enhancement Scheme, with agreed options for suitable PAS 68/69 mitigation for appropriate boundary locations; referred to as 'gateways'.</li> <li>20 (40%) of the identified 'gateways' into the crowded places already benefit from PAS 68/69 mitigation in place, implemented as a direct result of Home Office (Crowded Places) and Olympic Legacy funding.</li> <li>Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services &amp; Cardiff Council provide Project Argus and EVAC/Griffin training across the city to raise awareness for likely impacts associated with major incidents and in particular, terrorist attacks. The sessions also cover the support likely to be immediately available from the emergency services and Cardiff Council, the practical and simple preparations people/organisations can make prior to incident occurring to help themselves manage and recover from its impacts.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>WECTU CTASAs, the Emergency Services &amp; Cardiff Council continue to promote and provide Project Argus and EVAC/Griffin training across the city. The revised products were launched nationally in November 2014 and are now being rolled out in South Wales.</li> <li>The CONTEST Protect/Prepare Group will continue to maintain the City Gateways Public Realm Enhancement Scheme to ensure that the proposed PAS 68/69 mitigation for the remaining gateways remains appropriate. This work also includes the estimated costs for the procurement and installation of the PAS 68/69 mitigation and ancillary services.</li> <li>Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required.</li> <li>The CONTEST Protect/Prepare Group will continue to monitor and review the scheme to ensure it is fit for purpose until it is fully installed.</li> <li>Additional funding must be secured to procure and install the PAS 68/69 mitigation at the remaining 30 gateways (currently).</li> <li>The Cardiff City Centre Access Control Protocol is currently operating at the heightened response level, reflecting the UK National Threat Level; permitting vehicles onto the pedestrianised areas within Cardiff City Centre using strict parameters.</li> <li>The Tabernacle Access Control Document is now fully operational and sits and as an annex document to the main City Centre Access Control Protocol. It enables the Urban Traffic Control Officers to better manage Tabernacle 'users', covering their requirements whilst adhering to the existing Traffic Regulation Order.</li> <li>The CONTEST Protect/Prepare Group will continue to support City Operations in the delivery of all outstanding and future works associated with this risk.</li> </ul>	<p><b>Andrew Gregory</b></p> <p><b>Councillor Ramesh Patel – Transport, Planning &amp; Sustainability</b></p> <p><b>Updated Proposed Improvement Actions</b></p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Welfare Reform</b></p> <p>That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants and restriction of social housing rents to LHA levels. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.</p>	<ul style="list-style-type: none"> <li>Private landlords stop renting to benefit claimants</li> <li>Social housing rents become unaffordable to some claimants, in particular those under 35 and with large families.</li> <li>Increased homelessness and demand for temporary accommodation</li> <li>Increased rent arrears, increased evictions</li> <li>Redeployment / Severance for 140 staff</li> <li>Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties.</li> <li>Barriers to building additional affordable housing Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. To date private landlords have not withdrawn from the benefits market in large numbers but changes in the economy could influence this in the future so this will continue to be monitored closely.</li> <li>Discretionary Housing payments are being used to top up the benefit claims of those most affected by the changes and to pay rent in advance and bonds to help tenants to move accommodation where necessary.</li> <li>Timely information is being given to claimants to help them respond to the changes.</li> <li>A streamlined process is in place for re-housing tenants who need to downsize as a result of the social housing size restrictions. DHP is being used to pay removal costs and to cover shortfall while tenants are waiting to move.</li> <li>A new Welfare Liaison team has been created within the housing service to assist tenants affected by the changes. Work is underway to identify those affected by the reduced Benefit Cap and to advise them accordingly.</li> <li>The number of properties becoming vacant has increased as a result of Welfare reform and this combined with other issues has resulted in a significant increase in void rent loss. Work is being done to encourage exchanges rather than transfers.</li> <li>Universal Credit has commenced in Cardiff, very small numbers affected. The scheme has been changed to include more information sharing for landlords and this should offset some of the risk. The council is providing face to face services on behalf of the DWP including digital inclusion and budgeting advice.</li> <li>The implications of the restriction of social housing rents to LHA rate are being considered in partnership with RSLs and options for providing shared / low cost housing are being considered. Work is ongoing to review supported housing schemes and prioritise this ahead of the changes.</li> <li>The Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform.</li> <li>The Welfare Reform Task Group is working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected.</li> <li>Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Universal Credit was introduced from 30/11/15 but only for a small number of claimants. A review of workforce is currently underway using approximate roll out timetable. Agreement has been reached with DWP to provide face to face services for UC claimants and funding will be provided for this in the current year. Services and appropriate publicity are being developed.</li> <li>Digital inclusion training and banking support has been successfully implemented and will continue to be monitored.</li> <li>Additional resource has been agreed for supporting council tenants with the Universal Credit changes, staff have been recruited to assist with this and procedures are being developed.</li> <li>Work has been undertaken to cost the potential risks of Universal Credit and this will continue to be updated as the more information is known.</li> <li>Size restriction for social tenants and the Benefit Cap remains a significant risk with potential increased arrears and homelessness; procedures are being kept under review to identify any further action that can be taken, including more support for those wishing to exchange. Regular meetings are held with social housing providers to monitor and improve processes.</li> <li>DHP spend is being monitored carefully following the reduction in budget for 2015/16, to date spend is within budget.</li> <li>Work has been carried out on the impact of possible council rent decreases on the HRA business plan and discussion is ongoing with social landlords about the impact of possible rent decreases on future housing development. Further work will be undertaken when more information becomes available.</li> <li>Impacts of the Budget announcements such as the restrictions on benefit for younger people and reduction in benefit cap to £20k will be reviewed as more information becomes available.</li> </ul>	<p>Sarah McGill (Jane Thomas)</p> <p>Councillor Susan Elsmore – Health, Housing &amp; Wellbeing</p> <p>Updated Current Controls and Proposed Improvement Actions</p>
<p><b>Waste Management</b></p> <p>Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community</p> <ul style="list-style-type: none"> <li>Significant financial penalties for failure at up to £200/tonne or incorrectly capture tonnage data</li> <li>Procure landfill elsewhere with additional costs.</li> <li>Reputation damage</li> <li>Increased costs of landfill and alternative treatment markets</li> <li>Risk to grant funding (currently £6.9m 2016/17), potential in year cuts, future year grant reductions and changing terms and conditions</li> <li>No MTFP for future grant funds or capital confirmed by WG</li> <li>Reducing Grants; reducing market values for recyclates</li> </ul>	B	1	High Priority	<p><b>Policies / Strategy</b></p> <ul style="list-style-type: none"> <li>Previous updates contain the policy position improvements between 2008-2015.</li> <li>Waste Management Strategy 2011-2016 was approved on 13th Jan 2011 and was revised and approved in April 2015.</li> <li>Several progress reports have been made to Cabinet and Environmental Scrutiny in that period.</li> <li>Monthly performance tracking of recycling has been established to help predict the end of year position.</li> <li>Steps taken to improve MRF processing rates means less waste to treatment.</li> <li>Commercial recycling centre opened March 2014, its performance is increasing with more commercial HWRC being identified.</li> <li>Focus on pre-sort on the HWRCs is showing improvements in site recycling.</li> <li>Restrictions to Cardiff domestic householders have reduced tonnage profiles in qu4 of 2015/16.</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Several Contracts have been put in place for additional materials to be recycled from the HWRC's.</li> <li>Interim contract in place for disposal of biodegradable green/food waste</li> <li>A flexible Interim Disposal Contract in place with Biffa for 2-10 years; commenced April 2009.</li> <li>Aggregate recycling is now in place.</li> <li>Recycling litter bins are in place in the city centre.</li> <li>New initiatives such a charging for bulky waste, commercial recycling centre, sweepings, mattress and carpet recycling schemes are all underway.</li> <li>New HWRC delivery model is under review.</li> </ul> <p>This year, placing the focus on pre-sort high quality recycling and removing the reliance on post sorting of waste.</p> <p><b>Prosiect Gwyrd</b> Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015.</p>	B	2	High Priority	<p><b>Risk of Fines</b></p> <p>The minister still has wavered fines for the 13/14 failings. However, the targets increase from 52% to 58% in 15/16, 64% to be achieved by 2019/20, therefore, the risk rating remains high.</p> <p><b>Policy / Strategy</b></p> <ul style="list-style-type: none"> <li>The outline waste strategy has been approved by Cabinet April 2015. The first phase of reducing residual waste capacity to force higher dry recycling and food and green waste recycling began in Qtr. 2 and the city wide changes were completed by the end of Qtr. 3. Flats Strategy to improve waste and recycling collections from flats is designed to enable greater recycling and food waste from hard to capture areas, to be implemented in 2016/17.</li> <li>The sweepings contract is secured and operating</li> <li>Exploring reuse partners, Market test and commencement to take place by Qu3 2016/17.</li> <li>Working with other Local Authorities to explore TEEP business cases and/or exploring joint working options</li> <li>Delays have been experienced in the HWRCs changes, which will reduce the recycling potential and waste minimisation activities that were planned for 2015/16 onwards. Revised streamlining of sites to fully commence in qu3 2016/17.</li> </ul> <p><b>Contracts / Projects</b></p> <ul style="list-style-type: none"> <li>Progress the Organic procurement is to timescale to SCD of 01/04/17. Interim contracts remain in place.</li> <li>An interim Contract for residual treatment is in place for when the landfill closes and to ensure LAS targets are met and tax avoided wherever possible.</li> <li>New markets for carpets and mattresses are being explored</li> </ul> <p><b>Project Gwyrd</b></p> <ul style="list-style-type: none"> <li>Financial Close occurred December 2013, service commencement started 01 April 2016, all risks regarding</li> </ul>	<p>Andrew Gregory</p> <p>Councillor Bob Derbyshire - Environment</p> <p>Updated Potential Consequences, Current Controls &amp; Proposed Improvement Actions</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<p><b>Organic procurement</b> The procurement of a processing facility for food and green waste was completed for both Cardiff and the Vale of Glamorgan. The new facility will be operational in 2016, whilst the interim arrangements remain in place.</p> <p><b>Household &amp; Commercial Waste Collections</b> Household Waste collections were changed further towards the WG recycling blueprint is now underway by changing to: smaller fortnightly black (with accompanying hygiene services and weekly food and dry recycling and fortnightly green. National government discussions on comingled recycling remain an issue and further modelling on the best option for Cardiff will be completed in 2016.</p> <p><b>Collaboration work</b> Working and engaging with Welsh Government on legal and policy changes.</p>				<p>treatment and recycling of the ash (IBA) derived from residual now lie fully with the contractor.</p> <ul style="list-style-type: none"> <li>To help secure 2015/16 IBA, recycling began in Qtr. 2 to secure additional recycling tonnages. Furthermore, for 2016/17, the contractor has secured recycling for flue gas residues which will offer a further 1%.</li> </ul> <p><b>Collections</b></p> <ul style="list-style-type: none"> <li>Commercial waste operations have refined the marketing package for recycling in the commercial sector to increase recycling from commercial waste collected by the Waste Collection Authority that is included in the total MSW (and therefore relevant to statutory targets).</li> <li>Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting commercial food collections and schools.</li> <li>Risk remains high that recycling performance and weather impacts on green waste could lead to a status quo in recycling performance or at worse a drop in performance</li> </ul> <p><b>MRF</b></p> <ul style="list-style-type: none"> <li>A high risk remains in the materials market fluctuations influenced by world-wide pricing affecting the volume of material recycled. In qu 4 Glass market impacts severely risked several 1000's tonnes of glass, this situation was recovered but highlights the ongoing volatility and risk to meeting statutory targets</li> </ul>	
<p><b>Preparation of Local Development Plan</b></p> <p>Preparing a plan that is considered 'sound' by the Inspector, within the proposed timetable.</p>	<p>Service delivery / Reputation / Legal / Financial / Partnership / Community &amp; Environment &amp; Stakeholder</p> <ul style="list-style-type: none"> <li>Preparing a plan which the independent Inspector considers 'unsound' and therefore cannot be adopted.</li> <li>Reputational issues for the Council.</li> <li>No adopted plan in place would mean the Council would not be in a position to effectively manage and control development- its ability would be significantly reduced.</li> <li>Failure to achieve corporate priorities which the LDP would help deliver relating to economic, social and environmental objectives.</li> <li>Possible breakdown of key strategic partnerships and with stakeholder groups.</li> <li>Delays in preparation.</li> <li>Possibility of planning applications being submitted in advance of plan adoption.</li> <li>Possible negative publicity on delay.</li> <li>Stakeholder concern at delay to timetable.</li> <li>Potentially significant objections raised by objectors and / or legal challenge submitted against Council impacting on timetable and plan content.</li> <li>Infraction proceedings against the Council resulting in significant financial penalties.</li> <li>Insufficient resources.</li> <li>Staff resource and monies required to undertake technical studies and other specialist advice considered necessary.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Use of project management techniques to effectively manage process and regular update meetings between Senior Officers and Members.</li> <li>Monitor emerging legislation/guidance/evidence and respond early to changes.</li> <li>Monitor budget spend and consider additional resources when required. A medium term financial bid has been agreed for 2013/14.</li> <li>Undertake Scrutiny process together with wider Member Briefing to raise awareness.</li> <li>Build in effective consultation and engagement into process to ensure stakeholders are informed at all stages.</li> <li>Close liaison with the Welsh Government Planning Division and Planning Inspectorate to:</li> <li>Ensure early warning of any problems (e.g. Consultation on LDP)</li> <li>Ensure LDP is sound, founded on a robust evidence base with sustainability appraisal and well audited community and stakeholder engagement. Undertake tests of soundness 'self assessment' at all stages of LDP preparation as recommended in national guidance</li> <li>Ensure procedures, Act, Regulations etc, are complied with and no undue risks taken</li> <li>LDP Corporate Officers Working Group</li> <li>A revised timetable for preparation of the LDP has been agreed by Executive and Council in November 2011. The revised timetable for the Delivery Agreement was agreed by WG in December 2011</li> <li>Initiated schedule of meetings with Authorities within South East Wales and other stakeholders to discuss cross border and consistency issues to meet the tests of soundness</li> <li>Meetings held with Authorities within South East Wales and other stakeholders to discuss cross border and consistency issues to meet the tests of soundness. Report of Findings agreed and forms a background paper to the Preferred Strategy.</li> <li>A Flood Study Report to investigate fluvial food risk from reens in the Wentloog Levels has been completed and evidence presented in the report has informed the assessed candidate sites and inclusion of an additional strategic site.</li> <li>The LDP Preferred Strategy was approved by Cabinet on 18th October 2012 and Council on 25th October 2012.</li> <li>A consultation on the Preferred Strategy was completed on 14th December and over 1000 responses have been received.</li> <li>Final report has been completed on population and household projections as part of the evidence base to support the Deposit Plan. Report recommends reducing the overall level of housing growth in the Plan by approximately 4,000 dwellings.</li> <li>Final draft Gypsy and Traveller study investigating potential new sites has been completed and circulated for Member agreement.</li> <li>Report on Masterplanning general principles was approved by Cabinet on 16th May. These principles inform the preparation of the schematic Masterplans.</li> <li>Workshops held with officers to help inform the development of the strategic sites specific frameworks.</li> <li>A Masterplanning Framework Document has been prepared as a background paper to the Deposit Plan.</li> </ul>	D	4	Low Priority (Green)	<ul style="list-style-type: none"> <li>Local Development Plan adopted by Council on 28<sup>th</sup> January 2016 within timescales agreed with Welsh Government and within budget.</li> <li>No Legal challenge received within the required timescales (6 weeks of adoption).</li> </ul>	<p><b>Andrew Gregory</b></p> <p><b>Councillor Ramesh Patel - Transport, Planning &amp; Sustainability</b></p> <p><b>Updated Current Controls, Proposed Improvement Actions and Residual Risk.</b></p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>The Deposit Plan was approved by Cabinet on 12th September 2013 and Council on 26th September 2013 for consultation purposes.</li> <li>Consultation on the Deposit Plan was completed on 26th November 2013 and over 400 responses have been received.</li> <li>Consultation on the Alternative Sites was undertaken between 11th February and 4th April 2014.</li> <li>Following approval by Council on 26th June, 2014 the Deposit Plan and supporting information was submitted to the Welsh Government and Planning Inspectorate for examination on 14th August 2014.</li> <li>Following commencement of the examination, the Council submitted Statements relating to the "Matters and Issues" raised by the Inspectors and the LDP Examination Hearing Sessions were held in January and February 2015. These Statements included Statements of Common Ground agreed with key stakeholders.</li> <li>Following the request by the Inspectors the Council responded to the 187 Action Points within the agreed timescales to support the LDP at examination. These responses were prepared in partnership with relevant service areas and consultation on the First Matters Arising Changes Schedule took place in June 2015.</li> <li>Further Hearing Sessions took place in September 2016 and consultation on the second Matters Arising Schedule took place in October 2015.</li> <li>The Inspectors Report was published in January 2016 and the Plan was adopted by Council on 28<sup>th</sup> January 2016.</li> </ul>					
<p><b>Education – Schools - SOP</b></p> <p>Large scale programme with tight timescales for delivery, in context of very rapidly growing primary age school population.</p>	<p>Reputational / Legal / Financial / Social / Stakeholder / Health &amp; safety.</p> <ul style="list-style-type: none"> <li>Insufficient primary places in some areas of the City.</li> <li>Further degeneration of school buildings</li> <li>Reducing educational standards.</li> <li>Project cost and time overruns</li> <li>Risk that Welsh Government do not support the revised strategy and associated capital bid including agreement to the additional funds requested and/or withhold individual project funding if not satisfied with Business Cases.</li> <li>Difficulties associated with data source and production could undermine proposals and stakeholder trust in the SOP change process</li> </ul>	B	1	High Priority	<p>Proposals to balance supply and demand at primary level to reduce risk of insufficiency including:</p> <ul style="list-style-type: none"> <li>At its meeting on 10 March the Cabinet approved proposals to expand Ninian Park Primary from 2FE to 3FE and to establish a new 2FE Welsh-medium school on site adjacent to Hamadryad Park (the new school is to open in September 2016 in the vacated Ysgol Tan yr Eos accommodation).</li> <li>The St Mary the Virgin CW Primary School Governing Body have also approved proposals to expand the school from 1FE to 2FE.</li> <li>At its meeting on 10 March the Cabinet approved the proposal to close Glyn Derw High School and Michaelston Community College from September 2017 and to transfer the new replacement school to the new build accommodation on the Glyn Derw site from September 2018.</li> <li>At its meeting on 10 March the Cabinet approved proposals to consolidate Gabalfa Primary School at 1FE and to permanently establish Ysgol Glan Ceubal at 1FE and to establish a nursery at the school.</li> <li>At its meeting on 21 March the Cabinet approved the proposal to expand Ysgol Glan Morfa from 1FE to 2FE, the transfer the newly expanded school to a new build school at the Maltings and the expansion of Moorland Primary School from 2FE to 3FE ( a verbal update will be provided at the meeting).</li> <li>At its meeting on 21 March the Cabinet approved recommendations on proposed changes to English-medium and Welsh-medium catchment area changes. This was to leave English catchments unchanged for now and consider further, but to implement changes to Welsh medium catchments. The latter decision has now been called in and will be heard on 17<sup>th</sup> May.</li> <li>Consultation on the proposal to close Meadowbank Special School was extended to 06 April, and proposed outcome will be discussed shortly.</li> <li>Capital funding for suitability and sufficiency issues is £1m for 2016/17 to compliment Asset budget and deal with buildings issues not covered by either Asset or 21<sup>st</sup> century funding.</li> <li>Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings.</li> <li>Alternative models of design, procurement and construction in the initial stages of implementation with a view to reducing likelihood of cost overruns and reduce time required to complete the whole process. For example the Eastern High two stage tender process and incorporation of standardised design approaches. This approach has been adopted on subsequent procurement of three new primary schools.</li> <li>Extensive work on the 21<sup>st</sup> Century Schools Band B funding now to take place during 2016 to submit progress to WG in early 2017.</li> <li>Consultation on restructure of team completed and recruitment to be completed by end May 2016</li> </ul>	C	1	Medium Priority (Red/ Amber)	<p>All risks being monitored and reported to Schools Programme Board.</p> <ul style="list-style-type: none"> <li>Pursue 'Turn Key solution' i.e. one contract, single point of management and responsibility</li> <li>Two step procurement methods being undertaken on all procurements</li> <li>Standardised design methods being used where possible</li> <li>Continued active dialogue with Welsh Government and other professional parties to support progress and development</li> <li>Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward</li> <li>Ensure consistent monitoring and reporting of all risks to Schools Programme Board.</li> <li>Strengthen capacity in SOP Team.</li> </ul>	<p><b>Nick Batchelar</b></p> <p><b>(Janine Nightingale)</b></p> <p><b>Councillor Sarah Merry - Education</b></p> <p><b>Updated, Current Controls and Proposed Improvement Actions</b></p> <p><b>Residual Risk reduced from B2</b></p>
<p><b>Education Consortium &amp; Attainment</b></p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> </ul>	B	1	High Priority	<p>The authority has made satisfactory progress against the Estyn recommendation that relates to the Central South Consortium.</p>	C	2	Medium Priority	<ul style="list-style-type: none"> <li>Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools.</li> </ul>	<b>Nick Batchelar</b>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	<ul style="list-style-type: none"> <li>Educational standards falling behind other LA's. Potential impact on Estyn judgement for LA.</li> <li>Intervention from WG</li> </ul>			High	<p>Estyn reported in March 2016 that Overall, Cardiff schools are being challenged more rigorously and supported more effectively to improve. There have been improvements in most of the outcome indicators at all key stages, although the performance of a few of Cardiff secondary schools is still a significant concern. The work of the school improvement service commissioned from the regional consortium is based on clear priorities and a good understanding of Cardiff schools. Since the monitoring visit in 2014, the local authority has worked well with its schools to engage school leaders and to develop a change in culture in which schools are more aware of their responsibility for their own improvement.</p> <p>There is a strong working relationship between the local authority and the regional consortium. The local authority has moderated the outcomes of categorisation in partnership with the regional consortium, and this has led to a more accurate view of school performance, an improved model of differentiated support and challenge, and earlier intervention in schools causing concern.</p> <p>The performance management and quality assurance of the work of challenge advisers is now more systematic, and the authority has taken robust steps to improve practice where underperformance is identified. There are robust processes to quality assure the reports of challenge advisers, and this has led to an improvement in the consistency and precision of their reports. Processes to validate judgements through the collection of first-hand evidence are improving, and this is beginning to provide the authority with a more accurate evaluation of their schools. Through school improvement meetings, challenge advisers are developing a better understanding of the role that wider services in the local authority play in improving schools.</p> <p>The local authority works productively with its regional consortium to address the specific needs of Cardiff schools, and to promote school-to-school working. A few Cardiff schools are acting as hubs to disseminate good practice and to provide training and networking opportunities across the consortium. School improvement groups (SIGs) of teachers and leaders across the region are working on key improvement issues, and these groups focus well on evaluating their work in terms of outcomes for pupils. The local authority has commissioned the regional consortium to deliver a comprehensive range of leadership development programmes specifically to address leadership issues across its schools. These include training for aspiring leaders, middle leaders, headteachers at various stages of their careers, and development for those leaders who are capable of supporting other headteachers, or leading more than one school.</p>			(Red/Amber)	<ul style="list-style-type: none"> <li>Directorate delivery plan now refreshed with clear accountabilities and performance measures. These will be shared with the consortium and associated roles, responsibilities and accountabilities agreed.</li> <li>Recruit a Secondary senior challenge adviser with well-developed knowledge and skills to build on the progress made to date.</li> </ul>	<p>(Angela Kent)</p> <p>Councillor Sarah Merry - Education</p> <p>Updated current Controls and Proposed Improvement Actions</p> <p>Residual Risk Reduced from B2</p>
<p><b>ICT Platforms Unsuitable/Outdated</b></p> <p>The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.</p>	<ul style="list-style-type: none"> <li>Reputational / Financial / Stakeholder / Service delivery.</li> <li>Loss of PSN services.</li> <li>Service delivery impacts from unreliable/unavailable ICT systems.</li> <li>Cardiff seen as unable to deliver on aspirations.</li> <li>Poor morale from frustrations with inability to deliver services.</li> <li>Potential for income losses from revenue collection impacts.</li> <li>Unable to meet delivery deadlines on both business as usual and transformation projects.</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>Measurements put in place to track impact.</li> <li>Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided to address major issues, medium term financial plan investment programme in place for subsequent years.</li> <li>Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth.</li> <li>New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified.</li> <li>New deliveries are all being designed for a 99.99% minimum uptime, with critical systems targeted at 99.999% (equating to less than 6 minutes per year).</li> <li>Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced to medium.</li> <li>Additional load balancers to be purchased for application resilience in key systems.</li> <li>All SAP hardware has been replaced and software versions brought to latest levels</li> <li>Continued replacement of unsupported window servers.</li> <li>Publication of system and application support lifecycles.</li> <li>Thin client server farms fully refreshed with new hardware and software versions upgraded</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Continued assessment of priorities for replacement – removal of systems out of supplier support is the main priority.</li> <li>System owners are being tasked to identify action plan for replacing systems out of supported levels</li> <li>Firmer engagement with business on decommissioning or replacing unsupported platforms and applications.</li> <li>Supplement existing file store solution – current solution is struggling for throughput so extra capacity required urgently</li> <li>Replace aged contact centre telephony</li> </ul>	<p>Christine Salter</p> <p>(Phil Bear)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated current Controls and Proposed Improvement Actions</p>
ONGOING RISKS										



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Budget prioritisation</b></p> <p>Delivery of the statutory obligation to set a balanced annual budget and to set a Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of late settlement figures from the Welsh Government).</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Risk of failing to meet statutory budget setting deadlines</li> <li>Risk that service delivery impacted due to decreasing resources or failure to effectively prioritise spend inline with Corporate Plan Objectives</li> <li>Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond.</li> <li>Risk that savings identified as part of business as usual and efficiencies are not achieved as planned</li> <li>Risk that financial constraints lead to increased instances of non compliance and financial impropriety</li> <li>Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa</li> <li>Risk of unbalanced budget as savings required over the medium term become harder to achieve and their impact on service delivery more difficult to manage.</li> <li>Failure of financial organisations with whom the Council has invested money.</li> <li>Risk that organisational development does not align to the financial strategy in relation to budget reduction requirements.</li> <li>Additional obligations such as Wellbeing of Future Generations Act leading to Council failing in statutory duty.</li> </ul>	A	1	High Priority	<p><b>2015/16 Budget Setting</b></p> <ul style="list-style-type: none"> <li>The 2015/16 Budget Report was set in February 2015 and included savings of £32.476M and savings from a capitalisation direction of £3.487M.</li> <li>Progress towards savings has been monitored throughout the year and 2015/16 savings totalling £1.969m that are no longer considered technically achievable, were written out as part of the 2016/17 Budget process in order to improve resilience moving forward.</li> <li>The capital receipts necessary to support the capitalisation direction have been received. Capitalisation of eligible revenue spend is under review as part of outturn.</li> </ul> <p><b>2016/17 and Medium Term</b></p> <ul style="list-style-type: none"> <li>The Provisional Settlement was not received until December 2015. At - 0.1%, the funding decrease was better than the -3% anticipated. This position was confirmed by final settlement with a very minimal change (&lt;£20k.)</li> <li>The better than anticipated settlement was used to reduce risk and improve resilience through addressing the pace and scale of the most challenging saving proposals, reviewing planning assumptions and introducing a new financial resilience mechanism. The latter is intended to reduce future risk whilst allowing for one-off investment and development in the meantime.</li> <li>The final 2016/17 Budget is underpinned by Directorate Savings of £20.344m, Council Wide Savings of £2.895m and Addressable Spend Savings of £5.596m; a total of £28.835m</li> <li>Savings proposals were underpinned by the Reshaping the Base exercise undertaken in conjunction with SMT and Informal Cabinet as part of 2016/17 Budget Strategy Development</li> <li>Focus will now need to shift immediately to achieving these savings.</li> <li>The Feb 16 Budget Report updates and rolls forward by one year, the MTFP set out in the July Budget Strategy Report. The estimated Budget Reduction Requirement for the medium term (2017/18-2019/20) is £73m. The Budget Report included a response to the medium term budget gap through a combination of budget planning assumptions and savings</li> </ul>	B	2	High Priority	<p><b>2016/17</b></p> <ul style="list-style-type: none"> <li>Work has already commenced on monitoring the achievability of these savings moving forward and directorates have been asked to provide updates on achievability risks and key milestones. This information will be shared with SMT during April.</li> <li>Consideration was given to the Wellbeing of Future Generations Act during the 2016/17 budget process and this will be built upon as part of 2017/18 Budget Strategy.</li> </ul> <p><b>Medium Term</b></p> <ul style="list-style-type: none"> <li>The Budget Report included a response to the medium term budget gap through a combination of a) planning assumptions and b) savings based on the 2016/17 Reshaping the Base exercise. The existence of a set of savings proposals for 2017/18 has shifted the first Budget Strategy focus from a target setting exercise to more detailed development of savings and this is already underway.</li> <li>Earlier focus on the development of savings should allow further time for due diligence, challenge of proposals and development of detailed plans.</li> </ul>	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Risk Description, Current Controls and Proposed Improvement Actions</p> <p>Residual Risk Reduced from A1</p>
<p><b>Financial Resilience</b></p> <p>Financial resilience of the Council over the medium term, given the scale of the financial challenge ahead.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Risk that the financial position of the Council is not understood by key stakeholders</li> <li>Risk that relevant, timely action commensurate with the Council's financial challenges are not taken</li> <li>Risk that this leads to intervention and increasing issues in respect of financial resilience</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>The Council regularly reports in relation to its financial performance and monitoring.</li> <li>The Council used the better than anticipated provisional settlement for 2016/17 to improve financial resilience as previously outlined. This included the establishment of a £4m financial resilience mechanism to protect the Council from the uncertainties associated with the absence of multi-year settlement information whilst allowing for one-off investment in the mean-time.</li> <li>The Wales Audit Office's Report into financial resilience scored the Council as low risk in terms of financial planning and control and medium risk in terms of financial planning.</li> <li>Improvement actions associated with the medium risk for financial planning related to 1) the improvement of savings plans and 2) the improvement of links between the MTFP and Organisational Development Programme, Service Plans and Improvement Plans.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>A financial snapshot has been developed in respect of the financial resilience of the Council and is reviewed 3 times a year and report at Budget Report (Feb), Budget Strategy (Jul) and to Audit Committee.</li> <li>Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed.</li> <li>A response to the Wales Audit Office's Financial Resilience recommendations has been developed and included as part of the Statement of Action re: the Corporate Assessment Follow on Report. It is anticipated that the level of General Reserves will increase as the result of the expected positive Council outturn position.</li> <li>Work in respect of improving savings plans has already commenced through the much earlier focus on development of detailed proposals for the forthcoming financial year which should allow further time for due diligence, challenge and development of detailed plans. Savings documentation has also been reviewed and developed with the aim of ensuring consideration and capture of key factors relating to savings proposals.</li> <li>Links between the MTFP, OD Programme, Service Plans and Improvement Plans will be enhanced and made more explicit as part of 2017/18 Budget Strategy Work.</li> </ul>	<p>Christine Salter (Ian Allwood)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Risk Description, Current Controls and Proposed Improvement Actions</p> <p>Residual Risk Reduced from A1</p>
<p><b>Budget Monitoring</b></p> <p>Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.</p>	<ul style="list-style-type: none"> <li>Inability to balance spend, against budget, for the financial year.</li> <li>Requirement to implement emergency measures to reduce spending during the financial year.</li> <li>Requirement to drawdown from General Reserves at the year end.</li> <li>Impact on the 2016/17 Budget where issues remain with achieving 2015/16 budget savings and any unachieved savings brought forward from 2014/15.</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Clear financial procedure rules setting out roles and responsibilities for budget management are in place.</li> <li>In recognition of the quantum of savings and the risks posed a £4 million General Contingency was allocated in the Budget.</li> <li>Full financial monitoring processes are in place for month 3 to 11 of the financial year including achievement of budget savings.</li> <li>Monthly meetings are held between service accountants, directors and Cabinet Members. An initial review of the budget savings took place in month 2 with full directorate / portfolio monitoring meetings having taken place for Months 3 to 11. Work is currently being undertaken to finalise the outturn position.</li> <li>Availability of General Reserve should this be required.</li> <li>The full Council monitoring report for Month 9 was presented to Cabinet on 18 February 2016. The overall monitoring position showed a potential surplus of £988,000. However this included a projected overspend of £5.6m in relation to directorate budgets with projected shortfalls of £6.075m against 2015/16 savings targets and £2.594m against shortfalls</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The monitoring and challenge processes undertaken during the year have enabled offsetting savings to be identified which offset the shortfall against savings targets and this is reflected in the position set out in the Month 9 Monitoring Report.</li> <li>The outturn position is currently being finalised and will be reported to Cabinet in June.</li> <li>Significant work has been undertaken to track progress against savings targets and to try to reduce the amount of unachieved saving and this has been reported to Directorates, Cabinet Members and Cabinet throughout the year.</li> <li>In setting the 2016/17 Budget, the due diligence process considered the on-going achievability of the budget savings shortfalls identified in respect of 2015/16 and carried forward from 2014/15. As a result £3.029m was reinstated into the 2016/17 budget thereby reducing the on-going risk in</li> </ul>	<p>Christine Salter (Allan Evans)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Risk Description, Potential Consequence,</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<p>carried forward from 2014/15. Whilst the overall position is positive the shortfall against savings targets remains a significant area of concern.</p> <ul style="list-style-type: none"> <li>The final outturn position will be presented to Cabinet in June 2016.</li> <li>The Corporate Director of Resources, Chief Executive and Cabinet Members have held challenge meetings throughout the year particularly in those areas where significant overspends are reported.</li> </ul>				<p>respect of these savings targets.</p> <ul style="list-style-type: none"> <li>The balance of any 2015/16 or 2014/15 savings targets still to be achieved will carry forward into 2016/17 and will need to be monitored in conjunction with the £28.835m of savings targets set as part of the 2016/17 Budget.</li> </ul>	<p><b>Current Controls and Proposed Improvement Actions</b></p> <p><b>Residual Risk Reduced from B1</b></p>
<p><b>Health and Safety</b></p> <p>Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> <li>Fatalities</li> <li>Serious injuries</li> <li>Prosecution – fines for body corporate and/ or fines/imprisonment for individual</li> <li>Claims</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Dedicated team of competent Health and Safety Advisers providing specialist advice and guidance.</li> <li>Implementation of the 'Framework for Managing Health and Safety' based on the HSE model for successful health and safety management as detailed in the Council's Health and Safety Policy (revised 2014).</li> <li>The five key elements of the management system model for occupational health and safety are:-</li> <li>Policy 2. Organising - Control, Co-operation, Communication, Competence 3. Planning 4. Measuring Performance and 5. Audit and Review. (These elements encompass a wide range of actions including development and implementation of relevant policies and procedures, risk assessing, Annual Directorate Health and Safety Action Plans, corporate health and safety objectives, Directorate and Council Annual Health and Safety Reports, monitoring by Directorates, training, consultation with trade unions through corporate and Directorate meetings, accident reporting and investigation and auditing).</li> <li>Directorates carry out suitable and sufficient risk assessments as appropriate and ensure any necessary control measures are implemented and monitored.</li> <li>Health and Safety Advisers carry out a programme of health and safety audits, focussing on high risk activities, and undertake other inspections / investigations as necessary.</li> <li>Annual Business Objectives for Health and Safety Advisers.</li> <li>Code of Guidance on Leading Health and Safety for Senior Managers and Headteachers included on CIS.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Service Level Agreement for Caerphilly to provide management of H&amp;S function has commenced. Review of current processes is underway.</li> </ul>	<p>Christine Salter</p> <p><b>Councillor Graham Hinchey - Corporate Services &amp; Performance</b></p> <p><b>Updated Current Controls</b></p>
<p><b>Climate Change &amp; Energy Security</b></p> <p>Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.</p>	<p>Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health &amp; Safety</p> <p>Flooding &amp; increased frequency and severity of storm events:</p> <ul style="list-style-type: none"> <li>Loss of life and personal injury</li> <li>Direct damage to property, infrastructure and utilities</li> <li>Contamination and disease from flood and sewer water and flood on contaminated land</li> <li>Increased costs of insurance</li> <li>Break up of community and social cohesion</li> <li>Blight of land and development</li> </ul> <p>Increased summer temperatures:</p> <ul style="list-style-type: none"> <li>An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services</li> <li>An increase in demand for limited water supplies</li> <li>Damage to temperature sensitive infrastructure (transport systems, electrical systems).</li> <li>Migration of biodiversity.</li> </ul> <p>Inconsistent energy supply and cost:</p> <ul style="list-style-type: none"> <li>Inability to deliver public services</li> <li>Decrease in economic output</li> <li>Disruption to the supply of utilities</li> <li>Increased transport costs</li> <li>Increased costs for heating / providing services to buildings</li> <li>Increased fuel poverty</li> </ul>	B	1	High Priority	<p><b>Emergency Management Unit</b></p> <ul style="list-style-type: none"> <li>Cardiff Council Emergency Management Unit is working through the Local Resilience Forum (LRF) with Utilities (including Dwr Cymru) and Telecom companies to ensure planning is carried out with consideration of flood risk.</li> <li>Cardiff Area Community Risk Register is developed and reviewed on a regular basis by the Cardiff Area Risk Group. It takes into account changes in the national risk register and how those changes affect Cardiff.</li> <li>Cardiff Area flood group exists to exchange information, this group consists of NRW, Met Office, Emergency Services and Council Departments with a response to flooding. We also link into other responding agencies and voluntary organisations through the LRF via the Severe Weather Group, the Warning and Informing group and the Humanitarian Assistance and Community Resilience Group to promote preparedness through exchange of knowledge, assistance in plan writing and training.</li> <li>Cardiff Council Emergency Management Unit are carrying out a large and long term communication strategy in Cardiff in conjunction with multi agency partners highlighting flood awareness alongside other emergency eventualities and how residents, businesses and communities can be aware of the risks in their area and hence better prepare for them should that risk materialise. Cardiff now has 5 active community flood plans with others in the planning stage, we have also, through multi agency consultation, produced a '<b>Preparing for Emergencies – A Guide for Communities</b>' document which is now available to all agencies and organisations. It provides information on how to prepare, respond and recover from an incident including flooding. The document can be found via the following link; <a href="https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx">https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx</a></li> </ul> <p>Emergency Management Unit maintain up to date flood warning information from Natural Resources Wales on the Council GIS system.</p> <p><b>Energy Management Unit</b></p> <ul style="list-style-type: none"> <li>The Energy Management Team, in conjunction with Service Areas continues to promote initiatives to reduce energy consumption and carbon emissions, with the establishment of various loan funds, coupled with capital bids and allocations.</li> <li>The Council procures competitive energy contracts through the Welsh Purchasing Consortium on a 6 monthly purchasing window for the following 12 month financial year.</li> <li>Key sites are fitted with back-up generators for emergency backup, specifically for IT systems.</li> <li>The Carbon reduction Strategy 2022 identifies projects and activities</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>A public and key stakeholder consultation exercise has been completed, and the Local Flood Risk Management Strategy drafted for cabinet approval.</li> <li>An officers flood working group has been established to improve internal and key stakeholder communications on flooding issues.</li> <li>The proposal to further progress Surface Water modelling further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government</li> <li>Identify where flood risk information is in place for key social and civil infrastructure and identify where there are gaps (i.e. contaminated land).The Flood Regulations 2009 require Flood Hazard &amp; Risk Maps to be produced showing impact and extent of future significant flood events (City Services by June 2015)</li> <li>To consider flood risks recognised in the Community Risk Register in the Community Planning/Integrated Partnership process. Community resilience workshops continue in high risk areas</li> <li>Strategic climate change resilience action plan approved by Cabinet on 11th July as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues.</li> <li>Corporate PI on climate change resilience developed to ensure that the authority and its services are prepared for a changing climate, and to enable robust reporting to WG on this work (in line with the potential reporting requirements of the Climate Change Act and Well-being of Future Generations Act). To focus on different aspects of climate change resilience annually - to enable Directorates to consider impacts from climate change to their assets, infrastructure, service delivery, strategy and partnerships, and to identify actions for improvement from this process. Meetings held with Performance to embed within corporate processes. Training and 1-2-1 support has been offered by the SD Unit to all Directorates to support them addressing the Corporate PI on this issue but uptake from Directorates has been low. The SD Unit will offer further support to Directorates to provide a combined year 1 &amp; 2 response and will investigate other ways to ensure that parties are more proactively engaged, including an analysis of how new legislation (Well-being of Future Generations Act and upcoming Environment Bill) will help to influence this agenda.</li> </ul>	<p>Andrew Gregory</p> <p><b>Councillor Bob Derbyshire - Environment</b></p> <p><b>Updated Current Controls and Proposed Improvement Actions</b></p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<p>through 4 strands in order to achieve a 35% reduction in the council's carbon emissions from electricity and gas by 2022. These include; Renewables, energy Efficiency, Design and Asset Management and Behaviour Change.</p> <ul style="list-style-type: none"> <li>A new energy policy and carbon reduction map has been developed which focuses on electricity and gas. This was implemented from 2015/16 and will run through until 2022 with an overall carbon target as well as site specific including a project programme</li> </ul> <p><u>Local Flood Risk Management Strategy</u> A Local Flood Risk Management Strategy was produced by the end of 2012 based on WG's Flood &amp; Coastal Risk Strategy guidance. Which integrates; the PFRA, a coastal protection strategy, stakeholder communications and set a clear corporate approach to flood management and risk was presented to the Environmental Scrutiny on 2 Oct 2012. Public consultation was undertaken on the full strategy between January and March.</p> <p><u>Planning</u></p> <ul style="list-style-type: none"> <li>Flood Consequence Assessment to inform LDP process (ongoing).</li> <li>A Flood Study Report to investigate fluvial food risk from reens in the Wentloog Levels completed to inform the assessed candidate sites.</li> <li>Compliance with WAG TAN 15 (Development &amp; Flood Risk - 2004) is already part of the planning process.</li> </ul> <p><u>Sustainable Development Unit</u></p> <ul style="list-style-type: none"> <li>Carbon Lite Cardiff Vision Forum project - Carbon Lite Cardiff Action Plan</li> <li>Changing Climate, Changing Places pilot project.</li> <li>Further guidance to be disseminated to service areas on climate change issues as and when new information becomes available.</li> <li>Share learning experiences of climate change related risks with Integrated Strategy partners as and when information becomes available.</li> </ul>				<ul style="list-style-type: none"> <li>The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Work is underway with the Compact and Covenant staff to agree a combined method of emissions reporting so as not to duplicate efforts and to get maximum benefit from both commitments.</li> <li>The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Work is underway with the Compact and Covenant staff to agree a combined method of emissions reporting so as not to duplicate efforts and to get maximum benefit from both commitments.</li> <li>To consider the long term planning implications for coastal protection owned/managed by the Council (will be considered under the Local Flood Risk Management Strategy). An initial coastline survey has been completed and added to the strategy report, which indicates high levels of coastal erosion in south east Cardiff, further study is required into the high priority sites identified consideration of strategic defences is required alongside Welsh Government. Funding of £400k has been secured from Welsh Government for 2016/17 to develop a Project Appraisal Report to manage coastal flooding and erosion risk. The appraisal must consider flood risk and wider benefits, therefore, the investigation will be commissioned to establish a potential project to protect against coastal flooding for future years.</li> <li>To consider the long term planning implications for coastal protection owned/managed by the Council (will be considered under the Local Flood Risk Management Strategy). An initial coastline survey has been completed and added to the strategy report, which indicates high levels of coastal erosion in south east Cardiff, further study is required into the high priority sites identified consideration of strategic defences is required alongside Welsh Government.</li> <li>Progress has been made to establish up to date energy budgets.</li> <li>Deliver development of local power generation within city boundaries and with neighbouring LAs by securing heat networks, deliver the fuel Poverty strategy through measures such as Cyd Cymru, ECO and Green Deal opportunities, provide supplementary planning guidance on passive and renewal heating systems to new build and retrofit schemes.</li> <li>Energy security related issues to inform corporate financial systems revised buying and power consumption monitoring arrangements to save money and reduce demand and provide corporate &amp; community planning for Energy City Wide to Business and public sector.</li> <li>Further guidance to be disseminated to service areas on energy security and energy savings opportunities such as implementation of Carbon Culture, delivering extensive energy invest to save programmes on the Council Estate.</li> <li>Delivering renewables within larger properties to lower dependency to grid supply.</li> <li>Energy Performance certificates undertaken to Council owned stock to improve understanding along with a variety of energy efficiency measures (cavity / loft / external wall insulation and boiler upgrades) funded via ARBED, ECO and Green Deal.</li> </ul>	
<p><b>Information Governance</b></p> <p>Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>Leads to the Information Commissioner issuing notices of non compliance and implementing financial penalties</li> </ul>	A	1	High Priority	<ul style="list-style-type: none"> <li>Information Security Board chaired by the SIRO held quarterly.</li> <li>Suite of Information Governance Policies in place.</li> <li>Processes for Information Requests, Data Loss in place.</li> <li>The Information Governance Training Strategy in place.</li> <li>Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO.</li> <li>The processing of CCTV requests (section 35 requests) has been centralised to ensure that these are dealt with appropriately</li> <li>ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place</li> <li>Procurement contracts to include a clause regarding 3rd Parties processing personal data</li> <li>Privacy Impact Assessment process realigned and a PIA Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. (in preparation for the new EU requirements)</li> <li>PQA process includes the requirement for PIA's where personal information is being processed</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>The Improvement and Information Team who are responsible for the Governance of CCTV have compiled a register of all CCTV devices owned by the Council. A review of the use of these devices is being undertaken through the council's Information Security Board and the nominated Directorate Information Asset Owners</li> <li>Work is underway to provide advice and guidance to Directors and Lead Officers working on the Alternative Delivery Models on Information Governance matters</li> <li>Work is underway to ensure that Information Governance matters are key considerations as the Council moves towards being 'digital by default'</li> <li>Work to support the collaborative services i.e. Regional Regulatory Service, Vale Valleys and Cardiff Adoption Service continues to ensure that the on-going Information Governance requirements are met and delivered</li> <li>Advice and assistance provided to the National Adoption Service and Rent Smart Wales continues as Cardiff Council is the Data Controller for these services</li> </ul>	<p>Christine Salter</p> <p>(Vivienne Pearson)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Proposed Improvement Actions</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
									<ul style="list-style-type: none"> <li>New e-learning training programme to go live in May 2016</li> <li>Review remaining 10% of Information Requests siting in Directorates with a view to bringing them into the 'One Council Approach'</li> <li>Business case to be presented including options to take forward work on Information Sharing Protocols in line with revised WASPI arrangements</li> </ul>	
<p><b>Social Services – Costs</b></p> <p>Failure to reduce the cost of delivering social services.</p>	<p>Reputational / Community / Legal / Financial / Stakeholders / Service delivery</p> <p>Quality and range of services and interventions compromised, e.g.:</p> <ul style="list-style-type: none"> <li>Safety and welfare of individuals in the community compromised.</li> <li>Achievement of good outcomes for service users compromised.</li> <li>Shortage of appropriate services including placements.</li> <li>Inability to meet key objectives and performance targets.</li> <li>Increase in challenges from carers, including financial challenges.</li> <li>Increase in Delayed Transfers of Care (DToC).</li> </ul>	B	1	High Priority	<p>Strategic service improvement governance arrangements including:</p> <ul style="list-style-type: none"> <li>Organisational Development Programme.</li> <li>Multi agency Improving Services to Children Board.</li> <li>Adult Services Improvement Board.</li> <li>Vulnerable Families Partnership Board.</li> <li>Social Services Reshaping Programme.</li> <li>Adult Social Care Strategic Commissioning Programme.</li> <li>DToC action plan.</li> <li>Internal Review team within Assessment &amp; Care Management continues to focus on delivery of targeted reviews and reviewing packages of domiciliary care for individuals.</li> <li>Assessment &amp; Case Management Business Process Review - commenced with corporate resources.</li> <li>Adult Social Services Position Statement completed.</li> <li>Robust and transparent scrutiny of budgets in place but this remains a significant challenge.</li> <li>Adult Services, Care &amp; Social Services Inspectorate Wales (CSSIW) and the Providers are working together to improve service delivery.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Remodelling Children's Services.</li> <li>Multi-Agency Safeguarding Hub (MASH).</li> <li>Remodelling services to disabled children.</li> <li>Redesign services for children with emotional, behavioural or mental health difficulties (UHB led).</li> <li>Enhance Community Resource Teams e.g. moving to 7 day working (ICF and RCF funding).</li> <li>Plan to increase domiciliary care capacity.</li> <li>Creation of combined Health &amp; Social Care Locality Community Resource Teams to increase efficiency and effectiveness.</li> <li>Review and implement effective contract monitoring and management arrangements.</li> <li>Identify commercialisation opportunities.</li> <li>Ongoing close monitoring of DToC Action Plan</li> <li>Living Wage growth bid submitted for 2016/17 budget.</li> <li>Rationalise / streamline improvement boards and governance.</li> </ul>	<p><b>Tony Young</b></p> <p><b>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</b></p> <p><b>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</b></p> <p><b>Updated, Current Controls and Proposed Improvement Actions</b></p>
<p><b>Delayed Transfers of Care</b></p> <p>Failure (with Health partners) to reduce the number of Cardiff residents experiencing delayed transfers of care.</p>	<p>Reputational / Legal / Financial / Community / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> <li>Potential ministerial intervention incurring significant reputational and political risk.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Leadership group established to tackle DToC - consisting of Cabinet Members from the Cardiff, Vale of Glamorgan, Chair of UHB and relevant officers.</li> <li>Joint action plan received and agreed by the Health Minister on 29th June 2015 under frequent review to monitor progress.</li> <li>Health &amp; Social Care Integration - continued progression on integration with Health - partnership / governance arrangements for Mental Health, Learning Disabilities and frail older people; development of integrated complex hospital discharge team across Cardiff, Vale of Glamorgan and the UHB.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>Performance challenges set to improve DToC - includes ongoing close monitoring of DToC Plan.</li> <li>Strategic review of reablement as part of ODP.</li> <li>Strategic review of DToC re-engineering as part of ODP.</li> <li>ICF and RCF monies to enhance the Community Resource Teams - e.g. moving to 7 day working, 2<sup>nd</sup> Primary Care Fund.</li> <li>Plan to create more domiciliary care capacity to ensure availability of services to achieve timely discharges.</li> </ul>	<p><b>Tony Young</b></p> <p><b>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</b></p> <p><b>Updated Proposed Improvement Actions</b></p>
<p><b>Performance Management</b></p> <p>A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements</p>	<p>Reputational / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices.</li> <li>Council unable to accelerate performance improvement as planned/desired.</li> </ul> <p><u>Outcome Agreement 2013/16</u> Financial</p> <ul style="list-style-type: none"> <li>The WG guidance for the Outcome Agreement for 2013/16 means that there is a risk of not securing all or part of the £3.2m funding for 2013/14 and subsequent years</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>The Council's refreshed Corporate Plan, which sets out four key priorities along with a series of related Improvement Objectives, was approved alongside the budget in February 2016.</li> <li>The Council's improved approach to the way it manages its performance was recognised by the Wales Audit Office's follow-on report, but it is also clear there is more work to be done to build on the success achieved so far. A new Performance Management programme will be put in place to deliver the required change.</li> <li>The Council's developing approach to Performance Management will continue to develop the way in which Benchmarking data is used, with specific emphasis on measuring the Council's improvement compared to Wales and Core Cities.</li> <li>Balanced Scorecards are produced each quarter and circulated to Cabinet and Directors for use in improving communication of performance. The continuing development of a scorecard approach to reporting will be a key part of the Performance Management programme of activity.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>A Programme of activity is being launched in April 2016 to ensure the Council's Performance Management arrangements continue to improve, leading in turn to improved services and better outcomes for our residents and service users</li> <li>Planned areas of focus include: <ul style="list-style-type: none"> <li>Developing a reporting framework that allows the right audiences to focus on the right level of detail to better aid decision-making</li> <li>Ensuring greater effectiveness of corporate planning frameworks, with clearer accountabilities and enhanced 'line of sight'</li> <li>Embedding a culture of challenge throughout the organisation</li> <li>Increasing the transparency with which we manage our performance</li> </ul> </li> </ul>	<p><b>Christine Salter</b></p> <p><b>(Joe Reay)</b></p> <p><b>Councillor Graham Hinchey - Corporate Services &amp; Performance</b></p> <p><b>Updated Current / Existing Controls and Proposed Improvement Actions</b></p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Organisation Development</b></p> <p>OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.</p>	<ul style="list-style-type: none"> <li>The Council's budget constraints are so severe that the consequence of not delivering large-scale change could have a major impact on customer services.</li> <li>Radical changes to service delivery models may impact on the Council's reputation if not planned, co-ordinated and governed effectively.</li> <li>If change is not delivered, there could be unplanned reduction in staffing to achieve savings, which would result in loss of business knowledge and resources to implement change.</li> <li>Reputational impact if services do not meet increasing customer expectations.</li> <li>If change is not effectively planned, managed and implemented it may be delayed and subsequently impact on the Council's ability to achieve necessary savings and service improvements.</li> <li>With the increased budget pressures, the Council may not have sufficient capital and revenue to invest in technology which would achieve medium and long-term improvements and savings.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>Governance arrangements established, led by the Chief Executive and Programme Boards, chaired by Directors to ensure change is delivered</li> <li>Disciplined approach, where risk assessment forms an integral part of the approach to change</li> <li>Programmes initiated with dedicated resources</li> <li>Experienced gained by managing programmes and projects over a number of years, building on lessons learned</li> <li>Building capacity and capability across the organisation through development opportunities and skills transfer</li> <li>Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit.</li> <li>Improving compliance to project and programme management governance standards by streamlining core processes and enhancing reporting, increasing transparency across change initiatives.</li> <li>Continued implementation of Programme &amp; Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources.</li> <li>Organisational Development Board joined up with Senior Management Team who meets monthly to discuss the OD Programme. This ensures all Directors are fully engaged with the OD Programme.</li> <li>OD/SMT Board approved Programme Briefs for Reshaping Services, Enabling &amp; Commissioning and all component programmes. OD/SMT have approved the draft Digital Strategy, ahead of formal submission to Cabinet in May 2016.</li> <li>Improved reporting for the OD Programme has been developed (Dashboard Reports) and implemented at OD/SMT Board. These reports are produced 4-weekly.</li> <li>Appointment of programme managers to oversee the OD Programme (OM2 in April 2015 and OM1 in August 2015) has provided additional capacity and direction.</li> <li>SharePoint implementation within OD began in December 2015 and will continue through spring 2016, further improving information management, efficiency and internal communications.</li> <li>Controlled Risk Self Assessment tool piloted in OD to inform strengths and weaknesses in controls and help prioritise areas for improvement.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>New Programmes &amp; projects being initiated as part of Organisational Development – driving change from within Directorates, but corporately governed.</li> <li>Digital Services Roadmap to be developed / finalised and used to inform delivery.</li> <li>Further work required to improve programme reporting and information flow.</li> <li>Further work required to understand the interdependencies for all the projects ongoing in the OD Programme to ensure best use of resources and no duplication of effort.</li> <li>Enabling technologies to be realigned as appropriate to the priority areas.</li> <li>Meetings arranged with DMTs to discuss ongoing OD Programme and future projects that may require OD support so that resources can be planned accordingly.</li> <li>Annual review of the ODP that will map out the next steps for key projects and initiatives.</li> <li>Working with Finance to ensure that saving plans included in the medium term financial plan are directly linked to the ODP.</li> </ul>	<p>Christine Salter (Dean Thomas)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Current Controls and Proposed Improvement Actions</p>
<p><b>Business Continuity</b></p> <p>Large scale incident/loss affecting the delivery of services.</p>	<p>Reputational / Legal / Financial / Stakeholder / Service delivery / Health &amp; safety</p> <ul style="list-style-type: none"> <li>Inability to operate in a timely and efficient manner.</li> <li>Potential impact on health and safety.</li> <li>Impact on key services to the public.</li> <li>Inability to meet business obligations e.g. partnership arrangements.</li> </ul>	B	1	High Priority	<ul style="list-style-type: none"> <li>The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme.</li> <li>We have an approved Business Continuity Policy which is aligned to ISO22301.</li> <li>BCM Intranet web page.</li> <li>BCM toolkit is now available on CIS allowing all service managers to develop an appropriate BCM response for their services allowing future effective maintenance and audit. BCM workshops are available from the BC Officer on request.</li> <li>The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor.</li> <li>The Council worked with Marsh to complete a corporate exercise to identify and prioritise all activities. Marsh conducted a follow up BCM session at CMB on the 24th May 2011 which concluded the work on prioritising and classifying all of the Councils activities. This work to prioritise activities continues to be reviewed annually by the senior leadership team to keep the work live.</li> <li>The Red and Amber activities were last reviewed in July 2014. The BCM Champion presented a report to the SLT on the position on all the Red and Amber activities. Directors, Assistant Directors and Chief Officers were tasked with ensuring that their Red and Amber activities had business continuity plans produced and audited by the end of 2014/2015.</li> <li>A partnership approach between the Emergency Management Unit and the Corporate Risk Steering Group is helping to raise awareness and drive forward the BCM programme.</li> <li>71 % of our most time critical activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement</li> <li>14.5 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement.</li> <li>The Council now has a 24 hour Incident Management structure for Gold and Silver Officers. This structure was exercised in a corporate exercise OTAN run by the Emergency Management Unit in 6th and 9th of June 2014. This exercise also gave BC plan owners the opportunity to exercise their own BC arrangements. Further training for our Gold officers is due in November 2015.</li> <li>The existing and well tested corporate emergency management structure was successfully and extensively used in the preparation for and over the NATO summit period. This structure was ready to manage a corporate response to any incident.</li> </ul>	C	1	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>It was agreed by SLT in July 2014 that a target date for completion of effective up to date Red and Amber business continuity plans would be put in place and this would have a target date of the end of 2014/2015, individual Directorates are responsible for progressing this work.</li> <li>The BC Officer has started working with Directorates to start building business continuity plans for the Councils 62 Amber activities (activities that need to be recovered between 1 hour and 24 hours following business disruption)</li> <li>The Emergency Management Unit has developed an Incident Management Plan (Cardiff Councils Emergency Management Plan) to ensure alignment with ISO22301 this has been distributed to all Directorates.</li> <li>The BC Officer is working closely with Facilities Management to ensure they have effective plans in place to help manage possible business disruptions to our four core buildings.</li> <li>Continue to promote the need for the Office Rationalisation Project to incorporate a solution to manage the risk and impact of loss of work space effectively, to limit impact on the provision of council services should there be a business continuity incident. This would probably be best achieved through roll out of an effective mobile working solution. A solution has been identified and is available to staff. Internal services have been working to improve the resilience and capability of infrastructure to support the use of this solution.</li> <li>Work with ICT to ensure our core infrastructure is as resilient as practical to support a resilient and effective delivery of essential ICT services and the effective planning for recovery of critical IT services after an incident that affects our IT.</li> <li>Work with the teams involved with looking at the potential of using alternative delivery models for council services. Identifying risks associated with alternative delivery models for specific services and recommend potential risk management solutions for implementation, to protect the delivery of our most critical services.</li> <li>Facilities Management have identified a vulnerability within one of our electrical emergency generator supplies which the BC Officer is working to support the closure of this vulnerability.</li> <li>The BC Officer is actively supporting the development of an</li> </ul>	<p>Christine Salter</p> <p>Councillor Phil Bale, Leader – Economic Development &amp; Partnerships</p> <p>Reviewed – No change</p>



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					<ul style="list-style-type: none"> <li>Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 4 years. This membership allows the sharing of best practice and joint initiatives between group members.</li> <li>The Business Continuity Officer has been working closely with the procurement section of Resources to ensure that the resilience of suppliers is considered carefully when procuring services which are important to our most time sensitive activities, our Red and Amber activities.</li> <li>Risk and Audit conducted an audit of the Business Continuity Risk in the first 2 quarters of 2015 / 2016 a briefing note has been issued to SLT on the current position and actions moving forward to further enhance our organisational resilience.</li> </ul>				appropriate Threat and Response Policy to support council security arrangements.	
<p><b>Education – Schools Delegated Budgets</b></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>	<p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Reducing educational standards.</li> <li>Intervention from WG</li> </ul>	A	2	High Priority	<ul style="list-style-type: none"> <li>2015/2016 Budget allocations issued to schools in early March 2015 and monitoring arrangements put in place for those schools showing financial concern. This has continued for the 16/17 budget process.</li> <li>Officers from Education and Financial Services have worked with individual schools through Headteachers and Governing Bodies to formulate Medium Term Financial Plans (MTFP) to seek to either balance individual school deficits within four financial years or to ensure that the accumulated deficits were frozen or slowed as much as possible. .</li> <li>The fall in pupil numbers for certain schools made it clear that a longer period than four years was needed in order to achieve a balanced medium term position</li> <li>Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure.</li> <li>Work ongoing with all schools but focussed targeting on specific secondary schools to continue to dampen the growth in deficits and ensure that those that do occur are recoverable.</li> <li>Officers from Education, HR, finance and legal looking at potential intervention strategies and developing a protocol for intervention.</li> <li>Reviewing closely with Education Management Team and SOP in particular as to the opportunities available to address short medium term fall in pupil numbers for certain secondary schools. Some schools are unviable in short term but the spaces will be required in the next five years so financial plans required to get over the next few years with low pupil numbers.</li> <li>For each school in deficit, the Council has identified a monitoring officer to provide an independent challenge to the school. This is in addition to the LFM Officer currently supporting that school</li> <li>Individual school budget monitoring positions reported to Education Management Team on a quarterly basis</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>Council make full use, if necessary, of formal warnings and powers of intervention.</li> <li>Officers have exercised the statutory powers of intervention in three secondary school governing bodies which is beginning to have a positive impact on the ability of the Council to ensure schools meet the targets set out in their deficit recovery plans.</li> <li>Officers exercise the statutory powers of intervention on a school or schools in deficit who are unable to provide a medium term financial plan, this may involve removing delegation from a Governing Body.</li> <li>Officers explore through the School Organisation Planning process how different organisational arrangements for schools would affect the supply of pupils to schools thus affecting their delegated budgets. This will include an understanding of the long term impact of any unused school supply places on the funding formula.</li> <li>School Budget Forum has agreed a revised protocol for responding to schools in deficit and this needs regular review with a tightening on the number of deficit budgets accepted. This has been reflected in the harder message contained within the 2016/17 school budget letters and the 2016/17 Budget Report.</li> <li>Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance.</li> <li>The Council has been able to protect school delegated budgets over and above the Welsh Government threshold and a smaller number of schools than in 15/16 have been identified as requiring meeting with S151 officer and senior education officers. These meetings will place in April and early May.</li> <li>Work is continuing with the School Budget Forum and consortium to ensure that the formula funding mechanism is transparent and remains fit for purpose whilst considering any interaction or impact of any grant allocation decisions.</li> <li>Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards.</li> <li>Working with consortium to ensure that maximising value from constituent parts of Education Improvement Grant is secured and that there is clarity of allocation mechanism for 2017/18 and beyond.</li> <li>Developing the medium term budget strategy for 2017/18 and providing early notification to budget forum and individual schools of likely impact of said strategy.</li> </ul>	<p>Nick Batchelar (Neil Hardee)</p> <p>Councillor Sarah Merry - Education</p> <p>Updated Current Controls and Proposed Improvement Actions</p> <p>Residual Risk Reduced from B2</p>

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
<p><b>Legal Compliance</b></p> <p>Changes in services and staff roles across the Council resulting in:</p> <ul style="list-style-type: none"> <li>- gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;</li> <li>- inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:</li> </ul> <p>in each case leading to increased risk of challenges.</p> <p>Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.</p>	<p>Reputational / Legal / Financial / Service delivery</p> <ul style="list-style-type: none"> <li>• Increase in number of challenges with consequences in terms of already stretched resources and impact of adverse decisions</li> <li>• Implementation of decisions delayed due to challenges and potentially fatally disrupted.</li> <li>• Impact on projects if reputation for sound management and implementation of projects is damaged</li> <li>• Major incident.</li> <li>• Adverse press/media reaction</li> <li>• Involvement from Welsh Government in terms of performance standards or measures.</li> <li>• Increased costs on external legal support</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• Professional internal legal and financial advice provided to a high standard.</li> <li>• Legal Services repositioned in the senior management structure.</li> <li>• Maintaining robust decision making process with legal implications on all reports.</li> <li>• Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience.</li> <li>• Dedicated teams in specialist areas e.g. equalities, FOI / DPA.</li> <li>• Sharing training/publications received</li> </ul>	C	2	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Prioritisation of work to make best use of internal expertise (including programme of projects in accordance with SMT decision)</li> <li>• Continue efforts with exploration of collaboration with other legal services to see if there is the potential to increase resilience and / or efficiencies.</li> <li>• Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters</li> <li>• Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions.</li> <li>• Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early</li> </ul>	<p>Christine Salter (David Marr)</p> <p>Cllr DeAth - Skills, Safety &amp; Engagement</p> <p>Updated Current Control &amp; Proposed Improvement Actions</p>
<p><b>Fraud, Bribery and Corruption</b></p> <p>Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.</p>	<p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>• Increase in frauds and losses to the Council.</li> <li>• Reputational risk as more frauds are reported.</li> <li>• Increased time investigating suspected fraud cases.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• The Council communicates a zero tolerance approach to fraud, bribery and corruption.</li> <li>• Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy.</li> <li>• Financial Procedure Rules and Contract Standing Order and Procurement Rules frameworks for staff to follow.</li> <li>• Dedicated team of professionally trained and experienced investigators to prevent deter and detect fraud against the Council.</li> <li>• Proactive work on National Fraud Initiative exercises led by the Internal Audit team, in collaboration with the Cabinet Office and Wales Audit Office.</li> <li>• Receipt and dissemination of fraud intelligence alerts from law enforcement agencies.</li> <li>• Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive.</li> <li>• Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority.</li> <li>• Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control.</li> <li>• Procurement team compliance role relating to contract procedure rules.</li> <li>• Savings proposals are reviewed and supported by a robust business case and process in consideration of risks to the operation.</li> <li>• Ongoing delivery of briefings to Schools on fraud and control risks.</li> <li>• Cardiff Manager Programme includes session on risk management and compliance / control.</li> <li>• Senior Management Assurance Statements – challenge to Directors and the Chief Executive.</li> <li>• Approval of new Fraud, Bribery and Corruption Policy and Money Laundering Policy at Cabinet, June 2015.</li> <li>• Provision of disciplinary management information on DigiGov.</li> <li>• Multi-team collaboration in the development of the updated Disciplinary Policy and supplementary guidance materials.</li> </ul>	B	3	Medium Priority (Red/Amber)	<ul style="list-style-type: none"> <li>• Seek approval of a policy for Monitoring Employees at work and a management framework for its enactment.</li> <li>• Development of a package of mandatory e-learning modules for the pool of Investigating Officers and Disciplinary Chairs throughout quarter one 2016/17.</li> <li>• Continue to deliver the mandatory face to face training for investigating Officers to improve the standard of investigations. To be delivered to the pool of Investigating Officers by the end of quarter two 2016/17.</li> <li>• Continue to deliver the mandatory face to face training for of Disciplinary Hearing Chairs. To be delivered to the pool of Disciplinary Hearing Chairs by the end of quarter two 2016/17.</li> <li>• Continue to build upon and enhance the mandatory face to face training programmes.</li> <li>• Review process for ensuring appropriate fraud, bribery and corruption awareness for Council officers.</li> <li>• Delivery of Cardiff Manager Programme.</li> <li>• Review a sample of Disciplinary Hearing outcomes for consistent application of the Disciplinary Policy.</li> <li>• Challenge inconsistent disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee.</li> <li>• Enhance DigiGov to facilitate changes introduced by the new Disciplinary Policy and the production of management information, by the end of quarter 2 2016.</li> </ul>	<p>Christine Salter</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p> <p>Updated Risk Title, Current Control &amp; Proposed Improvement Actions</p>
<p><b>Asset Management</b></p> <p>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.</p>	<p>Reputational / Legal / Financial / Health &amp; Safety / Stakeholders</p> <ul style="list-style-type: none"> <li>• Poor use of assets / VFM.</li> <li>• Lost opportunity for capital receipts.</li> <li>• Increased maintenance.</li> <li>• Prosecutions / fines.</li> </ul>	B	2	High Priority	<ul style="list-style-type: none"> <li>• Cabinet formally approved a new Property Strategy in November 2014.</li> <li>• Corporate Asset Management Board and supporting Working Group now set up to raise property profile and introduce more structured, disciplined approach to management of property and the Office Accommodation Rationalisation Programme.</li> <li>• Established rolling programme of 'Fitness for Purpose' reviews of all council properties providing high level assessment of the current performance and value of buildings.</li> <li>• Carbon Management / Energy Efficiency - Certificates / General Awareness / Introduction of Energy Renewables Strategy.</li> <li>• Established Implementation Plan for the new Property Strategy.</li> <li>• Determined governance and work programme updates for new Corporate Asset Management Board at meeting in January 2015.</li> <li>• Review of Investment portfolio completed. Report on future strategy and direction of non-operational estate presented to PRAP in January 2015 for onward consideration by Cabinet in June 2015.</li> <li>• Asset Management Plan considered by Cabinet in July 2015.</li> <li>• Future Strategy and direction of the Council's non - operational Investment Estate approved by Cabinet in November 2015.</li> <li>• Asset Management Board and Partnership Board fully operational.</li> </ul>	D	2	Medium Priority (Amber/Green)	<p>Establish Investment Board and new Governance for the Investment Estate.</p>	<p>Neil Hanratty</p> <p>Councillor Phil Bale, Leader – Economic Development &amp; Partnerships</p> <p>Updated Current Controls and Proposed Improvement Actions</p>



Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Improvement Action	Risk Owner & Cabinet Member
					<ul style="list-style-type: none"> <li>Delivered targets in Corporate Asset Management Plan in 2015-17 as follows: <ul style="list-style-type: none"> <li>Gross internal floor area reduced by 3.5%</li> <li>Maintenance backlog reduced by @£4.4m</li> <li>Running cost reduced by £1m</li> <li>Delivered £6.7 million capital receipts</li> </ul> </li> </ul>					
<p><b>Workforce Planning</b></p> <p>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.</p>	<p>Reputational / Financial / Stakeholder / Service delivery</p> <ul style="list-style-type: none"> <li>Poor service delivery due to ineffective use of resources.</li> <li>Lack of resources with the knowledge and skills the Council requires for future delivery</li> <li>Loss of resources and recruitment problems.</li> <li>Poor morale</li> <li>Loss of experienced staff members including managers</li> <li>Reduce the likelihood of attracting high calibre managers to Cardiff Council</li> <li>Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care.</li> </ul>	<b>B</b>	<b>3</b>	<p>Medium Priority</p> <p>(Red/Amber)</p>	<ul style="list-style-type: none"> <li>The Workforce Planning Project forms one of the projects within the Workforce Strategy programme with its purpose to review, develop and implement workforce planning</li> <li>The Workforce planning project has a completed project brief identifying a number of key outputs required for workforce planning</li> <li>HRPS provided the Workforce Planning data within the Resources/Staff section of Directorate Delivery Plan</li> <li>Behavioural Competence Framework implemented, including 12 behavioural competencies set out in 4 levels as a way in which the Council describes its people and jobs.</li> <li>Work is being carried out on linking processes that can be used for the identification and development of potential e.g. Recruitment &amp; Selection, PPDR and Cardiff Academy and underpinning these with the Competency Frameworks.</li> <li>The Workforce Planning approach commenced with the roll out of the new tool and managers guide in March 2014. Whilst awaiting an IT solution, a new tool has been developed to enable the organisation to take a snapshot of where they are currently and to start to consider the 'skills' requirements piece</li> <li>Managers' guide to WFP developed and disseminated to Directorates March 2014.</li> <li>The Behavioural Competency Framework has been reviewed and stakeholder feedback collated to inform a revised approach which has been implemented</li> <li>Additional research and benchmarking undertaken to help inform WFP approach going forward; including – attendance at WLGA – Work Force Planning Wales event. LGA/ Skills for Local Government hosted COP event.</li> <li>HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda.</li> <li>Workforce strategy developed and agreed by Cabinet in April 2015</li> <li>Options appraisal to deliver a workforce planning IT solution to be developed</li> </ul>	<b>B</b>	<b>3</b>	<p>Medium Priority</p> <p>(Red/Amber)</p>	<ul style="list-style-type: none"> <li>Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development. The alignment of DDP's and the Workforce Strategy has been piloted within Children's Services.</li> <li>Workforce Strategy signed off in April 2015 and a refreshed Workforce Planning approach is being taken forward in a number of ways. Children's Services have developed a Workforce Strategy for their area. Some test work has been carried out of a Workforce Planning Canvas tool. Resources have held a workshop which focussed on Professional and Technical areas to inform the key skills required for the Directorate going forward. Work has been carried out to build workforce planning into the Directory Delivery Plan process for 2016/17. There is also a review underway with Procurement colleagues of the Service Review Toolkit to fully integrate Workforce Planning into the tool kit. In addition work is still ongoing to identify a suitable Workforce Planning IT solution. Work has taken place with Cardiff and Vale College to look at an Essential Skills diagnostic tool. Work is being carried out with WLGA and WAO to look at a Wales wide workforce planning process for use within Local Authorities.</li> <li>The project Plan for the Workforce Planning Project gives full details of the improvement action plan.</li> </ul>	<p><b>Christine Salter</b></p> <p><b>(Philip Lenz)</b></p> <p><b>Councillor Graham Hinchey - Corporate Services &amp; Performance</b></p> <p><b>Updated Risk Description, Consequence, Current Controls &amp; Proposed Improvement Actions</b></p>

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Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
<b>EVENT DRIVEN RISKS</b>				
<b>Social Services and Wellbeing (Wales) Act</b> Failure to implement the Social Services & Wellbeing (Wales) Act 2014.	High Priority B1	Medium Priority (Red/Amber) B3	Tony Young	<b>Councillor Sue Lent</b> , Deputy Leader - Early Years, Children & Families & <b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Hostile Vehicle Mitigation in Cardiff</b> Vehicle Borne Improvised Explosive Device (VBIED) detonating in an area identified as a high risk crowded place, as a result of the inappropriate boundary treatments and access control processes protecting and managing it.	High Priority B1	High Priority B1	Andrew Gregory	<b>Councillor Ramesh Patel</b> Transport, Planning & Sustainability
<b>Welfare Reform</b> That the Council cannot meet its statutory obligations with the increased demands and reduced budgets placed upon it by the Welfare Reform including: Universal Credit, further reduction in Benefit Cap, size restrictions for social tenants and restriction of social housing rents to LHA levels. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.	High Priority A2	High Priority B2	<b>Sarah McGill</b> (Jane Thomas)	<b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Waste Management</b> Failure to achieve targets for Landfill allowance, specifically for Biodegradable Municipal Waste and WG statutory Recycling Targets. Ineffective delivery of recycling targets and residual waste treatment.	High Priority B1	High Priority B2	Andrew Gregory	<b>Councillor Bob Derbyshire</b> Environment
<b>Preparation of Local Development Plan</b> Preparing a plan that is considered 'sound' by the Inspector, within the proposed timetable.	High Priority B1	Low Priority (Achieved)	Andrew Gregory	<b>Councillor Ramesh Patel</b> Transport, Planning & Sustainability
<b>Education – Schools - SOP</b> Large scale programme with tight timescales for delivery, in context of very rapidly growing primary age school population.	High Priority B1	Medium Priority (Red/Amber) C1	<b>Nick Batchelar</b> (Janine Nightingale)	<b>Councillor Sarah Merry</b> Education
<b>Education Consortium &amp; Attainment</b> The Central South Consortium does not deliver effective services that challenge and support Cardiff schools to improve and Educational Attainment does not improve at the required rate.	High Priority B1	Medium Priority (Red/Amber) C2	<b>Nick Batchelar</b> (Angela Kent)	<b>Councillor Sarah Merry</b> Education
<b>ICT Platforms Unsuitable/ Outdated</b> The ICT platforms (desktop, software, network, servers, and telephones) will not be able to support the technologies required by the corporate change programme and deliver effective service to the council, or will not provide a reliable service due to age and condition of equipment and systems.	High Priority A2	Medium Priority (Red/Amber) C2	<b>Christine Salter</b> (Phil Bear)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>ONGOING RISKS</b>				
<b>Budget prioritisation</b> Delivery of the statutory obligation to set a balanced annual budget and to set a Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of late settlement figures from the Welsh Government).	High Priority A1	High Priority B2	<b>Christine Salter</b> (Ian Allwood)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Financial Resilience</b> Financial resilience of the Council over the medium term, given the scale of the financial challenge ahead.	High Priority A1	High Priority B2	<b>Christine Salter</b> (Ian Allwood)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Budget Monitoring</b> Failure to achieve the budget set, inclusive of budgeted spend and savings across Directorates, with increased use of emergency finance measures and the drawdown of reserves.	High Priority A1	High Priority B2	<b>Christine Salter</b> (Allan Evans)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Health and Safety</b> Ineffective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.	High Priority A1	High Priority B1	Christine Salter	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Climate Change &amp; Energy Security</b> Un-preparedness to the effects of climate change due to lack of future proofing for key (social and civil) infrastructure and business development, and inability to secure consistent energy supply due to rising energy costs and insecurity of energy supply.	High Priority B1	High Priority B1	Andrew Gregory	<b>Councillor Bob Derbyshire</b> Environment
<b>Information Governance</b> Information handled inappropriately leaves the Council exposed to intervention and financial penalties issued by the Information Commissioner (ICO). This includes information held by Cardiff Schools.	High Priority A1	High Priority A2	<b>Christine Salter</b> (Vivienne Pearson)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Social Services - Costs</b> Failure to reduce the cost of delivering social services.	High Priority B1	High Priority B2	Tony Young	<b>Councillor Sue Lent</b> , Deputy Leader - Early Years, Children & Families
<b>Delayed Transfers of Care</b> Failure (with Health partners) to reduce the number of Cardiff residents experiencing delayed transfers of care.	High Priority B1	High Priority B2	Tony Young	<b>Councillor Susan Elsmore</b> Health, Housing & Wellbeing
<b>Performance Management</b> A performance management culture is not embedded within the Council leaving the Council exposed to intervention by Welsh Government in line with the Local Government (Wales) Measure 2009 and associated requirements.	High Priority B2	High Priority B2	<b>Christine Salter</b> (Joe Reay)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Organisation Development</b> OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	High Priority B1	High Priority B2	<b>Christine Salter</b> (Dean Thomas)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Business Continuity</b> Large scale incident/loss affecting the delivery of services.	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	<b>Councillor Phil Bale</b> , Leader – Economic Development & Partnerships
<b>Education – Schools Delegated Budgets</b> Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	High Priority A2	Medium Priority (Red/Amber) C2	<b>Nick Batchelar</b> (Neil Hardee)	<b>Councillor Sarah Merry</b> Education
<b>Legal Compliance</b> Changes in services and staff roles across the Council resulting in: - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource: in each case leading to increased risk of challenges.  Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	<b>Christine Salter</b> (David Marr)	<b>Councillor De'Ath</b> Skills, Safety & Engagement
<b>Fraud, Bribery and Corruption</b> Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	High Priority B2	Medium Priority (Red/Amber) B3	Christine Salter	<b>Councillor Graham Hinchey</b> Corporate Services & Performance
<b>Asset Management</b> Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	High Priority B2	Medium Priority (Amber/Green) D2	Neil Hanratty	<b>Councillor Phil Bale</b> , Leader – Economic Development & Partnerships
<b>Workforce Planning</b> Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	Medium Priority (Red/Amber) B3	Medium Priority (Red/Amber) B3	<b>Christine Salter</b> (Philip Lenz)	<b>Councillor Graham Hinchey</b> Corporate Services & Performance

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**SENIOR MANAGEMENT ASSURANCE STATEMENT SUMMARY 2015/16**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 7.3**

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**Reason for Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. This report has been prepared to provide Audit Committee with a summary of the returned Council's Senior Management Assurance Statements (SMAS's) for the financial period 2015/16.

**Background**

3. For several years Directors have been asked to complete a Senior Management Assurance Statement (SMAS) which feeds into the Annual Governance Statement (AGS) and forms a part of the Council's Statement of Accounts.
4. Completion of the SMAS requires each Director to answer a number of questions with regards to the functions for which they have been responsible during the financial period. In addition, there is a requirement to declare if there have been any significant governance issues during the period, which may merit inclusion in the Annual Governance Statement 2015/16.
5. The 2015/16 year-end has seen the introduction of a Chief Executive Assurance Statement to ensure assurance responses are received from the full Senior Management Team. In addition to the widening of responses, there has been an increased incidence of Senior Managers using their respective management team meetings as a forum for discussing and completing their assurance responses. A number of Principal Auditors have also discussed the SMAS return responses with Directors and attended management meetings. The intention is to further increase the level of independent challenge and validation of responses for the financial year 2016/17.
6. The Chief Executive answered 'yes' to each of his assurance statements. Out of the 319 assurance responses from Directors collectively, there were 2 'no' responses, recognising some gaps in the completion of business cases and training in respect of project quality assurance (PQA). There were 21 'partly' responses, representing some gaps in directorate risk management and recognition of the scope for improvement in PQA and performance management. It was also recognised that some improvements could be made to service delivery by better aligning resources to outcomes. In terms

of independent assurance, there was also some recognition that the timely implementation of Internal Audit recommendations required improvement.

7. The Head of Finance attended Senior Management Team on the 24 May 2016 to provide a summary outcome, and to discuss any significant issues submitted by Directors. In addition to completing the assurance statements, twelve new governance issues were identified in the returned statements and these were considered in turn, together with the significant issues included in last year's AGS. It was decided that one new issue relating to progressing the recommendation and proposals for improvement in the WAO Corporate Assessment Follow On report should feature as a new significant governance issue in the Annual Governance Statement. The majority of the other issues presented were not considered strategic and were felt, best addressed within Directorates. The rest were mainly linked to corporate risks (some of which may need changing to reflect new pressures). The Annual Governance Statement includes details of the significant governance issues which are carried forward to 2015/16 and the year-end position, considered as part of agenda item 6.2.
8. One Chief Executive Assurance Statement and seven SMAS's were issued to Directors and all were returned. A summary of the outcome is attached at Appendix A.

### **Issues**

9. The purpose of the AGS, having regard to the Assurance Statements, is to provide a true reflection of the governance arrangements in place within the Council. Central to good governance is being open and transparent in our affairs, and this is supported through highlighting any areas of concern at a corporate level and making setting out effective arrangements for their management.

### **Reason for Recommendation**

10. To inform the Audit Committee of the summary content of the returned Senior Management Assurance Statements, in order to inform the Annual Governance Statement 2015/16.

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

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

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
27 June 2016

The following Appendix is attached:

**Appendix A** – Summary of Senior Management Assurance Statements 2015/16

**Figure 1 – Summary of Chief Executive Assurance Statement 2015/16**

	<b>Assurance Statement</b>	<b>Yes</b>	<b>Partly</b>	<b>No</b>
<b>1.</b>	<p><u>Policies, Objectives &amp; Performance</u></p> <ul style="list-style-type: none"> <li>The Council has worked towards delivery of the objectives set out within the Corporate Plan</li> <li>All Directors have ensured that Directorate Delivery Plans are prepared for their directorates which set out how services contribute to the achievement of the Council's corporate objectives and the management of the associated risks</li> <li>All Directors ensure that individual Personal Performance and Development Reviews (PPDRs) capture the individual officer contributions to Directorate and Team Plans.</li> </ul>	3	-	-
<b>2.</b>	<p><u>Compliance</u></p> <ul style="list-style-type: none"> <li>All Directors conduct their business in line with the Council's Constitution.</li> <li>All Directors conduct their business in line with Council's policies.</li> <li>Adequate arrangements are in place to ensure that Directors are aware of legislative and other compliance requirements.</li> <li>Projects and programmes are managed in compliance with the PQA framework, and I am provided with periodic updates of performance against risks, issues and milestones.</li> <li>All new delivery models / initiatives are assessed using the Council's business case process (five case model).</li> </ul>	5	-	-
<b>3.</b>	<p><u>Management Structures &amp; Staffing</u></p> <ul style="list-style-type: none"> <li>All Directors have clearly defined job descriptions.</li> <li>All Directors are aware of their roles and responsibilities.</li> <li>Performance appraisals of all Directors are carried out biannually as part of the PPDR process.</li> </ul>	3	-	-
<b>4.</b>	<p><u>Governance</u></p> <ul style="list-style-type: none"> <li>All decisions taken by the Management of the Council are done so with consideration to any legal implications.</li> <li>All decisions taken by the Management of the Council are done so with consideration to any financial implications.</li> <li>All decisions taken by the Management of the Council are done so with consideration to any associated risks.</li> </ul>	3	-	-
	<b>Total</b>	<b>14</b>	<b>0</b>	<b>0</b>



**Figure 2 - Summary of Director Senior Management Assurance Statements 2015/16**

Assurance Statement		Yes	Partly	No
1.	<u>Corporate Risk Management</u> - In areas for which I am responsible, I make every effort to contribute to the mitigating actions contained within the Corporate Risk Register.	28	-	-
2.	<u>Directorate Risk Register</u> - I am satisfied with the risk management arrangements within my Directorate. Risks have been identified and assessed, and the controls in place to manage the risks have been operating effectively throughout the period under review.	35	7	-
3.	<u>Partnerships / Collaboration Risk</u> - Appropriate consideration of the risks associated with any partnership or collaborative activity have been determined before any agreement has been entered into by the Council.	12	-	-
4.	<u>Compliance with Council Rules</u> - Staff within my Directorate involved with financial matters and contracts are familiar with and comply with Financial Procedure Rules and Contract Standing Orders & Procurement Rules. Management are fully aware of their responsibilities when authorising transactions and will be held accountable for their actions.	35	-	-
5.	<u>Project Quality Assurance (PQA)</u> - Proposed business change models impacting on service delivery take account of the associated risks and internal controls as a key element of the implementation of the change. Change models delivered through a project follow the Council's PQA process, reducing the Council's risk profile by having a clear scope, delivering within the constraints of time, cost and quality, enabling proactive assessment and management of risk.	36	4	2
6.	<u>Budget Monitoring</u> - The level of savings to be achieved is significantly higher than in previous years, consequently the Directorate has effective budget monitoring arrangements in place and all efforts have been made to balance spend against budget for the financial year.	21	-	-
7.	<u>Resource Savings</u> - Due consideration has been given to risks and the need to protect basic financial controls when proposing savings e.g. any voluntary redundancy and any consequential restructuring.	14	-	-
8.	<u>Internal Control Environment</u> - The operation of key controls within my Directorate are monitored on a regular basis to ensure risk is mitigated where possible and key controls within core business are maintained.	21	-	-
9.	<u>Fraud &amp; Financial Impropriety</u> - All suspected cases of fraud or financial impropriety are referred promptly to Internal Audit. Investigations are undertaken in a robust manner, with sanctions consistently applied, that recognise the seriousness of the matter under investigation.	28	-	-
10.	<u>Independent Assurance</u> - All reports received from Regulators, Inspectorates, External and Internal Audit are considered in a timely manner. Management actively monitor and ensure action is taken to implement agreed recommendations to enhance the internal control environment.	18	3	-
11.	<u>Service Delivery</u> - The impact of the severe budget pressures has had an impact on resources within Directorates. Do you consider your Directorate has the structure in place to maintain and deliver an appropriate standard of service for customers and stakeholders?	19	2	-
12.	<u>Performance Measurement &amp; Management</u> - KPI and benchmarking data is collected for all key areas of service and used to measure performance and to drive improvement actions. Through the PPDR Scheme all staff within my Directorate are clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives.	29	5	-
<b>Total</b>		<b>296</b>	<b>21</b>	<b>2</b>

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE:**

**27 JUNE 2016**

**TREASURY PERFORMANCE REPORT – POSITION AT 31  
MARCH 2016 AND 31 MAY 2016**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 8.1**

**Appendix 1 and 2 of this report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**PORTFOLIO: CORPORATE AFFAIRS**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.
2. This report has been prepared to provide Audit Committee Members with performance information and a position statement on Treasury Management as at 31 May 2016 and at 31 March 2016.

**Background**

3. To indicate the final position for the financial year 2015/16, Audit committee is provided at Appendix 1 with a snapshot of treasury performance, position statements on investments and borrowing as at 31 March 2016, along with a summary of performance for the year.
4. Appendix 2 provides the Committee with position statements on investments and borrowing at 31 May 2016. Any forecasts indicated for interest and internal borrowing are as per budget and will be updated following the first budget monitoring review of 2016/17.

**Performance**

31 March 2016

5. At 31 March 2016, investments arising from temporary cash balances stood at £58 million. The overall level of interest receivable from treasury investments totalled £518,000 including interest on the £1 million Local Authority Mortgage Scheme indemnity.
6. The average rate of interest on investments achieved for 2015/16 was 0.70% which compared favourably against the 7 day London Interbank Bid Rate (LIBID) rate of 0.35% and the 3 Month LIBID rate of 0.46%.

Whilst performance compared to industry benchmarks is positive, the historically low rate of return can be attributed to the Bank of England base rate which has remained at 0.5% during 2015/16.

7. External borrowing at 31 March 2016 totalled £666.1 million which includes additional borrowing undertaken in the year to make a £187 million Housing Subsidy Reform Settlement payment to Welsh Government / HM Treasury. Audit Committee were provided with a number of reports setting out the detail and implications of this on Treasury Management.
8. All borrowing is in the name of the Council and a single pool of debt is maintained rather than having separate loans for the HRA and General Fund. The average rate on the Council's borrowing reduced from 5.22% at 31 March 2015 to 4.84% at the 31 March 2016. Total interest paid on external debt was £32.199 million, of which £13.015 million was charged to the Housing Revenue Account.
9. The level of internal borrowing at 31 March 2016, subject to audit, is £43 million. This is where the Council is using temporary cash balances to pay for capital expenditure rather undertaking external borrowing.
10. There were no breaches of any indicators or limits in 2015/16.

#### 31 May 2016

11. At 31 May 2016, investments total £84.0 million. The budgeted level of interest receivable from treasury investments is £325,000 with this forecast for the year to be updated at Month 4 Budget Monitoring.
12. Borrowing is £666.1 million, with the average rate being 4.84%. The total interest forecast to be payable is shown as that initially budgeted, £32.8 million.
13. The budgeted level of internal borrowing at 31 March 2017 was £40 million. The projections for this and interest will be updated at Month 4 Monitoring to reflect assumptions re external borrowing planned to be undertaken in 2016/17. If borrowing is not undertaken or taken later in the year, then the value of interest expense will be less than budgeted.

#### **Investments**

14. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.
15. The current investments list details each investment, the interest rate, the start date and maturity date. They also link this back to the credit criteria approved by Council in February 2016 by a colour coding which indicates the perceived strength of the organisation.
16. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grant, capital receipts etc.

17. The charts that surround this table provide additional information and the key areas to highlight are shown below.
- **Counterparty Exposure** displays actual investment against the maximum permitted directly with an organisation – This demonstrates that we are not exceeding any exposure limits.
  - **Remaining Maturity Profile of Investments.** Maturities of investments have been spread to achieve a balanced profile.
  - **Investments by Institution.** This expresses the investments held with different institutions as a percentage of the total. It can be seen that investments remain diversified over a number of organisations.
  - **Geographic Spread of Investments** as determined by the country of origin of relevant organisations. All countries are rated AA and above as per our approved criteria.
  - **Investments by Financial Sector.** The majority of investments are with banks.

## **Borrowing**

31 March 2016

18. As reported previously to Council, Cabinet and Audit Committee, £187.392 million of PWLB loans were undertaken in April 2015 to make a settlement payment or 'Buy-out' from the Housing Revenue Account Subsidy System.
19. During 2015/16 the Council repaid £5.981 million of maturing loans. Whilst borrowing rates have remained higher than investment rates in 2015/16, the Council has undertaken internal borrowing which involves using temporary cash balances in the short term rather than undertaking external borrowing. In addition to the short term financial benefits, it also reduces exposure to credit risk. The risk attached to internal borrowing is that the Council may have to borrow at higher rates in the future when borrowing becomes a necessity.
20. In recognition of these risks, £12.975 million of the Council's long term borrowing requirement was undertaken to mitigate the risk of rising longer term rates and also to benefit from concessionary borrowing rates before 31 March 2016. In addition a number of smaller interest free loans were received from WG and SALIX for specific capital expenditure schemes.
21. Accordingly, the Council's total external borrowing at 31 March 2016 was £666.2 million, predominantly made up of fixed interest rate maturity loans from the Public Works Loan Board (PWLB).

31 May 2016

22. As set out in the Council's Treasury Management Strategy for 2016/17, further external borrowing is required in 2016/17, with initial estimates that the borrowing requirement would be £80 million i.e. the difference between the closing Capital Finance Requirement and the level of external borrowing with no new borrowing at 31 March 2017). The budget

assumed that £40 million of any borrowing requirement would be via internal borrowing.

23. Whilst no new borrowing has been undertaken in the year to date, the Council has received a sum of circa £2m in advance from WG, subject to a business case being approved for implementation of energy efficiency measures in various Council buildings. Should the proposal be taken forward, then this would be included in the borrowing totals as an interest free loan in future monitoring reports.
24. The timing and quantum of any new external borrowing will be considered in conjunction with the Council's treasury advisors, having regard to forecasts for interest rates and performance in delivering the capital programme. Updates would be provided in future reports to Committee.

#### **Reason for Report**

25. To provide Audit Committee Members with a performance position statement at 31 March 2016 and 31 May 2016.

#### **Legal Implications**

26. No direct legal implications arise from this report.

#### **Financial Implications**

27. Treasury management activities undertaken by the Council are governed by a range of policies, codes of practice and legislation. This report and appendices indicates the treasury management position at one point in time and makes a number of assumptions in forecasts which will be updated in future reports. The report provides a tool for indicating to Members the treasury position. Future reports will highlight main changes since this report.

#### **RECOMMENDATIONS**

28. That the Treasury Performance Report for 31 March 2016 and 31 May 2016 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**10 June 2016**

*The following appendix is attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 March 2016

Appendix 2 – Cardiff Council Treasury Management Performance Report – 31 May 2016

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

Document is Restricted

Mae'r dudalen hon yn wag yn fwriadol



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

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**



**AUDIT COMMITTEE: 27 June 2016**

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**INTERNAL AUDIT PROGRESS REPORT, 2016-17**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 9.1**

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**Appendix B of this report is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
2. Following the retirement of the Audit & Risk Manager in March 2016, the progress report has been prepared by the Head of Finance, in the absence of a new Audit Manager.
3. This report has been prepared to provide the Audit Committee Members with an update on the work of Internal Audit up to 31<sup>st</sup> May 2016, for the current financial year. As agreed with Committee previously, a full update will be provided at 6 monthly intervals.

**Background**

4. An Annual Audit Strategy/Plan is prepared each year which acts as a yardstick by which the work of Internal Audit can be measured. It is important that this allows for flexibility so that professional judgement can be applied to enable work to be prioritised over the life of the Plan in order to maximise the use of audit resources and add most value to the organisation in targeting changing risks.
5. The Audit Manager prepares quarterly briefings, and a half yearly progress report, outlining the work undertaken by the audit teams, along with key performance information.
6. The Audit and Risk Manager retired at the end of March 2016 and, during this quarter, the section has been reporting directly to the Head of Finance. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.
7. Progress reports are discussed with the Corporate Director Resources to provide a meaningful update on the work of the team, and to give an opportunity to discuss changing priorities. This is then presented to Audit Committee.

**Issues**

8. The progress report, to 31<sup>st</sup> May 2016, is attached at Annex 1 for information.

**Legal Implications**

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

**Financial Implications**

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

**RECOMMENDATIONS**

11. That the Committee note the report.

**IAN ALLWOOD  
HEAD OF FINANCE**

The following is attached:

**Annex 1:** Internal Audit Progress Report, 2016-17

## Reports Issued in Quarter 1 (as at May 2016)

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b><i>Fundamental / High</i></b>				
Council Tax	Satisfactory	0	0	
Income Management	Limited	0		Draft report issued
<b><i>Medium</i></b>				
Bishop Childs Primary School	Limited	4	4	
Trowbridge Primary School	Limited	16	16	
Carbon Reduction Commitment	Satisfactory			
Payments to Care Leavers	Limited	5	5	
Danescourt Primary School	Limited	4		Draft report issued
ICT – Cloud Computing	Satisfactory			Draft report issued
CRSA – agile working	Satisfactory			Draft report issued
CRSA – mobile working and scheduling	Satisfactory			Draft report issued
CRSA – office rationalisation	Satisfactory			Draft report issued
St. Alban's Primary School	Limited	4		Draft report issued
<b><i>Follow-ups</i></b>				
Payroll overpayments	Limited	1	1	
Brindley Road Stores	Limited	1	1	
Sponsorship	Limited			Draft report issued
<b><i>Ad hoc assignments</i></b>				
CRSA – Schools				On-going
Financial Resilience				Draft report issued
Welsh Purchasing Consortium	Joint Committee statements for 2015/16 accounts			
Port Health	Joint Committee statements for 2015/16 accounts			
Glamorgan Archives	Joint Committee statements for 2015/16 accounts			
Prosiect Gwyrdd	Joint Committee statements for 2015/16 accounts			

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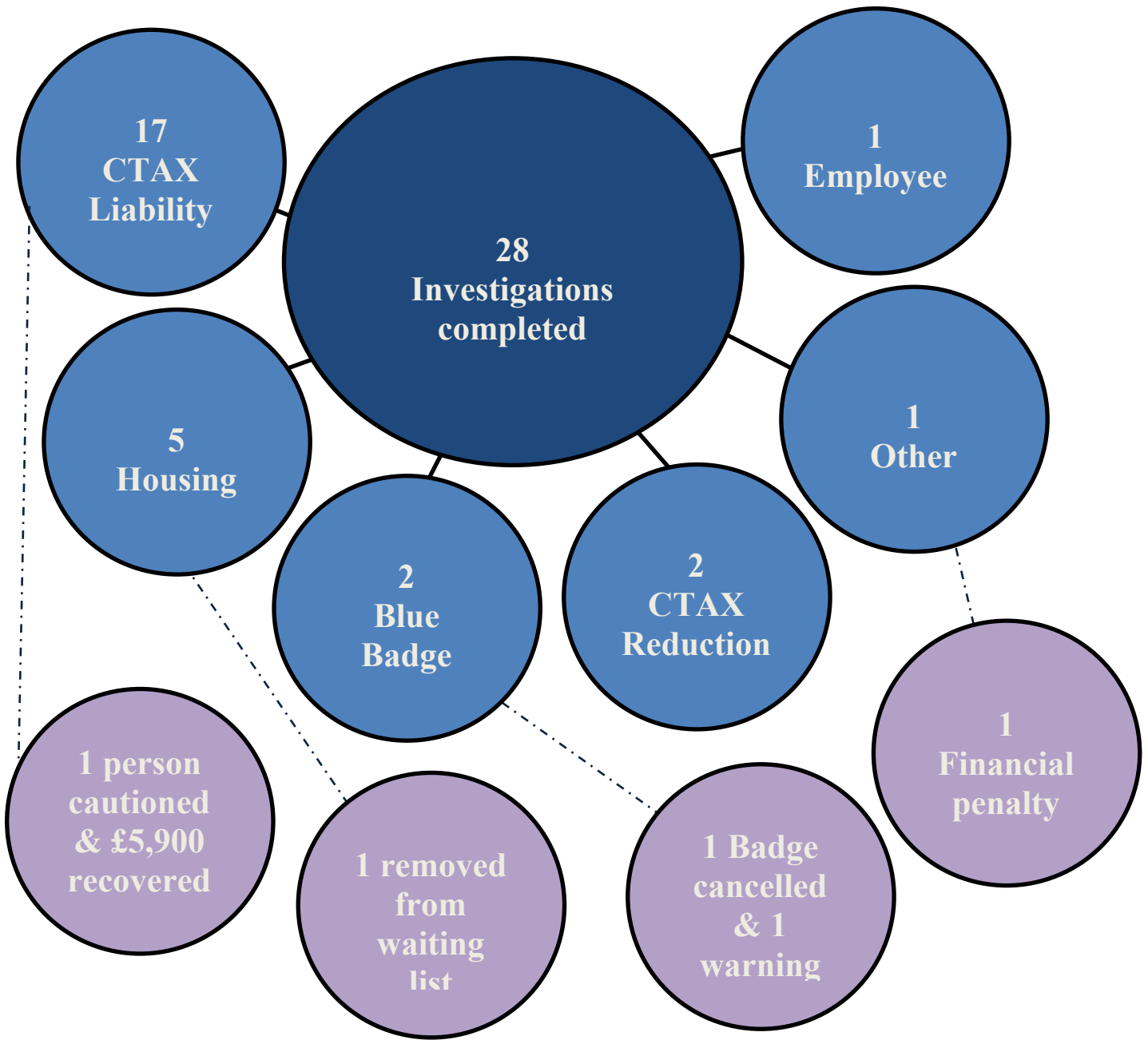
By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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Investigation Team Report (as at May 2016)



Disciplinary Investigating officer training:



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## Key Facts

AUDIT RECOMMENDATIONS		Proposed	Agreed
No. of Recommendations		61	61
No. of Risks:	Red	25	25
	Red/Amber	24	24
	Amber/Green	12	12
% Agreed			100%
AUDIT QUESTIONNAIRES		Detail	
No. of Questionnaires Sent:		4	
No. of Questionnaires Received:		4	
		Excellent	62.5%
		Good	12.5%
		Satisfactory	25.0%
		Unsatisfactory	0.0%
Return Rate:		100%	
Business Plan Target Return Rate:		66%	
Satisfaction Rating:		100%	

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**INTERNAL AUDIT ANNUAL REPORT 2015-16**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 9.2**

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**Appendices C & D of the attached report are not for publication as they contain exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.
2. At the end of each financial year a report is prepared setting out the work undertaken by the Internal Audit Section over the past 12 months. This is shared with the Section 151 Officer and Audit Committee.

**Background**

3. The Annual Internal Audit Strategy/Plan for 2015-16 was reported to the Audit Committee 23 March 2015, outlining the work plan for the Audit Section, providing a yardstick by which performance could be measured.
4. Each quarter a progress report has been prepared for the Corporate Director Resources which outlines the work undertaken by Internal Audit and measures progress against the Plan. This provided an opportunity to discuss and review work undertaken and prioritise high risk assignments. These reports also provided feedback on some key performance indicators, client feedback and other initiatives with which Audit are engaged. During 2015-16 these reports were presented to Audit Committee at each meeting.
5. At the end of each financial year a report is prepared providing an overview of the approach adopted to audit assignments, and details the work undertaken by the various Audit teams over the past 12 months.

**Issues**

6. The report for the financial year 2015 -16 is attached at Annex 1.
7. A key feature of this report is where the Audit Manager, in compliance with the Public Sector Internal Audit Standard (PSIAS) has provided an opinion following an assessment of the effectiveness of the control environment and risk and

governance arrangements within the Council, based on the work of the Audit teams.

8. The Audit and Risk Manager retired at the end of March 2016 and, during this quarter, the section has been reporting directly to the Head of Finance. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. The Head of Finance reports administratively and otherwise professionally to the Corporate Director, Resources.
9. In addition to an overview of work undertaken and its outcomes, the report also provides information on the Section that covers the period of the past 12 months and some useful performance monitoring information in relation to client interaction and feedback.

### **Reasons for Recommendations**

10. To provide Audit Committee Members with an overview of Internal Audit activity during 2015-16.

### **Legal Implications**

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

### **Financial Implications**

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

### **RECOMMENDATIONS**

13. That the Committee note the report.

**IAN ALLWOOD**  
Head of Finance  
27 June 2016

The following Annex is attached:

Annex 1 - Internal Audit Annual Report, 2015-16





# Internal Audit Annual Report 2015/16



## **MISSION STATEMENT**

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

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

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## 1. INTRODUCTION

### The Annual Reporting Process

1.1. The annual report gives an overview of audit performance during 2015/16, seeks to provide an opinion on the adequacy of the control environment in the City of Cardiff Council, and report the incidence of any significant control weaknesses. This report is prepared by the Head of Finance who in the absence of the Audit Manager is responsible for the Internal Audit and Investigations Team. For ease of reference, the term Audit Manager will be used in this report in order to outline the responsibilities of the role.

1.2. As set out in the Public Sector Internal Audit Standards (PSIAS), a professional, independent and objective internal audit service is one of the key elements of good governance, and is defined as:

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

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

### Requirement for Internal Audit

1.4. The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control.

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

### Report Preparation

1.6. This report has been prepared by the Head of Finance, based on the provision of the PSIAS. Assurance has been obtained from a number of sources including:

- *Internal Audit Assignments* – work undertaken as prioritised within the Annual Audit Plan. Each assignment is risk based to deliver added value and to maximise resources. Includes some unplanned audits, undertaken at the request of Senior Management.
- *Selected Value For Money studies and exercises on spend analysis* - selected from areas of budget spend.
- *Discussion with Senior Managers* – relationship manager meetings are held on a quarterly basis with Directors, and the Audit Manager holds regular meetings with the Corporate Director Resources / Section 151 Officer and the Chief Executive.
- *Consultancy* - advice and guidance offered generally or in specific matters, including the role of “critical friend” where new and innovative systems are being designed and developed.
- *Investigations into Suspected Frauds* – through prevention, detection and oversight of all internal investigations.
- *Risk & Governance Engagement* – work in co-ordinating the Corporate Risk Register, the Annual Governance Statement and associated documents.
- *Programme and Projects Assurance* – supporting the PQA framework and undertaking health checks around compliance.

#### Internal Audit Section Resources

- 1.7. Until April 2015, the section was led by two Audit Managers, on a job share basis. At this point one of the Audit Managers retired and the arrangement continued throughout 2015/16 with the remaining Audit Manager carrying out his duties in a part –time role. With the retirement of the remaining Audit Manager on 31<sup>st</sup> March 2016, this delivered an opportunity to review the management responsibilities of Audit going forward.
- 1.8. The Internal Audit team has 11 members of staff (10.0 FTE), made up of a Group Auditor, 2 Principal Auditors, 1 Senior Auditor, 7 Auditors (6.0FTE) and an Audit Assistant. Members of the team hold various qualifications, including CIPFA and AAT.
- 1.9. In addition, the Investigations team comprised 3 members of staff (2.3 FTE) whilst the Risk, Governance and Programme Assurance role was carried out by 2 members of staff. These specialist areas had staff who were qualified in Corporate Governance and Programme and Project Management respectively.
- 1.10. The total budget for 2015-16 was £696,000 but, as a result of planned reduction of resources in some areas such as Programme Assurance, the actual net expenditure for the year was £630,000.



## Independence and Objectivity

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

## Continuing Professional Development

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

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

### Opinion 2015/16

- 2.1 Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for financial control within the Council for 2015-16 remains satisfactory. This opinion is based on increasing pressure on resources in both demand and budgets. The counterpoint to this pressure is a robust performance culture which ensures high productivity across the whole section.
- 2.2 It is becoming increasingly difficult to provide a satisfactory opinion as, whilst the financial control framework remains robust, audits continue to highlight system weakness in some areas and / or compliance issues which identify further opportunities to enhance control. There is a huge pressure on budgets and inevitably there are significant cuts being made to posts, which puts additional pressure on those remaining resources combined with the loss of knowledgeable and experience as

officers leave the Council. This is happening at a time where demands are steady or increasing and there is an appetite for change which brings with it new challenges and risks that needs to be managed.

2.3 It is noted that there has been an increase in the % of audits completed where a “Limited or No assurance” opinion was provided, which it is felt reflects, to a degree, the pressure on resources across directorates to maintain a sound control environment while struggling to retain efficient and effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.

2.4 In addition to this general pressure on resources, areas of particular concern have been highlighted in quarterly progress reports presented to the Section 151 Officer and Audit Committee, and include:

- The Control Risk Self-Assessment approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangement and has been well received. In schools, it has provided an overview of key governance issues and in some individual schools follow up visits have identified some significant weaknesses in different aspects of governance and financial control. This continues to be closely monitored and the Group Auditor meets regularly with the Director of Education and now attends School Budget Forum. Audit also input to Head Teacher briefings.
- Work on contracts has identified concerns over contract management skills as new ways of operating are being explored. Some social service audits highlighted some contract related matters and how these need addressing given the significance of the contract sums.
- In some audits, it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

2.5 On a positive note, the opportunity for Internal Audit to provide training on risk management and internal control as part of the Cardiff Manager Programme is seen as a major step forward in raising awareness with senior managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance.

### **SUMMARY OF WORK PERFORMED**

- 3.1 Internal Audit, as defined in the PSIAS, encompasses the whole internal control system and is not limited to financial controls. It is defined as helping “... *an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*”
- 3.2 The range of functions provided throughout the year is as outlined in our Audit Charter, considered by the Audit Committee as part of the Audit Strategy at its meeting in March 2016.
- 3.3 Details of all audits and audit opinions, together with other tasks performed and key performance indicators, are reported quarterly to the Section 151 Officer and Audit Committee so they are regularly updated and aware of any matters arising from audit work.
- 3.4 Delivering the Audit Plan has been a challenge this year with a number of factors impacting on work undertaken. It has been difficult to identify a skill resource in Computer Audit and this is currently filled on a temporary basis whilst a permanent solution can be identified. A need for contract management specialist skills has also been identified and this will be a focus of skill development over the next twelve months.

#### **Audit team**

- 3.5 A summary of the final reports issued by Internal Audit during 2015/16 (and those at draft status at the year end) is attached as **Appendix A**. The overall level of audits reported is similar to the last two years (at around 100), although the makeup and complexity will be different.
- 3.6 Through constant monitoring and prioritisation, the focus remained on high risk audits and 23 of these were finalised or at draft report stage at year end, although there was some slippage and a need to prioritise some high risk audits in the Audit Plan for 2015/16. Of these, six were Limited Assurance where follow up audits are scheduled and further work is required to enhance controls and compliance in these areas.
- 3.7 A further 32 audit reports relating to Medium risk areas were issued, of which four were limited assurance (an additional two may result in limited assurance opinions, pending further discussion on the draft report), and eight grant audits completed, of which one raised some concerns.



- 3.8 Following up previous audits, where there was a "Limited" or "No" assurance opinion, has taken more time this year, with 26 being undertaken, of which 22 have seen satisfactory progress, leaving 4 requiring further review. This is considered to be a high profile area as it is key for Managers to react to audit recommendations to enhance control where gaps or compliance is flagged up as a concern.
- 3.9 It should be recognised that not all of the work undertaken by the Audit team results in an audit report or grant certificate. Work is undertaken in areas that provide assurance on risk management and internal control, including advice and guidance (both on current issues and on system development) and interpretation of Council Regulations. **Appendix B** provides a list of work areas where an audit report may not be the outcome.
- 3.10 In order to maximise audit resources, the approach using Control Risk Self Assessment (CRSA) has been extended over the past 12 months; a full programme is now in place for schools and this approach has been successfully used for a number of core financial systems. In schools, this has included a series of workshops to outline the process and get buy-in, and feedback has been very positive. There are plans to have completed CRSAs from all schools, and for 75% of all core financial systems by March 2016, with the remainder being completed by March 2017.
- 3.11 A key element of our role has continued to be as "critical friend", working with others when systems and processes are being redesigned and reconfigured to meet changing demands. Here our role in ensuring risks are properly identified, mapped and mitigated and controls adequately considered and prioritised and projects delivered to scope, time and budget is consider important, especially where the Council is undergoing such rapid change to deal with budgetary and other wide ranging pressures.
- 3.12 Regarding systems and processes, a significant amount of work has again been done reviewing our working practices across the Section over the past 12 months, building on previous work around lean auditing. A major service review was completed in the autumn which entailed a detailed examination of key activities and an assessment of where time was being spent, resulting in some areas for further development. A small Audit development team has been established to progress actions arising from the review and an opportunities log is being maintained and regularly discussed. Audit protocols and working methods have been updated and engagement with clients has continued to shape and enhance the service provided. Audit also volunteered to be a pilot site for the introduction of SharePoint, an electronic document management system and, in working towards implementation in May 2015, a huge amount of work was undertaken in streamlined filing systems and administrative processes which has helped with our push to having a paperless office.

### Recommendations Agreed with Management

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

Risk Rating	Recommendations Raised by Auditor	Recommendations Agreed by Client Manager	Percentage Agreed to Raised
Red	125	125	100%
Red/Amber	246	242	98%
Amber / Green	160	159	99%
<b>TOTAL</b>	<b>531</b>	<b>526</b>	<b>99%</b>

3.14 The number of green risk recommendations are no longer recorded as these are discussed with the client at the exit meeting when the draft report is discussed, in order that these matters do not disproportionately attract attention when the final report is issued.

3.15 The figures show that with 99% of audit recommendations agreed that managers welcome ideas as to how governance or controls can be enhanced and it provides a degree of assurance that the auditor understands the risks and is adding value through the fieldwork undertaken.

### Recommendations Acted Upon

3.16 Important as it is that audit recommendations are agreed, change will only happen if the recommendations are implemented and so audit reports are monitored until all actions are closed. The database is regularly analysed and reports prepared every quarter of open actions. Each Directorate has a relationship manager who provides information on outstanding items in their regular meetings.

### Investigation Team

3.17 **Appendix C** sets out a report which details the activities of the Investigation Team and **Appendix D** details ad-hoc investigations.

### Risk and governance

3.18 In order to facilitate and challenge the review of the Corporate Risk Register (CRR), at intervals throughout the year Audit Management attended Senior Management Team to ensure collective "buy in" of the strategic risks facing the Council following updates by individual risk owners.

- 3.19 The Annual Governance Statement (AGS) 2014/15 was finalised in accordance with the accounting deadlines and presented to the Audit Committee in June 2015 and September 2015 as part of the Statement of Accounts. The drafting of the AGS 2015/16 commenced in quarter 4, with reports presented to Audit Committee in February 2016 and March 2016. Senior Management Assurance Statements were circulated to the Senior Management Team for completion at the year end position. A final draft of the AGS will be incorporated into the draft Statements of Accounts and presented to Audit Committee in June 2016.
- 3.20 The Risk & Governance team has supported the work of the Audit Committee by producing a number of reports relating to the Corporate Risk Register, the Annual Governance Statement and management assurance statements. Support has also been provided through updating of the Committee's Annual Self-Assessment and the drafting of the Committee's Annual Report.

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

##### Quality Assurance

- 4.1 Internal Audit is committed to working to the highest professional standards, and to delivering a quality product that adds value to senior management. As such, performance is actively monitored and feedback from management is encouraged.
- 4.2 An Audit planning control database is maintained to effectively monitor work done in line with that planned. This is where the detail of the Audit Plan is kept. The database is used to allocate assignments and record work done in areas, to provide key performance information for management. Auditors are required to complete timesheets to record work undertaken on their assignments and tasks they are allocated (which are approved weekly by a senior auditor), so management can continually assess the Plan v Actual position for individual audits and across the overall Plan.
- 4.3 Each audit is subject to a qualitative review by a senior member of the team who ensure the focus on key risks is retained throughout the course of the assignment and time is used to best effect. The reviewer will undertake checks to ensure professional standards are maintained and no report is sent out without a review by a senior member of the team. Any Limited Assurance report, or any with any significant issue to report, are reviewed by the Audit Manager.
- 4.4 Following the issue of a draft audit report a meeting is held with the Client Manager with an opportunity for them to challenge the audit findings and proposed recommended actions. This provides a degree of assurance that the final reported position is accurate and reflects the appropriate risk profile of the audit and any recommendations for improvement are considered.

## Post Audit Assessment & Customer Feedback

- 4.5 As part of qualitative assurance, the Audit team uses a process known as “post audit assessment”, which includes a client questionnaire.
- 4.6 The Post Audit Assessment sets out the core competencies required whilst undertaking an audit and the auditor for each assignment has to score their performance against each of these competencies. The assessment is useful in providing assurance that key competencies are evidenced throughout the audit process and as a useful means of identifying training needs. Analysing the assessments helps focus individual PPD reviews and provides audit management with an overview of performance at the different grades.
- 4.7 Following each audit Client Managers are contacted and asked to complete a Quality Assurance Questionnaire, recognising the value placed on the feedback they provide. These questions cover four categories, and the results are used to determine areas for improvement.
- 4.8 During the year, 39 questionnaires were issued. The results from the questionnaires are summarised in the table below:

	Excellent	Good	Satisfactory	Unsatisfactory	TOTAL
Communication	17	22	0	0	39
Auditor Advice	11	21	7	0	39
Report	8	26	5	0	39
Performance	18	19	2	0	39
	<b>54</b>	<b>88</b>	<b>14</b>	<b>0</b>	<b>156</b>

- 4.9 It can be seen that the feedback from the audit questionnaires is positive, which is encouraging as the nature and complexity of the assignments continues to change. The questionnaires also ask Managers to indicate whether they consider that the audit process added value and there were no negative responses. It can be seen that the majority of the auditees felt that the audits undertaken are constructive and add value.

## Audit Recommendations

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

## Benchmarking

4.11 The Audit team is both a member of the Welsh Chief Auditors and the CIPFA Internal Audit benchmarking group. In addition, preliminary work was undertaken with UK core cities but the results of this exercise will be received during 2016/17.

4.12 One key area that has been picked up is in respect of productivity which has fed into the team plan for 2016/17 to increase the proportion of productive time compared to non productive. This needs to be looked at in conjunction with quality of output to ensure that neither quality nor output are compromised.

## Self-Assessment and Peer Review

4.13 Every year the Audit & Risk Manager completes the PSIAS self assessment evaluation and in doing so is able to confirm the work of the Audit team conforms to the standard. Again this year there are no significant non conformances considered worthy of reporting. This assessment is shared with the Wales Audit Office which looks to rely to a degree on the work of colleagues in Internal Audit.

4.14 In 2016/17 work has been programmed with neighbouring authorities for a full external assessment in the autumn, as required within the Standard.

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
<b>Fundamental / High</b>				
	Satisfactory			
Council Tax	Satisfactory			
Cheque Printing	Satisfactory			
Housing Rent Arrears	Satisfactory			
Invest to Save	Satisfactory			
Main accounting – CRSA & in year testing	Satisfactory			
Service Charges	Satisfactory			
SRB – Whitchurch High School	Limited	4	4	
Castle – overtime review	Limited	3	3	
Mental Health Contracts	Limited	3	3	
Residential and Nursing Care	Satisfactory			
Pensions – CRSA and in year testing	Satisfactory			
AP processing – WOM & Supplies teams	Satisfactory			
Hodges Square (contract audit)	Satisfactory			
Infrastructure Asset Management (City Operations / CH&CS)	Limited	4	4	
Protection of Vulnerable Adults (POVA)	Satisfactory			
Main accounting – CRSA & in year testing	Satisfactory			
<b>Medium</b>				
Pencaerau Primary School	Satisfactory			
Cashless catering in schools	Satisfactory			
St. Monica's	Limited Assurance	9	9	
Whitchurch High School – CRSA	Satisfactory			
Willows – CRSA	Satisfactory			
Crosslands	Satisfactory			
Targeted Elderly	Satisfactory			
Insurance – CRSA & in year testing	Satisfactory			
Post 16 funding	Satisfactory			
All Saints	Satisfactory			
Ysgol Treganna - CRSA	Satisfactory			
Cantonian High School - CRSA	Limited Assurance	6	6	
Woodlands	Limited assurance	6	6	No response from Head teacher
Penalty Charge Notices	Limited assurance	5	5	

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Youth Centre inventories	No assurance	7	7	
Gladstone Primary School	Satisfactory			
Land charges	Limited Assurance	1	1	
St. Mary the Virgin	Satisfactory			
Kenilworth Court	Satisfactory			
Weighbridge (Lamby Way)	Limited Assurance	5	5	
Cardiff Works	Satisfactory			
The Mount	Satisfactory			
<i>Mileage and Subsistence</i>	<i>Limited Assurance</i>	0		<i>Draft report issued</i>
<i>Riverbank</i>	<i>No assurance</i>	15		<i>Draft report issued</i>
<i>Pen y Bryn Primary School - clerk</i>	<i>Deferred</i>	8		<i>Draft report issued</i>
<i>Bishop Childs</i>	<i>Limited Assurance</i>	4		<i>Draft report issued</i>
<i>Trowbridge Primary</i>	<i>Limited Assurance</i>	14		<i>Draft report issued</i>
<i>British Council projects</i>	<i>Limited Assurance</i>	15		<i>Draft report issued</i>
<i>Lansdowne Primary</i>	<i>Deferred</i>	12		<i>Draft report issued</i>
<i>Ninian Park</i>	<i>Deferred</i>	4		<i>Draft report issued</i>
<i>Carbon Reduction Commitment</i>	<i>Satisfactory</i>			<i>Draft report issued</i>
<i>St. Alban's</i>	<i>Limited</i>	4		<i>Draft report issued</i>
<b>Grants / Accounts / External Bodies</b>				
Communities 2.0	Satisfactory			
Homelessness	Satisfactory			
WIMLU	Satisfactory			
European grants – Spider Project (claims 5 and 6)	Satisfactory			
Cardiff Further Education Trust Fund	Satisfactory			
14 – 19 Learning Pathways				
<b>Follow-ups</b>				
Direct Payments – Resources	Satisfactory progress			
Rumney High School (Second follow up)	Satisfactory progress			
Supervised Contact Service	Deferred			
Supporting People programme	Limited assurance	2	2	
Children with Disabilities	Limited assurance	3	3	



Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Child Protection (core groups) – 3 <sup>rd</sup> follow up	Satisfactory progress			
Contract variations – CMS	Limited assurance	3	3	
Glyn Derw Michaelston	No assurance	12	12	
Brindley Road – stores	Limited assurance	1	1	
Rumney High School (third follow up)	Satisfactory progress			
<b>Ad hoc Assignments</b>				
Property, Land and Procurement Changes				Briefing paper
Additional salary payments				E-mails to Directors
Consultancy contract				Briefing paper
Sickness absence				E-mail to HRPS
Prosiect Gwyrdd – annual return				Annual returns audited and signed off (for the Council's Statement of Accounts, 2014/15)
Welsh Purchasing Consortium – annual return				
Port Health – annual return				
Glamorgan Archives – annual return				
Highways Street Operations payroll				
Dr Who Experience	Satisfactory			Email to BBC
Conferences, Seminars and other events	Limited assurance	0	0	Email to Director of Governance
Children's Services payments	Limited assurance	7	7	
Pool cars	Deferred			
Business Continuity				Email to directors
CRSA				Ongoing workshops with schools
Income discrepancy – County Hall restaurant				Email to manager
Annual Leave				VFM briefing paper
Agency Managed Service				VFM briefing paper
Overtime Payments				VFM briefing paper
Standby Payments				VFM briefing paper
Unassigned employees				Briefing paper
St. Philip Evans – After School Club				Briefing paper
Home to Office mileage				Briefing paper

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

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

Work Area	Brief Details of Audit Involvement
Efficiency / Change and other projects	Work providing advice and guidance to a number of programmes and projects. Audit Management attends meetings and working groups to input to risk assessments and system developments, especially where financial processes are involved.
Procurement and Spend	Auditors are engaged on procurement matters, attending working groups and providing input on risk management and controls. Also data gathering and challenging spend.
Alleged Fraud Investigation	The Investigation team is involved wherever there is any suspicion of fraud, corruption or malpractice of a financial nature. Where the task involves reviewing a financial system, an Auditor would also be assigned to provide assurance around controls to minimise any repeat. These are generally unplanned and can be time consuming. Given the nature of the referral and potential risks associated with any fraud continuing they require prioritisation, often to the detriment of other "planned" work.  Allegations being investigated are summarised and reported regularly.
Grants	The demand for the audit of grant claims has further reduced as grant instructions delete this requirement and some grants are subsumed into the Council's main RSG.
Ad hoc Requests	Enquiries and assignments e.g. appointment of consultants, Invest to Save.
Schools - General	Specific problems in schools have required audit attention. Senior Management from Audit is now attending Governing Body meetings where a Limited or No Assurance opinion is considered. The embedding of CRSA should result in a better use of internal audit resources as assurance is obtained from the self assessments.
Directorates - general	Advice, guidance and training is provided to directorates on topics such as procurement systems and rules, DigiGOV and imprest accounts. Officers are also active members of service review groups, implementation boards, etc.
Rules and Regulations	Advice and guidance and sharing of best practice in many areas. General work around governance.
External Clients	Audit of clients' risks, systems and procedures (as per Terms of Reference). Audit of Accounts e.g. Tenants Federation, Glamorgan Archives. Provision of advice due to knowledge on risk management and controls.
Imprest (Petty Cash) Accounts	Advice, guidance, training and assisting in the reconciliation process.
Audit Committee	Advice, reporting and support – including induction training, work planning.

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

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

Document is Restricted



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**INTERNAL AUDIT PLAN 2016/17 - DETAILED**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 9.3**

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**Appendix A is not for publication as it contains exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972**

**Reason for this Report**

1. The Audit Committee's Terms of Reference requires that Members approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).

**Background**

2. At its meeting on the 22<sup>nd</sup> March 2016, Committee Members were presented with the Internal Audit Strategy 2016-17, which contained background scene-setting information for the Audit Plan for the year.

**Issues**

3. At the meeting, Members requested a more detailed Audit Plan for the financial year commencing 1<sup>st</sup> April 2016, which is attached at Appendix A.

**Reasons for Recommendations**

4. To provide Audit Committee Members with an overview of the Audit Plan 2016-17.

**Legal Implications**

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

**Financial Implications**

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

**RECOMMENDATIONS**

7. That the Committee note the content of this report.

**IAN ALLWOOD**

Head of Finance  
June 2016

**The following Appendix is attached:**

Appendix A - Internal Audit Plan 2016/17 - Detailed

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

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Topic	Monday 27.06.16 at 10.30am (CR4)	Wednesday 19.09.16 (Workshop 12.45-1.45pm) at 2pm (CR4)	Tuesday 29.11.16 at 2pm (CR4)	Tuesday 24.01.17 at 2pm (CR4)	Tuesday 28.03.17 at 2pm (CR4)	Tuesday 20.06.17 at 2pm (CR4)
Wales Audit Office	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update	Corporate Assessment Update
					Annual Financial Audit Outline (to include revised statement of responsibilities)	Annual Improvement Report
	Regulatory Programme Letter/ Update Performance Audit Work & Fees 2016-17	Audit of Financial Statement Report (ISA260)				Regulatory Prog. Update & Fee information '17-18
		Annual Improvement Report			Cardiff & Vale Pension Fund Audit Plan	
	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates	Report Progress Updates
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report	Strategy '17-18	Treasury Mgmt Practices	
Finance	Financial Update & Financial Resilience Update	Financial Update & Financial Resilience Update	Financial Update & Financial Resilience Update	Financial Update & Financial Resilience Update	Financial Update & Financial Resilience Update	Financial Update & Financial Resilience Update
	Draft Statement of Accounts for '15-16 (including the AGS)				Draft Statement of Accounts/AGS & report any changes in accounting policy	Draft Statement of Accounts '15-16 (including the AGS)
		Annual Report Statement of Accounts & Audit of Statements Report				
		Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund				
	WAO Tracker/Other Studies (VP)	WAO Tracker/Other Studies (VP)	WAO Tracker/Other Studies (VP)	WAO Tracker/Other Studies (VP)	WAO Tracker/Other Studies (VP)	WAO Tracker/Other Studies (VP)
Internal Audit		Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report '15-16	Progress Update (Highways Audit Feedback)			Audit Strategy '17-18	Internal Audit Annual Report '15-16
		VFM Exercise – Supply Teachers				
Governance and Risk Management	Audit Committee Annual Rep. '15-16			Audit Committee Annual Report Discussion	Audit Committee Draft Annual Rep. '16-17	Audit Committee Annual Rep. '16-17
	Senior Management Assurance Statement Review – Feedback			Senior Management Assurance Statement Review	Draft Annual Governance Statement	Senior Management Assurance Statement Review - Feedback
				AGS '16-17 Action Plan (Mid-Year)		
	Corporate Risk Register (Year-End)		Corporate Risk Register (Mid-Year)			Corporate Risk Register (Year-End)
		Audit /Scrutiny Protocol	Self-Assessment Feedback/Action Plan	Audit Committee Annual Self-Assessment Review '15-16	Annual Self-Assessment Review '15-16	
			Audit Committee Annual Self-Assessment Review '15-16		Audit Committee Self -Assessment Feedback/Action Plan	
Operational matters / Key risks		Director of Education - Annual Report on Governance	Wellbeing & Future Generations – Monitoring & Risks	Building Maintenance Framework		

		(including Balances) & Deficits in Schools				
		Chief Executive – Alignment between the ODP and Medium Term Financial Plan				



## Audit Committee – Action Plan

Item 11

(Updated following meeting held on 22 March 2016)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Finance (Budget)</b>			
AN4.1 23.03.15	Audit Committee to receive a report highlighting how the Committee can add value, on behalf of the Council, in setting the Budget.	Ongoing as part of financial update comments	CS
MN5 22.03.16	<b>Accounting Policies Update</b> A report be presented to the Committee later in the year providing an update on progress on the task of valuing the infrastructure asset.	29.11.16	Rob Green
<b>Governance &amp; Risk Management</b>			
MN31 30.11.15	<b>Constructing Excellence Wales on Bldg. Maintenance Framework and Action Plan</b> That Internal Audit follow up on the action plan and the work on the future framework arrangements on a 6 monthly basis and report as necessary to Audit Committee;	19.09.16	Audit
MN48 01.02.16	<b>Audit Committee Annual Report 2015-16</b> Any Members who may wish to comment on the Annual Report do so in writing to the Chairperson via email.  The change in the Audit Management structure be included in the Annual Report.	22.03.16  22.03.16	Committee  Chair
MN6 22.03.16	<b>Audit Committee Annual Report 2015-16</b> The draft Audit Committee Annual Report 2015/16 be updated to reflect the comments received;  Any further comments be sent to the Audit Committee Chairperson by mid-April;	27.06.16  April '16	Chair/CP  Chair/ Committee Members
MN7 22.03.16	<b>Draft Annual Governance Statement 2015/16</b> The Committee was requested to comment on the draft statement and give any feedback to the Corporate Director Resources for inclusion in the finalised AGS to be approved at the June meeting of the Committee. That the matters raised be reflected in the revised Annual Governance Statement for consideration at the June meeting of the Committee	27.06.16  27.06.16	Committee Members
<b>Items of Interest for Members</b>			
<b>Wales Audit Office (WAO)</b>			
	The Committee be provided with further information / intelligence on how the fee of the WAO's work is formulated e.g. benchmarking / comparisons with other local authorities.	22.03.16	WAO

Minute No. /Agenda No.	Actions	Timeline	Action Owner
MN10 22.03.16	<b>Improvement Plan of Work and Annual Financial Audit Outline</b> WAO be requested to collate further benchmarking data.	19.09.16	WAO
MN51 01.02.16	<b>WAO Report Progress Update and Value For Money Studies</b> Progress reports on track. A further report would be considered at the March meeting of the Committee and relevant attendees would be invited to attend.	22.03.16	Viv Pearson
MN8b 22.03.16	<b>Update on Wales Audit Office Work Programme</b> That update reports on the Council's Improvement Programme 'Tracker' be included as a standing item on all future Committee agendas.	Added 27.06.16 Completed	I Allwood
MN9 22.03.16	<b>Corporate Assessment Update</b> The Head of Performance be invited to attend a future meeting of the Audit Committee.  The Audit Committee have sight of the Cabinet Report on the review of the Organisational Development Programme;  The Chief Executive be invited to attend Audit Committee in 6 months to discuss alignment between the Organisational Development Programme and Medium Term Financial Plan;  WAO be invited to provide input from a WAO perspective in 6 and 12 months' time.	Cabinet Meeting 16.06.16  19.09.16  19.09.16 & 28.03.17	Joseph Reay  Audit  CEO  Non Jenkins
<b>Treasury Management</b>			
<b>Internal Audit</b>			
<b><u>Value for Money</u></b>			
MN55 01.02.16	The Audit Manager provide a further report on VFM studies to Audit Committee at its meeting in December 2016, and consider benchmarking with others on agency spend and standby and give further consideration to the possible introduction of business cases for standby arrangements.	29.11.16	Audit
MN34 30.11.15	The Audit & Risk Manager to consider whether a random check of 'High/Satisfactory' school CRSA's should be undertaken.	2016-17 Plan	Audit
MN13 22.03.16	<b>Progress Update</b> That Executive Summary reports be provided to the Audit Committee at its meeting in June 2016.	27.06.16	Audit
MN14 22.03.16	<b>Audit Strategy 2016-17</b> A more detailed Audit Plan be presented to Committee in June 2016.	27.06.16	Audit
<b>Progress Reports &amp; Value for Money Studies</b>			
MN8a 22.03.16	<b>Delivering With Less: Leisure Services</b> The Economy and Culture Scrutiny Committee be requested to consider the WAO report 'Delivering with Less: Leisure Services' as part of its scrutiny of alternative delivery models.	27.06.16	Chair/I Allwood

Minute No. /Agenda No.	Actions	Timeline	Action Owner
<b>Outstanding Actions</b>			
AN10.2 22.06.15	<b><u>Education – Governance</u></b> The Director of Education to provide a further briefing on school balances.	27.06.16	NB
MN16 22.03.16	Audit and Risk Manager stated that the Director of Education will attend to discuss school deficits.	19.09.16	NB
AN10.2 22.06.15	<b><u>Director Strategic Planning &amp; Highways – Response to Internal Audit Report</u></b> That the Committee receives a further progress report in six months.	19.09.16	Audit
MN57 01.02.16	An update will be provided at the Committee’s meeting in March on the VFM exercise on supply teachers.	19.09.16	Audit
<b>Work Programme</b>			
MN22 16.09.15	That the WAO reports expected for 2015-16 be added to the work programme.	When available	Audit
MN16 22.03.16	The Annual Governance Statement, Corporate Risk Register, Audit Committee Draft Report, and potentially the Audit/Scrutiny Protocol will be considered by Committee at its meeting in June 2016.	27.06.16	Audit
MN16 22.03.16	An Audit Committee Self-Assessment Workshop will take place in September.	19.09.16	Committee Members
<b>Matters Arising</b>			

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## Appointment of Committee and Terms of Reference

### Membership

The Council at its meeting on 26 May 2016 appointed the following Members to this Committee: Howells, Kelloway, McGarry, Mitchell, Murphy, Walker and Weaver.

### Terms of Reference

#### Governance, Risk & Control

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

#### Internal Audit

- To approve the Internal Audit Strategy comprising the risk-based internal audit plan, containing the internal audit resources (resources include; Audit, Investigations, Risk & Governance and Programme and Project Assurance Teams).
- To approve significant changes to the risk-based internal audit plan and resource requirements.
- To consider reports from the Audit Manager on Internal Audit's performance during the year e.g. progress reports.
- To consider the Audit Manager's Annual Report, including the statement of conformance with the Public Sector Internal Audit Standards 2013 and the results of the Quality Assurance and Improvement Programme that supports the statement. Fundamental to the annual report is the overall opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and internal control together with a summary of the work supporting the opinion.
- To receive summaries of specific internal audit reports in accordance with agreed protocols.
- To receive reports on fraud prevention and detection initiatives and updates to any related policies and strategies.
- To receive reports of any significant incidents of fraud or financial impropriety and actions taken to enhance controls where this is considered necessary.

#### External Audit

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

### Financial Reporting

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

### Accountability Arrangements

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

### Training & Development

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