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## AGENDA

|                                 |   |
|---------------------------------|---|
| <b>Committee</b>                | AUDIT COMMITTEE   |
| <b>Date and Time of Meeting</b> | TUESDAY, 29 NOVEMBER 2016, 2.00 PM  |
| <b>Venue</b>                    | COMMITTEE ROOM 4 - COUNTY HALL  |
| <b>Membership</b>               | Ian Arundale (Chair)<br>Hugh Thomas and Professor Maurice Pendlebury<br><br>Councillors Howells, Kelloway, McGarry, Mitchell, Murphy, Weaver and Walker |

*Time  
approx.*

**1 Apologies for Absence**

To receive apologies for absence.

**2 Declarations of Interest**

To be made at the start of the agenda item in question, in accordance with the Members' Code of Conduct.

**3 Minutes (Pages 1 - 12)**

To approve as a correct record the minutes of the meeting held on 19 September 2016.

**4 Operational Matters (Pages 13 - 32)**

2.05 pm

4.1 Social Services Financial Position

**5 Finance (Pages 33 - 80)**

2.45 pm

5.1 Financial Update

5.2 Financial Update – Financial Resilience Snapshot Month 6

**6 Governance and Risk Management (Pages 81 - 114)**

3.10 pm

6.1 Corporate Risk Register (Mid-Year) – to include Corporate Risk Map

6.2 Senior Management Assurance Statements (SMAS)

6.3 Audit Committee Self-Assessment Feedback/Action Plan

**7 Wales Audit Office**

7.1 Verbal Update as appropriate

**8 WAO Tracker/Other Studies** (*Pages 115 - 126*) 3.30 pm

**9 Treasury Management** (*Pages 127 - 152*) 3.40 pm

9.1 Performance Report

9.2 Half Year Report

**10 Internal Audit** (*Pages 153 - 176*) 3.55 pm

10.1 Progress Update

10.2 Internal Audit 'No Assurance' Reports

10.3 Value for Money

**11 Published Scrutiny Letters** (*Pages 177 - 192*) 4.35 pm

11.1 Published Letters

**12 Work Programme Update** (*Pages 193 - 198*) 4.45 pm

**13 Committee Membership**

Committee are asked to note that Council on 24 November 2016 approved the appointment of the following Independent Members to the Audit Committee:

David Price – from 25 November 2016

Gavin McArthur – from 1 December 2016

**14 Urgent Business**

**15 Date of next meeting**

The next meeting of the Committee is scheduled to take place on 24 January 2017.

**Davina Fiore**

**Director Governance & Legal Services**

Date: Wednesday, 23 November 2016

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AUDIT COMMITTEE

19 SEPTEMBER 2016

Present: Ian Arundale (Chairperson)  
Hugh Thomas and Professor Maurice Pendlebury

County Councillors Kelloway, Mitchell, Murphy, Weaver, Walker

20 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Howells and McGarry.

21 : DECLARATIONS OF INTEREST

Hugh Thomas and Councillor Bill Kelloway declared personal interests in agenda item 5.6 as members of the Rhondda Cynon Taff and Cardiff and Vale Pension Scheme respectively.

22 : MINUTES

The minutes of the meeting held on 27 June 2016 were approved by the Committee as a correct record and were signed by the Chairperson.

Operational Matters

23 : ANNUAL REPORT ON SCHOOL GOVERNANCE AND DEFICITS

The Committee received its annual report from the Director of Education and Lifelong Learning on governance in schools. The report provided Members with an update on governance aspects and updated figures and opinions related to the corporate risk in respect of school balances.

The Chairperson welcomed Nick Batchelar and Neil Hardee to the meeting and invited them to present the report.

Members were advised that during the 2015/16 financial year 10 school audits were carried out – 7 received a satisfactory rating and 3 an opinion of limited assurance. Of the 3 follow up audits, 2 received a satisfactory rating and 1 received a limited assurance opinion. These figures represented slight improvement on the previous year's results. Schools were continuing to use the 'School Control Risk and Self-Assessment Tool' developed through the School Budget forum to promote the important of self-governance and accountability.

An analysis of school balances at 31 March 2016 and the four previous years was appended to the report. Members were advised that the level of surplus balances held by schools had increased from £1.287m at 31 March 2015 to £2.521m at 31 March 2016. However, 20 schools carried forward a deficit balance (12 primary and 8 secondary). Each school in deficit has a Medium Term Financial Plan (MTFP) in place showing how it will reduce its deficit to a balanced position. Each school is also receiving support from a finance officer who works closely with the school and the governing body to monitor the MTFP.

Schools holding surplus balances in excess of the Welsh Government's thresholds of £50,000 for primary schools and £100,000 for secondary schools have been notified that they need to take steps to reduce the levels of the balances held and develop plans for utilising these surplus funds. The assigned finance officer is working closely with schools to develop these plans.

The Director of Education provided his opinion on the current position regarding school audits and the Estyn Action Plan for School Governance. The Director believed the work undertaken through the Control Risk Self-Assessment tool will be strengthened by the S151 Officer's decision to charge schools for any Internal Audit work identified as a result of the school not following the self-assessment process. However, he also considered that too many schools were being identified as satisfactory or worse and he would continue to exercise powers of intervention in those schools where poor financial management and poor governance are identified.

The Director was encouraged that the authority was removed from the Estyn further follow-up activity category but there was more work to be done in order to secure positive outcomes. Members were advised that good schools with strong leadership and governance will be at the forefront of leading our improvement journey and developing their staff. The Director stated that the authority would be focussing on the five key goals set out in Cardiff 2020 (Appendix B to the report) in order to accelerate educational achievement in Cardiff and ensure that all children and young people have an opportunity to succeed.

The Director considered that the number and level of school deficit balances remains too high. He welcomed the joint efforts of colleagues in Financial Services, Education and the Central South Consortium to formulate and monitor individual school plans, but considered that the identified risk still needs to remain on the corporate risk register.

Members were invited to comment, raise questions or seek further clarification on the information received. Those discussions are summarised as follows:

- Members noted the balance position in some schools was not improving. Officers were asked how effective interventions were. Officers stated that all schools now have a MTFP which is monitored by a finance officer. Every school in deficit has achieved a balanced in-year budget and there were no further increases in planned deficits. Targets to reduce the level of deficits in future years had also been agreed.
- Members highlighted concerns that, in some instances, school governors were not aware of the true extent of their school's deficit position. Members asked whether school budgetary information was made publicly available. Officers stated that the authority was obliged to publish this data. Members were advised that School Budget Forum papers are available on the Council's website. It was recognised that there was a need to signpost all school governors to this information and to provide school governor training as appropriate. The Committee considered that it was critical that school governors are able to lift key facts and identify problems early.

The Director stated that where there are concerns the primary responsibility to advise Governing Bodies lies with the Chair and the Head. The authority needs

to clearly set out its expectations in this regard.

- Members asked whether any schools had 'justifiable' deficits due to insufficient pupil numbers on roll. Officer stated that pupil numbers had increased over recent years and they are set to continue to rise. Some variances still existed between schools in the north and in the south of the City. The Committee was advised that Cardiff compares favourably with other Welsh local authorities both in terms of average funding per pupil and the total amount of funding delegated to schools in percentage terms.
- A Member stated that some schools receive less Pupil Deprivation Grant funding and have low turnover of staff. Balances are kept in those schools in order to manage unforeseen circumstances. Officers commented that it was the authority's view that there was merit of the threshold being a set percentage of the individual school overall budget in order to distinguish between the differences in size of schools. However, the Welsh Government thresholds of £50,000 for Primary Schools and £100,000 for Secondary and Special Schools respectively were monitored by the Local Authority. Officers also commented that a conversation was held with those schools with high surplus balances because there was a need to ensure that the money was spent on valued activity.
- The Committee suggested that a review of the arrangements for the Local Authority Governors Panel should be considered so that the impact of the revised arrangements and an assessment of the quality of the governors appointed could be conducted. The Director welcomed the suggestion and undertook to raise this proposal with the Panel.

RESOLVED – That the information and opinion in the report be noted.

## 24 : SUPPLY TEACHERS BRIEFING NOTE

In response to a request from the Audit Committee, a review of the arrangements in place for the engagement of supply teachers in schools was undertaken. The Committee received a briefing paper setting out the findings of the review. The scope of the review included teaching cover by agencies, short-term contracts and cover supervisors. The Committee discussed the findings of the review.

Members were advised that in 2013 the WAO report 'Covering Teaching Absences', commissioned by the Welsh Government, made a number of recommendations for the Welsh Government, local authorities and Schools. These recommendations were appended to the report at Appendix A. Referring to recommendation 11 – Provide schools with comparative data on teacher absence rates – Members considered that it would be beneficial to have received comparative data on teacher absences in the briefing report. Officers stated that the WAO recommendations were generic for across Wales. Schools in Cardiff were able to monitor absences by using the Digigov system to produce reports. Absence rates in individual schools were not currently being compared. However, this was an action point for the next academic year. From September 2016, Governor Training for monitoring absences would be offered, which would cover how to access absence monitoring data. Officers stated that they do have access to comparative data and they were willing to share this data with all schools.

The Director considered that such comparative data would assist governors and individual schools assess the rates of absence within their schools. The Director agreed to provide this data to the Committee.

All Members noted that in all schools the Head Teachers Annual report provides information on the attendance levels of pupils. Some schools also include the attendance levels for staff. The Director was asked to comment on a proposal that all schools provide details of attendance by staff. The Director considered that a good Head Teacher would be reporting on staff absences as this underpins other messages. However, Head Teachers should have discretion in this regard. Members were reminded that the directorate's quarterly performance reports contain details of absences for all school based and non-school based staff.

RESOLVED – That the report be referred to the School Budget Forum for consideration.

## 25 : RESPONSE TO INTERNAL AUDIT REPORT - HIGHWAYS PAYROLL FOLLOW UP REVIEW

The Committee received a report prepared by Internal Audit to provide Members with an update on the implementation of a series of recommendations made following audits in 2011 and 2014 for which audit opinion was 'limited assurance'. Members were advised that a follow up audit in May 2015 noted that some progress had been made but in order for the directorate to allow for various initiatives and other changes to be embedded audit opinion was deferred.

Management in the directorate were interviewed recently in order to obtain an update on the outstanding recommendations. The report provided details of those recommendations and the management response to each. Andrew Gregory, Corporate Director and Gary Brown, Operational Manager Assets, Engineering and Operations were invited to present the report.

Referring to Paragraph 2 of the report, Members sought clarification of what exactly what was meant by the use of the term 'some progress had been made'. Officers were advised that Members would welcome further evidence or statistics to support this view at a future meeting.

Chair requested a further report on the Highway Payroll Review in order to demonstrate a more concrete understanding that the issues raised previously by audit have been addressed. The Committee need to be assured that processes are in place that address their earlier recommendations.

RESOLVED – That

- (1) the report and the management response be noted;
- (2) a further report providing evidence that the Committee's earlier recommendations have been address be presented to a future meeting.

Finance

## 26 : FINANCE UPDATE



The Committee received a report providing an update on the Council's financial position. Members were asked to note that month 4 revenue monitoring shows a projected £850,000 overspend reflecting financial pressures and shortfalls in directorate savings targets. The overspends are partly offset by projected savings on capital financing, the release of contingency budgets and funds previously earmarked to fund voluntary severance costs, a surplus on Council Tax collection and NDR refunds on Council properties.

Directorate budgets are currently projected to be overspent by £6.5 million. It is anticipated that management actions will enable this to be reduced by the year end. The current position includes overspends in Social Services, City Operations; Governance and Legal Services and Corporate Management. Directorate overspends are partially offset by the general contingency budget.

The Committee noted the project overspend of £5.221 million in Social Services. Members were concerned at the continual overspends within this directorate. The Committee considered that it was necessary to seek clarification regarding the continual overspends within Social Services that are not being addressed. The Chair suggested that he write to Director addressing the Committee's concerns and inviting him to attend next meeting

Referring to Budget Strategy report considered by Cabinet, the Committee noted a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Directorate savings were anticipated to amount to £43.035 million over the same period and the balance would be accounted for through strategy assumptions including increases in Council Tax. Members of the Committee commented that the assumptions referred to need to be robust.

RESOLVED – That

- (1) the report be noted;
- (2) the process being adopted in respect of budget preparation for 2017/18 and the medium term be noted.

27 : STATEMENT OF ACCOUNTS 2015/16

The Committee received the Statement of Accounts 2015/16 prior to its submission to Council on 29 September 2016. Officers advised that the WAO audit was progressing and indications were that the audit findings were minimal and, therefore, there were no issues of immediate concern. Work to declutter and simplify the Statement of Accounts was ongoing.

Members sought clarification regarding the naming of individuals earning in excess of £170,000 per annum. Officers advised that an officer remains unnamed in the Statement of Accounts because a redundancy payment forms part of the annual earnings figure listed.

The Chair, on behalf of the Committee, congratulated the officers for producing the Statement of Accounts and thanked them for their work and efforts.

RESOLVED – That the Statement of Accounts 2015/16 be noted.

## 28 : WELSH POOL PENSION FUND GOVERNANCE ASPECTS

The Committee were presented with a report providing an update on the development of a Wales Investment Pool to manage the investment assets of eight Local Government Pension Scheme (LGPS) funds in Wales and the proposed governance arrangements for the Pool. The Chairperson invited Gareth Henson, Pensions Manager, to present the report.

The report summarised the background of the matter. Members were advised that 8 LGPS in Wales were working together to identify areas of potential collaboration. In 2013 the report 'Welsh Local Government Pension Funds: Working Together' identified investments as an area where collaboration might yield the most significant savings. Mercers Ltd were commissioned to identify options for collaborative investment and in May 2015 a report recommending a Common Investment Vehicle (CIV) was issued. The 8 LGPS agreed to proceed with establishing a CIV on a voluntary basis and in December 2015 Hymans Robertson were appointed to advise on the procurement of a CIV from a third party provider.

In 2015 the UK Government announced that all LGPS in England and Wales must join together to form investment pools. The Welsh funds submitted an outline proposal for the Welsh Investment Pool in February 2016. Detailed proposals were submitted on 15 July 2016. A redacted form of the submission was published on the administering authority websites and was attached as an appendix to the report.

As a result of the proposal the Pool will not be a merger of the eight funds. Each LGPS will retain its identity and the administering authorities remain responsible for complying with LGPS regulations and pension legislation. The Pool will have limited remit and its objectives, as set out in the submission, are as follows:

- To provide pooling arrangements which allow individual funds to implement their own investment strategies (where practical).
- To achieve material cost savings for participating funds while improving or maintaining investment performance after fees.
- To put in place robust governance arrangements to oversee the Pool's activities. To work closely with other pools in order to explore the benefits that all stakeholders in Wales might obtain from wider pooling solutions or potential direct investments.

Members were advised that the proposed Wales Investment Pool includes the establishment of a Joint Governance Committee comprising of elected member from each administering authority, supported by an Officer Working Group. It is also proposed that a Financial Conduct Authority (FCA) regulated operator be appointed to supply the necessary infrastructure for establishing a pooling vehicle and to manage the Pool on behalf of the 8 funds.

The Council approved the establishment of the Pension Committee at its meeting of 30 June 2016 in order to exercise strategic oversight of its responsibilities for the administration of the Pension Fund. The Pension Committee will enable an elected Member to participate in the Joint Governance Committee and its terms of reference

will include the setting of strategic objectives and approving policy statement, as required by the LGPS regulations.

Members sought clarification of how any investment vehicle would be constituted. Officers advised that a number of potential options were being considered. It was likely that core services would be provided by a regulated entity and ancillary services would be obtained from elsewhere. Members of the Committee recommended that a phased approach be undertaken. Officers advised that the UK Government has issued a brisk timetable and the approach is mandated.

The Committee asked whether the decision to move to a 'complex, over-arching, all-Wales superstructure' was savings driven, where the savings will be made and how much savings will be realised? The officer stated that it is anticipated savings will be realised through economies of scale and in competition between fund managers driving down fees. Funds in Wales were already achieving savings from a significant reduction in fees but it was not possible to quantify those savings at the moment.

RESOLVED – That:

- (1) the Committee notes the progress in relation to the development of the Wales Investment Pool;
- (2) in the event of any future proposals regarding the governance of the Welsh Pool Pension Fund that they are presented to Audit Committee for consideration prior to implementation.

Governance and Risk Management  
29 : RISK MANAGEMENT UPDATE

The Committee received a report providing an update on the action being taken to improve the risk maturity of the Council in 2016/17. Vivienne Pearson and Chris Pyke were welcomed by the Chairperson and were invited to deliver the report.

Members were advised that it is vital the authority ensures that risk management is embedded in the governance of the Council, so that managers at all levels recognise that risk management is part of their job and that business processes demonstrate clear consideration of the level of risk that the Council is prepared/not prepared to carry.

Officers across the authority participated in a review of the risk maturity during the summer. The review identified a number of 'risk defined' and 'risk aware' characteristics. A summary of the risk maturity characteristics was appended to the report at Appendix A. Attention was now focussed on ensuring that there are no gaps in risk management processes and systems whilst working towards effectively defining Corporate Risk appetite.

The Committee was informed that having a defined risk appetite will enable officers and Members to understand the level of risk that can be accepted in decision making and those areas where further attention is required. This will, in turn, reduce vulnerabilities and work towards the vision of embedding risk management in decision making.

In order to take forward the Council's Risk Management approach the following were needed:

- Record and report the Council's Corporate Risks on a 'Risk Map'
- Validate the risk ratings in the Corporate Risk Register/Map
- Identify and define the Council's Corporate Risk Appetite

A Corporate Risk Map was appended to the report at Appendix B. The map produced a present and clear picture of the current management of corporate risks at the quarter one position 2016/17. The map was reported to the Senior Management Team on 13 September 2016. The map records the position of residual risks on the Council's standard matrix template. A second element added to the map connects the risk score and the risk appetite this represents.

In order to have a high degree of confidence over the position of residual risks a work instruction and toolkit have been produced by the Information Governance and Risk Team and these are to be issued to each Director. These tools will provide a systematic and methodical approach to reviewing risks, the effectiveness of their assessment and controls.

Members asked officers to confirm that over all the risks identified are rated likely/very likely and the consequences of those risks are rated major or significant. Officers confirmed that this was the case. Members were reminded that the information presented in the risk map was the same information as presented to the Committee previously.

Members asked officers to provide an explanation of the risk associated with Information Governance. Officers indicated that this risk related to the physical use and protection of data and ensuring that suitable policies and systems are in place to control data.

The Committee commended the use of the Corporate Risk Map to provide a diagrammatical 'picture' of the identified risks facing the authority. Members requested that the Corporate Risk Map be presented alongside the Corporate Risk Register in the future.

RESOLVED – That the Committee notes the Risk Management update, the approach to developing a Corporate Risk Map and defining a Corporate Risk Appetite, and to use the report to inform their future Work Programme.

Wales Audit Office

30 : ANNUAL IMPROVEMENT REPORT 2015/16

Chris Pugh addressed the Committee. Members were advised that the Wales Audit Office Annual Improvement Report 2015/16 summarised the work conducted by WAO during the year. The report was likely to conclude that the authority has complied with its statutory responsibilities.

RESOLVED – That the report be noted.

31 : WAO TRACKER/OTHER STUDIES - UPDATE REPORT

The Committee received a report prepared to provide Members with an update on the programme of planned work to be conducted by the Auditor General during 2016/17.

RESOLVED – That the report be noted.

Treasury Management

32 : PERFORMANCE REPORT

*This report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee received a report providing Treasury Management performance information and position statements as at 31 August 2016. The Operational Manager – Capital and Treasury presented the report.

RESOLVED – That the report be noted.

33 : ANNUAL REPORT

*Annexes B and C to this report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

The Committee received the Treasury Management Annual Report for 2015/16 prior to its submission to Council on 29 September 2016, in accordance with the Council's Treasury Management Policy.

RESOLVED – That the report be noted.

Internal Audit

34 : PROGRESS REPORT UPDATE

*Appendix B to this report contained exempt information of the description in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972. It was agreed that the public be excluded for the duration of the discussion of this item of business on the grounds that if members of public were present during the discussions, due to the nature of the business to be transacted there would be disclosure to them of exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act, 1972.*

Members received a report providing an update on the work of Internal Audit up to 31 August 2016. Members were asked to note the following:

- All PPDR reviews in relation to performance during 2015/16 were completed. New objectives for 2016/17 were discussed and individual training plans were to be developed.
- 4 limited assurance audit reports were made since the last meeting of the Committee
- In terms of audit performance, some comparative benchmarking data was received during the summer. The data is being analysed. A report will be presented to the Committee at its meeting in November 2016.

In terms of no assurance opinion reports, Members considered that the respective Directors should be responsible for intervening and addressing no assurance reports. Officers confirmed that the respective Director has intervened.

RESOLVED – That:

- (1) the report be noted;
- (2) a report on the no assurance audit reports detailed in Appendix A be presented prior to the next meeting.

### 35 : PSIAS ASSESSMENT

Members received a report providing an update on the proposed arrangements for the Public Sector Internal Audit Standards (PSIAS). Members were asked to note that the PSIAS assessment is required to be carried out by external assessors once every five years. Through membership of the Welsh Chief Auditor's Group it has been proposed that a peer group be established in order to undertake such assessments. This approach is consistent with peer groups established for Core Cities across the UK. The approach fully meets the requirements of the PSIAS and has significant cost savings. A draft Terms of Reference for has been drawn up and agreed between the participants. The Committee received the draft terms of reference at its meeting in November 2015.

In anticipation of the external assessment, a self-assessment was undertaken in 2016 and an action plan has been produced. The action plan was appended to the report at Appendix A. The self-assessment identified good overall compliance, but some gaps between the PSIAS and practices conducted by Cardiff Council Internal Audit.

The review process does not demand that there must be compliance to all requirements. However, an understanding and justification of any deviations is expected. The self-assessment made 12 recommendations, the majority of which had been actioned.

Referring to Recommendation 8, Members asked whether there were sufficient resources in place to assess the effectiveness of organisational performance management and accountability. The Head of Finance indicated that he believed sufficient resources were in place.

RESOLVED – That:

- (1) the Committee notes the activity being undertaken, prior to the external assessment being undertaken in October 2016, in compliance with the Public Sector Internal Audit Standards (PSIAS);
- (2) Member to consider the action plan and provide views as to the status of the recommendations.

36 : FIGHTING FRAUD AND CORRUPTION LOCALLY

The Committee was asked to note a report prepared to raise awareness of three documents published by CIPFA and an Executive Summary in respect of Fighting Fraud and Corruption Locally.

Members were advised that the Fighting Fraud and Corruption Locally was a strategy developed as a result of collaboration between English local authorities and key stakeholders from across the counter fraud landscape. The strategy is a definitive guide for Council Leaders, Chief Executives, finance directors and includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape. There is currently no Welsh strategy to measure against.

RESOLVED – That the report be noted.

37 : PUBLISHED SCRUTINY LETTERS

Members received for information the published Scrutiny Committee Chairperson's letters providing an opportunity for the Committee to determine whether they wish to consider any of the letters further at the Audit Committee meeting on 29 November 2016.

RESOLVED – That the report be noted.

38 : OUTSTANDING ACTIONS

The Committee noted that outstanding actions detailed in the Audit Committee Action Plan.

39 : WORK PROGRAMME UPDATE

The Committee noted that Audit Committee Work Programme 2016/17.

40 : URGENT BUSINESS

No urgent business was presented.

41 : DATE OF NEXT MEETING

Members were asked to note that the next meeting is scheduled to take place on 29 November 2016.

The meeting terminated at Time Not Specified

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE; 29 NOVEMBER 2016**

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**SOCIAL SERVICES OVERSPEND 2015-16 AND MONTH 6  
MONITORING POSITION**

**REPORT OF THE DIRECTOR OF SOCIAL SERVICES**

**AGENDA ITEM: 4.1**

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**Reason for this Report**

1. To advise the Audit Committee of the underlying reasons for the overspend in the Social Services Directorate at 2015/16 outturn and as projected in the month 4 budget monitoring report. This follows a request from the Audit Committee Chairperson seeking explanations to that effect.

**Context Overall**

2. It is widely recognised that Social Services budgets across the UK are facing a critical combination of major and increasingly complex demand pressures, serious supply side scarcities (social care workforce and provider shortages) that impact on cost and quality, and structural underfunding across the whole social care system. Although there is ample independent evidence and testimony to this effect there is as yet no national agreement as to how this crisis in social care should be best addressed. In English core cities this crisis has threatened the overall sustainability of Councils – notably Newcastle and most recently in Liverpool.
3. Social Services in Cardiff has benefited from a significant level of corporate support and financial protection in terms of budget realignment and a recognition of this overall position. This reflects the Council's commitment to supporting the vulnerable.
4. Despite this support, the overall context nevertheless makes the delivery of savings acutely challenging in any social services setting and Cardiff is not alone in confronting high levels of overspend and challenges in the achievement of savings. In the current year, Bristol at quarter 1 were projecting an £11m overspend on social care. Also, Bradford Council at Q2 were reporting a £5.2m overspend on Adults and £3.1m overspend on Children. The overspends were said to be due to additional expenditure on procured care, unachieved savings and additional placements for Children.

5. It is of fundamental significance that 73% (£123m) of gross expenditure in Social Services in Cardiff is 'commissioned spend'. In other words, spent on individual citizens and children directly; that is on packages of care or support in care settings or in people's homes. The Directorate has had demonstrable success in reducing the cost of commissioned care by driving through tougher contractual terms, by service redesign and modernisation in pursuit of better quality and by better operational cost-effectiveness. There remains more scope in terms of securing yet more cost effectiveness through more effective commissioning and this therefore, accounts for £3.35m of targeted savings in the current financial year across the directorate.
6. Nevertheless, it must be recognised that these savings are inherently challenging and frequently rest both on assumptions about the circumstances and well-being of multiple individual citizens and children at any given time and on the predicted response to their needs by the independent sector market. This inevitably means that not all savings are achievable at the level predicted or by the targeted date, and that there is a limit to how far a commissioning-led approach can deliver cost reduction without compromising safeguarding or individual welfare.
7. It also inevitably means that the more efficient our commissioning becomes, the less scope there is to derive savings from commissioned spend. Once savings in commissioning are accounted for it is apparent that other targeted savings can only come from the remaining 27% (£47m) of the gross budget, the bulk of which is accounted for by staff.
8. Here the directorate is taking the opportunity to change the skill mix of the workforce wherever possible or taking advantage of ways to streamline and improve operating processes (Agile and Mobile working for example). Again however, there are limits to just how far this can realistically go in savings terms, simply because the majority of staff deliver direct care and support to individuals or they are the very officers who are necessary to enable savings delivery or overall back office efficiency.
9. The only realistic alternative to cost reduction over the longer term, once commissioned spend and structural efficiency are taken into account, is the further development and acceleration of an effective strategic model for Social Services overall. This needs to be a strategy that maximises prevention and prolongs personal independence, so that individuals and families have less need to turn to the council for care and support or do so much later than they do currently.
10. The development of a new strategic model for the delivery of social services over the next 5-10 years is currently the key focus of the Directorate Management Team and this is outlined later in this report.

## **Context – a New Social Services Directorate**

11. It should be noted that prior to August 2015, the current Social Services Directorate consisted of two separate Directorates – one each for Children’s Social Services and for ‘Health and Social Care’ (i.e. Adult Social Services) and that insofar as the 2015/16 outturn is attributable to Adult Social Services elements of the relevant overspends, this was a largely inherited position in the new Directorate overall.
12. Accounting for areas of under-delivery in terms of the Adult’s Services budget over the last 12 months, specifically in relation to those savings prepared and developed prior to the establishment of the new directorate, is more challenging, since few of those in key leadership positions or who were substantially involved in proposing a significant number of given savings lines, are now in post.
13. In the opinion of the Director of Social Services, insufficiently detailed planning or testing of working hypotheses was undertaken within the previous Health and Social Care Directorate in relation to key savings lines. Some savings lines also had unintended consequences which should have been foreseeable to senior managers within the then Directorate but which in effect undermined the level of deliverability proposed.
14. Although subject to due diligence and challenge by the Corporate Director of Resources as part of the budget preparation process in the two years prior to 2015/16, the fundamentals of savings deliverability from a service perspective were not effectively captured or thought through by the Health and Social Care Directorate. It is hard to see how the challenge process could have compensated for these inherent shortcomings since it would always be reasonable for that process to assume that the Directorate understood the key financial drivers and interrelationships of its own business; moreover, this kind of understanding is not something that could be expected of non-social service professionals.
15. This became strikingly apparent when the newly appointed Assistant Director (Adults) undertook a strategic review and analysis of service delivery in mid-2015. As a result of that review it became clear that the previous Directorate’s overall approach to aligning and analysing data about demand management and service delivery activity was insufficiently coherent or robust to the extent that the effective development of budget strategy and savings proposals was unlikely to provide a basis for overall financial prudence and cost reduction.
16. Clearly, none of the foregoing accounts for levels of overspend or savings underachievement in Children’s Social Services and this is addressed below.
17. Going forward however, the Directorate takes full responsibility for mitigating the Directorate’s overall historical position as far as this is

possible. In relation to adult services, the Directorate has met with success in stabilising the operational budget over the last 12 months.

18. The Social Services Directorate as a whole, now has a much better understanding of the complex interrelationships between demography, demand, service activity and delivery models and their financial impact. Our ability to monitor patterns of activity month on month and with greater sensitivity, provides a more reliable platform for cost control and for service review and adjustment. It also provides a better basis for planning and preparing savings proposals going forward although this remains inherently challenging for the underlying reasons alluded to in paragraphs 2-8 above.

### **Social Services & Well Being Act 2014 (SWWB)**

19. It should be noted in addition however, that the full impact of implementing the Social Services and Well-Being Act 2014, with effect from April 2016, is yet to be fully realised or understood in financial terms. It is widely believed by professionals that in the short to medium term, Act implementation contains hidden additional costs because a root and branch transformational policy change of the sort required is capacity hungry and cannot realistically be delivered without additional resources. This is recognised in the current budget and is reflected in the Directorate's pressure bids for 2017-18. More significant and as yet little understood, is the cost associated with extending entitlements inherent in the Act and raising expectations amongst citizens and families, even while the Act also looks to ensure that over the longer term, citizens and families are less reliant on the state.

### **Children's Services Context**

20. Further to the overall pressure outlined in paragraphs 2-8 above, there are particular factors that are significantly driving up expenditure across England and Wales in relation to children, the most acute being the rise in court proceedings.
21. In its most recent national monitoring report the Children and Families Court Advisory Service (CAFCAS) highlighted this pressure across Wales. The data is attached at Appendix I
22. CAFCAS trend and performance data clearly evidences a month on month upward trend in the number of new public law referrals (i.e. children's services) across Wales and by contrast a similar downward trend in the number of closures. The numerical tables are interesting for comparative purposes since Cardiff public law referrals appear to broadly align with relative population sizes.
23. Meanwhile, in a recent statement, the President of the Family Division of the High Court, Sir James Munby drew national stakeholders' attention to the rising pressure confronting the socio-legal system in relation to children. This was reported as follows:

- *“In a commentary about the family courts, published this week, Sir James Munby, president of the High Court’s family division, described the system as “at full stretch” and facing “a clear and imminent crisis. This warning followed another record month for care applications. In the past 10 years, the number of care applications going through the courts have doubled, and 2016-17 already looks to be another record year for case numbers. “Everyone – everyone – is working as hard as they can,” Munby said. “We are facing a crisis and, truth be told, we have no very clear strategy for meeting the crisis.”*
- **Caseloads rising** - *He said the “immediate” implications would be the need to continue struggling to cope with existing resources, as it was unlikely there would be an increase in funding. He added that the “very large” increase in care cases was also driving up the costs of legal aid.*
- *He congratulated people working in the care system for first managing to drive down the time it takes to complete care proceedings and then holding time periods for cases steady in the past year, in the face of increasing demand.*
- *“To keep the [time it takes to complete proceedings] level as the caseload increased by 14% is an astonishing achievement.” However, he believed that achievement could not be maintained “as caseloads continue to rise”.*

24. It should be noted that despite these pressures Cardiff cases are now completed within 22 weeks of filing, some 4 weeks fewer than the nationally set maximum, making it close to the top performing rate in Wales.

25. The rising national trend reflects the increasing level of risk and complexity that is becoming more commonplace and the increase in the number of proceedings involving young infants. Needless to say these kinds of risks and trends are affected by the prevailing public mood associated with abuse ‘scandals’ at any given time – ‘Baby Peter’; Daniel Pelka, Savile, Rochdale/Child Sexual Exploitation and so on.

### **Social Services Budget Outturn 2015-16**

26. The 2015-16 outturn position for Social Services stood at £5.022m overspent of which £3.009m was attributable to adult services and £2.013m to children’s services.

27. In adult services, this overspend was largely attributable to an underachievement of £3.975m savings against a combined target of £8.466m for savings relating to 2014-15 and 2015-16; conversely, £4.491m of the £8.466m was achieved. The savings shortfall was

offset to some extent by lower than anticipated commitments against areas impacted by activity associated with Deprivation of Liberty determinations.

28. For the most part however, adult services operational spend remained relatively stable and within budget albeit there were significant and rising cost pressures notably in relation to nursing home care bed prices, which rose by 7%; this rising cost pressure has continued into the current financial year. This suggests that overall budget control was effective particularly in the context of rising demand and complexity.
29. In terms of the underachievement of Adults savings for 2015/16 and 2014/15, the largest single shortfall (£1.7m) related to a proposal to introduce more efficient commissioning, combined with initiatives to encourage independence. This proposal was in effect based on a percentage reduction against commissioned spend but was insufficiently supported by effective working hypotheses or detailed plans across the range of commissioned provision. For instance, a number of areas were considered for possible re-tendering processes and various work-streams were established, but no significant savings were achieved. The Directorate nevertheless remains focused on delivering reduced commissioning costs but on the basis of much more realistic proposals and detailed plans.
30. There was an additional £700,000 shortfall in relation to a 2014/15 unachieved saving linked to new dynamic purchasing arrangements for residential, nursing and domiciliary care. This proposition was thoroughly researched and developed on the basis of best practice and successful cost reduction elsewhere. Given that the model put in place emulated those elsewhere it was reasonable to expect that the market would respond competitively and thereby drive down the overall price. In the event however, the prevailing market in Cardiff has not responded as modelled and the scope for savings has been very limited.
31. There was also a combined £670,000 shortfall relating to initiatives to stepping down learning disability and mental health service users to lower cost forms of care. Although, savings were achieved in these areas, as a result, they were significantly below the targets set. There was also a savings shortfall of £400,000 relating to the internal learning disability supported living service. Although, some savings from service rationalisation were realised they were also significantly below target.
32. In all three examples, the propositions rested on changing the specific care package being provided to individuals in receipt of services i.e. to alternative service provision, which is less costly. The scope for making these changes must always be driven by the extent to which the care package can meet individual needs and on the willingness in some cases, of affected adults to accept the proposed changes. In the event, very many fewer adults could in reality be 'moved' or were

willing to embrace changes to the nature of provision; levels of saving were much lower as a consequence.

33. In children's services the overspend was largely attributable to two factors; one an underachievement of £1.153m savings against a 2015-16 target of £2.781m. The second key factor was the rising costs of a growing looked after children population (contributing to a £782,000 overspend on external fostering budgets) which also continues into the current financial year, principally driven by factors that are apparent nationally and that were considered in paragraphs 19-25 above.
34. In terms of the underachievement of children's services savings for 2015-16, this was principally attributable to three key areas. Firstly, the targeted saving against a 'Payment by Results' scheme to the value of £476,000; secondly a proposal to reduce business support costs by a process of 'Lean Review' £327,000; and thirdly, further commissioning related savings in respect of demand management, block contracting and the 'Contact' Service.
35. **Payment by Results** - This began life as a 'Social Impact Bond' scheme in which the proposal was essentially to procure the provision of a highly intensive fostering and support model. The new design service was based on best evidence from across the UK wherein children would be returned to in-county fostering placements from high cost out-of-county residential care but provided with intensive wrap around services, delivered in foster carer homes by a multi-disciplinary team of the kind that is often found in residential settings.
36. As a result of market testing, providers indicated that they were prepared to fund the scheme on a payment by results basis rather than via a Social Impact Bond, such was their faith in the model and the clear likelihood of a beneficial return on their investment. From a Directorate point of view, this meant little risk in terms of 'up-front' investment since the provider would only be paid if they met certain targets as defined in the contract.
37. The subsequently procured private sector provider, gave the Directorate to understand that it could provide the requisite foster carers to enable the scheme to start in mid-2015. No such foster carers materialised and the scheme was drawn to a close resulting in a shortfall against savings of £476,000.
38. **Lean Review of Business Support** – this proposition was tested out through the 2015-16 year and in light of the fact that savings of £242,000 had already been secured in children's services business support during the year, it was considered necessary to further review achievability in the context of the new Social Service Directorate. What became apparent in early 2015-16 was that in earlier years, substantial business support reductions had been made in adult services in order to meet savings targets but that this had overlooked the fundamental capacity needed to deliver savings and contain costs in relation to areas of contract compliance in adult services; it became clear that if

anything additional business support would be needed to enable the new directorate to function efficiently and deliver existing savings. This is a saving target that is therefore recommended for write-off in 2017-18.

## **Social Services 2016-17**

39. The nature and reliability of the savings developed in previous years has been considered above. Although it is acknowledged that the new Directorate had more influence over 2016-17 adult services savings proposals than those of earlier years, this was around the margins rather than substantially the case. A new management team was in the process of being established with effect from August 2015 and it would be unrealistic to have expected the team to have sufficient depth of knowledge, understanding and analysis to enable reliable testing of proposals, many of which were already well advanced.
40. Nevertheless, the work that was undertaken as part of the new management team's initial scoping and strategic review as highlighted in paragraph 15 above, did enable the Directorate to re-assess the realism of key savings lines in terms of achievability, timing and impact.
41. As a result, it became apparent that a number of savings, particularly in the case of some from 2014-15, had either been exhausted or were no longer achievable and it has been recommended that these should be written off; the total value of these written off sums across both adults and children's services, if agreed, is £872,000; these include items such as commissioned substance abuse services, central business functions, internal supported living for those with learning disabilities, and market management for placement costs.
42. In the case of other savings, it was agreed that the underlying propositions were sound but that they needed to be phased over a more realistic and deliverable timescale; this is reflected in the month 6 monitoring report having added £210,000 to the in-year monitoring position and included items such as the adolescent resource centre and direct payments management.
43. In total therefore, at month 6, the Directorate is projected to achieve £4.86m savings against a target of £7.55m.

## **Monitoring at Month 6**

44. It is noted that committee members will have received information in respect of the month 6 budget monitoring by the time the committee considers this response to the request from the chair to explain the month 4 position in Social Services. This report is therefore, addressing the position at month 6 rather than at 4, for obvious reasons.
45. Members may note that although there is a further £360,000 overspend evident in the month 6 position, this increase is



substantially less than month 4 and indicates that the position has stabilised to a substantial degree since the first quarter. It is also significant that £210,000 of that increase is attributable to savings that have been re-phased into 2017-18 as indicated in paragraph 42 above. The remainder (£150,000) relates to the increased cost of domiciliary care and nursing bed costs for older people which have risen by 7% overall and the increased cost of external fostering placements due to a rise in looked after children numbers. These increases are illustrated in Figs 1-4 below.

46. Looking at the month 6 position potentially masks the fact that the single most significant increase driving the overspend position was identified at month 4. It is acknowledged that this was a sharp increase of £1.3m in months 3 and 4 and that this was almost entirely attributable to the growth in looked after numbers. At that time officers were concerned that this change might represent a 'step' which would suggest a new level of inexorable growth, rather than a 'spike' which is more likely to be 'one-off' in nature; the month 6 report appears to suggest that it was the latter but this remains uncertain since the position is volatile.

47. It is important to note that between 1<sup>st</sup> June and 17<sup>th</sup> July no fewer than 39 children were admitted into the care of the council; this is an unprecedented number. Given this highly unusual circumstance, the Director personally reviewed the antecedents of each of these admissions but was unable to challenge the appropriateness of any single admission or related care plan. Indeed, the following factors were apparent across the cohort

- A significant number were previously unknown to the service and were admitted due to significant and immediate safeguarding risks identified by the police or other statutory agencies
- There were several large sibling groups
- All cases were 'high risk' in nature with no alternative course of action available to them.
- In some cases, social workers had maximised support that fell short of admission prior to the actual admission taking place; this in effect means that high levels of risk were being managed by staff in the community in relation to these cases and we know that this remains the position in relation to other current cases that are not in the looked after system.
- The complexity of one case, not previously known, was such that it was immediately remitted to the High Court and continues to incur very high legal and placement costs as a result.
- A significant number of high cost placements arose as the result of the success of the Council's Child Sexual Exploitation Strategy,

in that vulnerable children not previously surfaced by previous approaches, have now been afforded appropriate protection.

48. Given that a child's average fostering placement cost stands at £39,000 per annum and that the weekly cost of residential care is no less than £3200 (£166,000 p.a.) and can be as much as £6,500 (£338,000 p.a.) it can be seen that an increase of 39 in the Looked After population can very quickly incur significant additional projections in the monitoring position.

Fig 1

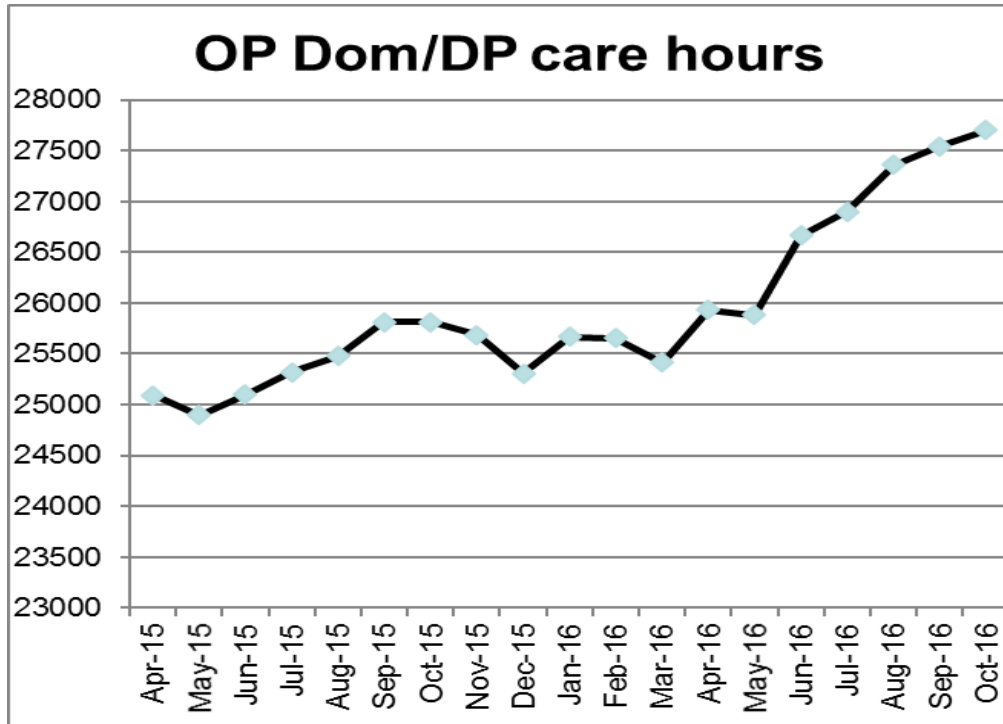


Fig 2

## Gross Weekly Rate for OP Nursing Bed

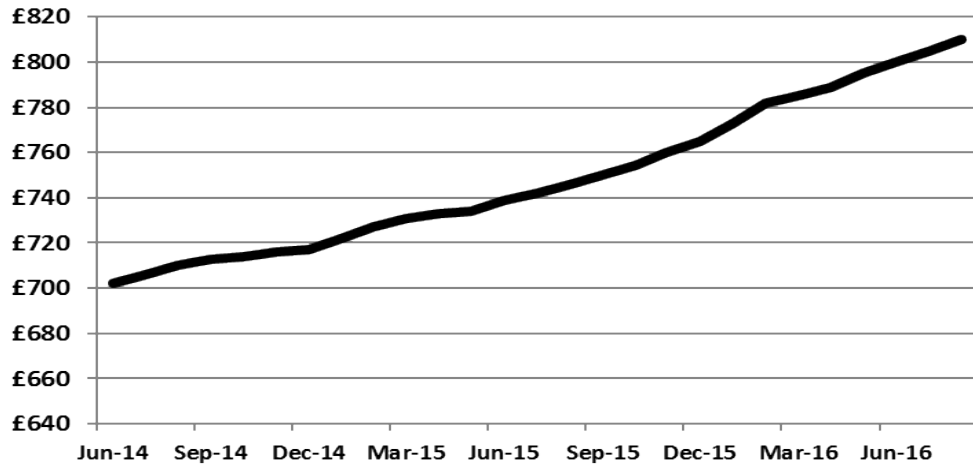


Fig 3

## Looked after Children Numbers

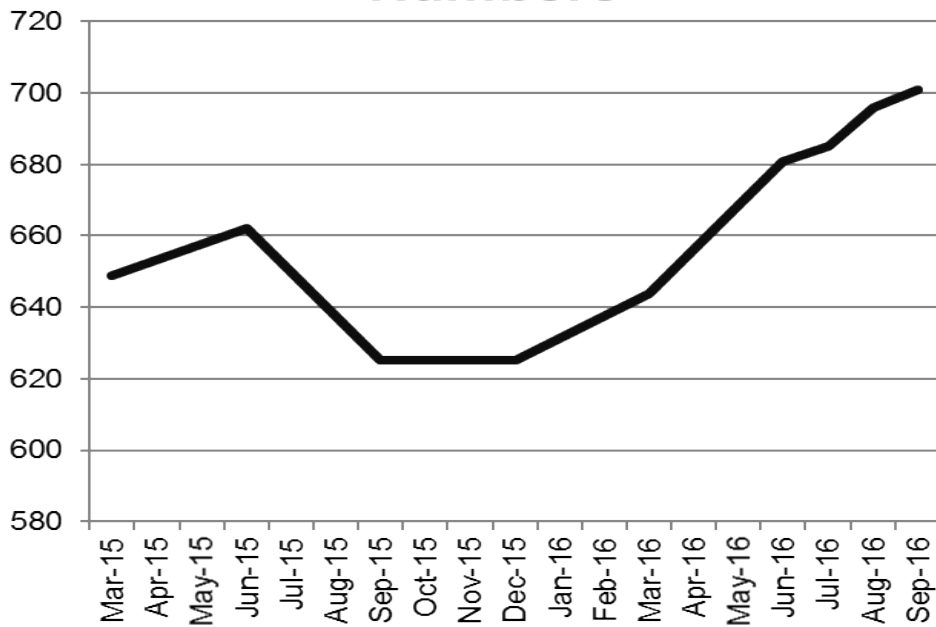
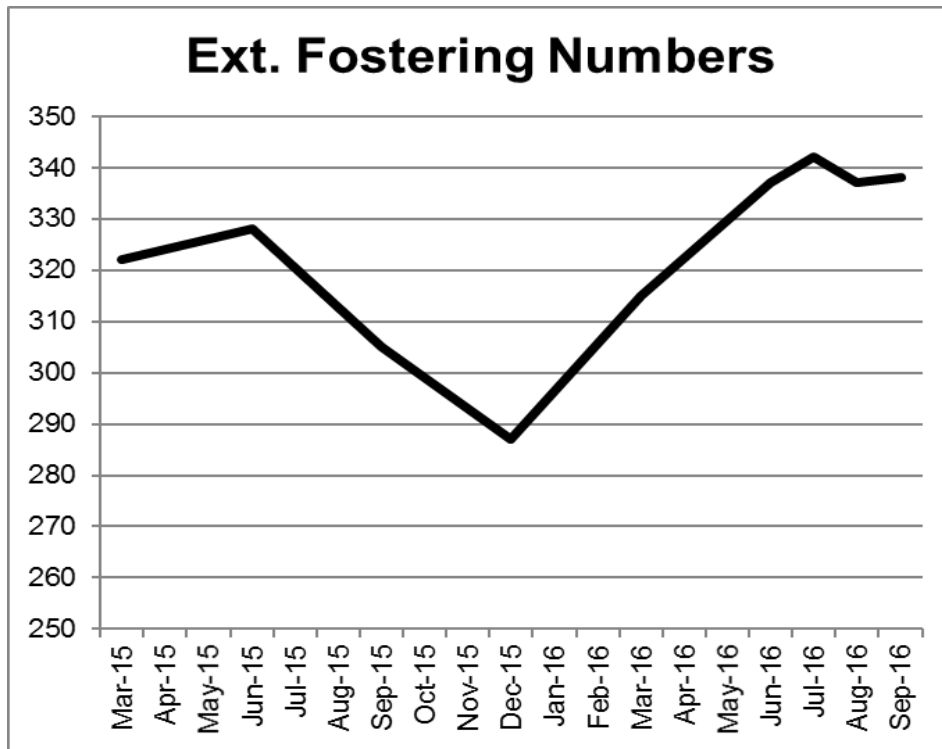


Fig 4



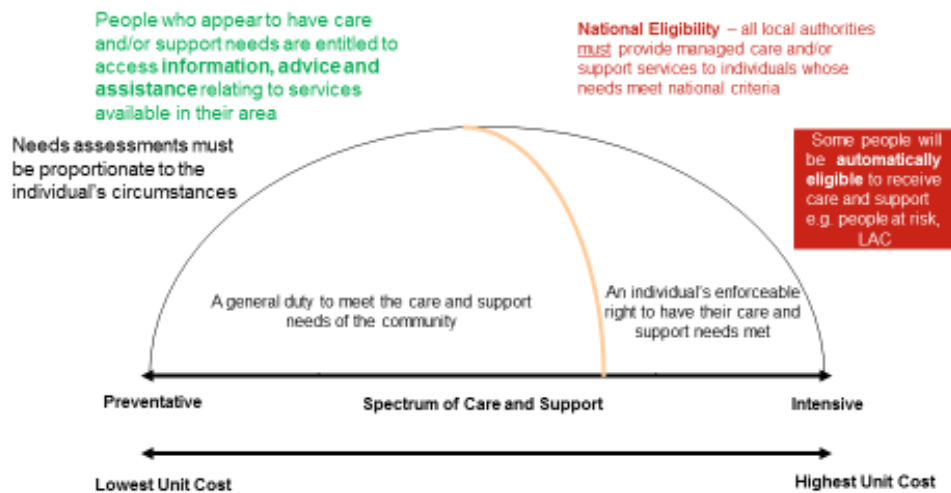
**Key Risks and Future Strategic Direction**

- 49. The key risks to financial sustainability are clearly those associated with increasing looked after numbers, the growth in domiciliary care for older people and ongoing increases the average price of nursing care beds and domiciliary hourly rates.
- 50. Nevertheless, in acknowledging that in the short to medium term, the costs associated with these risks are inescapable, it is also important to rethink our strategic approach to prevention particularly in relation to children and in addition to prolonging independence in relation to adults. Implementing an effective preventions strategy will provide the council with the best opportunity to mitigate unduly demographic pressures over the longer term.

**The Significance of Early Help and Prevention**

Fig 5

## Model of care and support



51. The above model illustrates a clear relationship between levels of individual need, the spectrum of care and support from preventative to intensive services, and unit cost. There is already clear agreement that the current service offer needs to be re-balanced in favour of prevention, not least because this will support better outcomes for citizens. It follows that a well-designed re-balancing of the Cardiff offer will lead to a reduction in the costs of care and support over time. This clear proposition is already driving the development of cross directorate re-shaping within the Organisational Development Programme and is manifest in relation to the following new services:–

- First Point of Contact (live Oct 2015)
- Early Help Strategy (launched Oct 2015)
- Information, Advice and Assistance (live April 2016)
- Dewis (live April 2016)
- MASH (live July 2016)
- Signs of Safety (implementation underway)
- Locality Pilot (in development)
- Child Friendly City (imminent bid to Unicef)

52. Although a number of these developments are at the periphery of the core Social Services function and delivery they are strategically critical to future success in terms of turning the cost curve and rebalancing the overall Council's service offer to citizens within the potential spectrum of care and support.

## **Integrated Service and Financial Strategy**

53. As part of a current strategic review in order to future proof Social Services, in so far as this is possible, it is now acknowledged that it is no longer sustainable or credible to continue on the basis of a strategic Directorate Delivery Plan as one work-stream and a set of savings targets and proposals as another.
54. As alluded to already, the substance and credibility of savings proposals put forward by the Directorate has been the subject to increasing and well-aimed challenge and although the failure to develop effective business cases under the previous adult services regime is a principal factor, the key weakness lies in a process that has been neither sufficiently service led nor based on strategic financial modelling.
55. In close collaboration with strategic finance, senior officers are therefore currently engaged in the development of a detailed and costed Service Strategy supported by much more sophisticated financial modelling than has been deployed previously. It is anticipated that this strategy will be finalised in 2017 for consideration by Cabinet. Good early progress has been made on modelling key strategic initiatives in Children's Services and work is now underway to extend this further and to apply the same discipline to Adults Services.
56. This **Integrated Service and Financial Strategy** will be driven by the following
- A strong understanding of the Directorate's mission and vision
  - A review of the Directorate Delivery Plan as the basis for integration with financial planning
  - A 5-10yr time frame that identifies the relationship between investment, cost reduction and 'best cost' or optimum cost projections at an agreed future date.
  - Delineation and mapping of the relationship between known demographics; mandatory service standards; SSWB Act compliance; prevention/early intervention; and investment-to-outcome and savings predictions.
  - Options for consideration set at different service levels and affordability 'envelopes' supported by effective deliverability risk assessments.
  - A total costed draft plan as the basis for Directorate and Corporate negotiation about what is affordable and inescapable or desirable in policy terms.

## **RECOMMENDATIONS**

It is recommended that members note the content of this report

**TONY YOUNG**

Director of Social Services

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**CAFCASS Cymru - Current Performance Report - 31 August 2016**

**Restriction:** None  
**Circulation List:** CAFCASS Cymru, DHSS, LSC, Judiciary, HMCTS, Heads of Childrens Services, MOJ  
**Publication Date:** 08 September 2016  
**Version No:** 1.0

| Local Authority         | Requests / Referrals in Month |            |          |             |           |            | Closures in Month |             |           |            | Awaiting Allocation at end of Month |              |                      |                     | Ongoing workload at end of Month |            |             |            |            | Key Performance Indicators at end of Month |              |
|-------------------------|-------------------------------|------------|----------|-------------|-----------|------------|-------------------|-------------|-----------|------------|-------------------------------------|--------------|----------------------|---------------------|----------------------------------|------------|-------------|------------|------------|--|--------------|
|                         | Public Law                    | Section 31 | EPO      | Private Law | Rule 16.4 | WTFH       | Public Law        | Private Law | Rule 16.4 | WTFH       | Section 31                          | Other Public | Rule 16.4, FAO & CMO | Private Law Reports | Public Law                       | Section 31 | Private Law | Rule 16.4  | WTFH       | KPI 1                                      | KPI 2        |
|                         | (1)                           | (2)        | (3)      | (4)         | (5)       | (6)        | (7)               | (8)         | (9)       | (10)       | (11)                                | (12)         | (13)                 | (14)                | (15)                             | (16)       | (17)        | (18)       | (19)       | (20)                                       | (21)         |
| Conwy                   | 3                             | 2          | 1        | 6           | 1         | 8          | 5                 | 2           | -         | 5          | -                                   | -            | -                    | -                   | 24                               | 20         | 12          | 4          | 8          | 1.5  | 100.0%       |
| Denbighshire            | 5                             | 4          | -        | 6           | 1         | 9          | 2                 | 3           | -         | 11         | -                                   | 1            | -                    | -                   | 26                               | 16         | 14          | 4          | 7          | 0.3  | 100.0%       |
| Flintshire              | 4                             | 3          | -        | 3           | -         | 7          | 3                 | 5           | -         | 7          | 1                                   | -            | -                    | -                   | 21                               | 17         | 7           | 1          | 7          | 2.0  | 80.0%        |
| Gwynedd                 | 4                             | 4          | -        | 5           | 1         | 15         | 1                 | 7           | -         | 9          | -                                   | -            | -                    | -                   | 29                               | 27         | 11          | 2          | 12         | 0.5  | 100.0%       |
| Wrexham                 | 2                             | -          | -        | 8           | -         | 8          | 2                 | 5           | 1         | 10         | -                                   | -            | -                    | -                   | 20                               | 15         | 14          | 4          | 8          | -  | 88.9%        |
| Ynys Mon                | 3                             | 2          | -        | 2           | -         | 7          | -                 | 6           | -         | 6          | 1                                   | -            | -                    | -                   | 16                               | 14         | 10          | 2          | 7          | 1.0  | 91.7%        |
| Cardiff                 | 8                             | 2          | -        | 11          | 1         | 27         | 9                 | 13          | 1         | 21         | -                                   | -            | -                    | 1                   | 27                               | 18         | 33          | 13         | 18         | -  | 89.7%        |
| Ceredigion              | 2                             | 1          | -        | 3           | 1         | 5          | 1                 | 1           | -         | 4          | -                                   | -            | -                    | -                   | 4                                | 1          | 10          | 6          | 5          | 1.0  | 92.3%        |
| Pembrokeshire           | 1                             | 1          | -        | 9           | 1         | 22         | 1                 | 3           | -         | 15         | -                                   | -            | -                    | -                   | 16                               | 11         | 30          | 11         | 12         | 1.0  | 100.0%       |
| Powys                   | 1                             | 1          | -        | 6           | 2         | 6          | 1                 | 3           | -         | 9          | -                                   | -            | -                    | -                   | 14                               | 11         | 14          | 8          | 4          | -  | 88.9%        |
| Bridgend                | 13                            | 6          | -        | 2           | -         | 10         | 6                 | 5           | -         | 10         | 2                                   | -            | 1                    | 1                   | 51                               | 32         | 13          | 5          | 4          | 0.3  | 77.8%        |
| Neath Port Talbot       | 8                             | 2          | -        | 7           | -         | 17         | 6                 | 8           | -         | 11         | -                                   | -            | -                    | 1                   | 52                               | 20         | 18          | 4          | 13         | 0.5  | 90.9%        |
| Swansea                 | 15                            | 3          | -        | 16          | 2         | 20         | 10                | 9           | 1         | 19         | -                                   | 1            | 1                    | -                   | 66                               | 41         | 38          | 11         | 18         | 0.3  | 95.6%        |
| Blanaau Gwent           | 7                             | 5          | -        | 4           | 1         | 7          | 5                 | 2           | 1         | 12         | -                                   | -            | -                    | -                   | 23                               | 16         | 6           | 3          | 2          | 0.2  | 100.0%       |
| Caerphilly              | 10                            | 6          | -        | 3           | -         | 13         | 2                 | 10          | 1         | 19         | 1                                   | -            | -                    | -                   | 31                               | 25         | 17          | 6          | 8          | 0.3  | 90.9%        |
| Monmouthshire           | 4                             | 2          | -        | 1           | -         | 6          | 4                 | 2           | -         | 10         | -                                   | -            | -                    | -                   | 15                               | 11         | 6           | 2          | 5          | 0.5  | 85.7%        |
| Neath Port              | 5                             | 4          | -        | 8           | -         | 22         | 7                 | 4           | -         | 19         | 1                                   | -            | -                    | -                   | 25                               | 19         | 23          | 6          | 14         | 0.3  | 92.9%        |
| Torfaen                 | 8                             | 2          | -        | 3           | -         | 9          | 4                 | 4           | -         | 7          | -                                   | -            | -                    | -                   | 33                               | 22         | 10          | 4          | 8          | 1.5  | 90.9%        |
| Cardiff                 | 16                            | 11         | -        | 16          | -         | 34         | 11                | 11          | 1         | 33         | 1                                   | 1            | -                    | 3                   | 93                               | 74         | 35          | 7          | 19         | 0.7  | 92.7%        |
| Merthyr Tydfil          | 2                             | 2          | -        | 1           | -         | 9          | 2                 | 4           | -         | 13         | -                                   | -            | -                    | 1                   | 11                               | 8          | 5           | 1          | 2          | 0.5  | 83.3%        |
| Rhondda Cynon Taf       | 10                            | 7          | -        | 7           | -         | 37         | 4                 | 5           | -         | 40         | 2                                   | 1            | -                    | 1                   | 81                               | 69         | 19          | 4          | 23         | 0.7  | 95.2%        |
| Vale of Glamorgan       | 15                            | 8          | -        | 4           | -         | 15         | 7                 | 6           | -         | 14         | 2                                   | 1            | -                    | -                   | 31                               | 22         | 8           | 2          | 11         | 0.6  | 100.0%       |
| English Local Authority | -                             | -          | -        | -           | -         | -          | 1                 | 1           | -         | -          | -                                   | -            | -                    | -                   | 2                                | 2          | 2           | 3          | -          | -  | 100.0%       |
| <b>Total</b>            | <b>146</b>                    | <b>78</b>  | <b>1</b> | <b>131</b>  | <b>11</b> | <b>313</b> | <b>93</b>         | <b>118</b>  | <b>6</b>  | <b>304</b> | <b>11</b>                           | <b>5</b>     | <b>2</b>             | <b>8</b>            | <b>709</b>                       | <b>509</b> | <b>353</b>  | <b>110</b> | <b>215</b> | <b>0.6</b>                                 | <b>92.6%</b> |

| Area               | Requests / Referrals in Month |            |          |             |           |            | Closures in Month |             |           |            | Awaiting Allocation at end of Month |              |                      |                     | Ongoing workload at end of Month |            |             |            |            | Key Performance Indicators at end of Month |              |
|--------------------|-------------------------------|------------|----------|-------------|-----------|------------|-------------------|-------------|-----------|------------|-------------------------------------|--------------|----------------------|---------------------|----------------------------------|------------|-------------|------------|------------|--|--------------|
|                    | Public Law                    | Section 31 | EPO      | Private Law | Rule 16.4 | WTFH       | Public Law        | Private Law | Rule 16.4 | WTFH       | Section 31                          | Other Public | Rule 16.4, FAO & CMO | Private Law Reports | Public Law                       | Section 31 | Private Law | Rule 16.4  | WTFH       | KPI 1                                      | KPI 2        |
|                    | (1)                           | (2)        | (3)      | (4)         | (5)       | (6)        | (7)               | (8)         | (9)       | (10)       | (11)                                | (12)         | (13)                 | (14)                | (15)                             | (16)       | (17)        | (18)       | (19)       | (20)                                       | (21)         |
| North Wales        | 21                            | 15         | 1        | 29          | 3         | 55         | 13                | 28          | 1         | 48         | 2                                   | 1            | -                    | -                   | 137                              | 110        | 67          | 16         | 50         | 0.9  | 93.5%        |
| Mid and West Wales | 12                            | 5          | -        | 30          | 5         | 53         | 13                | 18          | 1         | 44         | -                                   | -            | -                    | 1                   | 66                               | 41         | 87          | 43         | 35         | 0.4  | 93.6%        |
| South West Wales   | 36                            | 13         | -        | 25          | 2         | 50         | 18                | 26          | 1         | 47         | 3                                   | 1            | 2                    | 2                   | 159                              | 89         | 71          | 18         | 36         | 0.4  | 90.6%        |
| Gwent              | 34                            | 19         | -        | 19          | 1         | 51         | 22                | 21          | 2         | 61         | 2                                   | -            | -                    | -                   | 128                              | 96         | 64          | 21         | 35         | 0.4  | 92.1%        |
| South Wales        | 43                            | 26         | -        | 28          | -         | 102        | 28                | 26          | 1         | 104        | 4                                   | 3            | -                    | 5                   | 221                              | 175        | 66          | 15         | 59         | 0.7  | 93.3%        |
| <b>Total</b>       | <b>146</b>                    | <b>78</b>  | <b>1</b> | <b>131</b>  | <b>11</b> | <b>313</b> | <b>94</b>         | <b>119</b>  | <b>6</b>  | <b>304</b> | <b>11</b>                           | <b>5</b>     | <b>2</b>             | <b>8</b>            | <b>711</b>                       | <b>511</b> | <b>355</b>  | <b>113</b> | <b>215</b> | <b>0.6</b>                                 | <b>92.7%</b> |

**CAFCASS Cymru - Current Performance Report - 31 August 2016**

**Restriction:** None  
**Circulation List:** CAFCASS Cymru, DHSS, LSC, Judiciary, HMCTS, Heads of Childrens Services, MOJ  
**Publication Date:** 08 September 2016  
**Version No:** 1.0

| Local Authority         | Requests / Referrals over 12 Months |            |           |             |            |             | Closures over 12 Months |             |            |             | Awaiting Allocation at end of 12 Months |              |                      |                     | Ongoing workload at end of 12 Months |            |             |            |            | Key Performance Indicators at end of 12 Months |              |
|-------------------------|-------------------------------------|------------|-----------|-------------|------------|-------------|-------------------------|-------------|------------|-------------|---|--------------|----------------------|---------------------|--------------------------------------|------------|-------------|------------|------------|--|--------------|
|                         | Public Law                          | Section 31 | EPO       | Private Law | Rule 16.4  | WTFH        | Public Law              | Private Law | Rule 16.4  | WTFH        | Section 31                              | Other Public | Rule 16.4, FAO & CMO | Private Law Reports | Public Law                           | Section 31 | Private Law | Rule 16.4  | WTFH       | KPI 1  | KPI 2        |
|                         | (1)                                 | (2)        | (3)       | (4)         | (5)        | (6)         | (7)                     | (8)         | (9)        | (10)        | (11)                                    | (12)         | (13)                 | (14)                | (15)                                 | (16)       | (17)        | (18)       | (19)       | (20)   | (21)         |
| Conwy                   | 48                                  | 37         | 2         | 40          | 6          | 84          | 40                      | 39          | 3          | 84          | -                                       | -            | -                    | -                   | 24                                   | 20         | 12          | 4          | 8          | 0.8  | 100.0%       |
| Denbighshire            | 67                                  | 35         | 3         | 60          | 6          | 131         | 55                      | 55          | 4          | 129         | -                                       | 1            | -                    | -                   | 26                                   | 16         | 14          | 4          | 7          | 4.0  | 100.0%       |
| Flintshire              | 45                                  | 31         | -         | 46          | 2          | 118         | 39                      | 49          | 4          | 117         | 1                                       | -            | -                    | -                   | 21                                   | 17         | 7           | 1          | 7          | 2.0  | 80.0%        |
| Gwynedd                 | 57                                  | 47         | -         | 49          | 2          | 104         | 43                      | 46          | 3          | 98          | -                                       | -            | -                    | -                   | 29                                   | 27         | 11          | 2          | 12         | 0.8  | 100.0%       |
| Wrexham                 | 43                                  | 31         | 1         | 54          | 5          | 131         | 37                      | 45          | 1          | 135         | -                                       | -            | -                    | -                   | 20                                   | 15         | 14          | 4          | 8          | 0.7  | 88.9%        |
| Ynys Mon                | 32                                  | 23         | 1         | 33          | 3          | 71          | 27                      | 33          | 1          | 66          | 1                                       | -            | -                    | -                   | 16                                   | 14         | 10          | 2          | 7          | 1.0  | 91.7%        |
| Carmarthenshire         | 61                                  | 28         | -         | 125         | 14         | 236         | 52                      | 120         | 13         | 230         | -                                       | -            | -                    | 1                   | 27                                   | 18         | 33          | 13         | 18         | 4.8  | 89.7%        |
| Ceredigion              | 16                                  | 6          | 1         | 36          | 7          | 55          | 22                      | 38          | 9          | 54          | -                                       | -            | -                    | -                   | 4                                    | 1          | 10          | 6          | 5          | 1.3  | 92.3%        |
| Pembrokeshire           | 33                                  | 19         | 2         | 81          | 14         | 149         | 31                      | 72          | 12         | 143         | -                                       | -            | -                    | -                   | 16                                   | 11         | 30          | 11         | 12         | 0.7  | 100.0%       |
| Powys                   | 29                                  | 14         | 1         | 50          | 10         | 75          | 27                      | 49          | 8          | 80          | -                                       | -            | -                    | -                   | 14                                   | 11         | 14          | 8          | 4          | 0.5  | 88.9%        |
| Bridgend                | 133                                 | 65         | -         | 63          | 7          | 158         | 111                     | 58          | 3          | 159         | 2                                       | -            | 1                    | 1                   | 51                                   | 32         | 13          | 5          | 4          | 1.2  | 77.8%        |
| Neath Port Talbot       | 108                                 | 33         | -         | 79          | 5          | 172         | 95                      | 78          | 5          | 169         | -                                       | -            | -                    | 1                   | 52                                   | 20         | 18          | 4          | 13         | 1.3  | 90.9%        |
| Swansea                 | 153                                 | 78         | -         | 149         | 14         | 298         | 140                     | 130         | 13         | 304         | -                                       | 1            | 1                    | -                   | 66                                   | 41         | 38          | 11         | 18         | 1.3  | 95.6%        |
| Blackburn Gwent         | 76                                  | 46         | -         | 26          | 6          | 75          | 70                      | 24          | 4          | 73          | -                                       | -            | -                    | -                   | 23                                   | 16         | 6           | 3          | 2          | 1.7  | 100.0%       |
| Caerphilly              | 77                                  | 54         | -         | 90          | 8          | 172         | 71                      | 91          | 4          | 171         | 1                                       | -            | -                    | -                   | 31                                   | 25         | 17          | 6          | 8          | 0.5  | 90.9%        |
| Monmouthshire           | 42                                  | 25         | -         | 27          | 4          | 71          | 38                      | 26          | 4          | 70          | -                                       | -            | -                    | -                   | 15                                   | 11         | 6           | 2          | 5          | 0.3  | 85.7%        |
| Newport                 | 90                                  | 44         | -         | 92          | 10         | 221         | 104                     | 97          | 9          | 218         | 1                                       | -            | -                    | -                   | 25                                   | 19         | 23          | 6          | 14         | 0.4  | 92.9%        |
| Torfaen                 | 79                                  | 38         | -         | 50          | 9          | 115         | 67                      | 54          | 7          | 110         | -                                       | -            | -                    | -                   | 33                                   | 22         | 10          | 4          | 8          | 0.2  | 90.9%        |
| Cardiff                 | 189                                 | 121        | 5         | 153         | 14         | 388         | 146                     | 159         | 14         | 389         | 1                                       | 1            | -                    | 3                   | 93                                   | 74         | 35          | 7          | 19         | 0.9  | 92.7%        |
| Merthyr Tydfil          | 29                                  | 13         | -         | 26          | -          | 90          | 32                      | 28          | 1          | 91          | -                                       | -            | -                    | 1                   | 11                                   | 8          | 5           | 1          | 2          | 0.8  | 83.3%        |
| Rhondda Cynon Taf       | 174                                 | 108        | 1         | 92          | 6          | 313         | 147                     | 97          | 8          | 301         | 2                                       | 1            | -                    | 1                   | 81                                   | 69         | 19          | 4          | 23         | 1.0  | 95.2%        |
| Vale of Glamorgan       | 56                                  | 34         | 2         | 42          | 2          | 119         | 48                      | 43          | -          | 114         | 2                                       | 1            | -                    | -                   | 31                                   | 22         | 8           | 2          | 11         | 0.5  | 100.0%       |
| English Local Authority | 6                                   | 4          | -         | 12          | 3          | 9           | 5                       | 12          | 1          | 10          | -                                       | -            | -                    | -                   | 2                                    | 2          | 2           | 3          | -          | 0.3  | 100.0%       |
| <b>Total</b>            | <b>1637</b>                         | <b>930</b> | <b>19</b> | <b>1463</b> | <b>154</b> | <b>3346</b> | <b>1442</b>             | <b>1431</b> | <b>130</b> | <b>3305</b> | <b>11</b>                               | <b>5</b>     | <b>2</b>             | <b>8</b>            | <b>709</b>                           | <b>509</b> | <b>353</b>  | <b>110</b> | <b>215</b> | <b>1.2</b>                                     | <b>92.6%</b> |
| Area                    | Requests / Referrals over 12 Months |            |           |             |            |             | Closures over 12 Months |             |            |             | Awaiting Allocation at end of 12 Months |              |                      |                     | Ongoing workload at end of 12 Months |            |             |            |            | Key Performance Indicators at end of 12 Months |              |
|                         | Public Law                          | Section 31 | EPO       | Private Law | Rule 16.4  | WTFH        | Public Law              | Private Law | Rule 16.4  | WTFH        | Section 31                              | Other Public | Rule 16.4, FAO & CMO | Private Law Reports | Public Law                           | Section 31 | Private Law | Rule 16.4  | WTFH       | KPI 1  | KPI 2        |
|                         | (1)                                 | (2)        | (3)       | (4)         | (5)        | (6)         | (7)                     | (8)         | (9)        | (10)        | (11)                                    | (12)         | (13)                 | (14)                | (15)                                 | (16)       | (17)        | (18)       | (19)       | (20)   | (21)         |
| North Wales             | 293                                 | 205        | 7         | 284         | 24         | 642         | 242                     | 271         | 15         | 629         | 2                                       | 1            | -                    | -                   | 137                                  | 110        | 67          | 16         | 50         | 1.5  | 93.5%        |
| Mid and West Wales      | 148                                 | 69         | 4         | 299         | 50         | 492         | 145                     | 285         | 45         | 493         | -                                       | -            | -                    | 1                   | 66                                   | 41         | 87          | 43         | 35         | 2.3  | 93.6%        |
| South West Wales        | 384                                 | 174        | -         | 294         | 25         | 658         | 331                     | 271         | 21         | 658         | 3                                       | 1            | 2                    | 2                   | 159                                  | 89         | 71          | 18         | 36         | 1.3  | 90.6%        |
| Gwent                   | 364                                 | 209        | -         | 287         | 35         | 637         | 359                     | 293         | 27         | 626         | 2                                       | -            | -                    | -                   | 128                                  | 96         | 64          | 21         | 35         | 0.7  | 92.1%        |
| South Wales             | 454                                 | 277        | 8         | 311         | 23         | 924         | 370                     | 323         | 23         | 909         | 4                                       | 3            | -                    | 5                   | 221                                  | 175        | 66          | 15         | 59         | 0.8  | 93.3%        |
| <b>Total</b>            | <b>1643</b>                         | <b>934</b> | <b>19</b> | <b>1475</b> | <b>157</b> | <b>3355</b> | <b>1447</b>             | <b>1443</b> | <b>131</b> | <b>3315</b> | <b>11</b>                               | <b>5</b>     | <b>2</b>             | <b>8</b>            | <b>711</b>                           | <b>511</b> | <b>355</b>  | <b>113</b> | <b>215</b> | <b>1.2</b>                                     | <b>92.7%</b> |

## CAFCASS Cymru Current Performance Report - Guidance

### Column Headings Guidance:

- (1) The number of Public Law referrals received within the period
- (2) The number of Section 31 referrals received, out of the total Public Law referrals received, within the period
- (3) The number of EPO referrals received, out of the total Public Law referrals received, within the period
- (4) The number of Private Law referrals received within the period (not including Work to First Hearing referrals)
- (5) The number of Rule 16.4 referrals received, out of the total Private Law referrals received, within the period
- (6) The number of Work To First Hearing Safeguarding Enquiries Reports received within the period
- (7) The number of Public Law cases closed within the period
- (8) The number of Private Law referrals closed within the period
- (9) The number of Rule 16.4 referrals closed, out of the total Private Law referrals closed, within the period
- (10) The number of Work To First Hearing Safeguarding Enquiries Reports filed within the period
- (11) The number of Section 31 cases unallocated for more than 2 working days, on the last working day of the period
- (12) The number of Other Public Law cases unallocated at first hearing after date of receipt, on the last working day of the period
- (13) The number of Rule 16.4 and FAO referrals unallocated at the first hearing after receipt, on the last working day of the period
- (14) The number of unallocated Private Law reports, with less than 10 weeks to filing date, on the last working day of the period
- (15) The number of ongoing Public Law cases on the last working day of the period
- (16) The number of ongoing Section 31 cases, out of the total ongoing Public Law cases, on the last working day of the period
- (17) The number of ongoing Private Law referrals on the last working day of the period
- (18) The number of ongoing Rule 16.4 cases, out of the total Private Law referrals ongoing, on the last working day of the period
- (19) The number of ongoing Work To First Hearing Safeguarding Enquiries Reports on the last working day of the period
- (20) KPI 1: Less than 3 working days on average to allocate Section 31 referrals
- (21) KPI 2: 95% of open private law workload to be allocated

## CAFCASS Cymru Current Performance Report - Indicator Dashboard Guidance

### Differential Indicators Guidance:

- ▶ No differential in figures from previous month
- ▲ Increase in figures from previous month - considered to be a negative shift
- ▼ Decrease in figures from previous month - considered to be a positive shift
- ▲ Increase in figures from previous month - considered to be a positive shift
- ▼ Decrease in figures from previous month - considered to be a negative shift

**CAFCASS Cymru - Current Performance Report - 31 August 2016**

**Restriction:** None  
**Circulation List:** CAFCASS Cymru, DHSS, LSC, Judiciary, HMCTS, Heads of Childrens Services, MOJ  
**Publication Date:** 08 September 2016  
**Version No:** 1.0

| Requests / Referrals in Month          | Current Month | 12 Month Trend | Differential to previous month |
|--|---------------|----------------|--------------------------------|
| Public Law                             | 146           |                | ▲ 25                           |
| Section 31                             | 78            |                | ▲ 5                            |
| EPO                                    | 1             |                | ▼ -1                           |
| Private Law Referrals (excluding WTFH) | 131           |                | ▲ 1                            |
| Rule 16.4                              | 11            |                | ▼ -3                           |
| Work To First Hearing                  | 313           |                | ▲ 31                           |
| Closures in Month                      | Current Month | 12 Month Trend | Differential to previous month |
| Public Law                             | 94            |                | ▼ -13                          |
| Private Law (excluding WTFH)           | 119           |                | ▼ -11                          |
| Rule 16.4                              | 6             |                | ▼ -6                           |
| Work To First Hearing                  | 304           |                | ▼ -21                          |
| Awaiting Allocation at end of Month    | Current Month | 12 Month Trend | Differential to previous month |
| Section 31                             | 11            |                | ▲ 7                            |
| Other Public Law                       | 5             |                | ▼ -1                           |
| Rule 16.4, FAO and CMO                 | 2             |                | ▼ -1                           |
| Private Law Reports                    | 8             |                | ▼ -3                           |
| Ongoing Workload at end of Month       | Current Month | 12 Month Trend | Differential to previous month |
| Public Law                             | 711           |                | ▲ 46                           |
| Section 31                             | 511           |                | ▲ 18                           |
| Private Law                            | 355           |                | ▲ 11                           |
| Rule 16.4                              | 113           |                | ▲ 7                            |
| Work To First Hearing                  | 215           |                | ▲ 21                           |
| Key Performance Indicators (KPIs)      | Current Month | 12 Month Trend | Differential to previous month |
| KPI 1                                  | 0.6           |                | ▼ -0.2                         |
| KPI 2                                  | 92.7%         |                | ▲ 1.2%                         |

**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 29 November 2016**

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**FINANCIAL UPDATE 2016/17****REPORT OF THE CORPORATE DIRECTOR RESOURCES****AGENDA ITEM: 5.1**

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**Reason for this Report**

1. To provide the Audit Committee with an update on the Council's financial position.

**Background**

2. To assist the committee in understanding the current financial context within which the Council is operating, this report sets out an overview of the current monitoring position for 2016/17 and gives an update on the preparatory work for 2017/18 and the medium term.

**Issues****Financial Monitoring**

3. Overall, the month six revenue monitoring for the Council shows a projected overspend of £537,000 an improvement of £313,000 compared to the position reported at month four. The improvement reflects a number of factors including further savings identified in directorate budgets, additional surplus on Council Tax collection and further NDR refunds on Council properties. These are partially offset by an increase to the projected overspend in the Social Services Directorate reflecting increased demographic and cost pressures and a reduction in the level of budget savings anticipated to be achieved. The majority of directorates are reporting improved positions compared to month four.
4. The overall position continues to reflect financial pressures and shortfalls against budget savings targets in directorate budgets although these are partly offset by projected savings on capital financing, the release of contingency budgets previously earmarked to fund voluntary severance costs, an anticipated surplus on Council Tax collection and NDR refunds on Council properties. Directorate budgets are currently projected to be overspent by £6.643 million however it is anticipated that continued management actions will enable this to be reduced by the year end. The current position includes projected overspends in the Social Services, City Operations and Governance & Legal Services Directorates and in Corporate Management. The directorate overspends are partially offset by the £4.0 million general contingency budget which was maintained as part of the 2016/17 budget in order to reflect the quantum, risk and planning status of the proposed savings for 2016/17.

5. The projected overspends in directorate budgets include £5.581 million in Social Services, £771,000 in City Operations, £469,000 in Corporate Management and £42,000 in Governance and Legal Services. This position reflects a range of factors including increased demographic and cost pressures in Social Services, shortfalls in income and the anticipated failure to fully achieve the savings targets set as part of the 2016/17 Budget together with on-going shortfalls carried forward from the previous financial year.
6. The potential overspend includes a projected shortfall against the savings identified for each directorate as part of the 2016/17 budget together with any shortfalls against savings targets carried forward from the previous year. An overall shortfall of £5.611 million is currently anticipated against the £25.892 million directorate savings target with £10.412 million having been achieved to date and a further £9.869 million anticipated to be achieved by the year end. A projected shortfall of £1.751 million has also been identified in relation to savings targets carried forward from 2015/16. Overall, this represents an increase of £81,000 compared to the shortfalls identified in relation to the 2016/17 targets and the carried forward savings from 2015/16 reported at month four. The projected shortfalls are reflected in the directorate monitoring positions although where possible shortfalls have been offset by savings in other budget areas. The July Cabinet meeting approved the Budget Strategy Report for 2017/18 and identified the significant financial challenges that the Council faces in the medium term. The projected under-achievement of identified savings in 2016/17 together with those carried forward from the previous year underlines the difficulties of achieving year on year savings across the Council.
7. Actions are continuing to be taken by those directorates currently reporting a projected overspend to try to resolve the issues that led to the current position or alternatively to identify offsetting savings in other areas of the service. These are considered as part of the challenge process to review the performance of directorates including the budget monitoring position. In addition, the Chief Executive holds regular meetings with directors to identify measures to reduce the level of spend across the Council with the intention of improving the overall position as the year progresses. These reviews will continue throughout the year with the actions taken also discussed in the Chief Executive's monthly meetings with individual directors. In addition, as previously set out in the month four monitoring report, the Chief Executive has implemented a number of management actions with a view to achieving a balanced position by the end of the financial year. This includes measures relating to the purchase of goods and services, staffing arrangements and maximising income.
8. The Capital Programme for 2016/17 amounts to £127.023 million of which £101.538 million is in respect of General Fund schemes and £25.485 million is in relation to the Council's Public Housing schemes. Against this, the projected outturn for 2016/17 is £102.732 million resulting in a total variance of £24.291 million. The most significant variance is in relation to the construction of the new Eastern High School with slippage also identified against a range of other schemes including £2.4 million against Public Housing schemes. Directorates have been reminded of the need to avoid slippage wherever possible by ensuring that their project plans and profiles of activity are robust.
9. Cabinet approved the Month Six Monitoring Report at their meeting on 21 November 2016.

## **Budget Preparation**

10. Following the approval of the Budget Strategy report by Cabinet and Council in July 2016, directorates spent the summer reviewing and updating their savings proposals and testing their achievability as part of establishing a balanced budget position for approval by Council in February 2017. The Budget Strategy report indicated a budget gap of £24.3 million in 2017/18 and £75.3 million over the period to 2019/20. Within those figures, directorate savings were expected to amount to some £43 million over the three years with the balance accounted for through other strategy assumptions including increases in Council Tax.
11. Work has been carried out to update and review the budget strategy assumptions and to undertake due diligence on the initial 2017/18 savings proposals. Due diligence work has also been undertaken in respect of the budget savings shortfalls identified as part of the budget monitoring process in the current financial year in order to form a view regarding the future achievability of these savings. The outcome of this work together with the identification of further budget pressures and an updated funding position following the announcement of the Provisional Settlement is reflected in the 2017/18 Budget Proposals – For Consultation Report which was approved by Cabinet on 10 November. The report and the consultation document can be accessed via the [Link](#). This identified a budget reduction requirement of £25.1 million for 2017/18 an increase of £0.8 million compared to the Budget Strategy Report in July.
12. The Welsh Government's Provisional Local Government Settlement was announced on the 19 October and set out a cash increase of 0.3% in Aggregate External Finance (AEF) for Cardiff which equates to additional cash of £1.437 million. However other factors including the impact of new responsibilities meant that the true cash increase for Cardiff was £887,000. This compares to a Welsh average increase of 0.1%. A number of specific grants have yet to be confirmed and this will need to be kept under review. The Provisional Settlement also contained an increase in General Capital funding of 0.3% equating to £41,000 in cash terms. The Final Settlement is expected to be announced on 21 December.
13. In addition to updating the budget reduction requirement for 2017/18 the 2017/18 Budget Proposals – For Consultation Report also set out the budget savings proposals for consultation. The formal budget consultation commenced on 10 November and will run until 11 December. The results of the consultation process will then be considered by Cabinet as part of preparing their final 2017/18 budget proposal.

## **Reason for Recommendations**

14. To inform Audit Committee of the current financial context for the Council.

## **Legal Implications**

15. No direct legal implications arise from this report.

## **Financial Implications**

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

## **Recommendations**

17. To note the financial information provided and the process being adopted in respect of budget preparation for 2017/18 and the medium term.

**CHRISTINE SALTER  
CORPORATE DIRECTOR RESOURCES  
November 2016**



**FINANCIAL RESILIENCE 2016/17**

**REPORT OF THE CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 5.2**

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**PORTFOLIO: CORPORATE AFFAIRS**

**Annexe B of Appendix 6 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. Financial resilience can be defined as the ability of the Council to meet unexpected or known demands on resources, in the short, medium and long-term.
2. This report provides Audit Committee Members with various items of information that helps support financial resilience and also to provide information and benchmarking data on the Council's Financial Resilience. This includes the items below:
  - Financial Resilience Snapshot - Month 6 2016/17
  - Financial ratios derived from Statement of Accounts on an All Wales basis for 2013/14 and 2014/15 as calculated and published by Welsh Government
  - An Earmarked Reserves protocol for the Council which includes earmarked reserves balances at 31 March 2016.
  - The approach and policy on Minimum Revenue Position as determined by the S151 Officer in terms of the amount to be set aside from revenue budgets as a provision for repayment of debt.

**Issues**

**Financial Resilience Snapshot – Month 6**

3. The financial pressures facing local authorities since 2010 have been well documented. The reductions in funding have created financial risks and uncertainty for local authorities, against the increasing financial pressures being experienced by Councils. Whilst a robust financial governance framework exists in local government, the recent economic situation has meant local authorities having to look at financial governance in new ways.

4. Within Cardiff there has been an emphasis on raising the profile of financial resilience including briefings and training sessions for both Members and Officers. The Council regularly prepares Financial Resilience Snapshots which are designed to give an overview of the financial health of the Council at intervals throughout the year. A snapshot is currently produced as part of the :-
  - Budget Proposals report in February each year and
  - Budget Strategy report in July each year
5. The above reports are considered by Cabinet and Council and the intention is also to provide a recurring mid year update to Audit Committee of the snapshot.
6. The snapshot aims to provide an overall view of performance and enable emerging issues and trends to be identified by using past, present and future information and the Month 6 snapshot is included at **Appendix 1**.
7. The information in the Financial Resilience Snapshot is broken down into three parts:
  - The left hand column focusses on historic information taken from the Council's Statement of Accounts 2015/16 and prior years.
  - The middle column provides forecast information for the current financial year at a point in time and in the case of this snapshot this is based on information included in the Budget Monitoring Report for Month 6.
  - The right-hand column includes tables, charts and figures taking a forward look and projections of the financial situation in future years.

**Left-Hand Column: Historic Information taken from the Council's Statement of Accounts**

Council Fund and Earmarked Reserves

8. This chart shows the amount of Earmarked Reserves and the Council Fund balance held at the end of the financial years from 2012/13 to 2015/16; in quantum as well as a percentage of the Council's net budget. In 2015/16, Earmarked Reserves increased to £51.637 million and the Council Fund Balance increased to £15.255 million. This has been previously reported in the Statement of Accounts and Outturn Report for the year. The year end outturn position provided the opportunity to increase the level of reserves for use in connection with future commitments, in turn improving the Council's financial resilience position.

Historic Cumulative Budget Savings

9. This chart shows both the individuals savings required from 2011/12 to 2016/17 and the cumulative effect of these savings. This shows a total of £163.896 million of savings has been required to be made by the Council over the last six years. This has seen a rise in recent years as a result increasing austerity coupled with increasing demands on services.

### Actual Revenue Funding Split

10. This chart provides a breakdown of the sources of funding for the Revenue Outturn position for that year between the Revenue Support Grant, Council Tax, Non-Domestic Rates and other income. The Revenue Support Grant decreased by £3.440 million to £322.851 million between 2014/15 and 2015/16. Non Domestic Rate (NDR) income also decreased by £8.442 million in 2015/16 to £101.253 million. The chart shows the continuing dependency on Central Government funding, changes to which can only be met from savings or increasing Council Tax.
11. Council Tax increased by £6.010 million between 2014/15 and 2015/16 with an outturn of £144.062 million. Council Tax as a percentage of revenue funding is just over 25%.

### Financial Ratios

12. Whilst ratios determined from local authority accounts can be used to support benchmarking, scrutiny and challenge of authority finances, there are significant risks to comparison. They should not be used as measures of good or bad performance. Balance sheet data is at a point in time and there are drawbacks to the ratios themselves. There are also accounting and other balances within a Council's accounts which can skew comparisons significantly. Accordingly, comparison should be undertaken with care.
13. The ratios provided in the Month 6 snapshot for Cardiff are based on its single entity Statement of Accounts and are those that have been published by Welsh Government. **Appendix 2** gives a definition of each of the ratios along with a view on any drawbacks of each measure.

### *Working Capital as % of Gross Revenue Expenditure*

14. At 31 March 2016, Cardiff had a Working Capital of 6.02% which is an increase of 0.89% from the previous year. The reason for this is that the current assets have increased slightly by £1.570 million and at the same time current liabilities have decreased by £5.359 million. This is as a result of a number of variables, but the inference is that the Council should be in a better position to cover day to day expenditure.

### *Usable Reserves as % of Gross Revenue Expenditure*

15. At 31 March 2016, Cardiff had Usable Reserves of 10.31% which was a 3.15% increase on the previous year. This reflects the increase in reserves indicated earlier.

### *Earmarked Reserves as % of Gross Revenue Expenditure*

16. Cardiff's ratio at 31 March 2016 was 6.63% which was an increase of 2.35% on the previous year and this follows the increasing trend over the past two years.

### *Unallocated / General Reserves*

17. Cardiff's ratio was 7 days coverage of expenditure which was an increase of 1 day from the previous year and again follows an increasing trend over the past couple of years.

#### *Long-term Borrowing to Long-term Assets*

18. The ratio for Cardiff at 31 March 2016 was 0.35 which was a significant increase on 2014/15 considering the previous years had all been relatively consistent between 0.22 and 0.25. This reflects the £187 million Housing Subsidy Settlement Payment to Welsh Government funded by borrowing.

#### *Long-term Borrowing to Taxation and Non-Specific Grant Income*

19. The long-term borrowing to taxation and non-specific grants ratio for Cardiff for at 31 March 2016 was 1.05 and again this was an increase on the previous year as which was 0.72. This is as a result of the Housing Subsidy Settlement Payment.

#### *Council Tax as % of Taxation and Non-Specific Grant Income*

20. At 31 March 2016, Cardiff had a ratio of 27.68% which was an increase of 2.04% from the previous year's ratio of 25.64%.

#### **Middle Column: Forecast information for the current financial year**

##### Revenue Month 6 Projected Position

21. The Month 6 Budget Monitoring report was considered by Cabinet on 21 November 2016 and the forecasts included in the snapshot are consistent with that report. In total the Directorates collectively have a projected outturn over budget on revenue expenditure by 1.26%.

##### Revenue Savings Achieved and Unachieved as at Month 6

22. This shows the total level of savings for 2015/16 which were £32.473 million. Out of this 88.5% were achieved, 6.1% were written out as no longer technically achievable, and 5.4% were unachieved at that stage. In 2016/17, the total £28.835 million to be achieved shows that 80.5% of the savings are projected to be achieved and 19.5% are currently projected to be unachieved.
23. The unachieved savings for both years has been broken down by Directorate. For 2015/16, this shows that Social Services has the highest level of unachieved savings. The projection for 2016/17, shows Social Services, City Operations and Economic Development all with unachievable savings of over £1 million for each Directorate. Monitoring of savings is ongoing in the current year with regular consideration at Senior Management Team and timetabled discussion with Cabinet Members.

##### Capital Month 6 Projected Position

24. This table reflects projections in the Month 6 Budget Monitoring report. The largest variance relates to Education & Lifelong Learning and primarily to timing of costs expected in relation to the new Eastern High School and three new primary schools.

## **Right-Hand Column: Financial Snapshot of Future Performance and Estimates**

### *Medium Term Financial Plan*

25. This table outlines the budget reduction requirement that the Council is facing over the medium term, along with a summary of the strategy proposed to address this. The budget reduction requirement is the sum of the financial pressures facing the Council and the projected funding reduction for each year. In order to address the gap, budget strategy assumptions are added to total projected savings. Any remaining gap which is still to be addressed is shown in the final row of the table.

### *Capital Expenditure & Capital Financing Requirement*

26. This table sets out the estimates for capital expenditure and historic capital expenditure incurred but not yet paid for (the Capital Financing Requirement) for the next three years. Figures for 2017/18 onwards are those included in the Budget report for 2016/17.

### *Affordability Indicator – Capital Financing Costs as a % of Controllable Budget*

27. Capital financing costs include external interest payable and prudent revenue provision. The affordability indicators were established in 2011/12 and the percentages for that year are used as a base for determining the increase in this ratio over a period. Future years' projections are those currently included in the Budget report for 2016/17.

### **Financial Ratios – WG Comparative Data**

28. Welsh Government have recently started to publish reports on Local Authority Financial Indicators. The financial indicators for 2013/14 and 2014/15 for all Local Authorities in Wales are shown in **Appendix 3** along with any interpretation of those ratios by the Council. Data using 2015/16 accounts yet to be published by WG.
29. It should be noted that the All Wales ratios are based on the audited Whole of Government Accounts submissions whereas the information included in the Council's snapshot is based on the Council's single entity accounts. The risks and limitations of comparison and any interpretation in the **Appendix 3** should be noted.

### **Earmarked Reserves**

30. Reserves are amounts set aside for specific policy purposes or for general contingencies and cash flow management. There may be earmarked or general reserves.
31. Reserves enable Councils to:
- Create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;
  - Create a contingency to cushion the impact of unexpected events or emergencies. This also forms part of general reserves.
  - Creates a means of building up funds, often referred to as earmarked reserves, as defined above, to meet known or predicted liabilities.

32. CIPFA recommended accounting practice requires the S151 officer to create a protocol for reserves and balances for each reserve established. This should set out the purpose, usage and the approval processes for transfers in and out of reserves. This needs to be clearly defined, along with the processes for determining whether the intended use of the reserve is still valid. The current protocol used by the Council is included in **Appendix 4**. **Appendix 5** shows the position for all earmarked reserves at 31 March 2016, this information has come from the Statement of Accounts 2015/16.
33. The annual Budget Report to Council includes an assessment by the Section 151 Officer of the adequacy of reserves. The statement included in the 2016/17 report was that “the judgement of the Council’s Section 151 Officer, taking into account the budget monitoring forecast as at 31 December 2015, the corporate budget position, the General Reserve, as well as the General Contingency budget of £4 million, is that the projected level of both general and earmarked reserves up until 31 March 2017, is adequate when considering the 2016/17 budget”.

#### **Minimum Revenue Provision (MRP)**

34. The Council has a Statutory Duty to set aside each year from its annual revenue budget an amount ‘which it considers to be prudent’ towards the eventual repayment of the Capital Financing Requirement (CFR) / Borrowing (Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003. This is known as the Minimum Revenue Provision (MRP) and it is the method of spreading the cost of capital expenditure funded by borrowing.
35. Similar to decisions to undertake capital expenditure funded by borrowing, decisions in respect of the allocation of MRP have short, medium and very long term impacts. Impacts of changes in policy decisions should be considered over that time horizon and need to consider the impact on current and future generations. The introduction of the Well-being of Future Generations (Wales) Act 2015 serves only to underline the importance of decisions such as the MRP and these will be scrutinised by Wales Audit Office.
36. As such those decisions are not easy ones, but need to consider a range of factors, professional advice and judgement.
37. This report focuses only on one aspect of the MRP, and that is the Council’s approach to MRP on Supported Borrowing, i.e capital expenditure which is supported by WG in the annual Revenue Support Grant received from WG.
38. **Appendix 6** and its Annexes provides a range of information to support the Council’s approach to MRP on supported borrowing. It includes:-
  - Key definitions to aid understanding
  - Outlining the Regulatory requirements in respect of MRP
  - The Council’s previous reviews and approaches to MRP
  - Different approaches recently being undertaken by local authorities that result in short term savings
  - Factors considered in developing a recommendation and
  - Recent regulatory comments on different approaches

39. In the 2016/17 Budget Report, it was determined having considered the advice of the S151 Officer that Council Fund historic expenditure prior to 1 April 2004 as well as subsequent supported borrowing approved by the WG is to be provided at 4.0% on a reducing balance basis in 2017/18, a reduction from the 4.5% figure for 2016/17 and previous years. This is consistent with the support provided by WG as part of the Revenue Support Grant for supported borrowing. For the reasons stated above this approach will continue unless WG changes the approach to providing support as part of the Revenue Support Grant formula or any revision to MRP Guidance either in Wales or in England albeit regular reviews of the position will continue.

### **Reason for Recommendations**

40. To allow Audit Committee to consider a range of performance, benchmarking information and policy information.

### **Legal Implications**

41. No direct legal implications arise from this report.

### **Financial Implications**

42. Financial standing and resilience is an important element of the Council's financial governance arrangements. The Council's 2016/17 budget report included a significant section running to 35 paragraphs concluding with the Section 151 Officer's statement. "Overall the position in respect of risk and reserves will require careful monitoring throughout the financial year, particularly in light of the achievability of savings and further financial interventions may need to be considered. Beyond this, given the information and uncertainty contained in the MTFP, the position with regard to reserves will continue to be carefully monitored alongside the Council's general standing in respect of financial resilience."
43. Cabinet received on the 10 November a report outlining the 2017/18 Budget Proposals for consultation. The report confirmed that the Provisional Settlement from Welsh Government was for one year only with no indicative figures beyond 2017-18. The absence of multi-year settlement figures inhibits the ability to ensure that financial plans address the challenges of the medium and long term. However, current assumptions in the Council's Medium Term Financial Plan set out a budget gap of £76 million with a sensitivity analysis increasing this to £99 million. In considering the financial policies of the Council, the S151 Officer must take into account the risks to the financial standing of the Council in the long term as well as the responsibilities arising from the introduction of the Well-being of Future Generations (Wales) Act 2015. This report has set out the main components to the Council's approach to reviewing, safeguarding and improving financial resilience.

### **RECOMMENDATIONS**

44. That the Audit Committee notes the report and agrees to continue to receiving regular updates on financial resilience

**CHRISTINE SALTER**  
**COROPORATE DIRECTOR RESOURCES**  
**17 November 2016**

The following appendices are attached:

Appendix 1 – Finance Snapshot - Month 6

Appendix 2 – Financial Ratios – Definitions and Drawbacks

Appendix 3 – Financial indicators for 2013/14 and 2014/15 for all Local Authorities in Wales  
(Welsh Government Data)

Appendix 4 – Earmarked Reserves Protocol

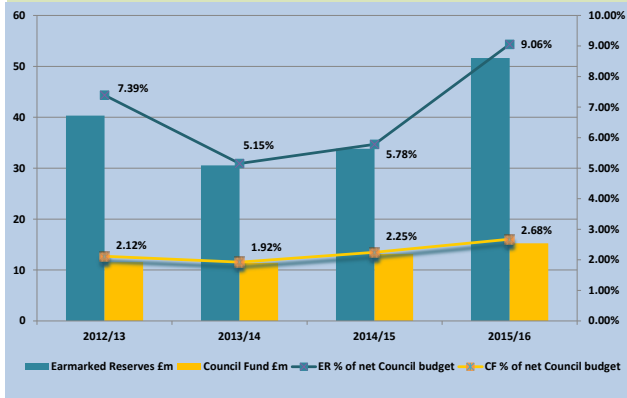
Appendix 5 – Earmarked Reserve Balances 2015/16

Appendix 6– Minimum Revenue Provision (MRP) for Debt Repayment – Supported  
Borrowing

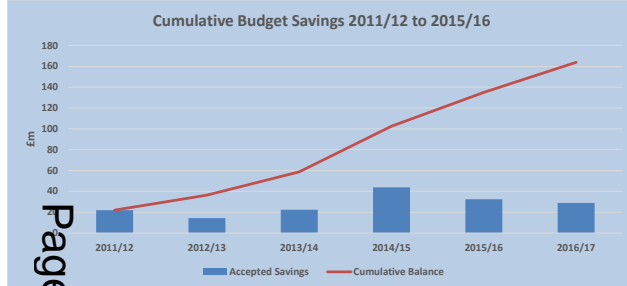


## FINANCIAL SNAPSHOT REPORT - MONTH 6

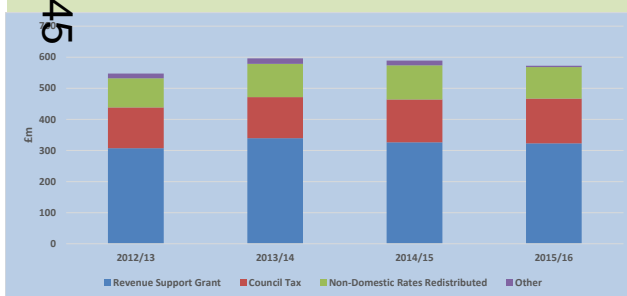
Below gives an indication of the financial resilience of the Council as per the Statement of Accounts. Level of Council Fund (CF) and Earmarked Reserves (ER)



## Cardiff Council Historic Cumulative Budget Savings



## Actual Revenue Funding Split



## Other Financial Ratios

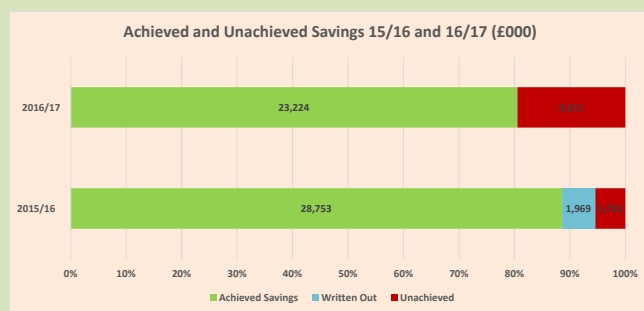
| Ratio  | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|---------|---------|---------|---------|
| Working Capital to Gross Revenue Expenditure (%)                 | 8.34%   | 5.18%   | 5.13%   | 6.02%   |
| Usable Reserves to Gross Revenue Expenditure (%)                 | 7.46%   | 6.43%   | 7.16%   | 10.31%  |
| Earmarked Reserves to Gross Revenue Expenditure (%)              | 5.25%   | 3.85%   | 4.28%   | 6.63%   |
| Unallocated/General Reserves to Gross Revenue Expenditure (days) | 5       | 5       | 6       | 7       |
| Long-term Borrowing to Long-term Assets (ratio)                  | 0.22    | 0.25    | 0.24    | 0.35    |
| Long-term Borrowing to Taxation & Non-Specific Grants (ratio)    | 0.75    | 0.69    | 0.72    | 1.05    |
| Council Tax Due 15/16 to Taxation & Non-Specific Grants (%)      | 25.58%  | 23.32%  | 25.64%  | 27.68%  |

The figures below show the projected outturn position for the 2016/17 financial year for both revenue and capital.

## Revenue Month 6 Projected Position

| Directorate                       | Net Expenditure £000 | Projected Outturn £000 | Variance £000 | Variance %   |
|-----------------------------------|----------------------|------------------------|---------------|--------------|
| City Operations                   | 33,747               | 34,518                 | 771           | 2.3%         |
| Communities, Housing & CS         | 44,086               | 43,989                 | (97)          | (0.2%)       |
| Corporate Management              | 23,981               | 24,450                 | 469           | 2.0%         |
| Economic Development              | 13,013               | 12,948                 | (65)          | (0.5%)       |
| Education & Lifelong Learning     | 243,758              | 243,758                | 0             | 0.0%         |
| Governance & Legal Services       | 4,714                | 4,756                  | 42            | 0.9%         |
| Resources                         | 19,376               | 19,318                 | (58)          | (0.3%)       |
| Social Services                   | 146,352              | 151,933                | 5,581         | 3.8%         |
| <b>Total Directorates</b>         | <b>529,027</b>       | <b>535,670</b>         | <b>6,643</b>  | <b>1.26%</b> |
| Capital Financing                 | 35,310               | 34,520                 | (790)         | (2.2%)       |
| Discretionary Rate Relief         | 300                  | 300                    | 0             | 0.0%         |
| General Contingency               | 4,000                | 0                      | (4,000)       | (100.0%)     |
| Summary Revenue Account etc.      | 9,524                | 8,924                  | (600)         | (6.3%)       |
| Council Tax Collection            | 0                    | (398)                  | (398)         | 0.0%         |
| NDR Refunds on Council Properties | 0                    | (318)                  | (318)         | 0.0%         |
| <b>Total</b>                      | <b>578,161</b>       | <b>578,698</b>         | <b>537</b>    | <b>0.1%</b>  |

## Revenue Savings Achieved and Unachieved as at Month 6



| Directorate                   | Unachieved Savings by Year |              |              |
|-------------------------------|----------------------------|--------------|--------------|
|                               | 2015/16 £000               | 2016/17 £000 | Total £000   |
| City Operations               | 334                        | 1,380        | 1,714        |
| Communities, Housing & CS     | 132                        | 383          | 515          |
| Corporate Management          | 0                          | 275          | 275          |
| Economic Development          | 120                        | 1,279        | 1,399        |
| Education & Lifelong Learning | 46                         | 505          | 551          |
| Governance & Legal Services   | 0                          | 24           | 24           |
| Resources                     | 45                         | 144          | 189          |
| Social Services               | 1,074                      | 1,621        | 2,695        |
| <b>Total</b>                  | <b>1,751</b>               | <b>5,611</b> | <b>7,362</b> |

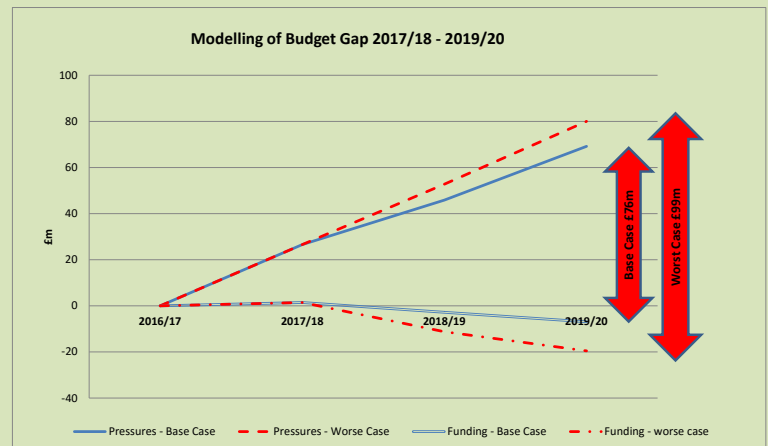
## Capital Month 6 Projected Position

| Directorate                   | Budget £000    | Projected Outturn £000 | Variance £000   | Variance %      | (Under)/Overspend £000 | Slippage £000   |
|-------------------------------|----------------|------------------------|-----------------|-----------------|------------------------|-----------------|
| City Operations               | 28,565         | 23,783                 | (4,782)         | (16.7%)         | 0                      | (4,782)         |
| Communities, Housing & CS     | 13,610         | 12,614                 | (996)           | (7.3%)          | 0                      | (996)           |
| Economic Development          | 9,816          | 8,384                  | (1,432)         | (14.6%)         | 0                      | (1,432)         |
| Education & Lifelong Learning | 45,792         | 32,646                 | (13,146)        | (28.7%)         | 90                     | (13,236)        |
| Resources                     | 3,430          | 1,945                  | (1,485)         | (43.3%)         | 0                      | (1,485)         |
| Social Services               | 325            | 325                    | 0               | 0.0%            | 0                      | 0               |
| <b>Total</b>                  | <b>101,538</b> | <b>79,697</b>          | <b>(21,841)</b> | <b>(21.51%)</b> | <b>90</b>              | <b>(21,931)</b> |

The tables below show the Medium Term Financial Plan (MTFP), the risks and affordability indicators facing the Council.

## MTFP Scenario

|                                     | 2017/18 £000  | 2018/19 £000  | 2019/20 £000  | TOTAL £000    |
|-------------------------------------|---------------|---------------|---------------|---------------|
| Financial Pressures                 | 26,559        | 19,296        | 23,317        | <b>69,172</b> |
| Funding Reductions                  | (1,437)       | 4,220         | 4,136         | <b>6,919</b>  |
| <b>Budget Requirement Reduction</b> | <b>25,122</b> | <b>23,516</b> | <b>27,453</b> | <b>76,091</b> |
| <b>Budget Strategy Assumptions</b>  | <b>7,881</b>  | <b>7,279</b>  | <b>7,869</b>  | <b>23,029</b> |
| <b>Total Savings</b>                | <b>17,241</b> | <b>15,552</b> | <b>19,416</b> | <b>52,209</b> |
| <b>Total Strategy</b>               | <b>25,122</b> | <b>22,831</b> | <b>27,285</b> | <b>75,238</b> |
| <b>Difference to Requirement</b>    | <b>0</b>      | <b>685</b>    | <b>168</b>    | <b>853</b>    |



## Capital Expenditure & Capital Financing Requirement (CFR)

|                                      | 31 Mar 16 £000 | 31 Mar 17 £000  | 31 Mar 18 £000  | 31 Mar 19 £000  |
|--------------------------------------|----------------|-----------------|-----------------|-----------------|
| <b>Capital Expenditure</b>           | <b>Actual</b>  | <b>Estimate</b> | <b>Estimate</b> | <b>Estimate</b> |
| Council Fund (GF)                    | 82,349         | 79,697          | 113,787         | 48,580          |
| Housing Revenue Account              | 206,867        | 23,035          | 28,250          | 27,350          |
| <b>Total Capital Expenditure</b>     | <b>289,216</b> | <b>102,732</b>  | <b>142,037</b>  | <b>75,930</b>   |
| <b>Capital Financing Requirement</b> |                |                 |                 |                 |
| Council Fund CFR inc Landfill        | 463,638        | 470,003         | 476,404         | 476,421         |
| Housing Revenue Account CFR          | 276,837        | 277,978         | 296,138         | 301,779         |
| <b>Total CFR</b>                     | <b>740,475</b> | <b>747,981</b>  | <b>772,542</b>  | <b>778,200</b>  |

## Affordability Indicator - Capital Financing Costs as a % of Controllable Budget

|              | 2011/12      | 2015/16      | 2016/17      | 2017/18      | 2018/19      | 2019/20      | 2020/21      | Difference 11/12-20/21 |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------------|
| <b>Net</b>   | <b>13.47</b> | <b>15.94</b> | <b>15.79</b> | <b>15.27</b> | <b>15.53</b> | <b>17.00</b> | <b>16.82</b> | <b>24.87</b>           |
| <b>Gross</b> | <b>15.17</b> | <b>19.86</b> | <b>19.94</b> | <b>20.31</b> | <b>20.80</b> | <b>22.51</b> | <b>22.37</b> | <b>47.46</b>           |

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## 5.2 Appendix 2: Financial Ratios - Definitions and Drawbacks

### Working Capital as % of Gross Revenue Expenditure

Working capital is defined as current assets less current liabilities. This indicator measures the authority's ability to cover existing expenditure from working capital. Authorities with strongly positive indicators would have little difficulty liquidating sufficient assets to continue to operate in the event of a cash flow crisis; authorities with negative indicators may have to borrow to carry on, incurring additional costs.

This is unlikely to be a risk for Local Authorities given their ability to obtain short-term borrowing but it does act as an indicator of how an authority manages its short-term finances.

Six authorities in Wales in 2014-15 had negative indicators due to low levels of current assets compared to current liabilities. Three authorities in Wales had an indicator greater than 20% in 2014-15. Cardiff's ratio was 4.9% for both years, slightly lower than the Welsh average for those years of 6.2% and 6.8% respectively.

#### Drawbacks of Measure

*Position is at one point in time. Inclusion of assets held for sale (Property to be sold) in the measure could distort comparison between years and with other authorities.*

### Reserves as % of Gross Revenue Expenditure

This measure indicates the level of funds authorities are retaining for future plans and unforeseen expenditure. Note, this excludes those reserves which are restricted for use by the authorities i.e. HRA balances, schools' balances, capital grants unapplied and, where identified, the group entities and interests. Reserves have been split into three distinct indicators as follows.

#### Useable Reserves

For purposes of this indicator, usable reserves include earmarked reserves, unallocated/general reserves and capital receipts.

The average % of reserves to gross revenue expenditure for Wales in 2014-15 was 17%. Nine authorities in 2014-15 had a % greater than 20%. Cardiff's ratio was low in comparison at 6% in 2014-15, the lowest in Wales.

#### Earmarked Reserves

The average % of earmarked reserves to gross revenue expenditure for Wales in 2014-15 was 12%. Seven authorities in 2014-15 had a percentage greater than 15%. Cardiff's ratio for 2014-15 was 4%, the second lowest in Wales.

#### Unallocated / General Reserves

The number of day's turnover covered by unallocated reserves for Wales in 2014-15 was 10. Three authorities had more than 15 days turnover cover. Figure for Cardiff was 6 days, with only one authority lower with 3.4 days.

### Drawbacks of Measure

*Comparison between years is difficult due to transfers in / out of settlement. Different reserves may have been set aside to meet different exposures / levels of risk. Capital receipts are included in the measure but not usable for revenue purposes.*

## **Long-term Borrowing to Long-term Assets**

This ratio measures the relationship between a council's long-term borrowing and long-term assets.

In 2014-15 one authority had long-term debt less than 16% of the value of their long-term assets and six authorities had long-term debt, which exceeded 30% of the value of their long-term assets. Cardiff's ratio in 2014-15 was in line with the Welsh average of 25%.

### Drawbacks of Measure

*The measure is aimed to suggest whether assets could be disposed of to pay off borrowing. This is in most cases not possible. In addition authorities may have or be in different phases of their revaluation cycles. Valuations and accounting practice has a big impact on this ratio e.g. Infrastructure assets change will have a massive impact. Some authorities may have a HRA, others not. Subsidy buy out borrowing will result in a significant change during 2015-16.*

*Treasury management strategies e.g. level of internal borrowing will impact on ratio, so a better choice for the numerator could have been the level of Capital Financing Requirement (CFR).*

## **Long-term Borrowing to Taxation and Non-Specific Grant Income**

This ratio measures the relationship between an authority's long-term borrowing (as defined in the previous section) and its income from taxation and non-specific grants and provides an indication of the potential for debt repayments to impact on future spending plans. In this analysis, income includes:

- Council tax income
- Revenue Support Grant from Government
- Non-domestic rates income
- Non-specific grant income (included in the CI&E of the WGA return)

Two authorities had long-term debt less than 40%. Thirteen authorities had long-term debt exceeding 60% of their taxation and non-specific grant income. Cardiff's ratio in 2014-15 was the fourth highest at 75%.

### Drawbacks of Measure

*Impacted on by Treasury Strategies and timing of borrowing decisions, so again use of CFR may have been better. Ratio likely to be significantly influenced by movements in / out of the settlement. Considers the level of borrowing rather than the cost of servicing that borrowing, which is one of the required prudential indicators, which we know itself has some limitations. Protected services and other impacts mean that some income cannot be utilised for other purposes such as capital financing costs. i.e. the ratio does not distinguish between controllable and*

*non controllable income. Subsidy buy out borrowing will result in a significant change during 2015-16.*

### **Council Tax as % of Taxation and Non-Specific Grant Income**

This ratio measures how much council tax contributes to taxation and non-specific grant income.

One Local Authority's council tax income accounted for more than 30%. Four authorities in Wales had council tax income, which accounted for less than 20% of their taxation and non-specific grant income. Cardiff's ratio was 26%, compared to the Welsh average of 23%.

#### *Drawbacks of Measure*

*Does not take into account other income which may be a significant way for some Council's to lower Council Tax figures.*

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## 5.2 Appendix 3 - Financial Indicators for 2013/14 and 2014/15 for all Local Authorities in Wales (Welsh Government Data)

| Financial Indicators |  |         |   |         |   |         |   |         |   |         |   |         |                                     |         |
|----------------------|--|---------|---|---------|---|---------|---|---------|---|---------|---|---------|-------------------------------------|---------|
| Local Authority      | Working Capital to Gross Revenue Expenditure |         | Reserves (1) to Gross Revenue Expenditure |         | Earmarked Reserves to Gross Revenue Expenditure |         | Unallocated / General Reserves to Gross Revenue Expenditure |         | Long-term Borrowing to Long-Term Assets |         | Long-term Borrowing to Taxation and NS Grants |         | Council Tax to Taxation & NS Grants |         |
|                      | %  |         | %   |         | %   |         | (days)  |         | Ratio                                   |         | Ratio   |         | %                                   |         |
|                      | 2013-14                                      | 2014-15 | 2013-14                                   | 2014-15 | 2013-14   | 2014-15 | 2013-14   | 2014-15 | 2013-14                                 | 2014-15 | 2013-14                                       | 2014-15 | 2013-14                             | 2014-15 |
| Anglesey             | 5.30%  | 7.50%   | 15%                                       | 15%     | 11%   | 11%     | 12.6  | 16.7    | 0.27                                    | 0.25    | 0.63  | 0.65    | 25%                                 | 23%     |
| Gwynedd              | 5.80%  | 2.10%   | 20%                                       | 20%     | 17%   | 17%     | 10.4  | 8       | 0.29                                    | 0.27    | 0.43  | 0.44    | 25%                                 | 27%     |
| Conwy                | 1.10%  | -2.60%  | 11%                                       | 10%     | 9%  | 8%      | 6.1   | 3.4     | 0.35                                    | 0.32    | 0.54  | 0.57    | 24%                                 | 27%     |
| Denbighshire         | 8.10%  | 12%     | 21%                                       | 24%     | 16%   | 19%     | 15.2  | 14.1    | 0.32                                    | 0.33    | 0.64  | 0.70    | 23%                                 | 25%     |
| Flintshire           | 15.20%                                       | 11.80%  | 16%                                       | 14%     | 12%   | 9%      | 12.8  | 12      | 0.24                                    | 0.24    | 0.62  | 0.62    | 26%                                 | 27%     |
| Wrexham              | 8.90%  | 6.20%   | 13%                                       | 14%     | 5%  | 6%      | 8.7   | 8.7     | 0.16                                    | 0.17    | 0.55  | 0.60    | 24%                                 | 26%     |
| Powys                | 0%   | -1%     | 16%                                       | 16%     | 9%  | 8%      | 11.7  | 13.4    | 0.23                                    | 0.22    | 0.58  | 0.63    | 26%                                 | 28%     |
| Ceredigion           | 4.50%  | 14.40%  | 18%                                       | 16%     | 13%   | 11%     | 12.1  | 10.3    | 0.29                                    | 0.33    | 0.66  | 0.77    | 25%                                 | 25%     |
| Pembrokeshire        | 23.60%                                       | 26%     | 27%                                       | 29%     | 22%   | 24%     | 8.8   | 8.9     | 0.15                                    | 0.15    | 0.53  | 0.53    | 22%                                 | 23%     |
| Carmarthenshire      | 0.30%  | 4.80%   | 25%                                       | 25%     | 18%   | 17%     | 7.7   | 7.3     | 0.18                                    | 0.19    | 0.64  | 0.69    | 22%                                 | 23%     |
| Swansea              | 10.20%                                       | 6.90%   | 15%                                       | 12%     | 8%  | 8%      | 14.9  | 8       | 0.28                                    | 0.25    | 0.69  | 0.70    | 24%                                 | 21%     |
| Neath Port Talbot    | 11.80%                                       | 11%     | 15%                                       | 13%     | 9%  | 7%      | 13.9  | 14      | 0.3                                     | 0.33    | 0.63  | 0.76    | 22%                                 | 24%     |
| Bridgend             | 0.50%  | 3.10%   | 16%                                       | 19%     | 11%   | 12%     | 8.3   | 8.3     | 0.22                                    | 0.25    | 0.42  | 0.42    | 25%                                 | 26%     |
| Vale of Glamorgan    | 26%  | 25.60%  | 30%                                       | 32%     | 20%   | 22%     | 18.2  | 16.6    | 0.16                                    | 0.16    | 0.35  | 0.39    | 26%                                 | 29%     |
| Rhondda Cynon Taff   | -1.60%                                       | -4.80%  | 21%                                       | 21%     | 19%   | 18%     | 6.4   | 6.8     | 0.23                                    | 0.23    | 0.45  | 0.38    | 20%                                 | 18%     |
| Merthyr Tydfil       | -3%  | -1.90%  | 7%  | 9%      | 3%  | 5%      | 12.5  | 12.8    | 0.29                                    | 0.28    | 0.53  | 0.51    | 20%                                 | 15%     |
| Caerphilly           | 13.20%                                       | 24.40%  | 16%                                       | 20%     | 10%   | 14%     | 13.7  | 12.9    | 0.22                                    | 0.23    | 0.63  | 0.73    | 19%                                 | 16%     |
| Blaenau Gwent        | -3.80%                                       | -2.50%  | 15%                                       | 15%     | 5%  | 6%      | 17.9  | 12.1    | 0.32                                    | 0.36    | 0.58  | 0.70    | 18%                                 | 20%     |
| Torfaen              | 3.30%  | 4.50%   | 12%                                       | 13%     | 3%  | 3%      | 16.3  | 17.2    | 0.31                                    | 0.29    | 0.54  | 0.54    | 21%                                 | 23%     |
| Monmouthshire        | 3.10%  | 2.40%   | 16%                                       | 20%     | 7%  | 6%      | 14.1  | 14.3    | 0.26                                    | 0.25    | 0.43  | 0.44    | 34%                                 | 36%     |
| Newport              | -3.30%                                       | -0.20%  | 23%                                       | 24%     | 19%   | 20%     | 5.4   | 9.2     | 0.41                                    | 0.44    | 0.75  | 0.85    | 21%                                 | 18%     |
| Cardiff              | 4.90%  | 4.90%   | 5%  | 6%      | 4%  | 4%      | 5.1   | 6       | 0.26                                    | 0.25    | 0.73  | 0.75    | 24%                                 | 26%     |
| Wales Average        | 6.2%   | 6.8%    | 17%                                       | 17%     | 11%   | 12%     | 10.7  | 10      | 0.24                                    | 0.25    | 0.58  | 0.61    | 23%                                 | 23%     |

(1) Includes general, earmarked and capital receipts reserves

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## 5.2 Appendix 4 - City of Cardiff Council - Reserves and Balances Protocol

Reserves are amounts set aside for specific policy purposes or for general contingencies and cash flow management. There may be Earmarked or General Reserves. CIPFA LAAP Bulletin 99 requires the S151 Officer to create a protocol for reserves and balances where for each reserve established this should set out the purpose, usage and the approval processes for transfers in and out. This needs to be clearly defined, along with the processes for determining whether the intended use of the reserve is still valid

Reserves enable us to:

- Create a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves.
- Create a contingency to cushion the impact of unexpected events or emergencies. This also forms part of general reserves.
- Creates a means of building up funds, often referred to as earmarked reserves, as defined above, to meet known or predicted liabilities.

There are other reserves that can only be used for specific statutory purposes. These include usable capital receipts and pensions reserve. These are not considered part of this protocol.

### Governance

Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. It is important, therefore, that councillors take responsibility for ensuring the adequacy of reserves and provisions when they set the budget.

It is the responsibility of the S151 Officer to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Section 25 of the Local Government Act 2003 places a specific personal duty on the Section 151 Officer to report on the adequacy of reserves and the robustness of the budget.

The Council's Strategy for holding and utilising reserves is set out in the Financial Procedure Rules.

As part of the annual Budget Report, the Section 151 Officer will include an assessment of the level of reserves within the context of the Council's financial standing.

## **Projected Use of Earmarked Reserves in-year by accountants**

Projected use of earmarked reserves are monitored and forecast twice in the year.

- During the autumn in preparation for the forthcoming budget proposals.
- A final update conducted imminently prior to the finalisation of the budget proposals.

## **Review of Adequacy of Earmarked Reserves by S151 Officer**

- A thorough review of earmarked reserves is conducted by the Budget Strategy Team to challenge the projected balances identified and identify those reserves that are no longer required (either in part or in full) to be utilised as part of the funding of the forthcoming budget or to be transferred to general reserves.
- During the year exercises may be undertaken to benchmark the level of reserves held by the Council against Welsh and similar sized authorities.
- The Council's financial snapshot includes trend analysis of reserves over a four year period
- In order to assess the adequacy of unallocated general reserves when setting the Budget, the S151 Officer will take account of the strategic, operational and financial risks facing the authority. This assessment will be conducted on the basis that the services will continue to be provided, and adequate reserves will therefore be required by successor authorities. The assessment of risks should include external risks, such as flooding, as well as internal risks, for example, the ability to deliver planned efficiency savings. Considerations could include:-
  - financial resilience and financial standing
  - affordability risks to current and future capital and revenue expenditure plans
  - track record in budget and financial management including the robustness of the medium term plans.
  - capacity to manage in-year budget pressures, and its strategy for managing both demand and service delivery in the longer term consistent with the Medium Term Financial Plan.
  - The strength of the financial information and reporting arrangements. The authority should also be in a position to activate contingency plans should the reporting arrangements identify that planned savings or gains will either not be achieved or be delayed.
  - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.
  - The general financial climate to which the authority is subject
  - Extent to which reserves are being used to pay for recurrent expenditure
  - Professional judgement

## **Year End Approval of Transfers from/to Earmarked Reserves**

- During the finalisation of the annual management accounts, requests are made by directorates, via their accountants, to utilise money held in reserves or, where possible, to transfer amounts to reserves to be utilised in future years, for specific purposes.
- All requests to transfer amounts from/to reserves have to be agreed and approved by the S151 Officer, who considers the impact these amounts will have on the overall sufficiency of reserves held by the Council.
- Any approval to transfer to earmarked reserves takes into account the urgency and need to carry forward sums for a future use in conjunction with the overall outturn position for the year.
- Where possible, additional transfers are made to reserves from corporate sources if the need to increase financial resilience exists.
- All movements to increase, use or establish reserves are recorded and form part of the regular audit of the accounts.

### **Reporting Reserves**

- The total earmarked reserves balances projected to be held at the end of a financial year and in the medium term are disclosed in an appendix to the Budget proposals In February each year. This document identifies the name of the reserve, its purpose, expected financial movements and the balance at a point in time.
- Reserves are considered in conjunction with the Cabinet Member with responsibility for Finance.
- The final levels of earmarked reserves are disclosed in the annual Statement of Accounts. Detailed school's balances are shown on the Schools website.

**October 2015**

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## 5.2 Appendix 5: Earmarked Reserves 2015/16

|  | Balance<br>31 March<br>2015<br>£000 | Contributions           |                       | Balance<br>31 March<br>2016<br>£000 |
|--|-------------------------------------|-------------------------|-----------------------|-------------------------------------|
|  |                                     | From<br>Revenue<br>£000 | To<br>Revenue<br>£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                                 |
| 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                               |

|  | Balance<br>31 March<br>2015<br>£000 | Contributions           |                       | Balance<br>31 March<br>2016<br>£000 |
|--|-------------------------------------|-------------------------|-----------------------|-------------------------------------|
|  |                                     | From<br>Revenue<br>£000 | To<br>Revenue<br>£000 |                                     |
| 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                               |
| 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)</b>                   |                                     |                         |                       |                                     |

|   | Balance<br>31 March<br>2015<br>£000 | Contributions           |                       | Balance<br>31 March<br>2016<br>£000 |
|---|-------------------------------------|-------------------------|-----------------------|-------------------------------------|
|   |                                     | From<br>Revenue<br>£000 | To<br>Revenue<br>£000 |                                     |
| <b>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>                       |

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## **5.2 Appendix 6**

### **Minimum Revenue Provision (MRP) for Debt Repayment**

#### **Supported Borrowing November 2016**

**Annexe 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.**

### **Reasons for this Report**

The purpose of this report is to appraise Audit Committee of the Council's approach to the Minimum Revenue Provision (MRP) policy recommended by the Council's S151 Officer for Council approval as part of the Budget Proposals Report 2017/18.

For the Housing Revenue Account (HRA) and all other unsupported borrowing, the Council's approach continues to be based on Welsh Government (WG) guidance, primarily in relation to consideration of useful life of expenditure. This is deemed appropriate and not part of any proposed change in the MRP policy.

The scope of the remainder of this report focusses only the proposed Council approach to MRP for supported borrowing in the Council Fund.

### **Key Definitions to aid understanding**

#### **What is supported borrowing?**

Supported borrowing is expenditure for which the Welsh Government Contributes towards the Council's interest and provision for debt repayment costs through the annual Revenue Support Grant (RSG). This element of RSG is determined by WG on a formula basis and the amount provided by WG can be traced back to detailed spreadsheets provided by WG on request as part of the settlement.

#### **What is unsupported borrowing?**

Borrowing where associated interest and debt repayment costs must be met from Council Tax, the need to make savings, additional income generation or sale of capital assets.

#### **What is the Capital Financing Requirement (CFR)?**

Where Capital Expenditure is incurred and there is no cash resource to pay for it immediately, via capital receipts, grants or other contributions, this will increase the Council's CFR. It represents Capital expenditure historically incurred but not yet paid for. This

ultimately results in the requirement to undertake external borrowing i.e the need to borrow. The Council will have a Capital Financing Requirement at 01.04.2017 of £270.5million in relation to Council Fund supported borrowing which has been accumulated over many years.

### What is Minimum Revenue Provision (MRP)?

The Council has a Statutory Duty to set aside each year from its annual revenue budget an amount 'which it considers to be prudent' towards the eventual repayment of the CFR / Borrowing (Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003. This is known as the Minimum Revenue Provision and it is the method of spreading the cost of capital expenditure funded by borrowing.

Similar to decisions to undertake capital expenditure funded by borrowing, decisions in respect of the allocation of MRP have short, medium and very long term impacts. Impacts of changes in policy decisions should be considered over that time horizon including consideration of the Wellbeing and Future Generations Act 2015.

The Council approves a MRP policy as part of the budget at the start of each year.

**Effectively MRP is the method of spreading the cost of Capital expenditure incurred to be paid for borrowings which have been funded by Supported Borrowing both historically and in the future.**

### The Well-being of Future Generations (Wales) Act 2015' (the Act)

In complying with the Act a local authority must ensure that its decisions are sustainable, whereby "the needs of the present are met without compromising the ability of future generations to meet their own needs", and recognise "the importance of balancing short term needs with the need to safeguard the ability to meet long term needs".

## **Regulatory Requirements in Respect of MRP**

The responsibility for determining what is prudent is entirely a matter for the authority on the advice of the Council's S151 Officer. It is not the role of the Welsh Government or the external auditor to determine in cases whether any proposed arrangement is prudent.

The external auditor does have a responsibility however to consider whether or not an authority has complied with its statutory duty in their approach to setting MRP.

### Setting and making changes to MRP Policy

Statute requires full Council to approve a MRP policy and any changes to it in advance of each financial year and this is currently done as part of the Budget Proposals Report each

year on the advice of the S151 Officer. Consideration should be given to highlighting significant changes in MRP policy to those charged with governance and scrutiny.

### Key aim of MRP

The broad aim of a 'prudent provision' is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits to service delivery or in the case of borrowing supported by the Welsh Assembly, reasonably commensurate with the period implicit in the determination of Revenue Support Grant.

### WG Guidance on MRP

Legislation does not define what constitutes a 'prudent provision'. Instead WG has provided guidance issued in 2008 and examples to interpret that term. The Guidance is included as Annexe A. The examples in the guidance are based primarily on use of either :-

- the allocations included in any Central Government grant or
- the useful life of the expenditure that is created that is ultimately to be paid for by borrowing

Whilst authorities must have statutory regard to that guidance, WG state that other approaches should not be ruled out if they are deemed prudent and individually designed for each local authority circumstance.

### Prudential Code for Capital Finance in Local Authorities

Setting a 'Prudent Provision' is part of the wider obligation the Council has in respect of the requirements of the Prudential Code for Capital Finance in Local authorities to ensure its capital plans and linked treasury management activities are prudent, affordable and sustainable in the short, medium and long term.

## **Cardiff Council's previous reviews / approach to MRP**

The Council has historically either exceeded or matched the MRP expected to be provided by WG as part of their revenue budget settlement to Cardiff.

### Prior to 2016/17

Where affordability has allowed, the Council has since 2004 taken a prudent approach to repayment of supported borrowing. This has been as a result of: -

- Increased use of unsupported borrowing to pay for capital expenditure commitments approved by the Council to balance the capital programme, representing an enhanced risk to future affordability.
- Concern over the useful life over which expenditure funded by supported borrowing would continue to provide benefits.

The initial aim was to ensure supported borrowing was provided for over a twenty-five-year straight line basis. In 2013/14 a review of the approach to MRP was undertaken by Council officers, supported by an independent review by the Council's Treasury Management advisors. In recognition of the difficult budgetary position faced by the Council at the time, most of the benefit accumulated in the revenue base budget for MRP was released as revenue savings to support the budget process. A small element of prudence was retained by providing for supported borrowing on a 4.5% reducing balance compared to the 4% reducing balance basis implicit in the determination of Revenue Support Grant from the Welsh Assembly Government towards MRP.

### 2016/17 Review of supported Borrowing MRP

Following a further review in 2016/17 the medium term financial plan assumed that in 2017/18, the MRP on supported borrowing would reduce to match that assumed by WG i.e. be consistent with the period implicit in the determination of Revenue Support Grant from the Welsh Assembly Government towards MRP. This would be in accordance with WG Guidance on MRP at 4% on a reducing balance basis.

## **Different approaches recently being taken by Local authorities to MRP on Supported Borrowing**

A number of authorities in England and Wales have amended their policies relating to supported borrowing away from the 4% reducing balance to levels which are considered to reflect average asset useful economic life of 33, 40 & for some even 50 years. They have also chosen to change the basis from reducing balance to straight line.

The reducing balance approach allocates a higher charge to earlier years and a lower charge to latter years. The rationale for this formulaic approach is that in the years when expenditure is first incurred, this period is when most of the benefits are used and in addition it is the time when maintenance costs are minimal. It is only in latter years when revenue maintenance costs would be higher thus coinciding with a lower revenue provision for debt repayment.

A straight line approach to MRP would charge the same amount p.a. of MRP across a time period to be determined to ensure the full amount of debt outstanding is repaid in full. The straight line approach assumes that all users benefit equally from use of the assets over the period.

Confidential Annexe B highlights data gathered by WG as part of their review of different approaches being undertaken in Wales.

## **Factors considered in developing a recommendation**

Every authority's circumstances may be different and may result in different approaches to MRP. However, it is important that a range of factors specific to local authority circumstances are considered in determining a prudent approach.

The factors below were considered to support the approach. Whilst there are some indicators of strengthening the existing approach which would have a greater cost to the annual revenue budget, there were no indications of a weakening of the current approach i.e. charging less MRP in the short term.

| Issues to consider   | Indicator of <b>Retaining</b> existing policy of 4% Reducing Balance  | Indicator of <b>Strengthening</b> existing policy  | Indicator of <b>Weakening</b> existing policy |
|--|---|--|---|
|  | <b>X</b>  | <b>X</b>   | <b>X</b>                                      |
| Consider what annual sums we have spent our supported borrowing on historically and propose to do in future years. Disabled adaptations, renovation grants, property asset renewal, highways resurfacing & minor works, parks playgrounds, ICT, Vehicles etc. How long will these continue to provide benefits to the Council, without further capital expenditure? Note some expenditure does not create an asset of the Council. Some of what we spend may have a useful life of less than 10 years. |   | <b>X</b><br>Given what we have spent our funding on and propose to do, the existing approach does not cover extending life of any provision or passing greater costs to the future does not seem appropriate |   |
| Do we have processes and budgets in place to maintain our key property and highway infrastructure to a standard that preserves their useful life to ensure continued service delivery? i.e. we are making significant headway in reducing the backlog of maintenance.  | <b>X</b><br>Current budgets are under significant strain to meet existing backlogs of maintenance.  |  |   |
| Should any revenue provision for MRP be consistent per annum on the assumption that the expenditure paid for by supported borrowing provides equal benefit to users and Council tax payers across a number of years?   | <b>X</b><br>Most realistic scenario is costs in future will rise due to lack of maintenance. Risk that assets used and created today are more likely to result in additional costs in future                                    |  |   |
| Are we content that after allowing for inflation costs and time value of money, that the balance remaining after a significant period of time using the reducing balance approach is not financially material or would we prefer the balance remaining to be nil?  | <b>X</b><br>Yes, demonstrated by NPV analysis. WG would cover in settlement in any case. Inflation and time value of money makes any balance financially immaterial. Options considered to make one off contributions to reduce |  |   |

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|--|--|--|--|
|  | any such balance where affordability allows  |  |  |
| Are the original reasons for adopting a more prudent approach to MRP still a concern e.g. current level of unsupported borrowing?  |  | <b>X</b><br>Given we were aiming to maintain a buffer should ITS schemes not perform, then yes, concerns still remain. Lost most of previous buffer.             |  |
| Professional judgement of the S151 officer and senior finance management team  | <b>X</b><br>This is deemed to be the option to sustain in the long term, making additional Voluntary Debt Repayment where opportunities allow in future years                      |  |  |
| Having a higher level of MRP creates more scope to undertake and make further investment sustainable and affordable in the long term. Do we have future pressures in Capital programme that need to be funded that are likely to increase the level of unsupported borrowing required? | <b>X</b><br>City Deal<br>Band B schools match funding<br>Maintaining existing assets<br>Allowing scope for members to undertake additional investment to improve service delivery. |  |  |
| Given WG has issued guidance indicating 4% minimum, whilst other approaches are deemed feasible, do we want to be charging less than the example indicated in guidance?  |  | <b>X</b><br>Based on our areas of expenditure, we would like to charge more. However minimum but not less. - What WG provide us in RSG is all we can now afford. |  |
| WG currently calculate and allocate the Capital Financing element of the SSA based on 4% reducing balance. Is the approach reasonably commensurate with the period implicit in the determination of that grant? What are the implications of not matching?                             | <b>X</b><br>Yes, the approach proposed would be consistent with WG MRP policy.   |  |  |

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|--|---|---|--|
| Do we recognise that WG could also in future change the distribution of RSG to reflect changes in authority needs? Accordingly any change by the Council could be a short term measure, requiring a future budget adjustment.  | <b>X</b><br>Could provide a short term benefit, but may simply delay finding savings should WG change its approach.   |   |  |
| Does the MRP Policy allocate the CFR to the Council fund over a prudent period? Will future tax payers be funding the cost of assets / expenditure incurred some years ago long after they have been scrapped?                 | <b>X</b><br>Whilst not hypothecated the Council's approach to MRP would be in accordance with amounts included in the annual WG Settlement and WG guidance. |   |  |
| Any decision on MRP policy is one that impacts over a thirty, 40 or 50-year period. Does the Council have certainty re future financial position of local authorities to allow such a decision to be made?                     | <b>X</b><br>An approach inconsistent and lower to that included in WG formula for RSG is a risk   |   |  |
| The Council has provided additional MRP in previous years recognising the risk of additional unsupported borrowing being undertaken e.g. for invest to save schemes. Has this risk diminished?                                 |   | <b>X</b><br>Risks still remain, which would necessitate a more prudent approach, but need to balance with affordability   |  |
| Maintaining a prudent level of MRP increases financial resilience towards meeting unknown cost pressures in both Capital and revenue budgets. Are General and earmarked reserves an alternative option to meet such pressures? |   | <b>X</b><br>Benchmarking shows that the Council has one of the lowest levels of earmarked reserves as % of revenue budget   |  |
| Balancing short-term needs with the need to safeguard the ability to also meet long-term needs Does the approach ensure no adverse impact on affordability for future generations?   |   | <b>X</b><br>Given the expenditure we fund using supported borrowing then we would like to charge more. However have to balance charge with affordability and WG requirements. |  |



|  |   |  |  |
|--|---|--|--|
| Is the approach consistent with the prudential code requirements to ensure Capital expenditure is prudent, affordable and sustainable?                             | <p style="text-align: center;"><b>X</b></p> <p>Any reduction in MRP will mean the CFR will fall more slowly than planned, thus resulting in additional borrowing interest costs. Weakens Treasury Management Strategy</p> |  |  |
| Is this part of a well thought out capital financing strategy or a knee jerk reaction to financial pressures? (Grant Thornton advice for members scrutinising MRP) | <p style="text-align: center;"><b>X</b></p> <p>Moving to an extreme would be considered a knee jerk reaction unless it can be demonstrated previous concerns are not relevant.</p>  |  |  |

## Recent Regulatory comments on different approaches to MRP on Supported Borrowing

### Auditor General Wales

The Auditor General for Wales (AGW) wrote to all local authorities in January 2016, and advised that where an amendment to current MRP policy is being considered, a local authority should take account of 'The Well-being of Future Generations (Wales) Act 2015' (the Act).

In complying with the Act a local authority must ensure that its decisions are sustainable, whereby "the needs of the present are met without compromising the ability of future generations to meet their own needs", and recognise "the importance of balancing short term needs with the need to safeguard the ability to meet long term needs".

### National Audit Office report for Department for Communities and Local Government

The NAO undertook a report in England in June 2016 in relation to 'Financial Sustainability of Local Authorities – Capital Expenditure and Resourcing'. Whilst this covered a number of areas, it commented on different approaches to MRP currently being considered and made the following comments and recommendations: -

- Increases in debt servicing costs means further borrowing by some authorities may not be affordable calling into question capacity to invest and maintain their core assets
- The report advises the DCLG to give capital a greater focus in the next spending review, although it understands why revenue has been a priority
- CIPFA should consider the long term implications of decision making in its planned review of the prudential code.
- Authorities need to strike an appropriate balance between short term and long term considerations. 'A variety of decisions by authorities, including changing minimum revenue provision charges and reducing long term maintenance spending have prioritised the short term over the long term in their judgement of what is prudent'. The Report recommends that the DCLG examine the variety of approaches to recalculating MRP currently used by Local Authorities and consider whether it needs to review its existing guidance to the sector.

### Welsh Government

The Authority's underlying duty for MRP is to make prudent provision and ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits or the period implicit in the determination of the RSG.

## **The Council's Recommended approach to MRP on its Supported Borrowing**

The Council has considered for many years' different approaches to MRP, so the analysis above and that considered by other Local authorities is not new. Whilst there may be short term savings arising from a different approach and whilst recognising that there may be some shortcomings with the current approach, the approach recommended in the MRP Policy is to retain MRP on supported borrowing at 4% on a reducing balance basis. i.e. same basis as included in WG Revenue Grant Support per annum. Where affordability allows, additional Voluntary Debt repayment from revenue should be considered.

This approach is to continue unless WG change the approach to providing support as part of the RSG formula or any revision to MRP Guidance either in Wales or in England

Whilst there is significant pressure to adopt an alternative approach that results in "pain free" short term savings, such decisions on MRP have long term implications and have to be based on localised professional judgement including consideration of the factors above.

The recommended approach has the clear support of the S151 officer in continuing to make tough decisions now which: -

- do not weaken the financial resilience of the Council as a result of future uncertain events
- need to be prioritised and afforded now and in the future and
- also minimises risk of significant costs being passed on to future generations given the periods of time involved.

The overall MRP policy proposed to be submitted for Council approval as part of the February 2017 budget proposals report is included at Annexe C

## **Annexes**

Annexe A – Options for prudent provision – Extract from WG Guidance (First Issued 2008)

**Annexe B – (Confidential) WG data on Welsh Local Authority approaches to Supported Borrowing**

Annexe C - Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement 2017/18

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# Annexes

## Annexe A – Options for prudent provision – Extract from WG Guidance (First Issued 2008)

### **Option 1: Regulatory Method**

MRP is equal to the amount determined in accordance with the former 2003 regulations, as if they had not been revoked by the 2008 Regulations. For the purposes of that calculation, the Adjustment A should normally continue to have the value attributed to it by the authority in the financial year 2004- 05.

### **Option 2: CFR Method**

MRP is equal to 4% of the non-housing CFR at the end of the preceding financial year.

### **Option 3: Asset Life Method**

Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the life of the asset. There are two main methods by which this can be achieved, as described below. Under both variations, authorities may in any year make additional voluntary revenue provision, in which case they may make an appropriate reduction in later years' levels of MRP.

#### **(a) Equal instalment method**

MRP is the amount given by the following formula:

$$\frac{\mathbf{A - B}}{\mathbf{C}}$$

where-

**A** is the amount of the capital expenditure in respect of the asset financed by borrowing or credit arrangements

**B** is the total provision made before the current financial year in respect of that expenditure

**C** is the inclusive number of financial years from the current year to that in which the estimated life of the asset expires.

## **(b) Annuity method**

MRP is the principal element for the year of the annuity required to repay over the asset life the amount of capital expenditure financed by borrowing or credit arrangements. The authority should use an appropriate interest rate to calculate the amount. Adjustments to the calculation to take account of repayment by other methods during the repayment period (eg by the application of capital receipts) should be made as necessary.

Commencement of provision. Subject to paragraph 13 below, MRP should normally commence in the financial year *following* the one in which the expenditure was incurred.

Asset life. The estimated life of the asset should be determined in the year that MRP commences and not subsequently be revised.

Freehold land. If no life can reasonably be attributed to an asset, such as freehold land, the life should be taken to be a maximum of 50 years. However, in the case of freehold land on which a building or other structure is constructed, the life of the land may be treated as equal to that of the structure, where this would exceed 50 years.

MRP commencement. When borrowing to provide an asset, the authority may treat the asset life as commencing in the year in which the asset first becomes operational. It may postpone beginning to make MRP until the financial year following the one in which the asset becomes operational. "Operational" here has its standard accounting definition. Investment properties should be regarded as becoming operational when they begin to generate revenues.

## **Option 4: Depreciation Method**

MRP is to be equal to the provision required in accordance with depreciation accounting in respect of the asset on which expenditure has been financed by borrowing or credit arrangements. This should include any amount for impairment chargeable to the Income and Expenditure Account.

For this purpose standard depreciation accounting procedures should be followed, except in the following respects:

- (a) MRP should continue to be made annually until the cumulative amount of such provision is equal to the expenditure originally financed by borrowing or credit arrangements. Thereafter MRP shall be zero.
- (b) On disposal of the asset, the charge should continue in accordance with the depreciation schedule as if the disposal had not taken place. But this does not affect the ability to apply capital receipts or other funding sources at any time to repay all or part of the outstanding debt.
- (c) Where the percentage of the expenditure on the asset financed by borrowing or credit arrangements is less than 100%, MRP should be equal to the same percentage of the provision required under depreciation accounting.

## **CONDITIONS FOR USING THE OPTIONS**

Options 1 and 2 may only be used in relation to:

- (a) capital expenditure incurred before 1 April 2008; and
- (b) capital expenditure incurred on or after that date which the authority is satisfied forms part of its Supported Capital Expenditure.

For expenditure incurred on or after 1 April 2008 which does not form part of the authority's Supported Capital Expenditure, prudent approaches include Options 3 and 4 (which may also be used at the authority's discretion in relation to all capital expenditure, whether or not supported and whenever incurred).

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

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## **Annexe C - Prudent Repayment of Capital Expenditure – Annual Minimum Revenue Provision (MRP) Policy Statement 2017/18**

It is proposed that the Council's MRP Policy will be as follows with any change in the level, timing and method of provision in year delegated to the Section 151 Officer :

- Council Fund historic expenditure prior to 1 April 2004 as well as subsequent supported borrowing approved by the WG is to be provided for at 4.0% on a reducing balance basis in 2017/18, a reduction from the 4.5% figure for 2016/17 and previous years. This is consistent with the support provided by WG as part of the Revenue Support Grant for Supported borrowing. This approach will continue unless WG change the approach to providing support as part of the RSG formula or any revision to MRP Guidance either in Wales or in England
- HRA supported borrowing, which was part of the previous housing subsidy system is to be provided for at 2% on a straight line basis. MRP on the £187million settlement buyout payment is to be at 2% straight line basis, as a minimum, with the first provision made in the year of the settlement.
- Additional borrowing for a general increase in investment either in the Council Fund or HRA to balance the Capital Programme in a year is to be provided for on a straight line basis over the estimated average life of the assets created.
- Any additional expenditure linked to specific schemes e.g. Invest to Save, 21st Century Schools etc. is to be provided for on a straight line basis, or over the estimated useful life of assets being created or a shorter period as determined by the Section 151 Officer or suggested periods determined by WG as is the case with LGBI.
- Revenue Provision in excess of the above requirements can be made subject to affordability and following advice of the Section 151 officer.
- Subject to agreement of the S151 Officer, MRP may be waived on expenditure recoverable within a prudent period of time through capital receipts (e.g. land purchases) or deferred to when the benefits from investment are scheduled to begin or when confirmed external grant payments towards that expenditure are expected.
- The MRP charged against liabilities under finance leases, or contracts that have the characteristics of finance leases, shall be equal to the principal element of the lease repayment, calculated on an annual basis.

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD****AUDIT COMMITTEE: 29 November 2016**

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**CORPORATE RISK REGISTER 2016/17 (MID-YEAR)****REPORT OF CORPORATE DIRECTOR RESOURCES      AGENDA ITEM: 6.1**

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1. To bring to the Audit Committee's attention the strategic risks facing the Council as assessed as part of the current Risk Management arrangements.
2. The Audit Committee's Terms of Reference sets out their responsibility in relation to governance, risk and control as follows.
  - To monitor and scrutinise the effective development and operation of the risk management arrangements within the Council, and;
  - To oversee progress in addressing risk-related issues reported to the Committee, such as the Corporate Risk Register (CRR).

**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, and that this statement is subject to regular review.
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 the Senior Management can make informed decisions and prioritise actions, with these high level risks in mind. The CRR process involves identifying and assessing key risks, and taking proportionate action to manage risks within an acceptable level (risk appetite). Risk registers are used to record and track how identified risks are currently being managed together with details of planned commitments to reduce risks further, where required.
6. The CRR 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.
7. For the Mid-Year update a detailed review of the CRR was completed to ensure that the key corporate risks facing the council are represented and assessed consistently. This review involved the Senior Management Team, the Risk Management Steering Group and the Risk Champion Network.

8. The CRR was last presented to Audit Committee on 27 June 2016, at which time it set out the year-end position 2015/16. This was followed by an update on risk management practices on 19 September 2016 when a Corporate Risk Map was presented. As a result Audit Committee requested that the Corporate Risk Register updates be provided in both the standard and Risk Map formats going forward.
9. 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. On this occasion the register will be presented to Cabinet in December 2016

## Issues

10. 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.
11. Each risk has been reviewed and updated by the respective risk owner to reflect the mid-year position. To assist in this process, a guidance document was produced by the Information Governance and Risk Team and issued to each risk owner to ensure risks are framed and scored on a consistent basis. The full register was shared with all Directors at the Senior Management Team meeting on 15 November 2016, to gain their collective agreement.
12. The detailed review has resulted in the following changes to the CRR since the 2015/16 year end:
  - Two new risks have been added – ‘Promoting Independence’ (to replace delayed transfers of care) and ‘Safeguarding’;
  - Two risks have been downgraded from ‘red’ to ‘red/amber’ – ‘Organisational Development’ and ‘Performance management’;
  - One risk was downgraded from ‘red / amber’ to ‘amber / green’ – ‘Schools SOP’;
  - One risk has remained within the same overall priority rating - ‘Information Governance’
  - Two risks have been removed ‘Local Development Plan’ and ‘Delayed Transfers of Care’.
13. The guidance and support provided by the Information Governance and Risk Team in reviewing the mid-year CRR position should provide assurance on its content and the scoring of risks. Risks on the CRR are currently scored between medium and high ratings, with eight risks (1/3) scored as ‘red.’ This represents both an improvement on the year-end position and more accurate representation of the management of corporate risks.
14. It is important to note that risks are liable to change as circumstances alter, and that the CRR presents the position at a point in time. The Register will continue to be refreshed quarterly and the identified risk owners have a responsibility to ensure the risks included on the register remain focused and relevant.
15. In order to recognise the importance of monitoring and reviewing the CRR, the Member Risk Champion, Councillor Graham Hinchey, has an important role as set out in the Council’s Risk Strategy. This role 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. The Member Champion will bring forward

ideas from the Members to the Risk Management Steering Group which they consider relevant for the CRR.

16. It is appreciated that there is considerable detail in the complete register and, therefore, three appendices are attached; Appendix A is the Corporate Risk Map while Appendix B is a summarised version and Appendix C details the complete register.

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

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

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

The following Appendices are attached:

**Appendix A** - Corporate Risk Map 2016/17 (Mid-Year Position)

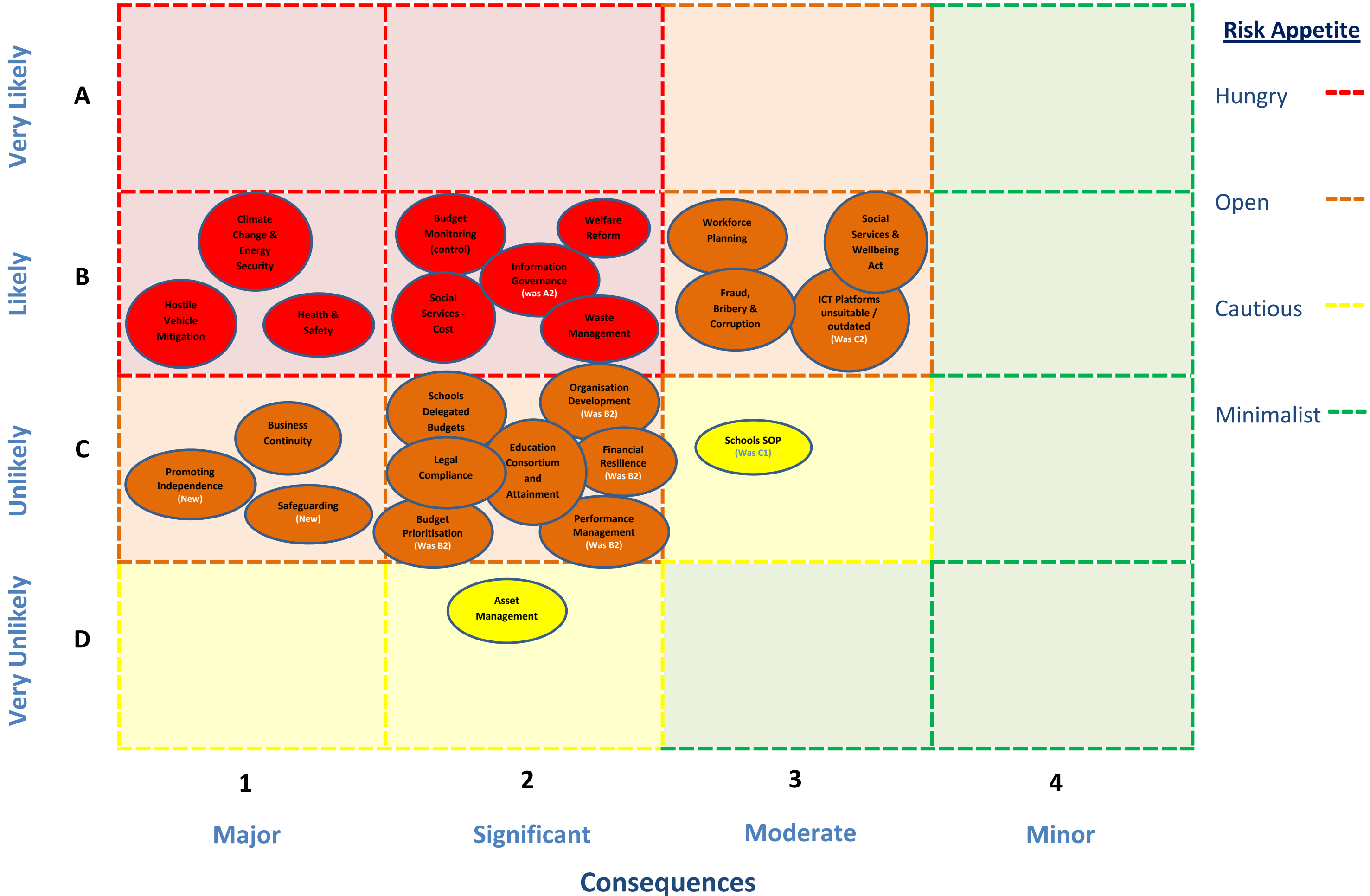
**Appendix B** - Corporate Risk Register 2016/17 Mid-Year Position (Summary)

**Appendix C** - Corporate Risk Register 2016/17 Mid-Year Position (Detailed)

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# Corporate Risk Register – 2016/17 (Mid Year Position)



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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><br>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> ,<br>Deputy Leader - Early Years,<br>Children & Families<br><br><b>Councillor Susan Elsmore</b><br>Health, Housing & Wellbeing  |
| <b>Hostile Vehicle Mitigation in Cardiff</b><br>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 A1 | High Priority B1                  | Andrew Gregory                         | <b>Councillor Ramesh Patel</b><br>Transport, Planning &<br>Sustainability  |
| <b>Welfare Reform</b><br>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                  | Sarah McGill<br>(Jane Thomas)          | <b>Councillor Susan Elsmore</b><br>Health, Housing & Wellbeing   |
| <b>Waste Management</b><br>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. Failure to comply with EU recycling waste directive.  | High Priority B1 | High Priority B2                  | Andrew Gregory                         | <b>Councillor Bob Derbyshire</b><br>Environment  |
| <b>Education – Schools - SOP</b><br>Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.  | High Priority B1 | Medium Priority (Amber/ Green) C3 | Nick Batchelar<br>(Janine Nightingale) | <b>Councillor Sarah Merry</b><br>Education   |
| <b>ONGOING RISKS</b>   |                  |                                   |  |  |
| <b>Education Consortium &amp; Attainment</b><br>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    | Nick Batchelar<br>(Angela Kent)        | <b>Councillor Sarah Merry</b><br>Education   |
| <b>ICT Platforms Unsuitable/ Outdated</b><br>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) B3    | Christine Salter<br>(Phil Bear)        | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Safeguarding</b><br>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.   | High Priority B1 | Medium Priority (Red/Amber) C1    | Tony Young<br>&<br>Davina Fiore        | <b>Councillor Sue Lent</b> ,<br>Deputy Leader - Early Years,<br>Children & Families<br><br><b>Councillor Susan Elsmore</b><br>Health, Housing & Wellbeing<br><br><b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance |
| <b>Budget prioritisation</b><br>Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual settlement figures from the Welsh Government).   | High Priority A1 | Medium Priority (Red/Amber) C2    | Christine Salter<br>(Ian Allwood)      | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Financial Resilience</b><br>The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.   | High Priority A1 | Medium Priority (Red/Amber) C2    | Christine Salter<br>(Ian Allwood)      | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Budget Monitoring (Control)</b><br>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                  | Christine Salter<br>(Allan Evans)      | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Health and Safety</b><br>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><br>Corporate Services &<br>Performance  |
| <b>Climate Change &amp; Energy Security</b><br>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><br>Environment  |
| <b>Information Governance</b><br>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 B2                  | Christine Salter<br>(Vivienne Pearson) | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Social Services - Costs</b><br>Failure to reduce the cost of delivering social services.  | High Priority B1 | High Priority B2                  | Tony Young                             | <b>Councillor Sue Lent</b> ,<br>Deputy Leader - Early Years,<br>Children & Families  |
| <b>Promoting Independence</b><br>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays.  | High Priority B1 | Medium Priority (Red/Amber) C1    | Tony Young                             | <b>Councillor Susan Elsmore</b><br>Health, Housing & Wellbeing   |
| <b>Performance Management</b><br>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 | Medium Priority (Red/Amber) C2    | Christine Salter<br>(Joe Reay)         | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Organisation Development</b><br>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 | Medium Priority (Red/Amber) C2    | Christine Salter<br>(Dean Thomas)      | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |
| <b>Business Continuity</b><br>Large scale incident/loss affecting the delivery of services.  | High Priority B1 | Medium Priority (Red/Amber) C1    | Christine Salter                       | <b>Councillor Phil Bale</b> ,<br>Leader – Economic<br>Development & Partnerships   |
| <b>Education – Schools Delegated Budgets</b><br>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    | Nick Batchelar<br>(Neil Hardee)        | <b>Councillor Sarah Merry</b><br>Education   |
| <b>Legal Compliance</b><br>Changes in services and staff roles across the Council resulting in:<br>- gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate;<br>- inability to deliver the services in accordance with all duties and responsibilities due to lack of resource:<br><br>In each case leading to increased risk of challenges.<br><br>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    | Davina Fiore                           | <b>Councillor De'Ath</b><br>Skills, Safety & Engagement  |
| <b>Fraud, Bribery and Corruption</b><br>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<br>(Ian Allwood)      | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance  |

| Risk Description   | Inherent Risk                             | Residual Risk                               | Risk Owner                                | Cabinet Member  |
|--|---|---|---|---|
| <b>Asset Management</b><br>Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings. | <b>High Priority<br/>B2</b>               | <b>Medium Priority<br/>(Amber/Green) D2</b> | <b>Neil Hanratty</b>                      | <b>Councillor Phil Bale,</b><br>Leader – Economic<br>Development & Partnerships |
| <b>Workforce Planning</b><br>Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.      | <b>Medium Priority<br/>(Red/Amber) B3</b> | <b>Medium Priority<br/>(Red/Amber) B3</b>   | <b>Christine Salter<br/>(Philip Lenz)</b> | <b>Councillor Graham Hinchey</b><br>Corporate Services &<br>Performance         |

| 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>Officers contributing to national work groups as required.</li> <li>Regular reports to Scrutiny Committee with references to Cabinet in place.</li> <li>DEWIS launched and implemented Growth identified as part of 2016-17 budget.</li> <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>Regional Partnership Board commenced April 2016</li> <li>Establishment of the Regional Implementation Plan.</li> </ul>   | B | 3 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <li>Potential growth bid for 2017/18 currently being assessed.</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>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> | A | 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 maintains the 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>19 (38%) 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>The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million.</li> <li>Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required.</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 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>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>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>The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board</li> <li>The CONTEST Board will continue to try and identify external funding sources/opportunities from Welsh Government, Central Government to conclude scheme and appropriately mitigate the risk.</li> <li>City Operations to commence a small Working Group to look at short term and longer terms options to deliver the strategy or provide mitigation as funding sources/opportunities from third parties has not been identified. The City continues to hold World Events such as the Champions League final in 2017 and therefore the risk remains.</li> </ul> | <p><b>Andrew Gregory</b></p> <p><b>Councillor Ramesh Patel – Transport, Planning &amp; Sustainability</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 the new team is working well.</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; the Cap is due to reduce to £20k in January and working groups have been setup involving RSLs, childrens services, families first and a range of other partners who may be able to help support these families.</li> <li>Regular meetings are held with social housing providers to monitor and improve processes.</li> <li>DHP spend is being monitored carefully, to date spend is within budget. Work is ongoing to establish how the fund can best help those affected by the decreased benefit Cap.</li> <li>Work has been carried out on the impact of possible council rent redeductions on the HRA business plan and discussion is ongoing with social landlords about the impact of possible rent decreases on future housing development. Currently this does not apply in Wales.</li> <li>The impact of the changes to rent levels for under 35 is currently under review with all social landlords considering how they can contribute to a solution to this issue. At present all are continuing to house young applicants as normal.</li> </ul> | <p>Sarah McGill<br/>(Jane Thomas)</p> <p>Councillor<br/>Susan Elsmore<br/>–<br/>Health,<br/>Housing &amp;<br/>Wellbeing</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. Failure to comply with EU recycling waste directive.</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 disposal 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; market collapse for recycling outlets</li> <li>Risk of legal challenge</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 underway.</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 Gwyrdd</b><br/>Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Removes risk of failing</p>   | B | 2 | High Priority | <p><b>Risk of Fines</b></p> <ul style="list-style-type: none"> <li>The targets for statutory recycling in 16/17 is 58%, 64% to be achieved by 2019/20, therefore, the risk rating remains high, due to seasonality and risk of recycling market collapse.</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> <li>The risk of failing the biodegradable limits to landfill has been minimised due to the current disposal route.</li> </ul> <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 was completed in 15/16. 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. This included a business case on current recycling methods.</li> <li>The sweepings contract is secured and operating.</li> <li>Exploring reuse partners, Market test and initial procurement was not successful, so further work is required to secure a partner.</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 2016/17 onwards.</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 Contract for residual treatment is in place for when the landfill closes and to ensure LAS targets are met and tax avoided wherever possible.</li> </ul>  | <p>Neil Hanratty</p> <p>Councillor<br/>Bob<br/>Derbyshire -<br/>Environment</p>   |

| Risk Description   | Potential Consequence  | L | C | Inherent Risk | Current/Existing Controls  | L | C | Residual Risk                    | Proposed Improvement Action   | Risk Owner & Cabinet Member   |
|--|--|---|---|---------------|--|---|---|----------------------------------|---|---|
|  |  |   |   |               | <p>biodegradable waste limit to landfill</p> <p><b>Organic procurement</b><br/>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><br/>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 waste. National government discussions on comingled recycling remain an issue and further modelling on the best option for Cardiff will be completed in 2016/17.</p> <p><b>Collaboration work</b><br/>Working and engaging with Welsh Government on legal and policy changes.</p>  |   |   |                                  | <ul style="list-style-type: none"> <li>New markets for carpets and mattresses are being explored</li> </ul> <p><b>Project Gwyrdd</b></p> <ul style="list-style-type: none"> <li>Financial Close occurred December 2013, service commencement started 01 April 2016, all risks regarding treatment and recycling of the ash (IBA) derived from residual now lie fully with the contractor.</li> <li>To help secure 2015/16 IBA, recycling began in 15/16 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> </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 15/16 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. Markets remain weak in 16/17.</li> </ul> |   |
| <p><b>Education – Schools - SOP</b></p> <p>Large scale Capital Programme (£164m) 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 approve 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 | <ul style="list-style-type: none"> <li>A significant proportion of the Schools Organisation Programme has been delivered to date including:- <ul style="list-style-type: none"> <li>A new Pontprennau Primary School</li> <li>Refurbishment to Millbank Primary School</li> <li>An extension to Adamsdown Primary School</li> <li>An extension to Coed Glas Primary School</li> <li>An extension to Ysgol Y Wern</li> <li>New Science Block at Fitzalan High</li> </ul> </li> <li>These address in the main the sufficiency issues in the Primary Sector.</li> <li>The Procurement of the new Eastern High School, in partnership with Cardiff &amp; Vale College is complete, the construction contract signed for £26m with Willmott Dixon and the buildings works commenced on site.</li> <li>The procurement of the 3 new primary school buildings for Howardian Primary, Ysgol Hamadryad and Ysgol Glan Morfa is complete, at £13.5m with Morgan Sindell. The schools are currently being designed and will be submitted for planning approval in January 2017.</li> <li>The procurement of the new High School in the West is due to commence in the Autumn 2016 with a contractor being appointed to design &amp; building the school in January 2017.</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>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 Autumn 2017.</li> <li>Restructure of team completed.</li> </ul> | C | 3 | Medium Priority<br>(Amber/Green) | <p>All risks being monitored and reported to Schools Programme Board.</p> <ul style="list-style-type: none"> <li>'Turn Key solutions' being progressed on all new school builds 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>Capacity strengthened in SOP Team.</li> </ul>   | <p>Nick Batchelar</p> <p>(Janine Nightingale)</p> <p>Councillor Sarah Merry - Education</p> |
| <b>ONGOING RISKS</b>   |  |   |   |               |  |   |   |                                  |   |   |
| <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>   | Nick Batchelar  |

| 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.</li> <li>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>In February 2016, following their inspection of the Central South Consortium, Estyn reported that the Consortium had a clear vision and strategy to improve schools that is understood by most stakeholders and underpins support for school improvement well. The consortium works well with its local authority partners to share information about the performance of schools across the region, and to identify schools causing concern.</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.</p> |   |   | (Red/Amber)                    | <ul style="list-style-type: none"> <li>Education 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><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 | <p>Measurements put in place to track impact.</p> <ul style="list-style-type: none"> <li>Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided to address major issues.</li> <li>Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches, external bandwidth and network storage.</li> <li>New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed with minimum disruption.</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 to allow business users to plan replacements as required.</li> <li>Thin client server farms fully refreshed with new hardware and software versions upgraded and aged thin client Xtreme PC's being phased out</li> </ul>   | B | 3 | Medium Priority<br>(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>Replace aged contact centre telephony.</li> <li>Assessment of equipment required replacing to maintain PSN compliance</li> <li>Further revenue and capital investment in 2017/18.</li> <li>Pilot leasing scheme within schools to be considered for corporate desktop estate.</li> <li>Migrating remote workers users to latest agile working model where possible.</li> <li>Replacement of older slower disks in many PC's with solid state disks to improve performance and extend usable life</li> <li>Continued reduction in aged Xtreme devices some of which were over 11 years old – over 1500 replaced in last two years leaving 1800.</li> </ul> | <p>Christine Salter</p> <p>(Phil Bear)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</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>Safeguarding</b></p> <p>Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners</p>  | <p>Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community</p> <ul style="list-style-type: none"> <li>A child/ren or adult/s suffers avoidable significant harm or death.</li> <li>Reputation of Council and partners.</li> <li>Severe adverse publicity.</li> <li>Potential regulator intervention.</li> <li>Loss of confidence by the community in the safety of children and adults.</li> <li>Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention.</li> <li>Potential litigation with associated financial penalties.</li> </ul>   | B | 1 | High Priority | <ul style="list-style-type: none"> <li>Implementation of Social Services &amp; Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding.</li> <li>Strategic review of safeguarding governance across the region in partnership with the Vale of Glamorgan Council.</li> <li>Strategic review of the functioning of the Regional Safeguarding Adults Board (completed).</li> <li>Ongoing implementation of the child Sexual Exploitation Strategy.</li> <li>Implementation of the Corporate Safeguarding Board work programme.</li> </ul>  | C | 1 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <li>Strategic review of the functioning of the Regional Safeguarding Children Board (imminent).</li> <li>Growth bids to support operational safeguarding capacity in safeguarding teams.</li> <li>Training staff in relation to Adult Protection Orders.</li> <li>Cardiff Council to host the all-Wales Adult and Child Protection Procedure re-write.</li> </ul>  | <p>Tony Young</p> <p>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</p> <p>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</p> <p>Davina Fiore</p> <p>Councillor Graham Hinchey, Corporate Services &amp; Performance</p> |
| <p><b>Budget prioritisation</b></p> <p>Failure to deliver the statutory obligation of setting a balanced annual budget and a fully informed Medium Term Financial Plan which takes into account statutory budget planning obligations (compounded by the risk of only receiving annual 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 obligations.</li> <li>Risk that service delivery impacted due to uncertainty in the budget planning process resulting in decreasing resources or failure to effectively prioritise spend in line 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 have not been robustly reviewed for achievability and will not deliver as planned.</li> <li>Risk that financial constraints and budget proposals result in unintended consequences such as 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>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>2017/18 and Medium Term</b></p> <ul style="list-style-type: none"> <li>The 2017/18 Provisional Settlement is due 19 October. July 2016 assumption was a -1% decrease and this has now been amended to -0.25% as a result of indicative population and RSG redistributive movements shared prior to the Provisional announcement.</li> <li>The 2016/17 settlement allowed the Council 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. This mechanism will continue to be reviewed in order to reduce future risk but allow one-off investment and development in the meantime.</li> <li>The final 2016/17 Budget was 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>2016/17 and the following two years 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. This exercise has been refreshed and reviewed in looking at 2017/18 and 2018/19 budget proposals</li> <li>The MTFP set out in the July Budget Strategy Report shows an estimated Budget Reduction Requirement of £75.297m for the medium term (2017/18-2019/20).</li> <li>The July Budget Strategy Report looks to identify £17.977m savings for 2017/18 with the use of earmarked reserves, Council Tax increase and Cap on schools growth to identify the remaining £7.204m.</li> <li>The 2017/18 Directorate budget proposals were developed over the period of May – July. Those proposals have been shared informally with Cabinet and been subject of a level of due diligence testing. Draft proposals have been developed and continue to be worked upon for 2018/19.</li> <li>Capital Programme assessed for additional commitments and new bids with a prioritisation assessment being undertaken over the period of August to November. The impact on cost of borrowing is looked at in alignment with the prioritisation so that any schemes approved can be funded through the overall financial envelope.</li> <li>Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act.</li> </ul> | C | 2 | Medium Priority<br>(Red/Amber) | <p><b>2017/18 and Medium Term</b></p> <ul style="list-style-type: none"> <li>Continue the work that ensures alignment with the demands of the Wellbeing of Future Generations Act with the 2017/18 Budget Strategy and any proposals.</li> <li>Ensuring closer alignment with objectives of the Corporate Plan and the Organisational Development Programme in order to ensure resources are allocated appropriately and that longer term financial savings are developed in enough time to be realised in the medium term.</li> <li>Consultation and engagement on the Budget Proposals on target for early November in order to ensure timetable for Budget to be agreed at February Council. This is to ensure adequate time is built in to consider the feedback from the consultation and engagement process.</li> <li>Leading up to the provisional settlement and beyond, there will be an ongoing review of key planning assumptions and scenarios in order to react swiftly to the announcement on 19 October 2016.</li> </ul> <p><b>Medium Term</b></p> <ul style="list-style-type: none"> <li>Continued due diligence, challenge of proposals and development of detailed plans for both 2017/18 and 2018/19.</li> </ul> | <p>Christine Salter<br/>(Ian Allwood)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>   |
| <p><b>Financial Resilience</b></p> <p>The Financial resilience of the Council over the medium term is significantly weakened so that it is financially unable to discharge its statutory obligations and services to the citizens of Cardiff.</p>   | <p>Reputational / Financial / Legal / Service delivery / Stakeholder</p> <ul style="list-style-type: none"> <li>The risk that the Council will not be able to react to adverse situations through a combination of poor imprudent planning and significant challenges such as increasing demands for services such as social services, education, roads etc.</li> <li>The risk is that the Council will not be able to operate within the financial funds available to it and fail in its statutory duty to deliver services.</li> <li>Reputational risk of defaulting on creditor / payroll payments thus creating uncertainty across the</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 governance 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</li> </ul>   | C | 2 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <li>Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed.</li> <li>Work in respect of improving savings plans continues in order to increase the % of savings proposals accepted that deliver. The key focus is due diligence, challenge and development of detailed plans but with an emphasis and accountability to the directorate which proposed the saving. 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 continue in order to further build on</li> </ul>   | <p>Christine Salter<br/>(Ian Allwood)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>   |

| Risk Description  | Potential Consequence   | L | C | Inherent Risk | Current/Existing Controls  | L | C | Residual Risk | Proposed Improvement Action   | Risk Owner & Cabinet Member   |
|---|---|---|---|---------------|--|---|---|---------------|---|---|
|   | community of Cardiff and beyond.<br><ul style="list-style-type: none"> <li>The risk that this leads to intervention and increasing adverse impacts on the community of Cardiff that rely on the services being delivered by the Council.</li> </ul>   |   |   |               | improvement of links between the MTFP and Organisational Development Programme, Service Plans and Improvement Plans.<br><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 (Feb16 &amp; Feb 17), Budget Strategy (Jul) and to Audit Committee.</li> </ul>   |   |   |               | work already undertaken in the Budget Strategy Work Programme.  |   |
| <b>Budget Monitoring (Control)</b><br>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.  | <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 thus adversely impacting on ability to meet Corporate plan objectives.</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>Availability of General Reserve should this be required.</li> <li>The final 2015/16 outturn showed a surplus of £1.696 million. However this included an overspend of £4.635m in relation to directorate budgets with shortfalls of £6.586m against 2015/16 savings targets and £2.837m against shortfalls carried forward from 2014/15.</li> <li>As part of the 2016/17 Budget process £3.029m of these budget savings not achieved were written back into the budget.</li> <li>The Corporate Director of Resources, Chief Executive and Cabinet Members have continued to hold challenge meetings going forward into 2016/17 in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate.</li> <li>The 2016/17 Month 4 monitoring report presented to Cabinet highlighted an overspend of £850,000. Directorate budgets projected to be overspend by £6.5 million partially offset by general contingency of £4 million.</li> <li>Full financial monitoring processes is in place for month 3 to 11 of the financial year including achievement of budget savings with months 3 to 6 completed.</li> <li>Monthly meetings held between service accountants, directors and Cabinet Members.</li> </ul>   | B | 2 | High Priority | <ul style="list-style-type: none"> <li>The balance of any 2015/16 or 2016/17 savings targets designated as not being achievable will be reviewed and considered as part of the 2017/18 Budget.</li> </ul>   | Christine Salter<br><br>(Allan Evans)<br><br>Councillor Graham Hinchey - Corporate Services & Performance |
| <b>Health and Safety</b><br>Effective compliance of health and safety through poor application and embedding of the 'Framework for Managing Health and Safety in Cardiff Council.'  | Reputational / Legal / Financial / Service delivery<br><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 commenced in March 2016, following this a review of current arrangement for health and safety has been undertaken, the following issues have been highlighted as priority for improvement action:-</li> <li>Statutory Maintenance Compliance – Provide a central system of recording statutory inspections and monitoring the closing out of resulting remedial tasks in line with legislative requirements. H&amp;S to Support with development and implementation and monitor compliance statistics.</li> <li>Review of Policy/Codes of Guidance – Review and bring up to date required H&amp;S Policy and guidance to ensure they are reflective of current legislation and best practice.</li> <li>Implement programme of Health and Safety Training via. The Academy in order to ensure competency and ongoing refresher training.</li> <li>H&amp;S and OH to improve Health Surveillance in line with legislative requirements, review policy and establish health surveillance clinic within the city to increase attendance and reduce disruption to front line services.</li> <li>Review Violence at Work and PACD System to ensure that they remain effective in reducing the risk from members of the public who are known to be aggressive/violent.</li> <li>Review Asbestos Management Arrangements to ensure that the risk from exposure to asbestos is adequately managed in line with Legislative requirements.</li> <li>Ensure current health and safety resource is targeted at high risk areas of the organisation in order to mitigate risk and reduce loses. Annual Review and monitoring plan produced.</li> <li>Assist in providing a discrete health and safety support service for schools via. SLA in order to reduce the risk to staff and pupils and improve statutory compliance on health and safety matters.</li> </ul> | Christine Salter<br><br>Councillor Graham Hinchey - Corporate Services & Performance                      |
| <b>Climate Change &amp; Energy Security</b><br>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. | Reputational / Financial / Stakeholder / Service delivery / Legal / Partnership / Community / Health & Safety<br><br>Flooding & increased frequency and severity of storm events:<br><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> </ul>  | B | 1 | High Priority | Emergency Management Unit<br>Cardiff Council Emergency Management Unit is working through the Local Resilience Forum (LRF) structure to ensure planning is carried out with consideration of flood risk.<br><ul style="list-style-type: none"> <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> </ul> We are engaging internally with The Welfare of Future Generations Act to integrate the community work with the Councils strategy and externally with voluntary organisations such as C3SC to provide training to   | B | 1 | High Priority | Flood Risk Management<br><ul style="list-style-type: none"> <li>An officers flood working group has been establish to improve internal and key stakeholder communications on flooding issues.</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).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>The proposal to further progress Surface Water modelling</li> </ul>   | Andrew Gregory<br><br>Councillor Bob Derbyshire - Environment   |

| 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>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> |   |   |               | <p>community groups across Cardiff</p> <ul style="list-style-type: none"> <li>Cardiff Council Emergency Management Unit have in place a 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 has 5 active community flood plans with others in the planning stage. We have produced a 'Preparing for Emergencies – A Guide for Communities' 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><u>Energy Management Unit</u></p> <ul style="list-style-type: none"> <li>The Council procures competitive energy contracts through the Crown Commercial Services 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 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.</li> <li>The new strategy is accompanied by a project programme which is currently being implemented with projects categorised across all strands.</li> <li>Key project achievements include 16 LED lighting upgrades to schools, 700kW of solar PV installed across the estate as well as the commissioning of the Radyr Weir Hydroelectric scheme with a capacity of 400kW,</li> <li>Progress in 2015/16 has achieved a 6.9% reduction in carbon versus 2013/14 baseline.</li> </ul> <p><u>Local Flood Risk Management Strategy</u></p> <p>A Local Flood Risk Management Strategy was produced as a requirement of the Flood and Water Management Act 2010 in accordance with WG's Flood &amp; Coastal Risk Strategy guidance. The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management.</p> <p><u>Flood Risk Management Plan</u></p> <p>In 2013, as a requirement of the Flood Risk Regulations 2009, the Environment Agency, working with Natural Resources Wales and Lead Local Flood Authorities, produced the updated Flood Map for Surface Water (uFMfSW). The maps identify the risk, extent, velocity and hazard posed to Cardiff for a series of rainfall events.</p> <p>These maps have been used to inform the Flood Risk Management Plans, which Cardiff have produced as a requirement of the Flood Risk Regulations 2009. The plan sets out how Cardiff Council will over the next six years manage flooding so that the communities most at risk and the environment benefit the most. The plan does this by:</p> <ul style="list-style-type: none"> <li>Highlighting the areas most at risk of flooding from surface water, ordinary watercourses and groundwater in Cardiff Council's area;</li> <li>Draws conclusions from these risks; and</li> <li>Sets out the measures that will be implemented over the 6 year cycle to mitigate these risks and make our communities more resilient.</li> </ul> <p><u>Planning</u></p> <p>The Local Development Plan was adopted in January 2016 and includes policies seeking to reduce flood risk and new development. In order to monitor the effectiveness of these policies the LDP Annual Monitoring Report (AMR) includes indicators relating to flood risk which set targets that no planning permissions will be granted for highly vulnerable development within C2 floodplain area and only within C1 floodplain area if it meets TAN15 tests. There is also an indicator committing the Council to prepare Supplementary Planning Guidance (SPG) relating to Flooding to support and amplify the flood risk related policies in the adopted LDP.</p> <p><u>Sustainable Development Unit</u></p> <ul style="list-style-type: none"> <li>Changing Climate, Changing Places pilot project.</li> <li>Share learning experiences of climate change related risks with Integrated Strategy partners as and when information becomes available.</li> <li>Strategic climate change resilience action plan approved by Cabinet as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues.</li> </ul> |   |   |               | <p>further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government</p> <ul style="list-style-type: none"> <li>To consider the long term planning implications for coastal protection owned/managed by the Council. 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 wider benefits, and project appraisal will seek to identify options to remedy coastal erosion and will also have a consideration for the coasts flood defence standards.</li> </ul> <p><u>Emergency Management Unit</u></p> <ul style="list-style-type: none"> <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> </ul> <p><u>Sustainable Development Unit</u></p> <ul style="list-style-type: none"> <li>Climate Change to be considered as part of the Well-Being Assessment and subsequent actions in the Well-Being Plan.</li> <li>Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors to agree a consistent method of emissions reporting and action planning so as to not duplicate efforts and get maximum benefit from the commitments.</li> </ul> <p><u>Energy Management Unit</u></p> <ul style="list-style-type: none"> <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 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> |                             |



| 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>Corporate PI on climate change resilience developed to help support the authority and its services to be 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). However, there has been limited response from Directorates due to key staff leaving and organisational changes.</li> <li>The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Initial data submitted for the Compact of Mayors Carbon Disclosure Project.</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</li> <li>These could consist of: <ul style="list-style-type: none"> <li>a Stop Now Order which would mean that no personal data could be processed by the Council in its entirety</li> <li>An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery</li> </ul> </li> <li>Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit</li> <li>Enforcement Notice requires immediate improvement action to be put in place</li> <li>Financial Penalty up to £500,000 (currently)</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 and a revised e-learning programme developed to take forward data protection training. This e-learning platform is a bilingual training programme.</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> <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> <li>Advice and assistance provided to collaborative services of the Educational Consortium, Vale, Valleys and Cardiff Regional Adoption Service where Cardiff is not the Data Controller</li> <li>Advice and Guidance Service in operation to Cardiff Schools (with the exception of Eastern High and St Illytds) to support compliance within schools and governing bodies</li> <li>Advice and guidance available to Directors and Lead Officers on the Information Governance aspects of Alternative delivery Models</li> <li>Digitisation of Records forms part of the considerations of the OD Programme for services becoming 'digital by default'</li> <li>Work to support the Share Regulatory Service (SRS) is in place to ensure that the on-going information governance requirements are met and delivered linked to the wider Governance arrangements of this venture</li> </ul> | B | 2 | High Priority | <ul style="list-style-type: none"> <li>The Information Governance Team (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>Review remaining 10% of Information Requests siting in Directorates with a view to bringing them into the 'One Council Approach' by December 2017</li> <li>An Information Governance Maturity Model is being drafted to assess the overall Council position in relation to Information Governance Risk by December 2017</li> <li>Digitalisation of paper records strategy to be developed and agreed by March 2017</li> </ul> | <p>Christine Salter</p> <p>(Vivienne Pearson)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</p>  |
| <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>Multi-Agency Safeguarding Hub (MASH).</li> <li>Social Services Reshaping Programme.</li> <li>Adult Social Care Strategic Commissioning Programme.</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>Remodelling Children's Services implementation commenced.</li> <li>Remodelling services to disabled children commenced – supported by Intermediate Care Fund (ICF).</li> <li>Community Resource Team moved to 7 day working.</li> <li>Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place.</li> </ul>  | B | 2 | High Priority | <ul style="list-style-type: none"> <li>Redesign services for children with emotional, behavioural or mental health difficulties (UHB led).</li> <li>Locality pilot designed to integrate Council, Housing, Primary Care, GP clusters and domiciliary care provision within defined geographical areas to commence in 2016-17 – plans progressing well.</li> <li>Identify commercialisation opportunities.</li> </ul>   | <p>Tony Young</p> <p>Councillor Sue Lent, Deputy Leader - Early Years, Children &amp; Families</p> <p>Councillor Susan Elsmore – Health, Housing &amp; Wellbeing</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>Promoting Independence</b></p> <p>Failure to sustain an effective whole system approach that enables adults with significant health needs to remain in, or return to, their own homes and reduces the need for / length of hospital stays</p>                 | <p>Reputational / Legal / Financial / Community / Stakeholders / Service delivery</p> <ul style="list-style-type: none"> <li>Increase in Delayed Transfers of Care (DToC).</li> <li>Poorer outcomes for adults.</li> <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>Performance challenges set to improve DToC - includes ongoing close monitoring of DToC Plan.</li> <li>Joint action plan received and agreed by the Health Minister under frequent review to monitor progress.</li> <li>Health &amp; Social Care Integration - continued progression on integration with Health - partnership / governance.</li> <li>Community Resource Team moved to 7 day working.</li> <li>Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place.</li> <li>Strategy to engage more proactively with the market in order to support better sustainability in domiciliary care established.</li> </ul>   | C | 1 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <li>Strategic review of reablement as part of ODP.</li> <li>Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new framework arrangements for the</li> </ul>   | <p>Tony Young</p> <p>Councillor Susan Elsmore - Health, Housing &amp; Wellbeing</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><br/>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> | C | 2 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <li>A Performance Management Programme has been launched to address three key areas relating to Reporting, Planning and Challenge.</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>Increasing the transparency with which we manage our performance</li> </ul> </li> <li>The project teams have ensured their work incorporates the requirements of The Well-Being of Future Generations Act 2015, and the managed transitions between the Local Government (Wales) Measure 2009 and the requirements of the new legislation.</li> <li>The project teams have developed a new Quarterly performance report template that has been considered and accepted at SMT and formed the basis for reporting at Q1.</li> <li>The project teams will be continuing to evolve this template to ensure greater focus of reporting. Consistent RAG ratings have been agreed and developed for Corporate Plan commitments. The project teams are now considering an agreed approach for target setting.</li> <li>The three key areas of the Performance Management Programme are ongoing</li> <li>Outputs of this projects are: <ul style="list-style-type: none"> <li>Incremental changes for the Quarterly Report for the Quarter 2 performance report.</li> </ul> </li> <li>The Self Assessment process has been completed and fed into the SMT Corporate Plan workshop which identified high level key themes that link the Wellbeing &amp; Future Generations Act.</li> <li>A new Directorate Delivery Plan template has been developed which also incorporates the Future Generations requirements and the 5 ways of working. A Directorate Delivery Plan executive summary is currently being explored.</li> <li>A consistent RAG methodology has been developed to enable a mathematical approach be applied to performance indicators</li> <li>A scorecard is being developed for the Quarter 2 performance and will be presented to PRAP.</li> <li>PSG (Performance Support Group) has been established. Quarter 2 performance report will be viewed at the meeting on the 20<sup>th</sup> October with one of the outputs of this being a structured conversation being developed for the Star Chamber agenda. A consistent and robust approach to target setting is being developed.</li> </ul> | <p>Christine Salter</p> <p>(Joe Reay)</p> <p>Councillor Graham Hinchey - Corporate Services &amp; Performance</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>Control Risk Self Assessment tool piloted in OD to inform strengths and weaknesses in controls and help prioritise areas for improvement.</li> </ul>   | C | 2 | Medium Priority<br>(Red/Amber) | <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 have taken place 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> <li>Resources plan being developed by OD Team to ensure current and future projects have adequate resources. This plan will be shared with SMT in quarter 3.</li> <li>An organisational development process has been drafted to ensure that any new work given to the OD team is reviewed and prioritised. This new process may well lead to some work not being resourced by the OD team and therefore we are looking for SMT to be involved in this new way of working. This is to be presented to SMT in quarter 3 and links in with the resources plan for the OD team.</li> </ul> | Christine Salter<br>(Dean Thomas)<br><br>Councillor Graham Hinchey - Corporate Services & Performance |
| <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><b>Health and Safety</b> – potential impact on staff and on the public relying on our most, time sensitive, critical services.</li> <li><b>Legal action</b> -Failure of key services could lead to Legal action against the council.</li> <li><b>Financial</b> - Failure of key services could led to significant financial cost both in terms of Ombudsman action and Enforcement action from regulatory bodies as well as individual leagal action against the corporate body where service failure leads to legal action against us from private claimants.</li> <li><b>Reptational</b> - Impact on key services to the public could lead to significant reputational damage to the organistaion.</li> <li><b>Stakeholder</b> – Impact on key stakehodlers as result of failure.</li> <li><b>Service delivery</b> – Potential significant impact on service delivery to the public, impact of key services could lead to significant impacts to the public and the corporate body un delivering its services.</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 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 Council has a 24 hour Incident Management structure for Gold and Silver Officers.</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>74% of our most time critical activities (Reds) now have Business Continuity plans which have met, or are going through, audit. Work on the remaining plans is ongoing to close gaps and bring them up to date and in line with the corporate audit requirement</li> <li>24 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement.</li> <li>Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 6 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>Internal 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</li> </ul> | C | 1 | Medium Priority<br>(Red/Amber) | <ul style="list-style-type: none"> <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 core buildings.</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>The Emergency Management Unit are planning a piece of partnership work with ICT to support areas that provide red activities in assessing the impact the loss of technical services, and ensuring suitable mitigation is in place to make our red services more resilient, where this is possible.</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> </ul>   | Christine Salter<br><br>Councillor Phil Bale, Leader – Economic Development & Partnerships            |



| Risk Description   | Potential Consequence  | L | C | Inherent Risk | Current/Existing Controls  | L | C | Residual Risk                  | Proposed Improvement Action   | Risk Owner & Cabinet Member   |
|--|--|---|---|---------------|--|---|---|--------------------------------|---|---|
|  |  |   |   |               | <p>organisational resilience.</p> <ul style="list-style-type: none"> <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 appropriate Threat and Response Policy to support council security arrangements.</li> </ul>  |   |   |                                |   |   |
| <p><b>Education – Schools Delegated Budgets</b></p> <p>Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.</p>  | <p>Reputational / Legal / Financial.</p> <ul style="list-style-type: none"> <li>Budget implications.</li> <li>Reducing educational standards.</li> <li>Intervention from WG</li> </ul>   | A | 2 | High Priority | <ul style="list-style-type: none"> <li>2016/2017 Budget allocations issued to schools in early March 2016 and monitoring arrangements put in place for those schools showing financial concern.</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 previous 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>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</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<br>(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 took 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><b>Nick Batchelar</b><br/>(Neil Hardee)</p> <p><b>Councillor Sarah Merry - Education</b></p> |
| <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>Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer decision reports at Director level.</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<br>(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><b>Davina Fiore</b></p> <p><b>Cllr DeAth - Skills, Safety &amp; Engagement</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>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> <li>• Developed mandatory disciplinary e-learning module for all managers to complete.</li> <li>• A package of mandatory e-learning modules were developed for the pool of Hearing Chairs, Investigating Officers and Presenting Officers throughout quarter one 2016/17.</li> <li>• A pool of Hearing Chairs and Investigating Officers have commenced mandatory face to face and e-learning training.</li> <li>• Presenting officer face-to-face training and e-learning modules commenced in Q2.</li> <li>• Mandatory disciplinary e-learning module for all managers to be completed as part of the PPDR process by 31 July 2016.</li> <li>• Reported to Audit Committee September 16, to ensure awareness of the three documents published by CIPFA and an Executive Summary on Fighting Fraud and Corruption Locally.</li> </ul> | B | 3 | Medium Priority<br>(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>• Continue to deliver the mandatory face to face training for investigating Officers to improve the standard of investigations.</li> <li>• Continue to deliver the mandatory face to face training for Disciplinary Hearing Chairs, and monitor training.</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 3 2016.</li> <li>• By the end of 2016/17 effectiveness will be measured against the Fighting Fraud and Corruption Locally Strategy.</li> <li>• A Fraud Publicity Strategy has been approved, to publicise the Council's approach to counter fraud work / sanction activity and explain the roles and responsibilities of key parties.</li> </ul> | <p>Christine Salter<br/>(Ian Allwood)</p> <p>Councillor<br/>Graham Hinchey -<br/>Corporate Services &amp; Performance</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>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> <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> <li>Corporate Asset Management Plan 2016/17 considered by Cabinet in July 2016.</li> <li>A property investment board has been established comprising officers from Strategic Estates, Capital and Revenue Accounts and also an external property advisor. The external property advisor was appointed in March 16.</li> <li>Advisor appointed in Q1 to assist with the review of all investment assets and to develop an Investment Estate Strategy.</li> <li>Completed Insole Court community asset transfer (CAT), which was the largest CAT in Wales.</li> <li>Progressing Corporate Asset Management Plan targets. In quarter 2 we achieved 0.9 reduction in GIA, 2.2% reduction in running costs, £3,054,000 reduction in maintenance backlog, and £2,401,710 in capital receipts.</li> </ul> | D | 2 | Medium Priority<br>(Amber/Green) | Investment Strategy will be presented to Cabinet for agreement in Q3.  | <p>Neil Hanratty</p> <p>Councillor<br/>Phil Bale,<br/>Leader –<br/>Economic<br/>Development &amp;<br/>Partnerships</p>                   |
| <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 | 3 | Medium Priority<br>(Red/Amber) | <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 | 3 | Medium Priority<br>(Red/Amber)   | <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. The milestones are set out in the project plan and regularly reviewed. This plan is reviewed monthly through the Workforce Strategy programme which in turn reports through to the Enabling and Commissioning Board.</li> </ul> | <p>Christine Salter</p> <p>(Philip Lenz)</p> <p>Councillor<br/>Graham<br/>Hinchey -<br/>Corporate<br/>Services &amp;<br/>Performance</p> |

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**SENIOR MANAGEMENT ASSURANCE STATEMENTS - 2016/17 MID YEAR  
SUMMARY**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.2**

**Reason for Report**

1. This report has been prepared to provide Audit Committee with a summary of the completed Senior Management Assurance Statements (SMAS's) for the mid-year position in the financial year 2016/17.

**Background**

2. Central to good governance is being open and transparent in our affairs, highlighting any areas of concern at a corporate level and setting out effective arrangements for their management.
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. The purpose of the AGS is to provide a true reflection of the governance arrangements in place within the Council.
4. Completion of the SMAS requires each Director to respond to a set of statements reflecting how they have discharged their role in the financial year to date. The 2015/16 year-end saw the introduction of a Chief Executive Assurance Statement to ensure assurance responses are received from the full Senior Management Team (SMT).
5. The SMAS process also requires senior management to review the significant governance issues carried forward from the AGS 2015/16. The SMT position at the year-end will be incorporated into the AGS 2016/17.

**Issues**

6. It is now common practice for Senior Managers to use their respective management team meetings as a forum for discussing and completing their SMAS assurance responses.
7. The Chief Executive answered 'yes' to each of his assurance statements and out of the 335 assurance responses from Directors collectively, there were 318 'yes' responses and 17 'partly' responses. Out of the 'partly' response the largest identified scope for improvement is the area relating to project quality assurance.

8. One Chief Executive Assurance Statement and seven SMAS's were issued and all were returned. A summary of the outcome is attached at Appendix A.
9. Supporting information has been sought from Internal Audit at the mid-year review initially as an aid to assisting the development of discussions building up to the production of the AGS. There is an intention to further develop the breadth of information which contributes to the AGS throughout the year.
10. The Head of Finance and OM, Information Governance and Risk attended Senior Management Team on the 15 November 2016 to provide a summary outcome, and to discuss any significant issues submitted by Directors.

### **Reason for Recommendation**

11. To inform the Audit Committee of the summary content of the returned Senior Management Assurance Statements at the mid-year position.

### **Legal Implications**

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

### **Financial Implications**

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

### **Recommendation**

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

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
29 November 2016

The following Appendix is attached:

**Appendix A** – Summary of Senior Management Assurance Statements 2016/17 (Mid-Year)

**Figure 1 – Summary of Chief Executive Assurance Statement 2016/17 (Mid Year)**

|           | <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 2016/17 (Mid Year)**

| <b>Assurance Statement</b> |  | <b>Yes</b> | <b>Partly</b> | <b>No</b> |
|----------------------------|--|------------|---------------|-----------|
| 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.  | 40         | 2             | -         |
| 3.                         | <u>Partnerships / Collaboration Risk</u> - Appropriate consideration of the risks associated with any partnership or collaborative activity have been determined before any agreement has been entered into by the Council.  | 14         | -             | -         |
| 4.                         | <u>Compliance with Council Rules</u> - Officers within my Directorate are aware of, and comply with, applicable policies, rules, legal and regulatory requirements. Officers involved with financial and procurement matters and contracts are familiar with and comply with Financial Procedure Rules and Contract Standing Order & 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.        | 41         | 7             | -         |
| 6.                         | <u>Budget Monitoring</u> - The Directorate has effective budget monitoring arrangements in place and all efforts have been made to balance spend against budget for the financial year.  | 20         | 1             | -         |
| 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.   | 21         | -             | -         |
| 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.  | 20         | 1             | -         |
| 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.   | 26         | 2             | -         |
| 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.   | 20         | 1             | -         |
| 11.                        | <u>Service Delivery</u> - The Directorate has the structure in place to maintain and deliver an appropriate standard of service for customers and stakeholders.  | 24         | 2             | -         |
| 12.                        | <u>Performance Measurement &amp; Management</u> - KPI and benchmarking data are 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         | 1             | -         |
| <b>Total</b>               |  | <b>318</b> | <b>17</b>     | <b>0</b>  |

\* Summary of the 7 Completed Directorate Assurance Statements

**AUDIT COMMITTEE: 29 November 2016**

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**AUDIT COMMITTEE SELF-ASSESSMENT 2016-17**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 6.3**

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**Reason for Report**

1. The Audit Committee's Terms of Reference requires that members attend relevant training sessions in accordance with the Member Development Programme, including specialist training tailored for Members of the Audit Committee.
2. To provide the Audit Committee with an update on the results of the Committee's Self-Assessment Workshop that was completed on the 19 September 2016.

**Background**

3. Since January 2014, Members have received an annual report considering a self-assessment of the effectiveness of the Audit Committee. The self-assessments have either been completed as a facilitative workshop or as a desktop review.
4. The decision was taken that the 2016 self-assessment was to be a workshop, as one had not taken place for two years.
5. The Self-Assessment Framework used was based on best practice guidance from CIPFA, the requirements of the Local Government Measure and local knowledge of the Council. The workshop was facilitated by the Principal Auditor – Risk & Governance
6. The September 2016 workshop enabled Members of the Committee to undertake an assessment. The Self-Assessment Questionnaire was made up of twenty seven questions and Members were given the option of answering yes, no or partly to each question. All questions were answered and twenty three questions were answered as yes and three as partly and one as no. A copy of the assessment can be found at Appendix A.
7. Following completion of the assessment questionnaire an Action Plan was produced. The outcome represented six 'Proposed Improvement Actions' and two actions carried forward from the previous assessment.

## **Issues**

8. The Action Plan highlighted in Appendix B provides an update based on the position at September 2016. These actions and considerations looked to address the questions within the assessment which could only be answered in part or not at all.
9. The self-assessment identified that the membership of the Audit Committee had not been assessed against the core knowledge and skills framework. Whilst there were no concerns in respect of the competence of the members of the Committee, the Action Plan proposes that Audit Committee members are assessed against the Knowledge and Skills Framework. This is in order to provide assurance to the Audit Committee, that as a collective, the key skills required are present. It is recommended that it is trialled on a low impact basis in January 2017 with a view to a deeper analysis later on in the year.
10. The three areas that were identified as partly complete related to the terms of reference of the Audit Committee. Whilst it was recognised that the terms of reference was primarily clear in setting out its objectives, there was room for improvement, particularly in regard to good governance and value for money. It was agreed that a review of the terms of reference of the Audit Committee was needed in order to provide further clarity of purpose and this would be complemented by some form of communication newsletter from the Audit Committee outlining its work and purpose.
11. Two actions were taken forward from the previous self-assessment. The Audit Committee reinforced the importance of being assured that there was optimum use of Audit resources and wanted to emphasise the importance of continuing to monitor the performance of the Audit function. The second item related to ensuring that the relationship between Audit Committee and Scrutiny was clearly defined in order to ensure the best use of the members of the respective committees.

## **Legal Implications**

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

## **Financial Implications**

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

## **Recommendations**

14. That the Audit Committee approves the Action Plan set out in Appendix B.

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

The following Appendices are attached:

**Appendix A** – Audit Committee Self-Assessment

**Appendix B** – Audit Committee Self-Assessment Action Plan – September 2016



## Audit Committee Self-Assessment

### A) Self-Assessment of 'Effectiveness'

#### Assessment Key

| Score    | Description  |
|----------|--|
| <b>5</b> | Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable. |
| <b>4</b> | Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.   |
| <b>3</b> | The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.                    |
| <b>2</b> | There is some evidence that the committee has supported improvements, but the impact of this support is limited.   |
| <b>1</b> | No evidence can be found that the audit committee has supported improvements in this area.   |

#### Self-Assessed Score

| Areas where the audit committee can add value by supporting improvement  | Score      |
|--|------------|
| Promoting the principles of good governance and their application to decision making.  | <b>4</b>   |
| Contributing to the development of an effective control environment.   | <b>5</b>   |
| Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.                                    | <b>3.5</b> |
| Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.                             | <b>4</b>   |
| Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.                                       | <b>5</b>   |
| Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements. | <b>4.5</b> |
| Supporting the development of robust arrangements for ensuring value for money.  | <b>3.5</b> |
| Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.              | <b>4.5</b> |
| Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.          | <b>4.5</b> |

## B) Self-Assessment of 'Good Practice'

| Good Practice Questions                       |   | Yes | Partly | No |
|---|---|-----|--------|----|
| <b>Audit Committee Purpose and Governance</b> |   |     |        |    |
| 1   | Does the authority have a dedicated audit committee?  | √   |        |    |
| 2   | Does the audit committee report directly to full council? (Applicable to local government only.)  | √   |        |    |
| 3   | Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?   |     | √      |    |
| 4   | Is the role and purpose of the audit committee understood and accepted across the authority?  | √   |        |    |
| 5   | Does the audit committee provide support to the authority in meeting the requirements of good governance?   | √   |        |    |
| 6   | Are the arrangements to hold the committee to account for its performance operating satisfactorily?   | √   |        |    |
| 7   | Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?   |     |        |    |
|   | • good governance   |     | √      |    |
|   | • assurance framework   | √   |        |    |
|   | • internal audit  | √   |        |    |
|   | • external audit  | √   |        |    |
|   | • financial reporting   | √   |        |    |
|   | • risk management   | √   |        |    |
|   | • value for money or best value   |     | √      |    |
|   | • counter-fraud and corruption.   | √   |        |    |
| 8   | Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas? | √   |        |    |
| 9   | Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?      | √   |        |    |

| Good Practice Questions                       |  | Yes | Partly | No |
|---|--|-----|--------|----|
| <b>Audit Committee Purpose and Governance</b> |  |     |        |    |
| 10  | Where coverage of core areas has been found to be limited, are plans in place to address this?   | √   |        |    |
| 11  | Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?   | √   |        |    |
| <b>Membership and Support</b>                 |  |     |        |    |
| 12  | Has an effective audit committee structure and composition of the committee been selected?<br>This should include: <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• where independent members are used, that they have been appointed using an appropriate process.</li> </ul> | √   |        |    |
| 13  | Does the chair of the committee have appropriate knowledge and skills?   | √   |        |    |
| 14  | Are arrangements in place to support the committee with briefings and training?  | √   |        |    |
| 15  | Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?  |     |        | √  |
| 16  | Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?  | √   |        |    |
| 17  | Is adequate secretariat and administrative support to the committee provided?  | √   |        |    |
| 18  | Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?   | √   |        |    |
| 19  | Has the committee evaluated whether and how it is adding value to the organisation?  | √   |        |    |
| 20  | Does the committee have an action plan to improve any areas of weakness?   | √   |        |    |

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**Audit Committee Self-Assessment Improvement Actions - September 2016**

| Ref.  | Improvement Actions  | Target Date   | Action Owner  | Status |
|---|--|---------------|---|--------|
| <b>Actions Carried Forward from 2015/16</b> |  |               |   |        |
| 1.  | <p><u>Internal Audit Resource</u></p> <p>The impact of reducing resources within the Audit team to continue to be monitored and highlighted. Regular reports are required from the Audit Manager.</p>  | Ongoing       | Audit Manager   |        |
| 2.  | <p><u>Audit / Scrutiny Protocol</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>This will be progressed through engagement with the new Director for Governance and Legal Services (Davina Fiore).</p>  | Ongoing       | Audit Manager & Director, Governance and Legal Services.                  |        |
| <b>(New) Proposed Improvement Actions</b>   |  |               |   |        |
| 3.  | <p><u>Audit Committee Terms of Reference</u></p> <p>Audit Committee to review its Terms of Reference in consideration of the CIPFA best practice guidance in readiness for the 2017/18 municipal year. This will also require consideration of the Local Government (Wales) Bill implications for the anticipated widening role of the Committee.</p> <p>Focus is particularly required in respect of the extent of risk management, performance and partnership oversight responsibilities.</p> | November 2016 | Audit Committee, Audit Manager & Director, Governance and Legal Services. |        |
| 4.  | <p><u>Role and Purpose of Audit Committee</u></p> <p>The Audit Committee to consider the publication of a newsletter to assist officers and members in understanding its role, purpose and work.</p>   | November 2016 | Audit Manager   |        |
| 5.  | <p><u>Audit Committee information / Reports</u></p> <p>There is an opportunity to discuss the ongoing work programme at the end of each Audit Committee meeting and to decide if additional reports are to be requested from Management.</p>   | November 2016 | Audit Manager   |        |

| Ref.                                      | Improvement Actions   | Target Date   | Action Owner                    | Status |
|---|---|---------------|---------------------------------|--------|
| <b>(New) Proposed Improvement Actions</b> |   |               |                                 |        |
| 6.  | <u>Agenda Setting</u><br>The pre Audit Committee Meeting could have more briefings and officer presentations. This would assist in the wider discussion of issues which may be of interest at the agenda setting stage. | November 2016 | Audit Manager                   |        |
| 7.  | <u>Knowledge and Skills</u><br>The CIPFA 'Audit Committee Members – Knowledge and Skills Framework' to be trailed for skills and development assessments on a low impact basis.   | January 2017  | Audit Manager & Audit Committee |        |
| 8.  | <u>Audit Committee Minutes</u><br>Audit Committee minutes are required more promptly, with a target of a two week turnaround for the Chair to review.   | November 2017 | Democratic Services             |        |



# CITY OF CARDIFF COUNCIL CYNGOR DINAS CAERDYDD

**AUDIT COMMITTEE: 29 November 2016**

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## **WAO TRACKER/OTHER STUDIES**

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

**AGENDA ITEM: 8.1**

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#### **Reason for this Report**

1. The Audit Committee's Terms of Reference requires that members consider specific reports as agreed with the external auditors.
2. This report has been prepared to provide Audit Committee members with an update on the programme of work planned to be conducted by the Auditor General during 2016/17.

#### **Background**

3. The Auditor General for Wales undertakes a range of audit work in relation to improvement under the Local Government (Wales) Measure 2009.
4. This 'Tracker' sets out the programme of Wales Audit Office work, together with the indicative timeframes for reports.
5. The following Local government studies anticipated to be completed during 2016/17 were as follows:
  - Financial Position and Resilience (follow up study)
  - Council Funding of Third Sector Services
  - Strategic Approach of Councils to Income Generation and Charging for Services
  - Strategic Commissioning
  - Public Procurement and the National Procurement Service
  - Waste Management
  - School Places and Capital Investment in Schools Arrangement

#### **Work Programme**

6. In the period of October and early November, two local government study reports have been issued in respect to Community Safety in Wales and the Strategic Approach of Councils to Income Generation and Charging for Services. The following paragraphs provide a brief overview of the contents of each report in order for the Audit Committee to determine whether or not there are any further lines of enquiry it would like to explore in future meetings.

## **Community Safety in Wales**

[\(Link to Report\)](#)

7. The national study on Community Safety examined whether the Welsh Government, Police & Crime Commissioners and local authorities are working together effectively. The criteria used in forming the judgement of effectiveness of delivering against community safety were as follows:
  - Empowered and effective leadership
  - Intelligence led business processes
  - Engaged communities
  - Partnership working with effective and responsive delivery structures
  - Visible and constructive accountability
  - Appropriate skills and knowledge
8. The Auditor General's conclusion was that 'the complex responsibilities make it difficult for public bodies to co-ordinate a strategic approach to community safety, which weakens collective leadership and accountability and undermines the potential to help people stay safe'.
9. The report also identified that the funding of management and co-ordination of community safety had reduced by 32.7% thus questioning sustainability of structures without the identification of alternative funding. In addition, the report recognised the difficulties of measuring performance and impact of community safety activities.
10. Whilst the full report can be accessed via the link above, a summary of the recommendations can be found in Appendix 1 of the report. Six of the seven recommendations relate to local authorities as well as Police & Crime Commissioners and Welsh Government. Several of the recommendations centre on improving strategic partnership working, planning and ensuring effective management of performance of community safety going forward. In addition, there is a recommendation to review grant funding arrangements and move to pooled budgets with longer term commitments.
11. On the 2 November 2016, Community & Adult Services Scrutiny Committee considered the arrangements and performance of the Community Safety Partnership. The contents of the correspondence from the Chair of the Community & Adults Scrutiny Committee to the Cabinet Member for Skills, Safety, Engagement and Democracy can be found attached in Appendix 2.

## **Charging for Services and Generating Income by Local Authorities**

[\(Link to Report\)](#)

12. Published on 10 November 2016, this national study on charging for services and generating income examined several aspects of discretionary charging for services. The aspects examined were as follows:
  - How local authorities use their powers to introduce and increase charges on services
  - How performance on generating income has changed in recent years
  - The process of consulting with users on price changes
  - Impact assessments of charging decisions on users
13. All 22 local authorities in Wales took part in an online survey with 6 local authorities participating in a more thorough review of their approach to charging for services. The 6 authorities concerned were Caerphilly, Gwynedd, Merthyr Tydfil, Monmouthshire, Newport and Powys respectively.



14. The Auditor General's overall comment was that 'despite raising more money from charging, authorities are not pursuing all options to generate income because of weaknesses in their policies and in how they use data and information to support decision making.'
15. Whilst the full report can be accessed via the link above, a summary of the recommendations can be found in Appendix 3 of the report. Six of the eight recommendations relate to local authorities with the remaining two being attributed to Welsh Government and the WLGA which recommended reviewing the support given to local authorities in acting more commercially and reviewing national set fee regimes. The local authority recommendations range from developing strategic frameworks with more informed forecasting, more efficient means of collecting income, reviewing the cost of discretionary services to identify deficits and an impact assessment checklist.

### **Reasons for Recommendations**

16. To present the update on the Auditor General's improvement work programme and to consider whether or not either of the reports mentioned are considered at a future audit Committee.

### **Legal Implications**

17. There are no legal implications arising from this report.

### **Financial Implications**

18. There are no financial implications arising from this report.

### **Recommendations**

19. To note the work of the Auditor General and to consider which, if any, issues raised as a result of this report should form part of the Audit Committee work programme going forward.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
29 November 2016

*The following Appendices are attached:*

- Appendix 1 - Community Safety in Wales  
Appendix 2 - Letter from Chair, Community & Adult Services Scrutiny Committee to Cabinet Member for Safety, Skills, Engagement and Democracy  
Appendix 3 - Charging for Services and Generating Income by Local Authorities

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## Recommendations arising from the Audit Wales study on Community Safety in Wales

| <b>Recommendations</b>  |  |
|---|--|
| R1 Improve strategic planning to better co-ordinate activity for community safety by replacing the existing planning framework with a national strategy supported by regional and local plans that are focused on delivering the agreed national community-safety priorities.   | Welsh Government, Home Office Wales Team, Police and Crime Commissioners and local authorities |
| R2 Improve strategic partnership working by formally creating effective community-safety boards that replace existing community-safety structures that formalise and draw together the work of Welsh Government, police forces, local authorities, health boards, fire and rescue authorities, WACSO and other key stakeholders.  | Welsh Government, Police and Crime Commissioners and local authorities                         |
| R3 Improve planning through the creation of comprehensive action plans that cover the work of all partners and clearly identify the regional and local contribution in meeting the national priorities for community safety.  | Welsh Government, Police and Crime Commissioners and local authorities                         |
| R4 Review current grant-funding arrangements and move to pooled budgets with longer-term funding commitments to support delivery bodies to improve project and workforce planning that focusses on delivering the priorities of the national community-safety strategy.   | Welsh Government, Police and Crime Commissioners and local authorities                         |
| R5 Ensure effective management of performance of community safety by: <ul style="list-style-type: none"> <li>• setting appropriate measures at each level to enable members, officers and the public to judge progress in delivering actions for community-safety services;</li> <li>• ensuring performance information covers the work of all relevant agencies; and</li> <li>• establishing measures to judge inputs, outputs and impact to be able to understand the effect of investment decisions and support oversight and scrutiny.</li> </ul> | Welsh Government, Police and Crime Commissioners and local authorities                         |
| R6 Revise the systems for managing community-safety risks and introduce monitoring and review arrangements that focus on assuring the public that money spent on community safety is resulting in better outcomes for people in Wales.  | Police and Crime Commissioners and local authorities   |
| R7 Improve engagement and communication with citizens through Public Service Boards in: <ul style="list-style-type: none"> <li>• developing plans and priorities for community safety;</li> <li>• agreeing priorities for action; and</li> <li>• reporting performance and evaluating impact.</li> </ul>  | Public Service   |

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My Ref: Scrutiny/Correspondence/Cllr McGarry

7 November 2016

Councillor Daniel De'Ath  
Cabinet Member for Safety, Skills, Engagement and Democracy  
c/o Room 520  
County Hall  
Cardiff  
CF10 4UW



Dear Councillor De'Ath

**COMMUNITY & ADULT SERVICES SCRUTINY COMMITTEE 2 NOVEMBER 2016:  
COMMUNITY SAFETY**

Members wish to thank you, the Assistant Police and Crime Commissioner, the representatives from the Community Safety Partnership and internal officers for attending Committee last Wednesday. Members were pleased with the discussion and debate that was engendered, on partnership working to tackle crime and disorder and community safety issues, and found the contributions from all those attending really useful in helping them to understand current arrangements and plans to improve these as well as operational effectiveness. Members would also like to thank officers for assisting Scrutiny Services in the preparation of the papers for this item.

At the end of the meeting, Members asked me to write to you with the following observations, comments and recommendations which we hope will be of benefit to you and all partners in taking the Community Safety Partnership and associated work forward. The key themes of our feedback are:

- Governance
- Performance
- Operational Effectiveness – Community Cohesion
- Operational Effectiveness – Anti Social Behaviour.

With regard to governance, Members were keen to explore the impact of the Public Services Board (PSB) on the partnership governance landscape. Members note that there was general agreement that the new PSB and Community Safety Partnership (CSP) arrangements are an improvement on previous arrangements, particularly as there is now clarity about the involvement of the Police and Crime Commissioner, and that this allows for better alignment of priorities and funding. Members also note comments that it is useful for the Safer and Cohesive Communities Programme Board to report up to the PSB as this gives an appropriate escalation route if required. Finally, Members note that the new PSB/ CSP arrangements are at an early stage and that further refinements may be required. **Members request** that they be kept informed of any further changes.

Members were particularly concerned to explore the relationship between decision making at the PSB/ CSP level and at the constituent organisations level. Based on the information provided at the meeting, **Members recommend** that further work be undertaken to clearly and transparently articulate in the PSB/ CSP terms of reference the requirement of each PSB/ CSP member to go back to their respective organisation's decision making bodies when formal decisions are required of these bodies; the PSB/CSP does not hold decision making powers on behalf of these organisations, which need to ensure their respective governance arrangements are adhered to. Flowing from this, **Members recommend** that the PSB/ CSP schematics be amended to reflect the requirements regarding decision making.

With regard to performance, Members note that the CSP is working towards the production of outcomes based reports that demonstrate the impact of the CSP work. Members agree with this approach; it is important to start with agreeing the outcomes that are needed and then find suitable performance indicators to demonstrate progress in achieving these. **Members request** information on the timescales anticipated for the production of an outcome based report.

As discussed at the meeting, it is also important to have information that shows the position in Cardiff re crime and disorder. Having considered the performance reports currently used, namely highlight reports and intelligence reports, Members observe that it is important to not only have the incident and crime numbers, as currently shown, but also to have measures that show how these are dealt with, for example sanction/ detection rates, prosecution rates, conviction rates and victim satisfaction rates. Members recognise that it will take time to put these in place for all categories and therefore, **Members recommend** that the Domestic Abuse and Human Exploitation categories are selected as the categories to commence this additional reporting; in your response, if you agree this recommendation, Members would be grateful of an indication of the proposed timescale for this.

Members were reassured by the evidence provided on the operational effectiveness of partnership working re community cohesion. With regard to Prevent, Members note that all safeguarding leads have been trained, that it is planned to train all school governors and that social media training has been provided for Imams in Cardiff and will be repeated if this is wanted by Imams. Members were pleased to hear Carl Davies state that more partners are taking an active role in helping to identify vulnerable people. With regard to wider community cohesion, Members note the comment that it is hoped that the Welsh Government will shortly issue a three year plan on Community Cohesion; **Members request** that they be kept informed on this.

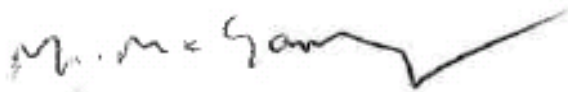
With regard to the operational effectiveness of partnership working to tackle anti social behaviour, Members observe that there is clear partnership working to tackle this where social housing tenants are involved, as either the victims or perpetrators; for example, there was clarity about the role of problem solving groups, Quality of Life groups, a clear aim for community led solutions, dedicated staff in social housing organisations and support from the wider CSP, including Health care plans for clients with substance misuse or mental health needs, prioritising interventions for clients at risk of losing accommodation because of anti-social behaviour.

However, there was not such clarity expressed regarding anti-social behaviour in the owner occupied or private rented sectors, where social housing tenants are not involved. At the meeting, only the Police spoke up when asked how these cases are resolved. Whilst recognising that the Police have the lead role, Members would expect there to be partnership working to address anti-social behaviour in these tenures, as there is for social housing tenants. Therefore, **Members recommend** that the CSP consider how to ensure partnership working to tackle anti-social behaviour in the owner occupied or private rented sectors, where social housing tenants are not involved.

During the discussions on how anti-social behaviour is tackled, Members were struck by the fact that the problem solving neighbourhood approach is, by its very nature, largely reactive. However, Members would expect there to be a more proactive, strategic approach taken by the CSP to resolve causative factors re anti social behaviour, that goes across the city, as required. Therefore, **Members recommend** that the CSP consider how to ensure a proactive strategic approach is taken to tackling the causes of anti social behaviour across the city.

Thank you again to all for attending the meeting and contributing to our scrutiny. We look forward to your response to our recommendations and comments and wish the Community Safety Partnership all the best in their efforts to create safe and cohesive communities.

Yours sincerely



**COUNTY COUNCILLOR MARY M<sup>C</sup>GARRY**  
**Chairperson - Community & Adult Services Scrutiny Committee**

Cc: Community Safety Partnership representatives:

- Superintendent Stephen Jones – South Wales Police
- Chief Inspector Dan Howe – South Wales Police
- Group Manager David Bents – South Wales Fire & Rescue Services
- Conrad Eydmann - Head of Substance Misuse Strategy and Development, Cardiff and Vale University Health Board
- Angela Stephenson Strategic Partnership and Planning Manager, Cardiff and Vale University Health Board
- Victoria Harris Head of Local Delivery Unit, Wales Community Rehabilitation Company

|                           |  |
|---------------------------|--|
| Mark Brace                | Assistant Police and Crime Commissioner      |
| Joseph Reay               | Head of Performance and Partnerships         |
| Stephanie Kendrick- Doyle | Community Safety Manager                     |
| Will Lane                 | Operational Manager – Neighbourhood Services |
| Ellen Curtis              | Operational Manager – Landlord Services      |
| Louise Bassett            | Partnership Delivery Team Leader             |
| Carl Davies               | Home Office Prevent Officer                  |
| Nicola Winstanley         | Business Manager                             |
| Alison Taylor             | Cabinet Office                               |

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## Recommendations from Audit Wales Report on Charging for Services and Generating Income by Local Authorities

| Recommendations   |   |
|---|---|
| R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan.  | Local authorities   |
| R2 Review the unit and total costs of providing discretionary services to clearly identify any deficits and, where needed, set targets to improve the current operating position.   | Local authorities   |
| R3 Use the impact assessment checklist (Appendix 2) whenever changes to charges are considered.   | Local authorities   |
| R4 Consider how best to support and encourage local authorities to act more commercially in generating income.  | The Welsh Government and Welsh Local Government Association |
| R5 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.  | Local authorities   |
| R6 Review nationally set fee regimes to ensure the levels set, better reflect the actual cost of providing services, or explain the reasons why they are different.   | The Welsh Government and Welsh Local Government Association |
| R7 Improve management of performance, governance and accountability by: <ul style="list-style-type: none"> <li>• regularly reporting any changes to charges to scrutiny committee(s);</li> <li>• improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives;</li> <li>• benchmarking and comparing performance with others more rigorously; and</li> <li>• providing elected members with more comprehensive information to facilitate robust decision-making.</li> </ul> | Local authorities   |
| R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.  | Local authorities   |

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**CITY OF CARDIFF COUNCIL  
CYNGOR DINAS CAERDYDD**

**AUDIT COMMITTEE:**

**29 NOVEMBER 2016**

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**TREASURY PERFORMANCE REPORT – POSITION AT 31  
OCTOBER 2016**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 9.1**

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**Appendix 1 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.**

**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 October 2016.

**Background**

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 October 2016. There is deemed to be little change for Audit Committee to note since the previous position statement for 31 August 2016 received by Audit Committee in September 2016.

**Performance**

4. At 31 October 2016, investments total £84.3 million. The forecast level of interest receivable from treasury investments is £500,000.
5. Borrowing is £674.1 million, with the average rate being 4.80%. The total interest forecast to be payable is £32.4 million as at the Month 6 budget monitoring position. No new PWLB borrowing is currently planned for the remainder of the financial year, however consideration is being given to securing Salix loans towards the circa £4.8 million cost of implementing LED lighting on Principal Roads. Any such loan would be split over two financial years. Based on current capital programme commitments, the estimated level of internal borrowing at 31 March 2017 is £53 million.

## Investments

6. Pages 2 and 3 of the Performance Report 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.
7. 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.
8. The balance of investments is at a point in time and will fluctuate depending on the timing of income and expenditure e.g. payments to suppliers, receipt of grants, capital receipts etc.
9. 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

10. There have been no changes to external borrowing since the last performance report.

## Reason for Report

11. To provide Audit Committee Members with a performance position statement at 31 October 2016.

## Legal Implications

12. No direct legal implications arise from this report.

## Financial Implications

13. 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**

14. That the Treasury Performance Report for 31 October 2016 be noted.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**11 November 2016**

*The following appendix is attached*

Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 October 2016

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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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# CITY OF CARDIFF COUNCIL CYNGOR CAERDYDD

**AUDIT COMMITTEE:**

**29 NOVEMBER 2016**

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## **TREASURY MANAGEMENT MID-YEAR REPORT 2016-17**

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

**AGENDA ITEM: 9.2**

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#### **PORTFOLIO: CORPORATE SERVICES AND PERFORMANCE**

Annexes A&B to Appendix 1 to this report are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

#### **Reason for this Report**

1. To inform Audit Committee of the Council's treasury management activities since 1 April 2016 and the position as at 30 September 2016.

#### **Background**

2. The Council's treasury management activities are governed by legislation and a Code of Practice developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) updated in 2011.

#### **Issues**

3. In the budget report of February 2010, Council adopted CIPFA's Treasury Management Code by formal acceptance of the Four Clauses of Treasury Management and Treasury Management Policy Statement as Council policy.
4. In accordance with these policies, this report provides members with a mid year update of Treasury Management activities as at 30 September 2016. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Committee.
5. The mid-year monitoring report and supporting Annexes are attached as Appendix 1 and were considered by Cabinet on 10 November 2016 and Council on the 24 November 2016.

## **Reasons for Recommendations**

6. Council policy requires the Treasury Management Mid Year Report 2016-17 update to be submitted to Council.

## **Legal Implications**

7. No direct legal implications arise from this report.

## **Financial Implications**

8. The Council's treasury management activities are undertaken in accordance with the policies adopted by Council and under professional codes of conduct established by CIPFA, the Welsh Government and the Corporate Director Resources as part of Treasury Management Practices. This report is part of a suite of reports that members receive on the Council's treasury management activities during the course of a year. Whilst there are no direct financial implications arising from this report, the risks involved with treasury management are continuously reviewed in conjunction with the Council's treasury management advisors.

## **RECOMMENDATION**

That Audit Committee :-

Note the Treasury Management Mid Year Report 2016-17 (Appendix 1)

### **Christine Salter**

Corporate Director Resources

15 November 2016

The following Appendix is attached:-

Appendix 1: Treasury Management Mid Year Report 2016-17

Annexe A – Investments at 30 September 2016

Annexe B – Investment Charts at 30 September 2016

Annexe C – Maturity Analysis of borrowing as at 30 September 2016

Annexe D – Glossary of Treasury Management terms

## Appendix 1

Annexes A&B to this Appendix are not for publication as they contain exempt information of the description in Paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

### Treasury Management Mid-Year Report 2016-17

The City of Cardiff Council



## **Introduction**

- 1.1 Treasury management activities are the management of an organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Council carries out its treasury management activities in accordance with a code developed for public services in 2011 by the Chartered Institute of Public Finance and Accountancy (CIPFA) as well as Council approved policies and clauses adopted by Council in February 2010.
- 1.3 In accordance with these policies, this report provides members with a mid year update of Treasury Management activities as at 30 September 2016 and covers:-
  - the economic background to treasury activities
  - investments
  - borrowing
  - debt rescheduling
  - compliance with treasury limits and prudential indicators
  - strategy update for remainder of year.
- 1.4 Annexe D includes a glossary which defines key terms used in this report. During 2016/17, Audit Committee has received periodic updates on the position and performance of Treasury Management and the issues included in the report below. In addition Council received in September 2016 the Annual Report on the Outturn for Treasury Management for 2015/16.

## **Economic Background**

- 2.1 The referendum vote for Brexit in June resulted in an initial shock fall in economic indicators. Though it is generally accepted that the economy will now avoid flat lining, weak growth in the EU, China and emerging markets is also likely to result in weak UK growth. In response, the Bank of England reduced bank rate from 0.50% to 0.25% in August 2016. Exchange rate volatility is expected to increase inflation in the short term with a forecast of 2.4% in 2018.
- 2.2 The following table gives the Council's treasury management advisors, latest forecast of bank rate and Public Works Loan Board (PWLB) borrowing rates: The view is that there could be further reductions in the short term, without any increases until June 2018. However, this position will be kept under review as potential inflationary pressures increase.

|                | Sep-16 | Mar-17 | Mar-18 | Mar-19 |
|----------------|--------|--------|--------|--------|
| Bank Rate      | 0.25%  | 0.10%  | 0.10%  | 0.25%  |
| 5yr PWLB rate  | 1.01%  | 1.00%  | 1.10%  | 1.20%  |
| 10yr PWLB rate | 1.52%  | 1.50%  | 1.60%  | 1.70%  |
| 25yr PWLB rate | 2.27%  | 2.30%  | 2.40%  | 2.50%  |
| 50yr PWLB rate | 2.10%  | 2.10%  | 2.20%  | 2.30%  |

- 2.3 It can be seen from the table that the cost of borrowing is significantly in excess of the rates that are available from investments. PWLB borrowing rates are based on Gilt yields which have seen a significant reduction due to economic uncertainty and a bond buying programme increasing demand for safe have assets. Whilst geo-political events can have short term impacts on rates, the overall long term forecast is for PWLB rates to rise slowly.

## Investment

- 3.1 The management of the Council's cash flows may involve temporary lending of surplus funds to low risk counterparties or temporary borrowing pending receipt of income.
- 3.2 The Council's investment priorities remain the security and then liquidity of its investments. The Council also aims to achieve the optimum return on its investments appropriate to these priorities.
- 3.3 The Council invests with financial institutions in accordance with criteria approved in the Treasury Strategy. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Corporate Director Resources under delegated powers. Based primarily on Fitch credit criteria and a number of other factors which the Council takes into account, lending to these institutions is subject to time and size limits and credit worthiness continues to be carefully monitored.
- 3.4 Given that bank rates are historically low, and the damping effect on interest rates that the Government's Funding for Lending Scheme rates of investment return also remain low.
- 3.5 At the 30 September 2016, investments stood at £88.9 million. These temporary funds fluctuate daily and arise for a number of reasons, including the timing differences between the receipt of grant and other income and the utilisation of these funds on salaries and other operating costs. It includes the level of reserves, provisions, and other balances. It is also affected by the timing of borrowing and capital expenditure transactions. **Annexe A** shows with whom these investments were held as at 30 September 2016. These are all deemed recoverable.

3.6 A selection of performance indicators and benchmarking charts, is included in **Annexe B** as follows:-

- **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.** This shows the duration of investments is spread and taking advantage of slightly higher rates for longer term investment up to one year where reasonable to do so.
- **Investments by institution.** This expresses the investments held with different institutions as a percentage of the total and shows diversification is sought where possible.
- **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 and are licensed to take UK deposits. Investments are in Sterling only.
- **Investments by Financial Sector.** The majority of investments continue to be with banks.

3.7 Whilst a difficult figure to forecast due to the uncertainty of the markets, cash flows and the number of variables that impact on the figure, the forecast level of interest receivable from treasury investments for 2016/17 is £490,000 as included in our current projections for capital financing in the Month 6 Budget Monitoring Report for the Council. The return achieved since the start of the year is 0.68% compared to the benchmark 7 day London Interbank Bid Rate (LIBID) of 0.28% and 3 month LIBID 0.38%.

3.8 The Council currently uses the Debt Management and Deposit Facility (DMADF) as a last resort if no alternative investment opportunities are available. The maximum rates available from the facility are 0.15%.

## **Borrowing**

4.1 Long term borrowing is undertaken to finance the Council's Capital Programme and the main sources of borrowing currently are the PWLB and the Money Markets. The Council does not separate General Fund and Housing Revenue Account borrowing as all borrowing is the liability of the Council.

4.2 Where capital expenditure has been incurred without a resource to pay for it immediately e.g. via capital receipts, grants or other contributions, this will increase what is termed the Council's Capital Financing Requirement (CFR) or its need to undertake borrowing. The Council is required to make an annual prudent provision for the repayment of historic capital expenditure from its revenue budget. This reduces the CFR. Calculation of the CFR is summarised in the following table.

|   |  |
|---|--|
|   | Opening Capital Financing Requirement (CFR)  |
| + | Capital expenditure incurred in year   |
| - | Grants, contributions, reserves and receipts received to pay for capital expenditure |
| - | Prudent Minimum Revenue Provision & Voluntary Repayment                              |
| = | Closing Capital Financing Requirement (CFR)  |

4.3 The level of CFR is dependant on a range of factors including progress in implementing the Capital Programme during the year so estimates can change.

4.4 At 30 September 2016, the Council had £674.1 million of external borrowing predominantly made up of fixed interest rate borrowing from the PWLB payable on maturity.

| 31-Mar-16    |             |                                | 30-Sep-16    |             |
|--------------|-------------|--------------------------------|--------------|-------------|
| £m           | Rate (%)    |                                | £m           | Rate (%)    |
| 612.8        |             | Public Works Loan Board (PWLB) | 620.8        |             |
| 52.0         |             | Market                         | 52.0         |             |
| 0.5          |             | Welsh Government               | 0.5          |             |
| 0.8          |             | Other                          | 0.8          |             |
| <b>666.1</b> | <b>4.84</b> | <b>Total External Debt</b>     | <b>674.1</b> | <b>4.81</b> |

#### New borrowing undertaken during the year to date

4.5 Two new loans have been undertaken from the PWLB totalling £10 Million at an average rate of 2.53% and an average maturity of forty three years.

#### Maturing Loans in year to date

4.6 Annexe C shows the maturity profile of the Council's borrowing as at 30 September 2016. PWLB loans of £2 million have been repaid in the first half of this year, with a further £3.6 million of PWLB loans and £1 million of Market loans due to be repaid by 31 March 2017. Unless the Council's Lender Option Borrower Option loans (LOBO's) are required to be repaid early, very little debt matures within the next 10 years.

4.7 (LOBO) products are loans to the Council where the lender can request a change in the rate of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan.

4.8 The Council has 6 such loans totalling £51 million and apart from the option to increase rates, these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.

4.9 Interest rates on the Council's loans range between 3.81% and 4.35% which are not unreasonable and are below the Council's average rate of interest payable. Details of the loans are shown in the table below.

| £m | Potential Repayment Date | Option Frequency | Full Term Maturity |
|----|--------------------------|------------------|--------------------|
| 6  | 21/11/2016               | 6 months         | 21/11/2041         |
| 6  | 21/11/2016               | 6 months         | 21/11/2041         |
| 6  | 21/11/2016               | 6 months         | 23/05/2067         |
| 6  | 01/03/2017               | 6 months         | 23/05/2067         |
| 5  | 15/01/2018               | 5 years          | 17/01/2078         |
| 22 | 21/11/2020               | 5 years          | 23/11/2065         |

4.10 LOBO's to the value of £24 million are subject to the lender potentially requesting a change in the rate of interest payable every six months, which could trigger early repayment. This is deemed unlikely and any risk is a manageable refinancing risk as LOBO's form a relatively low proportion of the Council's overall borrowing at 7.6%.

Borrowing Strategy

4.11 The borrowing strategy outlined in the February 2016 budget report indicated that:-

*Whilst investment rates remain lower than long term borrowing rates internal borrowing will be used to minimise short-term costs where possible. The forecast level of internal borrowing at 31 March 2016 in relation to the CFR is deemed manageable. However, based on the current forecasts of future capital expenditure plans and high level analysis of the sustainability of internal borrowing from the Council's balance sheet position for future years, external borrowing will be required to be undertaken in the medium term.*

4.12 As is shown in above, long term borrowing rates are significantly higher than investment rates which mean that the cost of undertaking new borrowing would have a negative impact on the revenue budget. External borrowing may be deferred in order to minimise short term costs by using temporary cash balances to pay for capital expenditure rather than placing in an investment. This is termed 'internal borrowing'. However deferring borrowing is only a short term measure and could expose the Council to higher borrowing rates and costs in the future. The Council has taken an approach of undertaking external borrowing for an element of any borrowing requirement to mitigate any such risk.

4.13 If no further borrowing is undertaken, the value of external loans at 31 March 2017 will be £669.5 million. At the same point, the Council's need to



borrow for capital expenditure purposes, its Capital Financing Requirement (CFR), is currently forecast to be circa £724 million (General Fund £446 million and HRA £278 million). Without any further borrowing this financial year internal borrowing could be £55 million, which is deemed manageable.

- 4.14 It is currently assumed that no further external borrowing will take place during the remainder of this financial year. This has been factored into the Month 6 revenue budget monitoring position with the estimated total interest payable on borrowing for 2016/17 being £32.4 million.

### **Debt Rescheduling**

- 5.1 No debt rescheduling or early repayment of debt has been undertaken to date. The main obstacle remains the level of premium (penalty) that would be chargeable on early repayment by the PWLB. The premium payable on the balance of PWLB loans at 30 September 2016 which are eligible for early repayment (£403 million) is £348 million. This premium is payable primarily because:-

- Interest rates on loans of equivalent maturities compared to those held are currently lower
- A penalty rate or lower early repayment rate was introduced by HM Treasury in November 2007, which increased the cost of premiums and reduced flexibility of Local Authorities to make savings. This remains an obstacle in the ability of local authorities to manage debt more effectively.

- 5.2 Whilst the cost of Premiums can be spread over future years, options for restructuring that have been considered result in an adverse Net Present Value (NPV). Whilst there may have been short terms savings, these were outweighed by potentially longer term costs and not deemed cost effective.

- 5.3 Opportunities for restructuring will continue to be considered in conjunction with our Treasury advisors and reported to Audit Committee periodically as part of standard Treasury Management updates which Cabinet and Council receive.

### **Compliance with treasury limits and prudential indicators**

- 6.1 During the financial year to date, the Council has operated within the treasury limits and prudential indicators set out in the annual Treasury Management Strategy in February 2016.
- 6.2 Following Housing Finance Reform the Council complies with an indebtedness cap in the Housing Revenue Account of £316.5 million. This will need to be monitored closely as part of the Treasury Strategy and HRA Business Planning process.

## **Strategy update for the remainder of 2016/17**

- 7.1 During the remainder of the year, the reduction in Bank of England base rate to 0.25% in August 2016 and impact on interest rates for both investments and borrowing will continue to be reviewed. A strategy of maintaining internal borrowing to maximise short term savings will continue for the next 6 months.
- 7.2 A further update on Treasury Management will be included in the Treasury Management Strategy for 2017/18 as part of the Budget Proposals in February 2017.

## **Annexes**

Annexe A – Investments at 30 September 2016

Annexe B – Investment Charts at 30 September 2016

Annexe C – Maturity Analysis of Borrowing as at 30 September 2016

Annexe D – Glossary of Treasury Management terms

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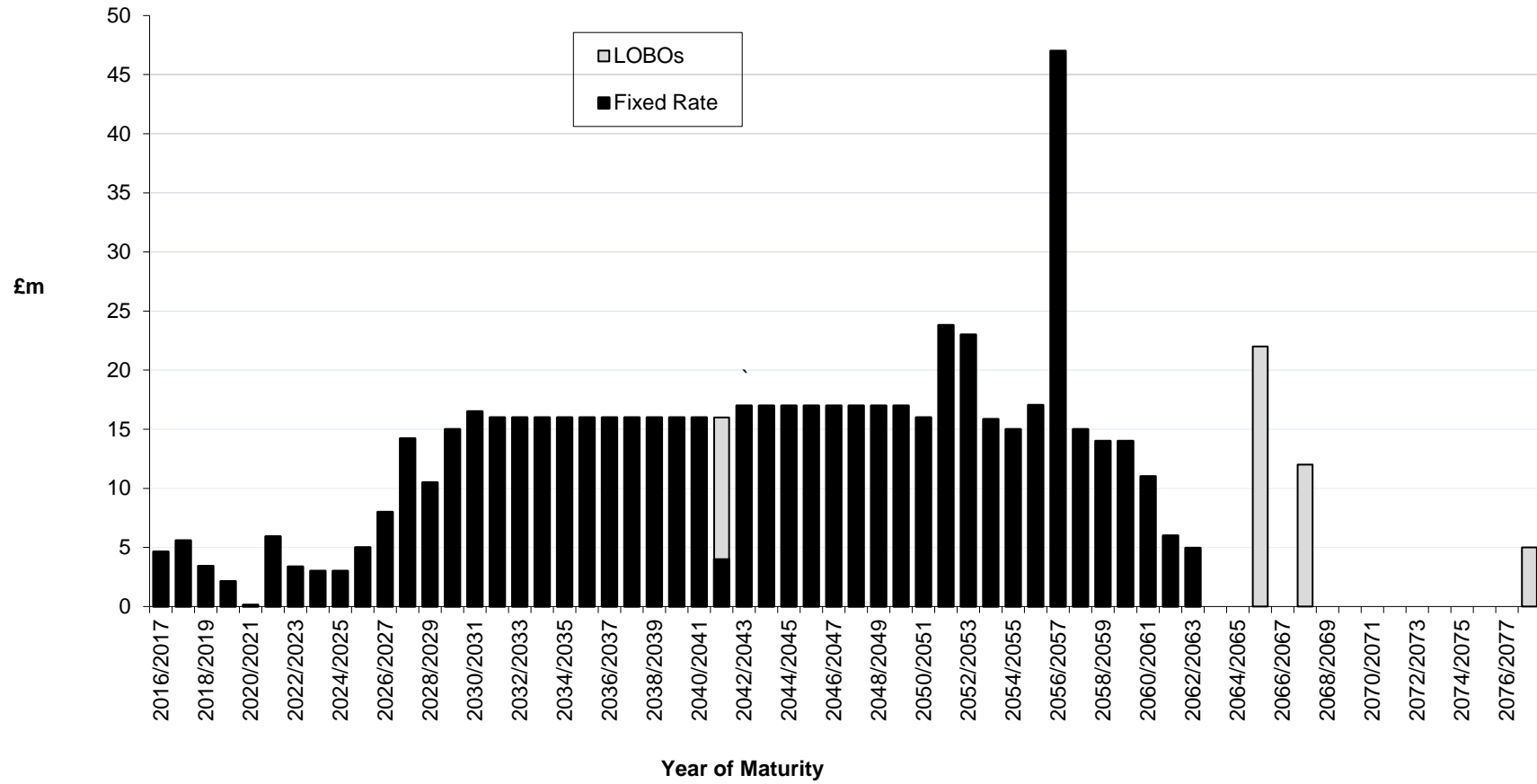
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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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Maturity Profile of Debt at 30 September 2016



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### Glossary of Terms - Treasury

#### **Bank Rate**

The rate of interest set by the Bank of England as a benchmark rate for British banks.

#### **Borrowing**

Loans taken out by the authority to pay for capital expenditure or for the prudent management of the Council's financial affairs, which are repayable with interest.

#### **Counterparty**

One of the parties involved in a financial transaction.

#### **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 even a 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. Ratings usually consist of a long term, short term, viability and support indicators. The Fitch credit rating of F1 used by the Council is designated as "Highest Credit quality" and indicates the strongest capacity for timely payment of financial commitments.

#### **Debt Management Account Deposit Facility (DMADF)**

The Debt Management Office provides this service as part of its cash management operations and of a wider series of measures designed to improve local and central government's investment framework and cash management. The key objective of the DMADF is to provide users with a flexible and secure facility to supplement their existing range of investment options while saving interest costs for central government.

#### **Debt Restructuring**

Debt restructuring is a process that allows an organisation to reduce, renegotiate and undertake replacement debt.

#### **Diversification of Investments**

The process of creating a portfolio of different types of financial instruments with regard to type, price, risk issuer, maturity, etc. in order to reduce the overall risk of the portfolio as a whole.

#### **Duration (Maturity)**

The length of time between the issue of a security and the date on which it becomes payable.

### **External Borrowing**

Money borrowed from outside of the Council.

### **Fitch Credit Ratings**

A commercial organisation providing an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. The opinion is usually provided in the form of a credit rating.

### **Fixed Rate**

An interest rate that does not change over the life of a loan or other form of credit.

### **Internal Borrowing**

Money borrowed from within the Council, sourced from temporary internal cash balances.

### **Investments**

The purchase of financial assets in order to receive income and/or make capital gain at a future time, however with the prime concern being security of the initial sum invested.

### **Lender Option Borrower Option Loans (LOBOs)**

Loans to the Council where the lender can request a change in the rate of interest payable by the Council at pre-defined dates and intervals. The Council at this point has the option to repay the loan.

### **Liquidity**

The ability of the Council to meet its financial obligations as they fall due.

### **Market Loans**

Borrowing that is sourced from the market i.e. organisations other than the Public Works Loan Board or a Public Body.

### **Minimum Revenue Provision**

This is the amount which must be charged to the authority's revenue account each year and set aside as provision for repaying external loans and meeting other credit liabilities. The prudent amount is determined in accordance with guidance issued by WG. This has the effect of reducing the Capital Financing Requirement (CFR).

### **Money Market Funds**

An investment fund which pools the investments of numerous depositors, spreading those investments over a number of different products and counterparties.

### **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.

### **Public Works Loans Board (PWLB)**

The Public Works Loans 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.

### **Security**

Protecting investments from the risk of significant loss, either from a fall in value or from default of a counterparty.

### **Sovereign Credit Ratings**

The credit rating of a country. It indicates the risk level of the investing environment of a country, taking into account political risk and other factors.

### **Specified Investments**

A term defined in WG investment regulations, referring to any investments for less than one year, in sterling, and where the principal sum to be repaid at maturity is the same as the principal sum invested. An investment not meeting the above criteria would be termed a Non-specified investment

### **Sterling**

The monetary unit of the United Kingdom (the British pound).

### **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.

### **UK Government Gilts**

Fixed-interest debt securities issued or secured by the British Government. Gilts are always denominated in sterling though the Government occasionally also issues instruments in other currencies in the Eurobond market or elsewhere.

### **Variable Rate**

An interest rate that changes periodically in line with market rates.

### **Yield**

The annual rate of return paid out on an investment in securities, expressed as a percentage of the current market price of the relevant securities.

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**AUDIT COMMITTEE: 29 NOVEMBER 2016****INTERNAL AUDIT PROGRESS REPORT****REPORT OF THE HEAD OF FINANCE****AGENDA ITEM: 10.1**

**Appendix C of the 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. This report has been prepared to provide the Audit Committee Members with an update on the work of Internal Audit up to 30 September 2016, for the current financial year. As agreed with Committee previously, a full update will be provided at 6 monthly intervals.

**Background**

3. 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.
4. The Head of Finance prepares quarterly briefings and a half yearly progress report outlining the work undertaken by the audit teams and key performance information.
5. 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.
6. Progress reports are discussed with the Corporate Director Resources, to provide them with a meaningful update of the work of the team and to give them the opportunity to discuss changing priorities. This is then presented to Audit Committee.

**Issues**

7. The progress report to 30 September 2016 is attached at Annex 1 for information.

**Legal Implications**

8. There are no legal implications arising from this report.

**Financial Implications**

9. There are no financial implications arising from this report.

## **RECOMMENDATIONS**

10. That the Committee note the report.

**IAN ALLWOOD**  
**HEAD OF FINANCE**

The following is attached: **Annex 1: Internal Audit Progress Report, 2016-17**



# CORPORATE RESOURCES INTERNAL AUDIT SECTION

## INTERNAL AUDIT PROGRESS REPORT FOR THE PERIOD ENDING 30.09.16

**Open**

We are open and honest about the difficult choices we face, and allow people to have their say on what's important to them and their communities

**Fair**

We champion fairness, recognising that with less resource we need to prioritise services for those who need them most

**Together**

We work with our communities and partners across the city to deliver the best outcomes for the people of Cardiff



# INTERNAL AUDIT PROGRESS REPORT

## 1. Background

- 1.1 The Internal Audit plan for 2016/17 was approved by the Audit Committee at its meeting on 27<sup>th</sup> June 2016. The plan provides the framework for audit work in the forthcoming year and it is aligned to the Council's corporate governance arrangements whilst also being responsive to changes to risks faced by the Council during the year.
- 1.2 The plan is informed by the risks identified in the corporate risk register and the level of assurance that can be obtained from internal and external reviews of those risks.
- 1.3 The Internal Audit plan of 2,700 chargeable days was agreed for the year – 2,300 for the audit team and 400 for the investigations team.

### Audit team

## 2. Progress against plan

- 2.1 The number of chargeable days has been allocated across service areas in line with the report presented to Audit Committee in June. To 30<sup>th</sup> September 2016, 960.35 days have been charged to audits (against a plan of 1,150 days), which is 83.5% of the planned chargeable days. It should be noted that, within the average of 83.5%, there are wide differences between the productivity of the members of the team – from less than 50% to almost 99% - due to various reasons including sickness. The performance of the team in shown in the table below:

|  | Plan<br>2016/17 | Performance to<br>Q2, 2016/17 | Performance to<br>Q2, 2015/16 |
|--|-----------------|-------------------------------|-------------------------------|
| Audit days delivered (pro-rata)                              | 1,150           | 960.35                        | 758.62                        |
| Productive time of team (% of work time spent on audit work) |                 | 83.5%                         | 73.65%                        |
| Audits delivered within budgeted days                        |                 | 34                            |                               |

- 2.2 The audits undertaken can be seen in the table below:

| Audit area                                    | Number of<br>planned<br>days | Number of<br>planned<br>audits | Final<br>reports<br>issued | Draft<br>reports<br>issued | Percentage<br>of planned<br>assignments |
|---|------------------------------|--------------------------------|----------------------------|----------------------------|---|
| Fundamental                                   | 220                          | 13                             | 6                          | 1                          | 54%                                     |
| Corporate                                     | 440                          | 9                              | 0                          | 1                          | 11%                                     |
| Corporate governance                          | 200                          | 27                             | 4                          | 0                          | 15%                                     |
| Other assurance                               | 460                          | 29                             | 5                          | 0                          | 17%                                     |
| <i>Service specific:</i>                      |                              |                                |                            |                            |   |
| City Operations                               | 150                          | 12                             | 0                          | 4                          | 36%                                     |
| Communities, Housing and<br>Customer Services | 120                          | 14                             | 2                          | 1                          | 23%                                     |
| Economic Development                          | 70                           | 5                              | 0                          | 1                          | 20%                                     |



| Audit area                      | Number of planned days | Number of planned audits | Final reports issued | Draft reports issued | Percentage of planned assignments |
|---------------------------------|------------------------|--------------------------|----------------------|----------------------|-----------------------------------|
| Education and Lifelong Learning | 280                    | 35                       | 14                   | 4                    | 80%                               |
| Governance and Legal Services   | 20                     | 3                        | 0                    | 0                    | 0%                                |
| Resources                       | 60                     | 1                        | 1                    | 0                    | 100%                              |
| Social Services                 | 250                    | 30                       | 6                    | 0                    | 20%                               |
| External and grants             | 30                     | 9                        | 8                    | 0                    | 89%                               |
| <b>TOTAL</b>                    | <b>2,300</b>           | <b>236</b>               | <b>46</b>            | <b>12</b>            |                                   |

2.3 The reports issued are detailed in Appendix A.

2.4 The audit plan will be reviewed during Q3 to take into account the existing control environment and to assess whether any changes in the risks faced by the Council and any new systems implemented would affect the ability of the Audit Manager to provide an assurance opinion on the overall control environment of the Council at the end of the year.

### 3. Audit findings and performance

3.1 The table below shows the audit assurance opinions that have been given during the first half of the year:

| Audit Area                               | High     | Satisfactory | Limited Assurance | No Assurance | No Opinion Given |
|--|----------|--------------|-------------------|--------------|------------------|
| Fundamental                              | 0        | 4            | 2                 | 0            | 0                |
| Corporate                                | 0        | 0            | 0                 | 0            | 0                |
| Corporate governance                     | 0        | 4            | 0                 | 0            | 0                |
| Other assurance                          | 0        | 1            | 1                 | 0            | 3                |
| City Operations                          | 0        | 0            | 0                 | 0            | 0                |
| Communities, Housing & Customer Services | 0        | 2            | 0                 | 0            | 0                |
| Economic Development                     | 0        | 0            | 0                 | 0            | 0                |
| Education and Lifelong Learning          | 0        | 2            | 10                | 2            | 0                |
| Governance and Legal Services            | 0        | 0            | 0                 | 0            | 0                |
| Resources                                | 0        | 0            | 1                 | 0            | 0                |
| Social Services                          | 0        | 4            | 2                 | 0            | 0                |
| External clients and grants              | 0        | 7            | 1                 | 0            | 0                |
| <b>TOTAL</b>                             | <b>0</b> | <b>24</b>    | <b>17</b>         | <b>2</b>     | <b>3</b>         |

3.2 Two “no assurance” opinions have been given in the first six months of the year, both to schools, and members of the Audit Committee will have already received copies of the executive summaries of these reports. Follow up work is currently being undertaken in these schools, and an update will be provided at the next meeting of the Audit Committee.

#### 4. Added value

- 4.1 The Internal Audit section has added value to the work of the Council by providing objective and relevant assurance and by contributing to the effectiveness and efficient of governance and internal control processes. The section has received 100% satisfaction rating from clients and all have considered that the reports produced added value to the work of the services.
- 4.2 During the first six months of the year, a total of 412 recommendations have been made in the 47 reports issued, and these are broken down as follows:

| Audit area                               | Number of recommendations made |             |               |            |
|--|--------------------------------|-------------|---------------|------------|
|  | Red                            | Red / amber | Amber / green | Total      |
| Fundamental                              | 1                              | 9           | 17            | 27         |
| Corporate                                | 0                              | 0           | 0             | 0          |
| Corporate governance                     | 0                              | 25          | 39            | 64         |
| Other assurance                          | 0                              | 12          | 16            | 28         |
| City Operations                          | 0                              | 0           | 0             | 0          |
| Communities, Housing & Customer Services | 1                              | 6           | 4             | 11         |
| Economic Development                     | 0                              | 0           | 0             | 0          |
| Education and Lifelong Learning          | 107                            | 81          | 10            | 198        |
| Governance and Legal Services            | 0                              | 0           | 0             | 0          |
| Resources                                | 1                              | 10          | 3             | 14         |
| Social Services                          | 10                             | 16          | 21            | 47         |
| External clients and grants              | 0                              | 7           | 16            | 23         |
| <b>TOTAL</b>                             | <b>120</b>                     | <b>166</b>  | <b>126</b>    | <b>412</b> |

- 4.3 It should be noted that 100% of the red risk recommendations have been accepted, along with 98.8% of those rated red / amber.
- 4.4 It is management's responsibility to ensure that the accepted recommendations are implemented within the agreed timescale. Reports with limited or no assurance opinions are followed up within six months of the date of the final report, and red recommendations from reports with a satisfactory opinion are now being revisited to ensure that they are implemented by obtaining an update from management on progress made. This is being recorded on SharePoint.

#### 5. Benchmarking and performance management

- 5.1 Internal Audit is required, as part of the Public Sector Internal Audit Standards (PSIAS), to maintain a *Quality Assurance and Improvement Programme* or QAIP, and Audit Committee were informed in March 2016 of the measures in place to support this programme. The measures reported to Audit Committee include:
- (a) Database of audits to control and monitor audit priorities – allows for plan v actual analysis
  - (b) Standard working practices
  - (c) Post Audit Assessments completed at the end of each assignment
  - (d) Client satisfaction questionnaires
  - (e) Recommendations monitored
  - (f) Benchmarking exercises.

- 5.2 The Audit Section is a member of three benchmarking clubs – the Welsh Chief Auditor group, CIPFA and Core Cities. The information gathered for each group is slightly different: the WCAG performance indicators are based on the simpler measures relating to client satisfaction, percentage of plan achieved (that is actuals) within one year; the Core Cities information is very similar but also goes into more detail on the broad categories of audit work undertaken (for both actuals and planned for the following year); the CIPFA benchmarking information goes into more detail on costs, audit activity, staffing (pay bands, qualifications) for both actual and planned. The results produced from the CIPFA benchmarking club are also available for the whole benchmarking club and a set of comparator authorities that we choose, and are also available as an interactive report. It should be noted that the WCAG and Core Cities benchmarking clubs are managed within the WCAG and Core Cities authorities (at no cost to the participants), whereas CIPFA forms part of a wider benchmarking exercise undertaken by the directorate.
- 5.3 Information has been submitted to each group and the output has now been received. A summary of key indicators is attached as Appendix B. It can be seen that Cardiff ranks highly among the Welsh authorities for both client satisfaction and recommendation acceptance, and is around the average for the percentage of directly chargeable time against total time available.
- 5.4 However, examination of the information and benchmarking data provided by CIPFA shows that the section does not perform well in comparison to other authorities for the number of days per auditor during the year (being in the lower quartile of the 22 authorities in the benchmarking club). As highlighted in paragraph 2.1, productivity between auditors is a key focus at the moment and the results bear this out. Work will continue in this regard but also to ensure that customer satisfaction remains high and productivity increases.

#### Investigations team

#### 6.0 Progress against plan

- 6.1 The chargeable days have been allocated across proactive and reactive measures. The performance of the team is shown in the table below:

|  | Half Year Plan<br>2016/17 | Half Year<br>Delivered 2016/17 | Performance to<br>Q2, 2015/16 |
|--|---------------------------|--------------------------------|-------------------------------|
| Planned investigation days   | 200                       | 212                            | 223*                          |
| Productive time of team (% of work time spent on investigative work) |                           | 107%                           | 108%                          |
| Investigating Officer training sessions delivered                    |                           | 15                             |                               |

\* The 2015 performance includes days for the Audit Manager and extra hours for the investigation Assistant which ended on the 31/03/16.

- 6.2 Preparations have commenced on the Cabinet Office and Wales Audit Office, data matching exercise, the National Fraud Initiative. All data has been extracted, checked and securely uploaded in readiness for the next round of the exercise.
- 6.3 The half year Investigation Team report is attached at Appendix C.

## Conclusions

- 7.1 There are a number of positive aspects of the performance of the Internal Audit section during the first half of 2016/17. The number of actual chargeable days delivered by both teams has increased over the same period last year and there is a high level of acceptance of the recommendations made during audits. There are still a number of audits with “limited assurance” or “no assurance” opinions (41%), and work is on-going with those directorates to improve internal controls.
- 7.2 Key priorities for the section in the next six months will include the provision of a high standard of professional service in the delivery of the audit plan. An assessment of the audit plan and emerging priorities will be undertaken at the end of quarter 3 and the outcome of this assessment will be reported to Audit Committee in due course.

| Audit Area                                      | Audit Opinion | High Risk Recommendations |        | Comments            |
|---|---------------|---------------------------|--------|---------------------|
|   |               | Proposed                  | Agreed |                     |
| <b><i>Fundamental / High</i></b>                |               |                           |        |                     |
| Council Tax 2015/16                             | Satisfactory  |                           |        |                     |
| Housing Rent Arrears                            | Satisfactory  |                           |        |                     |
| Housing Rent Setting                            | Satisfactory  |                           |        |                     |
| Local Housing Allowance                         | Satisfactory  |                           |        |                     |
| Income Management                               | Limited       | 0                         |        | Draft report issued |
| Allocations, lettings and voids                 | Satisfactory  | 1                         |        | 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                         | 4      |                     |
| ICT – Cloud Computing                           | Satisfactory  |                           |        |                     |
| CRSA – agile working                            | Satisfactory  |                           |        |                     |
| CRSA – mobile working and scheduling            | Satisfactory  |                           |        |                     |
| CRSA – office rationalisation                   | Satisfactory  |                           |        |                     |
| Riverbank                                       | No            | 15                        | 15     |                     |
| St. Alban's Primary School                      | Limited       | 4                         | 4      |                     |
| CRSA – infrastructure ADM                       | Satisfactory  |                           |        |                     |
| Staffed Accommodation (KD148)                   | Satisfactory  |                           |        |                     |
| Staffed Accommodation (KD152)                   | Satisfactory  |                           |        |                     |
| Glamorgan Archives                              | Satisfactory  |                           |        |                     |
| British Council projects                        | Limited       | 14                        | 14     |                     |
| ICT – Business Continuity and Disaster Recovery | Limited       | 7                         | 7      |                     |
| CMS – purchasing cards                          | Satisfactory  |                           |        |                     |
| Ninian Park Primary School                      | Deferred      | 4                         |        | Draft report issued |
| Fostering payments                              | Satisfactory  |                           |        | Draft report issued |
| Adamsdown Primary School                        | Limited       | 6                         |        | Draft report issued |
| Birchgrove Primary School                       | Limited       | 8                         |        | Draft report issued |
| Direct Payments                                 | Limited       | 3                         |        | Draft report issued |

| Audit Area                     | Audit Opinion                                   | High Risk Recommendations |        | Comments            |
|--------------------------------|---|---------------------------|--------|---------------------|
|                                |   | Proposed                  | Agreed |                     |
| Rhiwbina Primary School        | Limited   | 8                         |        | Draft report issued |
| School transport               | Satisfactory                                    |                           |        | Draft report issued |
| St. Illtyd's                   | Limited   | 19                        |        | Draft report issued |
| <b>Follow-ups</b>              |   |                           |        |                     |
| Payroll overpayments           | Limited   | 1                         | 1      |                     |
| Brindley Road Stores           | Limited   | 1                         | 1      |                     |
| Mental Health contracts        | Satisfactory                                    | 1                         | 1      |                     |
| St. Monica's Primary School    | Limited   | 3                         | 3      |                     |
| Cantonian                      | Satisfactory                                    | 1                         | 1      |                     |
| Lansdowne Primary              | Limited   | 13                        | 13     |                     |
| Ninian Park                    | Satisfactory                                    |                           |        |                     |
| Woodlands                      | No  | 11                        |        | Draft report issued |
| Supporting People              | Limited   | 2                         |        | Draft report issued |
| Glyn Derw Michaelston          | Deferred  |                           |        | Draft report issued |
| <b>Ad hoc assignments</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 |                           |        |                     |
| Mileage and subsistence        |   |                           |        | On-going            |
| <b>Value for Money Studies</b> |   |                           |        |                     |
| Agency costs                   |   |                           |        |                     |
| Annual Leave                   |   |                           |        |                     |
| <b>Grants</b>                  |   |                           |        |                     |
| Illegal Money Lending Unit     |   |                           |        |                     |
| Homelessness grant             |   |                           |        |                     |
| Education Improvement grant    |   |                           |        |                     |

## PERFORMANCE INDICATORS – 2015/16

| Indicator   | Cardiff | Benchmarking Comparator    |             |       |
|---|---------|----------------------------|-------------|-------|
|   |         | Welsh Chief Auditors Group | Core Cities | CIPFA |
| % of clients' response to questionnaires which are at least "satisfied" | 100     | 99                         |             |       |
| % of recommendations accepted versus made                               | 99      | 99                         |             |       |
| % of audits completed in planned time                                   | 54      | 68                         |             |       |
| % of directly chargeable time, actual versus planned                    | 78      | 67                         | 67          |       |
| % of planned audits completed   | 80      | 85                         |             |       |
|   |         |                            |             |       |
| Chargeable days per auditor   | 167     |                            | 174         | 181   |
| Non chargeable days per auditor (FTE)                                   | 95      |                            |             | 82.5  |

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**VALUE FOR MONEY STUDIES**

**REPORT OF THE HEAD OF FINANCE**

**AGENDA ITEM: 10.3**

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**Reason for this Report**

1. The Audit Committee's Terms of Reference sets out that Members should receive summaries of specific internal audit reports in accordance with agreed protocols.
2. This report provides Members with an update on value for money studies.

**Background**

3. The Audit Committee has previously received reports in respect of the findings from value for money studies in respect to Agency spend and Annual Leave and asked that a follow on report would be tabled at a future meeting. This work has now been undertaken, the results of which are set out below.
4. Contained within the Audit work plan are several other value for money studies in respect of mileage, subsistence, pool car usage and postages. These items will be reported at a future Audit Committee.
5. The studies reported today have been shared with the Senior Management Team, who in turn have been recommended to share information with their respective management teams to continue to seek assurance that the level of spend was appropriate.

**Issues**

6. The **Agency Spend** analysis compared the 2015/16 data to comparable figures for 2014/15. During this year, the expenditure on agency workers remained fairly static overall, with only a minimal variance (£13k) in Council-wide expenditure compared to 2014/15. The previous report highlighted that there had been a marked reduction in the number of auto approvals of timesheets. This trend has not continued in the recent report with volumes of auto approvals and values remaining at the level of last year.
7. Audit Committee has asked that benchmarking on agency spend be undertaken with other councils. It was identified that, whilst expenditure in Cardiff remained fairly static, only one of the four authorities who responded to requests to share data had significantly reduced expenditure on agency workers (by 12%). The other three had significant increases in expenditure in 2015/16 compared to 2014/15. Within this small sample of authorities there were several reasons for the increase which included a reflection of more flexibility being required within a workforce as well as cover for sickness, maternity and capacity issues.

8. A review of the effectiveness of controls relating to **Annual Leave** has been undertaken for 2015/16. An earlier review had analysed the flexi time system (ProTime) and DigiGov (which records employees working time, leave and sickness) and noted areas where improvements were needed in reconciliation and management over-sight of adjustments for annual leave. Recommendations were made to address the situation, however, it was identified that there was a clear requirement to have a “fit for purpose” system and Internal Audit resources have been used to advise on the controls needed in a new integrated time recording / leave system. The new system is a module of DigiGOV and its use is being rolled out in the coming months.
9. Work is currently on-going on a review of mileage and subsistence, pool car usage and postage costs, and these will be reported to Audit Committee in due course.

### **Reasons for Recommendations**

10. To provide Members with an update on ongoing work on Value for Money Studies.

### **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, and consider whether further communication to specific directorates is required.

**Ian Allwood**  
**Head of Finance**





**AUDIT COMMITTEE: 29 November 2016**

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**SCRUTINY CORRESPONDENCE**

**REPORT OF CORPORATE DIRECTOR RESOURCES**

**AGENDA ITEM: 11**

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**Reason for this Report**

1. This report has been prepared to provide Audit Committee members with relevant information relating to Correspondence issued by the five Scrutiny Committees. This will provide members with the opportunity to determine whether any matters arising from the correspondence are to be considered at a future Audit Committee meeting.
2. This report will also detail any correspondence between the Chair of Audit Committee and the Chairs of Scrutiny Committees. Since the last meeting, there has been no correspondence between the Chairs of the respective Committees.

**Background**

3. The purpose of this report is to ensure that there is an exchange of information between Scrutiny and Audit Committee and to provide the opportunity to consider whether any matters arising from respective scrutiny letters require further investigation by Audit Committee.
4. The Audit Committee's Terms of Reference includes the need to work in synergy with the five Scrutiny Committees and to avoid duplication in work programmes.

**Issues**

5. A review of the correspondence items for Scrutiny Committees was carried out and covered the period between 19 September 2016 and 2 November 2016.
  - Community and Adult Services Scrutiny Committee (October 2016)
  - Policy Review and Performance Scrutiny Committee (October 2016)
  - Policy Review and Performance Scrutiny Committee (October 2016)
  - Environmental Scrutiny Committee (October 2016)
6. In determining which (if any) pieces of correspondence should be considered at a future meeting, then consideration needs to be taken of the Audit Committee Terms of Reference, which for reference is set out in Appendix A.
7. Community & Adult Services Scrutiny Committee considered the Dementia three year plan and the assessment process for the Social Services & Well Being (Wales) Act. For information, as the item does relate to accountability arrangements, the correspondence relating to the assessment process can be found in Appendix B.

8. Economy & Culture considered Support for Start-ups and Entrepreneurial Businesses and Flat Holm Island Partnership whilst Children & Young People Scrutiny Committee considered the implementation of the new model for Cardiff Play's Service. None of the items in these two scrutiny committees identified issues that covered the terms of reference of the Audit Committee.
9. Environmental Scrutiny Committee considered Pavement and Footway maintenance and have requested further financial information in respect of damage to pavements and footpaths caused by trees and irresponsible parking. The letter can be found in Appendix B. In addition, the Committee received a review of the Recycling & Waste restricting Programme.
10. Policy Review and Performance Scrutiny Committee considered Welsh Language Standards, Public Service Board and the Statutory Improvement Report. In considering the terms of reference of the Audit Committee the correspondence relating to Welsh Language Standards and Statutory Improvement Report can be found in the attached Appendix B.
11. The four pieces of correspondence found in Appendix B highlight areas that partly cross into the Terms of Reference of the Audit Committee. In determining whether or not there are any items to add in future Audit Committees then consideration needs to be given to the terms of reference and the need to avoid duplication where possible.

### **Reasons for Recommendations**

12. To consider the correspondence and determine which require further consideration at a future Audit Committee meeting.

### **Legal Implications**

13. There are no legal implications arising from this report.

### **Financial Implications**

14. There are no financial implications arising from this report.

### **Recommendations**

15. To note and identify any items contained within the correspondence of Scrutiny Chairs that need to be put on the Agenda at a future Audit Committee.

**CHRISTINE SALTER**  
**CORPORATE DIRECTOR RESOURCES**  
**Date: 19 September 2016**

The following appendices are attached:

Appendix A - Audit Committee's Terms of Reference  
Appendix B - Published Scrutiny Letters (4 items)

# AUDIT COMMITTEE

## 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.

My Ref: Scrutiny/Correspondence/Cllr McGarry

12 October 2016

Councillor Susan Elsmore  
Cabinet Member  
c/o Room 520  
County Hall  
Cardiff  
CF10 4UW



Dear Susan

**Community & Adult Services Scrutiny Committee – 5 October 2016**

On behalf of the Members of the Community & Adult Services Scrutiny Committee, I would like to thank you and officers for attending and contributing to the discussion on Agenda Item 5, the **Social Services & Well Being (Wales) Act 2014: Assessment item**. A separate letter will be sent regarding Agenda Item 4.

Members wish to thank officers for their help in ensuring that the Committee Papers contained relevant and up to date information on the assessment processes in place since the Act went live in April this year. Members are reassured by this information and by the answers given at Committee that we have started the new assessment process in the right way. Members were particularly pleased to hear the Assistant Director of Adult Social Services, Amanda Phillips, state that Social Workers are very aware of the fact that some existing service users will be fearful that the new assessment approach may reduce their care package and that staff are aware of the need to manage this sensitively and supportively. Members also note that the new assessments currently take longer than the previous assessments but that this pressure is being dealt with by managers proactively monitoring the situation. Members note that a pressure bid has been made for 2017/18 for additional resources to go into a review team.

We note the comment from the Director of Social Services, Tony Young, that this is a transitional year and that it will be important to use data from this year to enrich future provision appropriately. Members believe it would be particularly beneficial to plan to be able to compare customer satisfaction data 2016/17 and 2017/18 in order to identify areas of improvement and learning.

Members particularly wish to thank Carolyn Palmer for her clear and informative answers at Committee with regards to Preventative Services and the critical role they are playing in ensuring well-being in our communities. Members note that improvements are being made to the Joint Equipment Service and that thought is being given to how to establish online self-assessments for smaller equipment items, so that officer time can be prioritised to more complex cases.

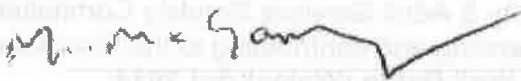
With regard to the First Point of Contact (FPOC), Members note that carers can go to the FPOC to receive information, advice and assistance and will be referred on to the Adult Services Carers Assessment Team and that the ICF monies will continue to fund 2 FTE Social Workers in the FPOC in 2017/18.

Members also note that pressure bids have been made for 2017/18 for additional funding for the FPOC and for Independent Living Visitor Officers.

With regard to the Locality Working pilot, Members note that the reason some of the expected savings will not be realised in 2016/17 is due to it taking longer to resolve some of the domiciliary care services than anticipated.

Once again, thank you all for your attendance. This letter does not require a response.

Yours sincerely,



**COUNTY COUNCILLOR MARY M<sup>C</sup>GARRY**

**Chairperson - Community & Adult Services Scrutiny Committee**

Cc: Tony Young & Amanda Phillips Social Services  
Sarah McGill, Jane Thomas, Carolyne Palmer Communities & Housing  
Paula Angel Personal Assistant  
Liz Patterson Personal Assistant  
Matt Swindell Cabinet Support Officer

Ref: RDB/PM/RP/04.10.16

25 October 2016

Councillor Ramesh Patel,  
Cabinet Member for Transport, Planning & Sustainability,  
County Hall,  
Atlantic Wharf,  
Cardiff,  
CF10 4UW.



Dear Councillor Patel,

**Environmental Scrutiny Committee – 4 October 2016**

On behalf of the Environmental Scrutiny Committee I would like to thank you and the officers from City Operations for attending the Committee meeting on Tuesday 4 October 2016. As you are aware the meeting considered an item titled 'Pavement & Footway Maintenance in Cardiff'. The comments and observations made by Members following this item are set out in this letter.

**Pavement & Footway Maintenance in Cardiff**

- During the way forward Members agreed that the best long term approach for pavement and footway maintenance in Cardiff was to take a steady state funding approach. This echoed the comments made about maintenance of the overall highway asset in May 2016. The letter sent to you after the meeting in May 2016 has been attached to this letter as **Appendix 1.**
- Members noted the importance of a well maintained highway asset for Cardiff and in particular emphasised the need for good quality carriageways and pavements. **Whilst acknowledging the difficult financial position that the Council faces they ask that you continue to look for additional capital funds to support further improvements to the overall highway asset.**

- The subject of parking across paving slabs and pennant stone was raised during the meeting. Members were concerned about the damage that such irresponsible parking causes and the financial impact that this has on the highway maintenance budget. **I would be grateful if you could provide the Committee with a summary of the costs created by this problem for the financial years 2014/15 and 2015/16.**
- Members are aware of the damage that trees cause to pavements and footways across Cardiff. **I would be grateful if you could provide the Committee with a summary of the costs that tree damage caused to pavements and footways during the financial years 2014/15 and 2015/16.**

I would be grateful if you would consider the above comments and provide a response to the requests made in this letter.

Regards,



Councillor Paul Mitchell  
Chairperson Environmental Scrutiny Committee

Cc:

Andrew Gregory - Director for City Operations  
Matt Wakelam – Operational Manager, Infrastructure & Operations  
Gary Brown – Operational Manager, Assets, Engineering & Operations  
Andrew Greener – Team Leader, Assets, City Operations  
Paul Keeping – Operational Manager, Scrutiny Services  
Davina Fiore – Director for Governance & Legal Services  
Members of the Environmental Scrutiny Committee



My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 12 October 2016



County Hall  
Cardiff,  
CF10 4UW  
Tel: (029) 2087 2087

Neuadd y Sir  
Caerdydd,  
CF10 4UW  
Ffôn: (029) 2087 2088

Councillor Graham Hinchey,  
Cabinet Member, Corporate Service & Performance,  
Cardiff Council,  
County Hall  
Cardiff  
CF10 4UW

Dear Councillor Hinchey,

**Policy Review & Performance Scrutiny Committee: 11 October 2016  
Statutory Improvement Report 2015/16**

Thank you for attending Committee to facilitate the Policy Review & Performance Scrutiny Committee's consideration of the Statutory Annual Improvement Report 2015/16. Following discussion at the Way Forward Members have asked that I pass on the following comments and observations for consideration by the Cabinet.

The Committee is pleased to hear that this year all steps have been taken to meet the requirements of the Local Government (Wales) Measure 2009 in respect of the Council's own assessment of its 2015/16 performance, and therefore comply with Wales Audit Office requirements. We note that in future the Measure's Improvement Objectives, used for performance improvement measurement, will be replaced by the Well-being Goals introduced by the Well-being of Future Generations (Wales) Act 2015.

The central focus of the Committee's concerns continues to be around the robustness of the Council's target setting. Members illustrated such concerns about performance measures using the following examples during the Committee and the Way Forward:

- **Page 43: The percentage of year 11 leavers not in Education, Employment or Training (NEET).** We accept that – where there has been over performance – managers use an outcome to determine future resource allocation; but we are concerned as to what happens next. The Committee wishes to have a fuller explanation of how the effectiveness of target setting is reviewed, given its contribution to overall improvement.
- **Page 63: The number of additional affordable housing units provided during the year.** Here performance has far exceeded the target set for 2015/16. The target has been set considerably lower than both 2013/14 and

2014/15 results. Clearly we have met the target and are therefore assessed as improving, though against what could be considered an unchallenging target.

- **Page 71: 'Grade A' office space committed for Development in Cardiff.** The 2014/15 result was 100,000 square feet, the target set for 2015/16 was 100,000 square feet, which was duly achieved and self assessed as having made strong progress (a smiley face), though it could be considered there has been no improvement because the assessment is measured against a target that doesn't allow for improvement. The report indicates the Council actually approved 316,000 square feet of Grade A offices.
- **Page 75, Mode of Travel to Work by Cycling.** The 2013/14 and 2014/15 result was 9.2%, and the target set for 2015/16 was 9.2%, which was duly achieved and self assessed as a smiley face, though again it could be considered there has been no improvement because the assessment is measured against a target that doesn't allow for improvement.

The Committee considers that the smiley face assessments used are sometimes subjective, and wish to suggest the accuracy of the judgements is checked. We would be interested to understand the framework used to arrive at the final judgement.

Members take on board the Chief Executive's view that the self assessment process adopted this year is clearer and more precise, however they have some reservations that the tick approach (*page 9*) does not reflect the detail behind services such as 'access to good quality housing' and 'every Cardiff School is a good school'. These are services about which Members receive many enquiries in the course of their ward work. Members therefore feel there may be an opportunity to improve the robustness of the assessment of performance process.

Whilst we acknowledge that other published Council documents provide financial detail, the Committee feels that within 'The Cost of our Services' section (*Pages 11/12*) the report would benefit from greater detail of budget overspend.

Finally, the Committee notes your intention to conduct a comprehensive independent review of the Organisational Development Programme (ODP) by the end of the 2016/17 municipal year and is keen to have an opportunity to consider the findings. We also note for future work programming you consider it will be necessary to re-visit the ODP programme early in the 2017/18 new municipal year.


To recap, the Committee:

- Requests that Cabinet give consideration to the robustness of the Council's Performance Measure target setting;

- Would be grateful for a fuller explanation of how the effectiveness of target setting is reviewed;
- Would be interested to understand the framework used to arrive at the final judgement of performance;
- Wishes to consider the comprehensive independent review of the Organisational Development Programme (ODP) when it becomes available.

Once again thank you for attending Committee, we remain keen to support the Council in its performance review work and contribute to a culture of proactive performance management that provides a strong foundation for improvement in Council services.

Yours sincerely,



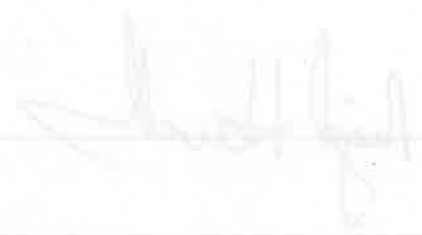
**COUNCILLOR NIGEL HOWELLS**  
**CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee;  
Paul Orders, Chief Executive;  
Christine Salter, Corporate Director Resources;  
Joseph Reay, Head of Performance & Partnerships;  
Clare Deguara, Cabinet Business Manager;  
Matt Swindell, Principal Administrative Officer.

- Organizational Development (OD) is a business discipline that focuses on the design and implementation of organizational structures, processes, and systems to improve performance and achieve organizational goals.
- OD is a strategic approach to organizational change that involves the design and implementation of organizational structures, processes, and systems to improve performance and achieve organizational goals.
- OD is a business discipline that focuses on the design and implementation of organizational structures, processes, and systems to improve performance and achieve organizational goals.

Once again thank you for attending the meeting. We hope you found the meeting useful and enjoyable. We will continue to work on the project and will keep you updated as we progress.

Yours sincerely,



**NIGEL HOWELLS**  
**CHIEF POLICY OFFICER AND PERFORMANCE POLICY COMMITTEE**

Director of the Strategy & Performance Policy Committee  
 100 Victoria Street, London, EC1A 3DF  
 Tel: 020 7544 7000  
 Email: [nigel.howells@hse.gov.uk](mailto:nigel.howells@hse.gov.uk)

My Ref: T: Scrutiny/PRAP/Comm Papers/Correspondence

Date: 18 October 2016

Councillor Phil Bale,  
Leader,  
Cardiff Council,  
County Hall,  
Cardiff  
CF10 4UW



County Hall  
Cardiff,  
CF10 4UW  
Tel: (029) 2087 2087

Neuadd y Sir  
Caerdydd,  
CF10 4UW  
Ffôn: (029) 2087 2088

Dear Councillor Bale,

**Policy Review & Performance Scrutiny Committee: 11 October 2016**

Please accept my sincere thanks on behalf of the Committee for attending the Policy Review and Performance Scrutiny Committee to facilitate consideration of the Bilingual Cardiff Welsh Language Strategy. Please also pass our thanks to Davina Fiore and Ffion Gruffudd who supported the policy development scrutiny. Following our discussion at the Way Forward Members have asked me to pass on their comments and observations, acknowledging that the strategy under development will be for Cardiff rather than for the Council.

The Committee valued the opportunity of an interesting discussion about a tangible frontline service at an early consultation stage in policy development. We are capturing our observations at this stage but, work programming permitting, would welcome a further opportunity for pre decision scrutiny when the strategy is in draft and proposals have been formalised.

The Committee notes the Welsh Government target of a million Welsh speakers by 2050 and recognises Cardiff has a facilitating role in supporting the government's strategy. We are keen to establish the basis for Cardiff's identified increase of 15.9% (42,584) in order for it to play its part in achieving the all Wales target. We are unclear as to whether or not this is a stretching target but accept your explanation that at this stage it is provisional, reflects the projected population growth for Cardiff, and may be revised when consultation responses are factored in.

Members feel there is a strong argument for targeting the easiest groups first, such as improving Welsh language awareness and teaching in English speaking schools. We note that Welsh medium schools are successful and are therefore pleased to hear you are in discussion with partners to develop a package of support that will target an improvement in the quality of Welsh Language teaching in English speaking schools.

The Committee feels that within Strategic Area 4: The Workplace there should be a reference to how the Council can encourage private sector companies to embrace Welsh language standards when locating in Cardiff.

The Committee concurs with you that Cardiff is a public sector leader, and Members would be concerned if there was any possibility of a future administration avoiding compliance. However, we too are concerned at the resource implications of meeting the Welsh Language Standards, particularly where this requires financial investment. We note the example you gave that all temporary signage, not simply new temporary signage, is expected to display Welsh first, as a matter of immediacy rather than rolling replacement. We are concerned that such strict interpretation of the Standards will present significant financial challenges for the Council and weaken our chances of compliance. Therefore we wish to add our voice to your concerns in communicating with the Welsh Government in respect of resources for meeting the Welsh Language Standards.

Notwithstanding the challenge of resources we acknowledge that the Council is on a journey, we recognise that the requirements of the Standards cannot be met all at once and developing a five year Bilingual Strategy will assist in allocating resources and map out the direction for achieving Council targets. We also note the positive development of a bilingual intranet.

The Committee was so interested in the challenge of delivering bilingual services we will be commending two work programming opportunities to our successors. Firstly an opportunity for more focussed case study type inquiry work, with a view to examining the challenge to a private sector employer of offering a bilingual service, and selecting an English speaking school to examine how the Council is supporting bilingualism. Secondly, we commend monitoring progress in delivering on the Standards on an annual basis.

*To recap, the Committee:*

- Would welcome a further opportunity for pre decision scrutiny when the strategy is in draft and proposals have been formalised.
- Wishes to add its concern in respect of resources to meet the Welsh Language Standards when you are communicating with Welsh Government.
- Will be commending its successors conduct more focussed case study type inquiry work, with a view to examining the challenge to a private sector employer of offering a bilingual service, and at how the Council is supporting bilingualism in an English speaking school.
- Will be commending its successors monitor progress in delivering the Welsh Language Standards on an annual basis.

Once again on behalf of the Committee, please pass my sincere thanks to all who attended PRAP Scrutiny Committee to brief Members.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nigel Howells', with a long horizontal flourish extending to the right.

**COUNCILLOR NIGEL HOWELLS  
CHAIR, POLICY REVIEW AND PERFORMANCE SCRUTINY COMMITTEE**

cc Members of the Policy Review & Performance Scrutiny Committee.  
Davina Fiore, Director of Governance & Legal Services.  
Ffion Gruffudd, Head of Bilingual Cardiff.  
Claire Deguara, Cabinet Office.  
Naomi Evans, Cabinet Office.

Once again on behalf of the Committee, please send my sincere thanks to all who  
attended the 2004 Board Committee to form the Board.

Yours sincerely,



CHAIR POLICY REVIEW AND PERFORMANCE BOARDING COMMITTEE  
COUNCIL OF NIGEL HOWELLS

Member of the Policy Review & Performance Boarding Committee  
Chairman of the Board of Directors & Senior Executive  
Chairman of the Board of Directors  
Chairman of the Board of Directors  
Chairman of the Board of Directors



| Topic               | Monday<br>27.06.16<br>at 10.30am (CR4)                                    | Wednesday<br>19.09.16 (Workshop<br>12.30-1.30pm)<br>at 2pm (CR4)   | Tuesday<br>29.11.16<br>at 2pm (CR4)          | Tuesday<br>24.01.17<br>at 2pm (CR4)          | Tuesday<br>14 or 28.03.17<br>at 2pm (CR4)   | Tuesday<br>20.06.17<br>at 2pm (CR4)                    |
|---------------------|---|--|--|--|---|--|
| Wales Audit Office  | Corporate Assessment Update   | Corporate Assessment Update  | Corporate Assessment Follow On               | Corporate Assessment Follow On               | Corporate Assessment Follow On  | Corporate Assessment Follow On                         |
|                     | Annual Improvement Report<br><i>(Deferred to Sept)</i>                    |  |  |  | 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 for City of Cardiff Council (ISA260)                                   |  |  |   | Regulatory Prog. Update & Fee information '17-18       |
|                     |   | Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)                    |  |  |   |  |
|                     |   | <i>[Cardiff &amp; Vale of Glamorgan Pension Fund Statement of Accounts 2015/16 (contained within SOA)]</i> |  |  |   |  |
|                     |   | 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                             |  | Treasury Mgmt Practices   |  |
|                     |   |  |  | Draft Strategy '17-18                        | Strategy '17-18   |  |
| Finance             | Financial Update including Resilience Issues                              | Financial Update including Resilience Issues   | Financial Update including Resilience Issues | Financial Update including Resilience Issues | Financial Update including Resilience Issues                                      | Financial Update including Resilience Issues           |
|                     | Draft Statement of Accounts for '15-16 (including the AGS)                | 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) |
|                     |   | Audit of the Financial Stat't Report – Cardiff & Vale of Glamorgan Pension Fund (ISA260)                   |  |  |   |  |
|                     |   | Welsh Pool Pension Fund Governance Aspects   |  |  |   |  |
|                     | WAO Tracker/Other Studies   | WAO Tracker/Other Studies  | WAO Tracker/Other Studies                    | WAO Tracker/Other Studies                    | WAO Tracker/Other Studies   | WAO Tracker/Other Studies                              |
| 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)  |  | Draft Audit Strategy '17-18                  | Audit Strategy '17-18   | Internal Audit Annual Report '16-17                    |
|                     |   | VFM Exercise – Supply Teachers   |  |  |   |  |

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|--|--|--|--|--|---|--|
| <b>Governance and Risk Management</b>  | 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)   | Risk Management Update   | Corporate Risk Register (Mid-Year) [to include Corporate Risk Map] |  |   | Corporate Risk Register (Year-End) [to include Corporate Risk Map] |
|  |  |  | Audit Committee Self-Assessment Feedback/Action Plan               |  | Audit Committee Self-Assessment Feedback/Action Plan      |  |
|  |  |  |  | Audit /Scrutiny Protocol                                 |   |  |
| <b>Operational matters / Key risks</b> | Director of Education – Annual Report on Governance (including Balances) & Deficits in Schools (Deferred to Sept.) | Director of Education - Annual Report on Governance (including Balances) & Deficits in Schools   | Director Social Services (Financial Position)                      | Wellbeing & Future Generations – Monitor Impact & Risks  | Director City Operations Update on Highway Payroll Review |  |
|  |  | Director City Operations – Response to Internal Audit Report (Highways Payroll Follow up Review) |  | Alignment between the ODP and Medium Term Financial Plan | Building Maintenance Framework                            |  |

## Audit Committee Action Plan

(Updated following meeting held on 19 September 2016)

| Minute No.<br>/Agenda No.               | Actions   | Timeline   | Action Owner          |
|---|---|--|-----------------------|
| <b>Finance (Budget)</b>                 |   |  |                       |
| MN5<br>22.03.16                         | <b>Accounting Policies Update</b><br>A report be presented to the Committee later in the year providing an update on progress on the task of valuing the infrastructure asset.  | 28.03.17   | C Salter/<br>A Hirani |
| 27.06.16                                | <b>Financial Update</b><br>The Committee would welcome clarification of the position regarding the continual overspends in the Social Services Directorate.   |  | C Salter              |
| 19.09.16                                | Clarification requested regarding the financial position within Social Services that are not being addressed; Chair to write to Director to address concerns and invite him to attend next meeting.   | 29.11.16   | Chair                 |
| 27.06.16                                | <b>Draft Statement of Accounts / AGS 2015-16</b><br>1. Subject to the comments received in respect of the 2015/16 draft Statement of Accounts as set out above, note that these Accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection; | 19.09.16<br>Completed  | C Salter              |
|   | 2. Note that the Audited Statement of Accounts for 2015/16 will reviewed by this Committee in September 2016, prior to being presented to Council;  | 19.09.16<br>Completed  | C Salter              |
|   | 3. The Corporate Director Resources present a report on changes to the management arrangements for Welsh Pension Funds to the next meeting of the Committee.  | 19.09.16<br>Completed  | C Salter              |
| 19.09.16                                | <b>Welsh Pool Pension Fund Governance</b> – Chair requests that in the event of any future proposals regarding the governance of the Welsh Pool Pension Fund that they are presented to Audit Committee for consideration prior to implementation.  | As<br>appropriate  | I Allwood             |
| <b>Governance &amp; Risk Management</b> |   |  |                       |
| MN31<br>30.11.15                        | <b>Constructing Excellence Wales on Bldg. Maintenance Framework and Action Plan</b><br>That Internal Audit follow-up on the action plan and the work on the future framework arrangements has been completed and is on the work programme for March 2017.   | 28.03.17   | I Allwood             |
| 27.06.16                                | <b>Audit Committee Annual Report 2015-16</b><br>That the Audit Committee Annual Report 2015/16 be approved for consideration by Council.  | The report was<br>received & noted<br>at Council<br>29.09.16 | Chair                 |
| 19.09.16                                | <b>Risk Register Update</b><br>Committee commended the Corporate Risk Map diagram. Committee requests that the Corporate Risk Map be presented with future Corporate Risk Register reports.   | At<br>appropriate<br>meetings in<br>the year                 | I Allwood             |

| Minute No. /Agenda No.                                | Actions   | Timeline              | Action Owner           |
|---|---|-----------------------|------------------------|
| <b>Wales Audit Office (WAO)</b>                       |   |                       |                        |
| MN10<br>22.03.16                                      | <b>Improvement Plan of Work &amp; Annual Financial Audit Outline</b><br>WAO be requested to collate further benchmarking data   | 24.01.17              | Janet<br>McNicholas    |
| MN9<br>22.03.16                                       | <b>Corporate Assessment Update</b><br>The Head of Performance be invited to attend a future meeting of the Audit Committee.   |                       | J Reay                 |
| MN9<br>22.03.16                                       | 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;  | 24.01.17              | I Allwood              |
| MN9<br>22.03.16                                       | WAO be invited to provide input from a WAO perspective in 6 and 12 months' time.  | 24.01.17 &<br>July 17 | N Jenkins              |
| <b>Treasury Management</b>                            |   |                       |                        |
| <b>Internal Audit</b>                                 |   |                       |                        |
|   | <b><u>Value for Money</u></b>   |                       |                        |
| MN55<br>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              | I Allwood/<br>Audit    |
| MN34<br>30.11.15                                      | The Audit & Risk Manager to consider whether a random check of 'High/Satisfactory' school CRSA's should be undertaken.  | 2016-17<br>Plan       | I Allwood/<br>Audit    |
| 27.06.16  | <b>Progress Update</b><br>Audit section provide further details of the carried over recommendations from audits, at the next meeting of the Committee.  | 29.11.16              | I Allwood/<br>Audit    |
| 19.09.16  | <b>Internal Audit</b><br>That an update on the two 'no assurance' audit reports are sent to audit committee members as they become available, and that the next meeting allows time for them to be presented and considered.  | 29.11.16              | I Allwood/<br>Audit    |
| <b>Progress Reports &amp; Value for Money Studies</b> |   |                       |                        |
| <b>Outstanding Actions</b>                            |   |                       |                        |
| AN10.2<br>22.06.15                                    | <b><u>Education – Governance</u></b><br>The Director of Education to provide a further briefing on school balances.   | 19.09.16<br>Completed | N Batchelar            |
| MN16<br>22.03.16                                      | Audit and Risk Manager stated that the Director of Education will attend to discuss school deficits.  | 19.09.16<br>Completed | N Batchelar            |
| MN57<br>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<br>Completed | N Batchelar /<br>Audit |

| Minute No. /Agenda No.                                  | Actions   | Timeline   | Action Owner                                     |
|---|---|--|--|
| <p>19.09.16</p> <p>AN10.2<br/>22.06.15<br/>19.09.16</p> | <p><b>School Supply Teachers</b><br/>Nick Batchelar to provide Prof Pendlebury with comparative data on absences across individual schools in the City.</p> <p><b><u>Director Strategic Planning &amp; Highways – Response to Internal Audit Report</u></b><br/>That the Committee receives a further progress report in six months.</p> <p>Chair requested a further report on the Highway Payroll Review in order to demonstrate a more concrete understanding that the issues raised previously by audit have been addressed; Committee need to be assured that processes are in place to address their earlier recommendations.</p> | <p>29.11.16</p> <p>Completed</p> <p>28.03.17</p> | <p>N Batchelar</p> <p>Audit</p> <p>A Gregory</p> |
| <b>Work Programme</b>                                   |   |  |  |
| <p>MN22<br/>16.09.15</p> <p>MN16<br/>22.03.16</p>       | <p>That the WAO reports expected for 2015-16 be added to the work programme. (covered under standing item on agenda “WAO Tracker/Other Studies report”)</p> <p>An Audit Committee Self-Assessment Workshop will take place in September.</p>  | <p>Completed</p> <p>19.09.16<br/>Completed</p>   | <p>Audit</p> <p>Committee Members</p>            |
| <b>Matters Arising</b>                                  |   |  |  |
|   |   |  |  |
| <b>Items of Interest for Members</b>                    |   |  |  |
|   |   |  |  |

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