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AGENDA

Pwyllgor	PWYLLGOR ARCHWILIO
Dyddiad ac amser y cyfarfod	DYDD LLUN, 18 MEDI 2017, 2.00 PM
Lleoliad	YSTAFELL BWYLLGORA 4 - NEUADD Y SIR
Aelodaeth	Aelodau Annibynnol: Ian Arundale (Cadeirydd) Hugh Thomas, Gavin McArthur a/ac David Price Cynghorywr Bale, Cowan, Cunnah, Howells, Lay, McGarry, Dianne Rees a/ac Singh

Tua Amser.

1 Ymddiheuriadau am absenoldeb

Derbyn ymddiheuriadau am absenoldebau.

2 Datgan Buddiannau

I'w gwneud ar ddechrau'r eitem agenda dan sylw, yn unol â Chod Ymddygiad yr Aelodau.

3 Cofnodion *(Tudalennau 1 - 12)*

Cymeradwyo cofnodion y cyfarfod a gynhaliwyd ar 20 Mehefin 2017 fel gwir gofnod.

4 Materion Gweithredol *(Tudalennau 13 - 18)* 2.05 pm

4.1 Nick Batchelar, Cyfarwyddwr Addysg a Dysgu Gydol Oes

- Adroddiad Blynyddol ar Lywodraethu Ysgolion (gan gynnwys Balansau a Diffygion)
- Sefyllfa Adroddiadau Archwilio mewn Ysgolion

5 Cyllid *(Tudalennau 19 - 268)* 2.40 pm

5.1 Diweddariad ar Gyllid (gan gynnwys materion Gwydnwch)
5.2 Datganiad Cyfrifon Terfynol 2016-17 (gan gynnwys AGS)

Atodiad 1 – Datganiad Cyfrifon Drafft 2016/17
Atodiad 2 – Swyddfa Archwilio Cymru - Adroddiad Archwiliad Datganiadau Ariannol 2016/17 (ISA 260) a Llythyr Cynrychiolaeth Drafft – Cyngor Sir Dinas a Sir Caerdydd
Atodiad 3 – Swyddfa Archwilio Cymru – Adroddiad Archwiliad Datganiadau Ariannol 2016/17 (ISA 260) a Llythyr Cynrychiolaeth Drafft – Cronfa Bensiwn Caerdydd a Bro Morgannwg
Atodiad 4 – Swyddfa Archwilio Cymru – Adroddiad Archwiliad Datganiadau Ariannol 2016/17 (ISA 260) a Llythyr Cynrychiolaeth Drafft – Awdurdod Harbwr Caerdydd

6 **Llywodraethu a Rheoli Risg** *(Tudalennau 269 - 292)* 2.55 pm

6.1 Cofrestr Risgiau Corfforaethol - Diweddariad Chwarter 1
6.2 Adroddiad Cynnydd ar Weithredu'r Datganiad Gweithrediadau - i ddilyn

7 **Swyddfa Archwilio Cymru** 3.15 pm

Ceir adroddiadau SAC dan Eitem 5.2

8 **Teclyn Olrhain Swyddfa Archwilio Cymru/Astudiaethau Eraill** *(Tudalennau 293 - 372)* 3.40 pm

8.1 Codi Tâl am Wasanaeth a Chreu Incwm gan Awdurdodau Lleol

9 **Rheoli'r Drysorlys** *(Tudalennau 373 - 400)* 3.50 pm

9.1 Adroddiad ar Berfformiad
9.2 Adroddiad Blynyddol

10 **Archwiliad Mewnol** *(Tudalennau 401 - 450)* 4.05 pm

10.1 Adroddiad y Prif Weithredwr

11 **Gohebiaeth Graffu** *(Tudalennau 451 - 456)* 4.15 pm

11.1 Trefniadau Diogelu

12 **Camau sydd eto i'w Cyflawni**

13 **Diweddariad ar y Rhaglen Waith** *(Tudalennau 457 - 460)*

14 **Materion Brys**

15 **Dyddiad y cyfarfod nesaf**

Cynhelir cyfarfod nesaf y Pwyllgor ar 28 Tachwedd 2017.

Davina Fiore
Cyfarwyddwr Goverance a Gwasanaethau Cyfreithiol
Dyddiad: Dydd Mawrth, 12 Medi 2017
Cyswllt: Graham Porter,
029 2087 3401, g.porter@caerdydd.gov.uk

Mae'r dudalen hon yn wag yn fwriadol

AUDIT COMMITTEE

20 JUNE 2017

Present: D. Hugh Thomas (Deputy Chairperson)

Gavin McArthur and David Price

County Councillors Cowan, Cunnah, Howells, McGarry and Dianne Rees

1 : APOLOGIES FOR ABSENCE

Apologies for absence were received from Ian Arundale.

2 : DECLARATIONS OF INTEREST

The following declarations of interest were made in accordance with the Members Code of Conduct:

Councillor Howells	Item 11.2	School Governor

3 : APPOINTMENT OF CHAIRPERSON

RESOLVED – That Ian Arundale be appointed Chairperson of the Audit Committee for the Municipal Year 2017/18 and D. Hugh Thomas be appointed as Deputy Chairperson.

4 : MINUTES

The minutes of the meeting held on 14 March 2017 were approved by the Committee as a correct record and were signed by the Deputy Chairperson.

5 : OPERATIONAL MATTERS

No operational matters were reported.

Finance
6 : FINANCE UPDATE

The Committee received a report providing an outline of the work being undertaken on budget preparation for 2018/19 and to advise the Committee on the current position in relation to the Council's budget outturn 2016/17.

Members were advised that the 2016/17 accounts were closed and work is ongoing in relation to the preparation of the Statement of Accounts. The projected outturn position was a balanced budget with no adjustments necessary to the general reserve. Earmarked reserves will increase by approximately £7 million. The outturn position will be reported to Cabinet on 6 July 2017 and the report will be issued to the Audit Committee at the point of publication.

Officers indicated that work on the in-year financial monitoring position for 2017/18 is still at an early stage. Updates will be provided to the Committee throughout the year. Preparations for the 2018/19 budget are underway. A report outlining the proposed budget strategy will be presented to Cabinet on 27 July 2017. A brief summary of the key issues and areas to be considered were set out in the report. The Committee was asked to note that policy transitions may need to be considered in preparing future budgets following the establishment of a new administration in May 2017.

A Member asked why the budget strategy report was scheduled to be received by Cabinet after the July meeting of the Council. The Member felt that the report could be brought forward to an earlier meeting of the Council so that Members may have an early opportunity to scrutinise the proposals. Officers advised that prior to the 2017 local elections it was proposed not to have a Council meeting in July. It was therefore intended that the budget strategy report would be taken to Cabinet and Council in September. The Member expressed disappointment that there would be no opportunity for the Council to consider the budget strategy report before the September meeting of the Council. The Member asked for their comments to be noted.

RESOLVED – That the current position in respect of the outturn report for 2016/17 and the work being undertaken in relation to the budget monitoring of 2017/18 and the budget strategy for 2018/19 be noted.

7 : DRAFT STATEMENT OF ACCOUNTS

The Committee received a report providing Members with an opportunity to review and provide comments on the Draft Statement of Accounts 2016/17 prior to the accounts being formally submitted for external audit and public inspection. The Statement of Accounts was attached as Appendix 1 to the report.

Members were advised that the Local Government (Wales) Measure 2011 identified the review of the Council's Statement of Accounts as a specific function for the Audit Committee. In conjunction with Wales Audit Office, further progress has been made to simplify the document by removing unnecessary and immaterial information. The Statement of Accounts are prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

The Statement of Accounts includes a narrative report providing a general explanation of the Council's financial position together with a guide to the financial statements included in the accounts. The financial statements are accompanied by notes which provide further detail on the accounts. The accounts also include the financial position of Cardiff Bus; an Annual Governance Statement; and statements in respect of the Housing Revenue Account (HRA), Trust Funds and Cardiff Port Health Authority.

The Responsible Finance Officer is required to sign the accounts by 30 June 2017. A draft of the accounts was provided to the Wales Audit Office on 15 June 2017. The report set out the next steps as follows:

- Advertise the opportunity for public inspection for a period of four weeks

- Complete the whole of government accounts returns based on the draft accounts in July 2017
- All material amendments and adjustments to be agreed by the Wales Audit Office and Council by end of August 2017
- Audit Committee consideration of the final accounts and audit report at its September meeting
- Full Council to approve and sign the audited accounts at its meeting in September
- Publish the approved accounts by 30 September 2017

Members were invited to comment, seek clarification or comments on the report. Those discussions are summarised as follows:

- Members sought clarification regarding the issue of the valuation of Cardiff Bus, which had been raised previously by the Committee. Officers stated that changes to the CIPFA code which were likely to affect the valuation of Cardiff Bus, were not due to come into effect until April 2018, and were subject to approval. The draft Statement of Accounts was based on the existing code. Officers agreed to provide the Committee with a further update on this matter.

- Members noted that the Statement of Accounts indicated that the authority held surplus assets not held for sale of approximately £40 million and that assets held for sale totalled £80,000. Members sought assurance that adequate controls were in place. Officers stated that the totals reflect the categorisations required by the CIPFA Code of Practice. The assets are those held by the authority but are not currently used for operational purposes. Any assets ‘held for sale’ are those to be sold during the next 12 months which meet the four criteria set out in the code. Responding to a further question from the Committee, officers advised that the process for managing disposal of assets is set out in the Corporate Asset Management Plan. Investment property – property held to provide an income – was managed under the Investment Property Strategy. Officers offered to provide Members of the Committee with hyperlinks to both documents.

- Members asked for an explanation of the rationale used to revalue assets. Officers stated that in terms of the revaluation of artworks, the assets are valued for insurance purposes. That value was used as a basis for the valuation, which had resulted in an increase. Investment properties are valued every five years by the Estates Department and an independent valuation company. There is a rolling programme for valuation of council owned homes, which is due in the next financial year.

- Members commended the narrative report which accompanied the Statement of Accounts. A request was made that the narrative report include an explanatory note explaining why the ‘unusable reserves’ of £581 million cannot actually be used. Officers agreed amend the narrative report to include such an explanation. Members also requested further details be provided in the remuneration note for 2015/16. Officers agreed to include additional information in a footnote.

- The Committee requested that their thanks to the officers for achieving the required deadline and for the good progress made in simplifying the Statement of Accounts be noted.

RESOLVED – That:

(1) subject to any comments in respect of the 2016/17 draft Statement of Accounts, the Committee notes that these Accounts are to be signed by the Corporate Director Resources and submitted for external audit and public inspection.

(2) the Committee notes that the audited Statement of Accounts for 2016/17 will, prior to being presented to Council, be reviewed by this Committee in September.

Governance and Risk Management

8 : SENIOR MANAGEMENT ASSURANCE STATEMENT REVIEW - FEEDBACK

The Committee received a report on the review of the Senior Management Assurance Statements (SMAS) for 2016/17. The SMAS are a key component of the Annual Governance Statement (AGS) providing self-assessment by the Senior Management Team. Members were asked to consider whether the AGS accurately reflects the risk environment and supporting assurances and takes into account internal audit opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk and internal control. The Committee is also asked to consider the Council's corporate governance arrangements against the good governance framework.

Members were advised that at its meeting on 14 March 2017 the Committee received a copy of the draft AGS and a report on the changes to AGS assessment.

The report also provided Members of the Committee with an overview of the SMAS process and AGS action plan.

Members were asked to note that there were 23 assurance statements answered by each Director. A summary of the SMAS statements, a Senior Management Statement and an Action Plan for the significant issues identified were appended to the report. Results showed an overall 'strong' application of good governance across the assurance areas.

The Chairperson invited questions on the report. These are summarised as follows:

- Officers were asked how confident they were that the scoring of SMAS is consistent across all directorates and what controls were in place. Officers stated that these questions had been asked by the Chief Executive. During discussions with the Senior Management Team an explanation of the self-assessment process in terms of the levels and the assurance given was provided. Members asked whether it was possible that a circumstance could arise whereby the Director and the managers working beneath him could arrive a different score. Officers stated that both Directors and managers should consult with their management teams and the SMAS should reflect a summary of the assessments for the services each are responsible for.

- Officers were asked to expand upon the 14% limited application figure for budget monitoring. Members were advised that the figure relates to responses from the Social Services Directorate in terms of budget monitoring and delivering budget savings and that the Committee will be aware of the issues within the Directorate.

- Officers indicated that, whilst there are 5 instances of limited application set out in the summary document, there was nothing to suggest that poor performance in any particular directorate is being 'masked'. The Corporate Director Resources stated that there was an expectation that if poor performance is identified it would be included in the significant issues document.

- Officers confirmed that work was being undertaken to evaluate whether SMAS self-assessments and the Internal Audit Work Plan are in alignment.

- Referring to the Annual Governance Statement and paragraph 18 of the report, the Committee sought clarification of meaning of the phrase 'sufficiently underway'. Steve Barry of Wales Audit Office stated that two thirds of the actions from the WAO Corporate Assessment Follow On Report have been completed. Dialogue between WAO, the Chief Executive and the Corporate Director Resources is continuing. The Chairperson requested that a progress report on the implementation of said actions be presented at the next meeting of the Committee in September.

RESOLVED – That the Committee's comments on the Senior Management Assurance Statements, the Senior Management Statement and the Action Plan of Significant Governance Issues be noted.

9 : CORPORATE RISK REGISTER

The Committee received a report providing an update on the risk management position at Quarter 4 2016/17. The report also advised the Committee of the formalisation of a new risk escalation process introduced in Quarter 4. The risk escalation process has been formalised to ensure that SMT receive systematic and timely risk information and analysis from each Directorate on a risk priority basis.

Members were advised that 319 risks were reported from Directorate Risk registers. Each Director is responsible for reviewing and escalating risks in accordance with the refreshed process.

A total of 14 risks were escalated to SMT and each were collectively reviewed and discussed. A new corporate risk on cyber security was agreed and added to the corporate risk register. Following the ICT Service Manager's attendance at the Risk Management Steering Group in January 2017, an action was agreed for his attendance at SMT to provide guidance and articulation of individual and collective responsibilities. Another risk on the 'non-compliance of building equipment maintenance' was also escalated to the Corporate Risk Register (CRR) in the quarter 4 review.

There were 24 corporate risks in place prior to the quarter 4 review. Each risk owner reviewed their existing corporate risks and control narratives and improvement actions were updated, including: some risk additions and risks removed from the CRR; changes to some risk names/titles; and an increase in the Information Governance risk rating from B2 to B1. Further details of each of the updates to the CRR were provided in the report.

The Committee discussed the report. Members raised questions and sought clarification on a number of points. Those discussions are summarised as follows:

- Members asked how reactive the authority is to risks which fall outside the risk register and how does the authority ensure the risk register reflects current issues. Officers stated that the CRR represents those Directorate Risks which have been escalated for SMT/Directors to respond. The CRR is dynamic and represents a summary of themed issues.

- Members asked why natural events were not reflected as a top level risk in the CRR. The Committee was advised that the Emergency Management Unit have plans in place to respond to natural events. The CRR represents the risks to achieving corporate objectives.

- A Member asked whether the CRR process was able to 'fast-track' emerging threats. Officers stated that the CRR was responsive and a good example of this was SMT's recent reaction to the Grenfell Tower disaster. SMT immediately discussed the authority's position and it was agreed that an officer group be established.

- Members asked whether the authority has a Disaster Recovery Plan in place and whether there was a clear understanding of the priorities for reinstating services which might be impacted upon. Officers confirmed that a plan was in place and this was reflected in the business continuity risk, which is reviewed periodically.

- A Member requested a report on safeguarding issues be presented to a future meeting of the Committee and the Director be invited. Having considered the Terms of Reference of the Audit Committee, the Deputy Chair will determine whether or not this is business of the Audit Committee or is to be referred to the respective Scrutiny Committees.

- Members of the Committee also suggested that KPIs could be used to track the impact of the additional resources allocated in the 2017/18 budget for Social Services and a request was made that any future report should reference those KPI. The KPI data could be used to evaluate the ability of the service to deliver its functions.

- A Member considered that in terms of the Schools SOP risk, there was little to indicate acknowledgement of the increase of children with autism or with special needs, and furthermore, little recognition of the lag between the new housing developments approved under the LDP and the provision of secondary school places. Officers agreed to raise those issues with the Director of Education.

- Referring to the risk rating, Members questioned whether residual risk could ever be more than inherent risk. In the matrix the residual risk and inherent risk for climate change was the same. Members asked whether controls were sufficient. Officers accepted the point made. The risk owner had taken the view that there was not sufficient evidence to move it.

RESOLVED – That:

(1) Audit Committee notes the Corporate Risk Register;

(2) the Deputy Chair to consider the Terms of reference of Audit Committee and determine whether or not the matter of Safeguarding risk management is referred to the Chairpersons of the Community and Adult Services Scrutiny Committee and the Children and Young People Scrutiny Committee.

Wales Audit Office
10 : ANNUAL AUDIT PLAN 2017

The Chairperson welcomed Matthew Coe and Steve Barry of Wales Audit Office (WAO). The Committee received the WAO Annual Audit Plan 2017. Matthew Coe provided Members with a summary overview of the Audit Plan.

Steve Barry highlighted the local government studies set out in Exhibit 5 of the Plan as reports likely to be of interest to Members of the Committee, in particular the study on Income Generation and Charging.

Members were advised that the performance audit programme will follow up on existing areas for improvement. However, the new administration in the Council provides an opportunity to review how performance audit is delivered.

In terms of the audit fee, Matthew Coe stated that the Grant fee of £65,000 was set before it was known that Cardiff Council would be part of a Welsh Government pilot on auditing grants and EU convergence grants. It was hoped that the actual fee might be reduced.

Responding to a question from a Member of the Committee, Matthew Coe indicated that the authority did not receive an audit fee refund in the last financial year. Matthew Coe agreed circulate a comparison between proposed WAO fees and actual WAO fees.

It was noted that the fee charged for auditing of Cardiff Harbour Authority was considerably greater than the fees charged to the Cardiff Port Health Authority and the Glamorgan Archives Joint Committee. Members were advised that the fee reflect the size and complexity of the auditing of each of these organisations. The Cardiff Harbour Authority covers the whole of Cardiff Bay and its environs and there will be asset management implications in terms of the barrage and other infrastructure.

RESOLVED – That the report be noted.

11 : CARDIFF AND VALE PENSION FUND AUDIT PLAN

The Committee received the Cardiff and Vale Pension Fund Audit Plan. Matthew Coe stated that the pension fund audit was a straightforward audit with no performance element.

Members were advised that the Wales Investment Pool arrangement was new and these arrangements did not have a significant impact during the year. A slight increase in the audit fee was noted.

RESOLVED – That the report be noted.

12 : MANAGEMENT RESPONSE TO WAO REPORT ON SAVINGS PLANNING

The Committee received a Wales Audit Office (WAO) report on Savings Planning in Cardiff Council. Members were asked to consider the management response to the WAO proposals for improvement.

Members were advised that during 2015/16 WAO undertook work in all local authorities to assess the adequacy of their financial planning, control and governance arrangements. Local reports were issued and a national summary report published in August 2016. The report for Cardiff concluded that the Council needed to improve its arrangements for financial planning linkages with service plans and needed to develop robust plans to support the timely delivery of its savings proposals.

A further review was carried out in Autumn 2016 in order to determine what the Council did as a consequence of what it has learnt and how the authority responded to the proposals for improvement outlined above. Further, a sample of three savings proposals was undertaken in order to look at the adequacy of the delivery mechanisms in place.

The review concluded that the Council has a transparent and effective savings planning approach which supports financial resilience. This is noted to be an improved position from 2015/16. The full WAO report was appended to the report. The report included following proposals for improvement:

- Ensuring that all savings proposals are fully developed prior to the start of the year, with realistic timescales when the annual budget is set;
- Developing an Income Generation/Charging Policy;
- Continuing to develop links between the Organisational Development Plan and annual savings

The Council's response to the proposals for improvement was summarised in the report. Members were asked to note that some preparatory work has commenced in respect of the 2018/19 Budget Strategy. Directorates are developing robust budget proposals with milestones and actions required in order to provide an informed view on how the budget savings will be delivered and also highlighting any risks.

RESOLVED – That the work of the Auditor General in respect of Savings Proposals and the management response to the proposals for improvement be noted.

13 : MANAGEMENT RESPONSE TO WAO REPORT ON GOOD GOVERNANCE WHEN DETERMINING SIGNIFICANT SERVICE CHANGES

The Committee received a Wales Audit Office report in respect of good governance when determining significant service changes. Members were asked to consider the management response to the proposals for improvement set out in the report. The report was presented by Joe Reay, Head of Performance and Partnerships.

Members were advised that during 2016 the Wales Audit Office undertook an assessment of the effectiveness of the Council's governance arrangements for determining significant service changes. A sample of service changes were looked including the revised waste strategy, alternative delivery models for leisure centres, Cardiff International Sport Stadium and arts venues, respectively.

The Auditor General concluded that the Council has a clear framework for significant service change, supported by improving governance. However, arrangements could be more consistently applied. The full WAO report was appended to the report at Appendix A. The report contained the following two proposals for improvement:

- Ensuring information supporting service change proposals consistently includes options and sets out the method of appraising the options
- Explicitly setting out arrangements for monitoring the impact of each service change

The proposals for improvement were reviewed and were accepted in principle. The authority's detailed response and suggested actions were set out in Appendix B to the report.

The Committee discussed the report in detail. Those discussions are summarised as follows:

- A Member asked how the effect of service changes were measured, notably, in terms of the impact of the changes on service users. Officers considered this to be an important issue and there was a need to retain an emphasis on why services are important to service users. There was a requirement for some sort of service user engagement in order to gain an understanding of how services changes affect them.

- Officers were asked whether the '5 case business model' is the process adopted for the Organisational Development Programme (ODP). Officers confirmed that the ODP has adopted a version of the 'five case business model'. The WAO report highlighted the process in place for large projects. It was considered that the process should also be adopted for changes outside of the ODP so to ensure that the full range of options are considered as part of the appraisal process.

RESOLVED – That the work of the Auditor General in respect of good governance when determining significant service changes, and the management response to the proposals for improvement be noted.

Treasury Management
14 : 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 setting out the Treasury Management performance and a position statement at 31 May 2017.

RESOLVED – That the report be noted.

Internal Audit
15 : PROGRESS UPDATE

The Committee received a report providing an update on the work of the Internal Audit Team during the current financial year. The progress report was appended at Annex A to the report.

Members were advised that the key issue arising from the progress report was that a significant amount of audit working days were lost during Q1 due to sickness absence within the Team and due to the fact that an auditor post remains vacant, despite attempts to recruit externally. Short term agency solutions were being considered with a view to increasing the number of auditors available in order to have a positive impact on the delivery of the audit plan going forward.

The Head of Finance advised that he has met with the Chief Executive to discuss audit matters and provide information on the new assurance ratings and recommendation definitions. Members were asked to note that as the Internal Audit Team issues reports using the new assurance ratings the information provided to the Committee will not be immediately comparable. It was therefore proposed that the previous assurance rating and the equivalent audit rating from April 2017 onwards will be combined for analysis purposes from Q2.

Members were also asked to note the work of the Investigations Team summarised in Appendix B and the Scrutiny Committee correspondence section of the report. The summary of Scrutiny Committee correspondence set out in section 4 of the report was welcomed by the Committee.

Members suggested that, in limited circumstances, where schools have failed to implement recommendations, that Head Teachers and the Chairs of Governing Bodies should be invited to attend Audit Committee. Officers stated that, whilst lines of enquiry are matters for members of the Committee to consider, there were identified themes of concern across a number of schools and an invitation for the Director of Education to attend the Committee is on the work plan for September 2017.

Members noted the relatively low number of investigations into housing matters. Officer stated that the figure represents the first two months of the financial year. However, the Investigations Team was a small team and were limited by the resources available to them.

Officers were requested to consider the relevant level of detail in respect of audit recommendations in order to inform the Audit progress updates going forward

RESOLVED – That the content of the report and the proposed actions to address the shortfall in audit days be noted.

16 : INTERNAL AUDIT ANNUAL REPORT 2016-17

Appendix C of Annex 1 of 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 following declarations of interest were made in accordance with the Members Code of Conduct:

Councillor Howells - School Governor

The Committee received the Internal Audit Annual Report 2016/17. The report provided an overview of the approach adopted to audit assignments, and detailing the work undertaken by the Audit Teams over the last 12 months.

RESOLVED – That the report be noted.

17 : SCRUTINY CORRESPONDENCE

No Scrutiny Correspondence between the Chair and the Chairs of Scrutiny Committee was presented.

18 : OUTSTANDING ACTIONS

RESOLVED – That the Audit Committee Action Plan be noted.

19 : WORK PROGRAMME UPDATE

RESOLVED – That the work programme be noted.

20 : URGENT BUSINESS

No urgent business was reported.

21 : DATE OF NEXT MEETING

The next meeting of the Committee is scheduled to take place on 18 September 2017.

The meeting terminated at 4.30 pm

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

Mae'r dudalen hon yn wag yn fwriadol

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 18 SEPTEMBER 2017

GOVERNANCE IN SCHOOLS AND SCHOOL BALANCES

REPORT OF THE DIRECTOR OF EDUCATION AND LIFELONG LEARNING

AGENDA ITEM: 4.1

Reason for Report

At its meeting in June 2014 the Audit Committee requested that, on an annual basis, it should receive a report on governance in schools covering relevant governance aspects and updated figures and opinions related to the corporate risk in respect of school balances.

Background

The annual net budget delegated to the 127 schools in Cardiff in the 2017/2018 financial year is £235.992m. School Governing Bodies are delegated the responsibility for the effective governance of these funds and are accountable for the proper use of that funding.

The Welsh Government's School Funding (Wales) Regulations 2010 (The Regulations) set the parameters for how Local Authorities in Wales should fund individual schools and also oblige each Local Authority (LA) to publish a Scheme for Financing Schools (The Scheme). The Regulations list the matters which are required to be included in The Scheme including financial reporting requirements, audit, banking and procurement obligations.

In addition to The Scheme, schools receive regular advice and guidance on financial issues through the Council's Local Financial Management Team and Council's Internal Audit Team.

Each LA in Wales is obliged to have a School Budget Forum, which is key to developing informed and confident dialogue between the LA and its schools on budgetary issues including school funding levels, financial pressures on schools, changes to local funding formulae and the review of contracts/service level agreements between an LA and schools.

Issues

School Audits

During the 2016/2017 financial year 13 new school audits were carried out, 1 (7%) received a satisfactory assurance opinion, 11 (84%) an opinion of limited assurances and 1 ((7%) an opinion of no assurance.

So far in 2017/2018 of the 4 school audits carried out, 3 (75%) have received a satisfactory assurance opinion and 1 (25%) a limited assurance opinion.

School Control Risk Self-Assessment Tool

This tool continues to be developed, with the assistance of a small number of both headteacher and school governor representatives from the School Budget Forum, and is used in all schools to promote improved self-governance and accountability. The Council's Internal Audit Section receive each completed CRSA to quality assure the return used to assess risk.

School Balances

Attached as Appendix A is an analysis of individual school balances as at 31st March 2017 and the previous four financial years.

Overall the level of surplus balances held by schools has increased from £2.521m at 31st March 2016, to £4.242m at 31st March 2017. However there are 13 schools, 6 Primary 6 Secondary and 1 Special School, which carried forward a deficit balance. This is an improvement on the previous year when there were 21 schools; 12 Primary, 8 Secondary and 1 Special School with deficit balances. Each school with a deficit budget has a medium term financial plan showing how it will reduce its deficit to a balanced position. There is an assigned monitoring officer for each school with a deficit, working closely with the school and governing body to monitor the delivery of the medium term plan.

Director's Opinion

I continue to be encouraged by the work being undertaken through the Control Risk Self Assessment Tool which has been strengthened by the decision of the S151 Officer to charge schools for any Internal Audit work identified as a result of a school not following the Controlled Risk Self-Assessment process properly. This will provide the process with a necessary sanction. The quality of the CRSA has improved since the tool was introduced 2 years ago.

However, during the 2016/17 financial year there were still too many schools being identified with a limited assurance opinion. I will continue to consider exercising the LA powers of intervention in those schools where poor financial management and poor governance are identified, and which warrant such action.

The following schools have had delegation withdrawn;

- Eastern High School
- Cantonian High School

Delegation had also been withdrawn at Glyn Derw High School and Michaelston Community College, but these closed on the 31st August 2017.

School Balances

Although the number and level of schools with a deficit balance in Cardiff has fallen this figure remains too high. Colleagues from Financial Services, Education and the Central South Consortium continue to work together to formulate and monitor individual school budget recovery plans. However this identified risk needs to remain on the Corporate Risk Register.

Recommendations

That the information and opinion contained in this report are noted.

The following Appendix is attached:

App A – Analysis of Individual School Balances

Mae'r dudalen hon yn wag yn fwriadol

ANALYSIS OF PRIMARY SCHOOLS BALANCES AS AT 31ST MARCH 2017

APPENDIX A

Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017
EA001	Adamsdown Primary School	-47,385.86	-72,348.81	-34,871.59	1,585.28	-46,829.07
EA002	Albany Primary School	-123,370.86	-94,223.97	-74,778.61	-64,974.37	-55,800.88
EA003	Allensbank Primary School	-45,548.23	-21,941.57	-20,266.75	-81,374.27	-81,582.38
EA004	All Saints C.W. Primary School	-16,434.20	-23,765.59	-39,684.21	-32,468.86	-3,583.98
EA005	Baden Powell Primary School	-60,125.47	-31,979.63	-148,384.59	-36,006.61	-57,627.58
EA006	Birchgrove Primary School	-77,897.11	-58,196.43	-88,568.47	-92,720.50	-126,717.83
EA007	Bishop Childs C.W. Primary School	-54,034.59	-51,672.83	-57,053.58	-28,896.50	-46,174.62
EA008	Bryn Celyn Primary School	-5,907.10	21,037.08	-8,366.88	-37,900.57	-86,309.73
EA009	Bryn Deri Primary School	-50,692.45	-26,862.33	-18,820.51	-21,430.40	-51,690.15
EA010	Bryn Hafod Primary School	-44,403.50	-37,940.18	3,526.88	-27,030.80	-44,667.73
EA014	Christ The King R.C. Primary School	-23,968.86	-3,617.70	-23,099.14	-48,674.43	-41,477.29
EA015	Coed Glas Primary School	-46,069.12	-37,877.41	-35,913.27	-122,056.34	-56,812.90
EA016	Coryton Primary School	-48,348.46	15,710.69	26,799.82	-23,767.81	-48,753.57
EA017	Creigiau Primary School	-75,084.50	-56,645.24	-59,634.31	-46,360.29	-56,147.34
EA020	Danescourt Primary School	-9,649.96	48,063.36	40,195.78	49,085.28	44,499.38
EA023	Fairwater Primary School	-26,371.05	-3,134.63	-14,651.38	4,180.40	-26,605.33
EA024	Gabalfa Primary School	-43,594.00	-51,402.04	-21,266.29	-60,933.27	-51,136.43
EA025	Gladstone Primary School	-37,814.27	-35,185.96	-64,444.77	-80,019.92	-13,397.24
EA026	Glan Yr Afon Primary School	-16,354.09	11,393.45	-13,494.04	-10,698.66	-7,598.75
EA029	Grangetown Primary School	-44,245.05	-29,103.36	-125,608.53	-94,042.72	-129,346.81
EA030	Grangetown Nursery School	-12,700.58	-18,913.26	-47,528.70	-82,266.92	-74,353.45
EA031	Greenway Primary School	-5,792.71	-18,200.19	-32,110.31	-70,311.78	-108,711.07
EA032	Gwaelod-y-Garth Primary School	1,954.72	-22,532.51	-11,598.45	-42,287.48	-26,898.64
EA034	Hawthorn Primary School	5,751.73	-885.27	-8,093.39	-30,007.33	-32,640.31
EA035	Herbert Thompson Primary School	-55,127.67	-19,620.22	-49,394.77	-52,628.26	-37,600.27
EA036	Holy Family R.C. Primary School	-2,729.48	-14,668.32	-9,535.83	-27,662.18	-22,491.26
EA038	Hywel Dda Primary School	-65,220.92	-62,321.04	-76,792.90	-91,272.04	-75,354.26
EA039	Kitchener Primary School	-18,645.50	-41,849.38	-3,023.37	-20,457.28	-28,297.73
EA040	Lakeside Primary School	-40,264.71	-15,411.62	-26,206.65	-79,704.30	-148,746.67
EA041	Lansdowne Primary School	-21,535.12	8,413.03	-1,660.33	-13.24	-8,159.51
EA042	Llandaff C.W. Primary School	-8,716.03	-21,667.98	-4,763.77	-26,530.19	-55,149.89
EA043	Llanedeyrn Primary School	-15,528.11	-30,517.51	-105,532.06	-41,515.41	-1,755.46
EA044	Llanishen Fach Primary School	-845.00	-7,457.57	-56,652.99	-50,462.15	-41,664.67
EA045	Llysfaen Primary School	-163,472.21	-113,887.23	-62,523.81	-93,609.95	-88,565.63
EA048	Meadowlane Primary School	-28,286.87	25,589.43	-61,907.97	-62,623.36	-29,499.32
EA049	Millbank Primary School	-61,996.44	-33,340.23	-64,060.48	-57,712.32	-67,593.01
EA050	Moorland Primary School	-26,649.63	-16,004.29	-18,892.98	-44,056.18	-49,412.59
EA052	Mount Stuart Primary School	-35,590.66	-37,638.60	-51,048.08	-104,498.26	-121,884.64
EA053	Ninian Park Primary School	-20,608.58	-1,587.15	-45,669.56	-61,796.27	-78,384.70
EA054	Pontprennau Primary School	0.00	0.00	0.00	190.13	-20,864.64
EA055	Oakfield Primary School	28,951.13	24,477.36	47,569.46	-67,527.27	-76,273.07
EA056	Pentrebane Primary School	19,164.45	-57,060.89	-68,289.97	-42,793.30	21,264.42
EA057	Pentyrch Primary School	-71,302.29	-25,857.91	-21,959.09	-21,943.28	-33,950.87
EA058	Pen-y-Bryn Primary School	-30,079.94	-30,470.23	-8,177.10	-41,422.26	-53,608.95
EA059	Peter Lea Primary School	1,312.35	-22,682.57	29,523.87	18,017.21	-37,583.12
EA060	Radnor Primary School	-28,882.27	-34,454.30	-19,506.03	-25,777.56	-57,294.79
EA061	Radyr Primary School	-49,865.52	-43,205.91	-29,617.55	-29,331.61	-47,376.40
EA062	Rhiwbeina Primary School	-151,921.52	-75,855.05	-50,043.83	-135,099.85	-102,202.37
EA063	Rhydypenau Primary School	-82,991.20	-51,319.67	-58,062.33	-102,835.77	-90,879.57
EA064	Roath Park Primary School	-90,744.15	-56,896.11	-56,765.57	-34,939.87	-65,796.28
EA065	Rumney Primary School	-64,067.40	-17,073.26	-9,996.49	-47,425.45	-32,266.30
EA068	Severn Primary School	-34,013.39	-56,000.87	-39,743.04	-96,126.14	-73,586.64
EA069	Springwood Primary School	-21,862.50	-69,416.13	-66,686.67	-61,285.11	-78,804.00
EA070	Stacey Primary School	-33,527.21	-28,788.21	-9,451.72	-27,804.44	-50,877.33
EA071	St Alban's R.C. Primary School	70,201.47	176,329.41	192,820.92	42,294.52	23,969.04
EA073	St Bernadette's R.C. Primary School	-14,563.49	-10,093.53	-12,944.21	-18,446.92	-38,358.11
EA074	St Cadoc's R.C. Primary School	-34,792.51	-48,018.21	-30,703.19	-46,727.18	-63,637.94
EA075	St Cuthbert's R.C. Primary School	-53,780.86	-46,039.84	-73,962.04	-44,596.99	-64,969.90
EA076	St David's C.W. Primary School	-24,002.87	-2,236.86	3,750.02	6,095.57	-16,703.36
EA077	St Fagan's C.W. Primary School	-20,951.62	26,268.28	-9,275.50	-20,151.72	-20,305.96
EA078	St Francis R.C. Primary School	-35,034.39	-55,682.76	-19,852.38	-34,876.16	-61,139.44
EA079	St John Lloyd R.C. Primary School	-53,581.72	-45,415.61	-67,956.86	-65,295.20	-87,952.46
EA080	St Joseph's R.C. Primary School	-20,454.05	75,433.30	112,780.04	111,169.51	66,334.70
EA081	St Mary's R.C. Primary School	-9,797.60	46,020.79	43,665.98	6,659.36	-60,448.83
EA082	St Mary The Virgin C.W. Primary School	-19,892.78	-40,291.70	-15,203.61	-23,194.15	-40,316.52
EA083	St Mellons C.W. Primary School	-29,104.52	-39,242.45	-30,752.88	-25,977.75	-31,579.61
EA084	St Monica's C.W. Primary School	-788.66	47,570.02	93,055.69	20,819.71	1,695.22
EA085	St Patrick's R.C. Primary School	-65,559.55	-29,389.90	-14,302.80	-17,777.01	-3,114.64
EA086	St Paul's C.W. Primary School	-33,774.76	-53,489.57	-58,038.73	-43,950.13	-43,654.64
EA087	St Peter's R.C. Primary School	-78,614.83	-47,083.16	-90,969.79	-121,292.56	-180,390.47
EA088	St Philip Evans R.C. Primary School	-29,963.13	15,079.50	-93,589.01	-79,790.67	-65,688.02
EA089	Thornhill Primary School	-24,131.96	6,933.89	-19,600.42	-34,052.85	-9,345.48
EA090	Tongwynlais Primary School	-32,031.66	-36,612.81	-17,422.95	-17,453.16	-36,430.12
EA091	Ton-yr-Ywen Primary School	-60,065.06	-37,335.92	-71,700.02	-65,838.93	-46,917.08
EA092	Tredegarville C.W. Primary School	-70,672.35	-49,115.75	2,465.08	-25,467.85	-20,537.10
EA093	Trelai Primary School	-68,289.50	-65,120.00	-38,322.06	-25,894.60	-118,912.73
EA094	Tremorfa Nursery School	-50,411.66	-42,397.62	-37,801.05	-53,463.36	-41,309.15
EA098	Willowbrook Primary School	-33,898.52	-13,783.91	-42,355.99	-39,862.13	-73,287.39
EA100	Windsor Clive Primary School	-113,589.85	-68,824.02	-122,969.09	-101,803.24	-89,821.85
EA101	Ysgol Bro Eirwg	-51,229.62	-28,661.48	-63,328.60	-58,227.45	-52,198.04
EA102	Ysgol Gymraeg Coed-y-Gof	-55,226.29	-20,603.90	-86,462.12	-59,296.83	-10,452.75
EA103	Ysgol Melin Gruffydd	-51,155.82	-44,985.10	-49,084.05	-52,191.31	-39,128.95

APPENDIX A

Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017
EA104	Ysgol Pencae	-21,677.43	-9,438.66	-19,753.89	-28,553.46	-21,353.76
EA105	Ysgol Pwll Coch	-18,271.18	-24,435.93	-15,978.69	12,116.51	-42,818.18
EA106	Ysgol-y-Berllan Deg	-60,949.48	-23,638.85	-6,887.00	19,840.48	-12,039.96
EA107	Ysgol Mynydd Bychan	-17,678.86	-43,629.09	-10,716.25	-5,202.63	-42,821.30
EA108	Ysgol Gymraeg Treganna	-27,751.63	-17,387.06	-20,021.89	-54,350.21	-99,775.85
EA109	Ysgol-y-Wern	-176,394.02	-39,401.70	-53,208.73	-49,519.71	-54,432.67
EA110	Ysgol Glan Morfa	4,373.98	44,364.61	-8,626.33	-22,874.78	-18,177.09
EA111	Ysgol Gymraeg Nant Caerau	-7,317.00	14,677.06	14,224.25	-2,631.52	-17,602.94
EA113	Ysgol Gynradd Gymraeg Pen Y Groes	-120,248.55	-62,879.65	-31,421.10	-70,864.65	-42,983.56
EA114	Ysgol Pen Y Pil	-41,253.18	-49,849.17	-37,536.48	-14,946.13	-14,741.02
EA115	Ysgol Glan Ceubal	-1,459.53	4,803.52	16,334.16	-6,117.54	18,147.68
EA116	Pencaerau Primary	-51,542.23	-17,070.41	-21,751.57	-46,114.60	-49,961.65
EA117	Trowbridge Primary	-60,974.65	-32,955.00	-20,240.58	-6,368.70	-12,549.86
EA246	ICC Ely	-50,379.94	-34,242.84	42,688.12	-65,395.77	-134,837.07
EA247	Glyncoed Primary School	-48,698.05	-48,153.33	-74,467.07	-22,472.78	-117,551.55
EA248	Marlborough Primary School	-83,484.63	-89,621.33	-126,366.66	-81,112.39	-64,851.09
EA249	Whitchurch Primary School	-95,070.90	-58,078.98	-136,624.12	-184,736.27	-189,300.39
EA250	Howardian Primary School	0.00	0.00	0.00	-98,975.52	-139,009.56
EA251	Ysgol Hamadryad	0.00	0.00	0.00	0.00	-69,658.30
	Total Primary & Nusery	**-4,073,431.48**	**-2,453,522.53**	**-3,005,000.40**	**-4,226,894.02**	**-5,235,942.92**

ANALYSIS OF SECONDARY SCHOOLS BALANCES AS AT 31ST MARCH 2017

Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017
EA120	Corpus Christi R.C. High School	30,872.41	41,507.15	-62,062.23	-98,907.40	-137,533.07
EA121	Mary Immaculate High School	149,455.76	75,121.11	-66,085.35	-106,069.75	-100,833.12
EA122	St Illtyd's R.C. High School	-78,132.57	-13,653.60	-13,154.99	122,555.01	26,618.83
EA123	Bishop Of Llandaff C.W. High School	127,496.38	66,445.95	263,648.15	212,229.39	-15,617.69
EA124	Federation - Michaelston / Glyn Derw	192,418.50	711,124.90	1,177,722.19	1,271,835.59	1,421,087.03
EA125	Cantonian High School	1,076,944.65	1,287,786.25	1,226,723.76	1,108,993.26	891,012.52
EA126	Cardiff High School	-517.31	79,487.29	-42,668.72	23,402.54	-30,497.15
EA127	Cathays High School	-30,612.34	-31,712.17	-28,483.25	-145,658.99	-15,086.74
EA128	Fitzalan High School	-36,274.27	-698.51	-22,197.77	-16,865.80	1,100.95
EA132	Llanishen High School	-41,874.29	-73,228.54	-5,090.97	144,595.81	40,323.62
EA134	Radyr Comprehensive	-20,651.95	-99,431.74	-99,691.21	-85,485.08	-103,723.28
EA136	St Teilo's C.W. High School	149,278.89	250,601.57	-86,618.27	-143,141.71	-102,803.89
EA137	Whitchurch High School	-34,527.85	79,859.32	205,153.36	297,225.34	192,727.95
EA138	Willows High School	-129,258.12	-3,381.01	43,576.99	-57,794.32	-134,820.04
EA139	Ysgol Gyfun Gymraeg Glantaf	-142,148.40	-97,668.87	-202,723.62	-131,340.90	-55,535.59
EA140	Ysgol Gyfun Gymraeg Plasmawr	-12,461.94	64,608.27	174,666.11	20,995.25	-70,274.93
EA141	Ysgol Gyfun Bro Edern	-79,534.26	-46,917.63	-60,327.48	-80,878.69	-84,742.25
EA142	Eastern High School	0.00	0.00	-139,607.94	-121,644.55	-119,983.54
	Total Secondary	**1,681,574.94**	**2,670,774.85**	**2,262,778.76**	**2,214,045.00**	**1,601,419.61**

ANALYSIS OF SPECIAL SCHOOLS BALANCES AS AT 31ST MARCH 2017

Profit Centre	School	Bal as at 31st March 2013	Bal as at 31st March 2014	Bal as at 31st March 2015	Bal as at 31st March 2016	Bal as at 31st March 2017
EA150	The Court School	-65,155.89	-72,809.42	-78,519.65	-71,036.70	-93,826.33
EA151	Riverbank School	-63,540.26	-58,653.60	-74,255.82	-66,736.19	-6,659.59
EA152	Ty Gwyn School	105,460.87	-61,135.67	-160,224.53	-183,511.64	-188,194.66
EA153	Woodlands High School	-85,343.88	-69,536.52	-10,512.73	26,341.38	151.87
EA154	Greenhill School	-97,558.35	-124,628.86	-95,899.20	-97,321.92	-96,616.63
EA155	Meadowbank School	-87,608.60	-86,363.41	-73,742.81	-65,774.10	-93,283.32
EA156	The Hollies School	-87,054.16	-78,577.74	-51,693.06	-50,717.90	-129,608.06
	Total Special	**-380,800.27**	**-551,705.22**	**-544,847.80**	**-508,757.07**	**-608,036.72**
	GRAND TOTAL ALL SCHOOLS	**-2,772,656.81**	**-334,452.90**	**-1,287,069.44**	**-2,521,606.09**	**-4,242,560.03**

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 18 SEPTEMBER 2017

FINANCIAL UPDATE

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.1

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for Governance, Risk & Control and also Financial Reporting. This report allows the Committee to be updated with reference to the above.

Background

2. This report will advise the Audit Committee on the latest position in relation to budget monitoring in the current year and also provide an update on the preparatory work for the 2018/19 Budget and the medium term.

Issues

Financial Monitoring

3. The Month Four Budget Monitoring Report is due to be considered by Cabinet on the 21 September 2017. This will include an update on both the revenue and capital position of the Council. Due to the timing of the meetings, details of the financial position cannot be set out in this report, however the Cabinet Report will be available prior to the Audit Committee meeting on the 18 September and copies will be circulated to members of the Committee in advance of that meeting.

2018/19 Budget Strategy

4. The Budget Strategy Report 2018/19 was approved by Cabinet in July 2017 and will be considered by Council in September 2017. Directorates have spent the Summer reviewing their savings proposals as part of establishing a balanced budget position for approval by Council in February 2018. The Budget Strategy Report indicated a budget gap of £73.5 million over the period 2018/19 - 2020/21, of which £23.5 million relates to 2018/19. Within the figures, directorate savings are expected to amount to £52 million, with the balance accounted for through other strategy assumptions including increases in Council Tax.

5. Public consultation commenced over the summer through the inclusion of budget themed questions within the Ask Cardiff Survey. This will pave the way for more detailed consultation in the autumn, with public consultation expected to commence in early November 2017. The Provisional Settlement is due on the 10

October 2017 with Final Settlement expected during the week commencing the 18 December 2017. It is of note that there will be a UK Budget in the Autumn this year which could have the potential for more change between provisional and final settlement than usual.

6. Whilst confirmation of funding levels remains a key risk, the Council's £4million financial resilience mechanism offers some protection against funding levels falling by more than the 1% that has been assumed within the Budget Strategy. The mechanism, which is equivalent to approximately 1% of Aggregate External Finance currently supports one off investment in priority areas and as such is available for immediate release in subsequent years in the event that the settlement is worse than assumed.

Reason for Recommendations

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

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

10. That the Audit Committee note the latest position in respect of the Council's budget monitoring for the current year and the work being undertaken in respect of budget preparation for 2018/19 and the medium term.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
September 2017

CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 18 SEPTEMBER 2017

DRAFT STATEMENT OF ACCOUNTS 2016/17

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 5.2

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. To provide Audit Committee Members with an update following the audit of the draft accounts by Wales Audit Office (WAO), prior to submission to Council.

Background

2. The Statement of Accounts in Appendix 1 presents the accounts for the County Council of the City & County of Cardiff and the Cardiff and the Vale Pension Fund for the financial year 2016/17. Regulations require the Responsible Finance Officer to sign the accounts by the 30 June, and that the audited accounts are approved by Council by the 30 September.

3. The draft accounts were presented to the Audit Committee in June. Subsequent to this, the accounts were presented to Wales Audit Office on 15 June 2017 for audit ahead of the statutory deadline of 30 June 2017.

4. In addition, the accounts were available for public inspection as required by sections 30 and 31 of the Public Audit (Wales) Act 2004 and Regulations 13,15 and 16, of the Accounts and Audit (Wales) Regulations, 2005 (as amended).

5. The final accounts are due to go to Council at the meeting on the 28 September 2017.

Issues

6. There are currently no misstatements which remain uncorrected. The attached appendices include audit reports (ISA 260's) for Cardiff Council, Cardiff and the Vale Pension Fund and Harbour Authority, which contain the main corrections, deemed to be required to be brought to your attention. These and a number of other smaller grammatical and numerical amendments have been made.

The County Council of the City and County of Cardiff (the Council)

7. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included at Appendix 2.

8. The WAO Audit of Financial Statements Report also highlights a number qualitative findings, as follows:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There are two other matters discussed and corresponded upon with management which we need to report to you.** In 2015-16 officers accepted our recommendation to review the classification of Investment properties to ensure they fully meet the Code's definitions. The first part of a comprehensive review was to revalue all investment properties and this has been completed in 2016-17. The second part to be carried out by officers in 2017-18 will be to consider each investment property against the Code's definitions, and we will work closely with officers to inform this review. Officers have not made any changes to the classification of investment properties in the 2016-17 accounts.

  We also flagged to officers that improvements are needed in the description of assets and, in particular, infrastructure assets within the Council's fixed assets registers. This will ensure that assets are more clearly identifiable, can be tracked year to year, and officers can confirm they are accounted for and depreciated correctly in line with the Council's accounting policies.
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Cardiff and Vale of Glamorgan Pension Fund Accounts

9. The accounts for the Cardiff and Vale of Glamorgan Pension Fund are included in the Statement of Accounts in Appendix 1 (pages 103 to 125) and have been audited by the Welsh Audit Office. The auditor's draft "Audit of Financial Statements Report" for the Pension Fund is attached as Appendix 3. WAO intend to issue an unqualified audit report and there are no misstatements which remain uncorrected. The report refers to the main corrections made by management. There were no qualitative issues arising this year.

10. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included at Appendix 3.

11. WAO Audit of Financial Statements Report also highlights a number qualitative findings, as follows:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and generally easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Cardiff Harbour Authority Accounts

12. WAO intend to issue an unqualified audit report on the financial statements once they have been provided with the Letter of Representation, which is included at Appendix 4.

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Looking Forward

13. Future years changes in the Statement of Accounts include:-
    - Implementation of new accounting requirements such as IFRS 9 Classification of Financial Instruments which is due to be considered for the 2018/19 financial year.
    - Review of investment property classification in 2017/18.
    - The need to continue to simplify and de-clutter accounts, with aim of supporting the reader of the accounts
    - The need to minimise the period over which the accounts are prepared and also audited as a result of changes in legislation. This is to enable performance of the Council to be determined earlier and also ensure more effective use of resources that go into preparing these accounts.

14. The above items will need to be considered with Wales Audit Office during 2017/18 and beyond.

Legal Implications

15. No direct legal implications arise from this report.

Financial Implications

16. This report provides Audit Committee Members with a draft of the accounts to be submitted to Council for approval at its meeting on 28 September 2017. The report follows the external audit of the accounts and includes both qualitative findings and highlights any significant amendments made to the accounts following the audit.

RECOMMENDATIONS

17. That the Draft Statement of Accounts for 2016/17 be noted.

CHRISTINE SALTER
Corporate Director Resources
11 September 2017

The following appendices are attached:

Appendix 1 – Draft Statement of Accounts 2016/17

Appendix 2 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – County Council of the City County of Cardiff

Appendix 3 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – Cardiff and Vale of Glamorgan Pension Fund

Appendix 4 – Draft Wales Audit Office - Audit of the Financial Statements Report 2016/17 (ISA 260) and Letter of Representation – Cardiff Harbour Authority

Statement of Accounts DRAFT

›2016/17

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

CARDIFF
CAERDYDD

Contents

STATEMENT OF ACCOUNTS

2016/17

OF

THE COUNTY COUNCIL OF THE

CITY AND COUNTY OF CARDIFF

1.1 Narrative Report

Introduction
This document presents the Statement of Accounts for The County Council of the City and County of Cardiff. These are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The Financial Statements
The financial statements, accompanied by a Statement of Responsibilities and the Auditor's Report, are set out on pages 19 to 148 and comprise:

Accounting Policies, Critical Judgements and Assumptions (page 19)
The accounting policies applied by the Council, critical judgements made in their application and areas of the accounts where significant estimates or assumptions are made.

Comprehensive Income and Expenditure Statement (page 35)
This statement provides information on how the Council has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

Movement in Reserves Statement (page 37)
This statement shows the changes to the Council's reserves over the course of the year and therefore the movements in the financial position of the Council.

Balance Sheet (page 39)
This statement provides a 'snapshot' of the financial position at 31st March, showing what the Council owns and owes.

Cash Flow Statement (page 41)
This statement shows the reason for changes in the cash and cash equivalents of the Council during the reporting period.

Notes to the Core Financial Statements (page 42)
These are the notes that accompany the main financial statements.

Housing Revenue Account (HRA) (page 96)
This separate account must be maintained to record income and expenditure arising from the provision of Council Housing.

Cardiff & Vale of Glamorgan Pension Fund Accounts (page 103)
This account shows the contributions received from fund members, payments to pensioners, investment incomes and the value of net assets of the Cardiff and Vale of Glamorgan Pension Fund, which the Council administers.

Group Accounts (page 126)
These accounts are prepared in addition to the single entity accounts where Local Authorities have material interests in subsidiary and associated companies and joint ventures. Due to materiality, the Council only consolidates the accounts of Cardiff Bus Ltd.

Trust Funds (page 147)
Various bequests and donations are held in Trust Funds. Income generated from the investments is available for grants and awards in accordance with the objectives of the Trusts.

The County Council of the City and County of Cardiff (the Council)

Cardiff is the Capital City of Wales. With a population of 357,200 it is not only the largest local authority in Wales, it has also experienced the largest population growth in Wales over the last decade.

The Council works with public service partners to meet collective objectives for improving the well-being of the city and its residents and works together towards a series of outcomes that matter most to its' people.

Everyone in Cardiff uses public services and it is sometimes easy to forget about all the important services that the Council delivers - every day - to people across the city. Over 700 services to residents in 151,000 households, helping to support local communities and improve the lives of local people.

The Council is responsible for collecting bins, cutting grass and cleaning streets, but it also provides support for older people and people with disabilities. It runs schools and manages a high quality housing stock, ensures that public and consumer safety is upheld to the highest standards as well as looking after children who are in care.

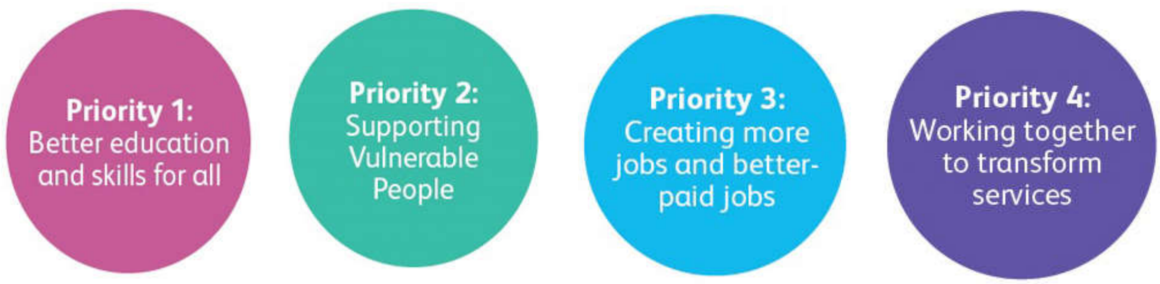
The Council also ensures delivery of leisure facilities across the city, making a positive impact on the health and well-being of communities with parks and green spaces also a huge part of the city's appeal. On 1st December 2016, 8 leisure and community facilities were transferred to be operated by Greenwich Leisure Limited under a 15 year contract. Cardiff has a long and successful track record of delivering major sporting events and has a strong cultural offer. As well as those living in the city, over 80,000 people commute into Cardiff every day from across the city-region. This represents over one third of the city's workforce. Keeping the city and the city-region moving is therefore a top priority and requires planning and delivering with our neighbours across the Cardiff Capital Region. The Council plays a crucial role as it maintains roads and highways as part of a wider strategy for dealing with traffic and congestion including encouraging a shift towards more sustainable modes of travel, to get around Cardiff in a convenient, safe and more environmentally friendly way.

On 1 March 2017 the £1.2 billion Cardiff Capital Region City Deal (CCRCD) between the UK Government, the Welsh Government and 10 councils in South East Wales, was formally ratified. This proposes investment over a 20 year period with the key aims to create 25,000 new jobs by 2036 and secure an additional £4 billion of private sector investment.

The CCRCD Investment Fund comprises two distinct elements:-

- £734 million – METRO transportation schemes to be delivered by Welsh Government.
- £495 million – Regional Investment Fund, comprising the ten constituent councils' commitment to borrow £120 million over the 20 year period together with £375 million grant from the UK Government. This is to be used for investment in infrastructure, housing, skills and training, innovation, business growth and "Metro plus" transport proposals. The Council will make a 23.7% contribution to the £120 million based on its proportion of the regional population and will be the accountable body for the Joint Committee.

The Council's Corporate Plan sets out what we will do, how we will do it, and how our progress is monitored. Pressures being faced by the Council need to be taken into account when developing this plan. For instance, Cardiff is projected to have the fastest growing population of any city in the UK. This means an increasing demand for key services and additional financial pressures. Accordingly, our energy and scarce resources are focused on four priority areas:



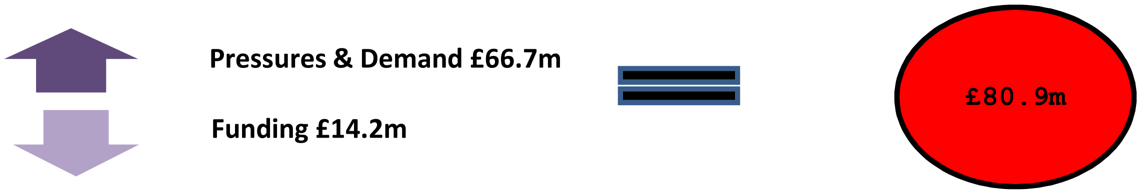
In each priority area the Corporate Plan sets out demanding targets and performance indicators which have been subject to a thorough target setting exercise between Cabinet Members and Directors.

Medium Term Financial Plan

The 2017/18 budget was approved by Council on 23 February 2017 and addressed a funding gap of £25 million. The gap was bridged by a combination of savings, use of earmarked reserves, a cap on schools growth and a 3.7% Council Tax increase.

The economic climate and need to continue to demonstrate value for money will mean that cost pressures, increased demand for services and reductions in funding for Local Government will continue for a number of years as highlighted in the Council's Medium Term Financial Plan (MTFP) assumptions.

The budget report of February 2017 identifies, as a best case scenario, a budget gap of £80.9 million over the three year period 2018/19 – 2020/21.



Closing this gap will be extremely challenging, especially bearing in mind that the Council has already made savings of £213 million over 10 years. The Council also plans significant investment in new school buildings, regeneration of Central Square and creation of a new transport interchange. These schemes rely on the disposal of land to help meet the costs. The Council's successful bid along with its partners for the City Deal will also require investment to be paid for by borrowing. Accordingly borrowing represents an ongoing risk in terms of increasing the Council's requirement for any such expenditure to be paid back from future revenue resources.

Council Expenditure and Funding in 2016/17

Revenue Expenditure and Funding

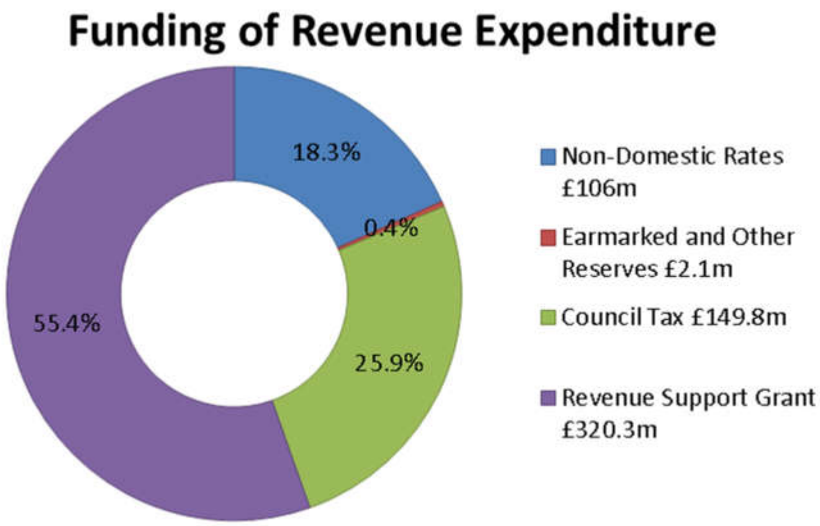
The final revenue outturn position indicates that the Council has maintained its spending within its overall 2016/17 net revenue budget set in February 2016 of £578 million. This also enabled contributions to be made in the year to new strategic reserves that will benefit the Council in the medium term.

Directorate Outturn 2016/17

Directorate	Net Expenditure Budget £000	Net Expenditure Outturn £000	Variance (Under)/Over £000
City Operations	32,905	34,078	1,173
Communities, Housing & Customer Services	43,783	43,408	(375)
Corporate Management	24,336	24,665	329
Economic Development	13,120	13,095	(25)
Education & Lifelong Learning	244,019	244,197	178
Governance & Legal Services	4,771	4,541	(230)
Resources	19,845	19,680	(165)
Social Services	146,286	153,031	6,745
Directorate Outturn Subtotal	**529,065**	**536,695**	**7,630**
Capital Financing	35,310	34,790	(520)
General Contingency	4,000	0	(4,000)
Summary Revenue Account	9,486	6,371	(3,115)
Discretionary Rate Relief	300	305	5
Total Council Outturn	**578,161**	**578,161**	**0**

During 2016/17, the Council's monitoring process identified financial pressures in a number of directorates, notably Social Services for adults and children, City Operations, Corporate Management and Education & Lifelong Learning. This reflected a range of factors including increased demographic and cost pressures, shortfalls in income and the failure to fully achieve the savings targets set as part of the 2016/17 budget. This is reflected in the overall directorate outturn position which shows an overspend of £7.630 million. Directorate overspends were partially offset by a £4.0 million 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 in 2016/17. Favourable variances were also realised in other areas including Capital Financing, Council Tax collection, Non Domestic Rate refunds on Council properties and the Council's Summary Revenue Account.

The chart that follows shows how revenue monies spent during the year were paid for:-



Council Tax:

Council Tax is collected by the Council and includes precepts for the police and community councils where applicable. These precepts are then passed onto the relevant bodies.

- Total Council Tax income funds just over a quarter of the Council's net expenditure
- At the end of March 2017 the provision for bad debt relating to Council Tax was £5.9m
- The Council Tax collection rate for 2016/17 was 97.5%.

Non-Domestic Rates and Revenue Support Grant:

Non-Domestic Rates (NDR) are levied based on the value of buildings used in business or for non-domestic purposes. The rates are set by the Welsh Government but collected by the Council. The funds are collected in one pool and redistributed to Councils on the basis of adult population. Revenue Support Grant from Welsh Government is provided as a contribution towards the cost of running services.

- The Welsh Government 2016/17 NDR rate is 48.6p per pound of the business' rateable value
- The net NDR collected by Cardiff for 16/17 totalled £186m - Cardiff received £106m after redistribution
- The majority 55% of total funding for the year 2016/17 is received through Revenue Support Grant.

Housing Revenue Account (HRA)

Income including rent and charges for services totalled £69.418 million. Expenditure included £19.959 million on repairs and maintenance, £19.239 on supervision and management and £26.588 million on capital financing including a contribution to capital works. The Housing Revenue Account (HRA) shows a balanced position after transfers to earmarked reserves of £3.132 million, which includes a reserve for housing development and acquisitions.

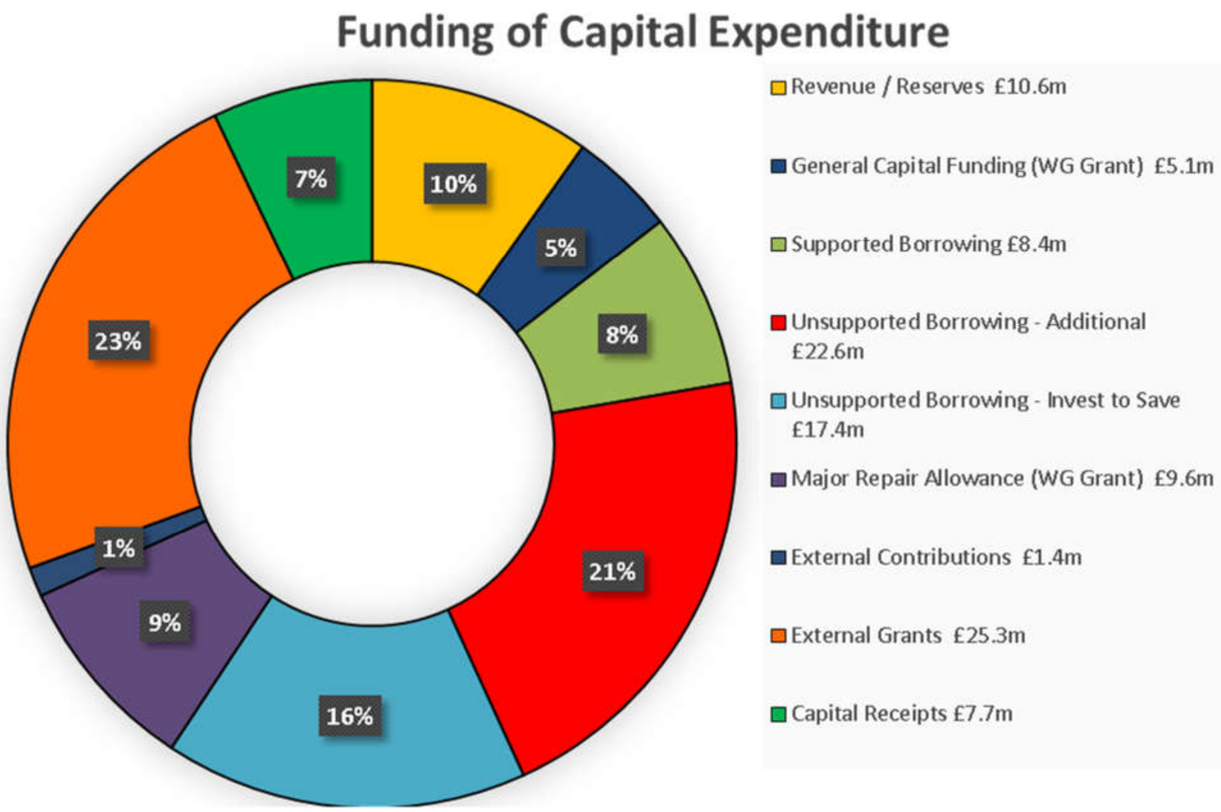
The Council revalued Council Dwellings in 2015/16 with the vacant possession value of Council Dwellings deemed to be £1.3 billion. In accordance with valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% in order to show the economic cost of providing social housing to tenants at less than market rents.

Capital Expenditure and Funding

Capital expenditure represents money spent on improving, acquiring and enhancing assets that are used in the provision of services or specified by legislation. Expenditure totalled £108.1 million. The main items of capital expenditure are described in the following table.

Schemes	Detail	£m
Housing & Neighbourhood Regeneration	Disabled adaptation grants, allowing people to live independently in their homes, environmental improvements including shop fronts in Grangetown and the start of a comprehensive regeneration scheme for Maelfa Centre in Llanedeyrn.	7.0
Education & Lifelong Learning	Continued investment in a number of schools as part of the 21st Century Schools Plan including the new Eastern High School, a new high school in the West, three new primary schools and extensions of facilities at a number of schools. Additional investment in the condition of properties to address electrical compliance works.	32.7
Highways & Transportation	Road and footpath resurfacing, road safety improvements, LED street lighting energy efficiency, public transport and telematics. Also Windsor Road bridge replacement, cycling strategy implementation, investment in safe routes in communities, bus priority improvements on A469 and A470 and moving traffic offences expansion as well as other pedestrian and junction improvements.	14.1
Leisure Facilities and Citizen Hubs	Completion of refurbishment of Eastern Leisure Centre, Insole Court and the development of hubs in areas of need including the new STAR hub and pool, Llanedeyrn, Llandaff North and Gabalfa hubs.	7.1
City Development	Land acquisition at Dumballs Road, waste removal at International Sports Village and public realm design to allow regeneration of Central Square.	14.0
Parks and Energy Projects	New 3G football pitches, completion of the wet play area at Victoria Park and Hydro energy generation measures at Radyr Weir.	1.9
Waste Management	Development of Lamby Way household waste recycling facility.	1.9
Housing Revenue Account – Public Housing	Estate regeneration, garage site improvements, investment in stock condition and remodelling, Disabled adaptations, development costs of new build housing and contribution to Citizen Hubs.	24.2
Other	Modernising ICT to improve business process, business investment grants, investment in arts venues, relinquishment of Global Link offices, day centre opportunities strategy and purchase of investment property.	5.2

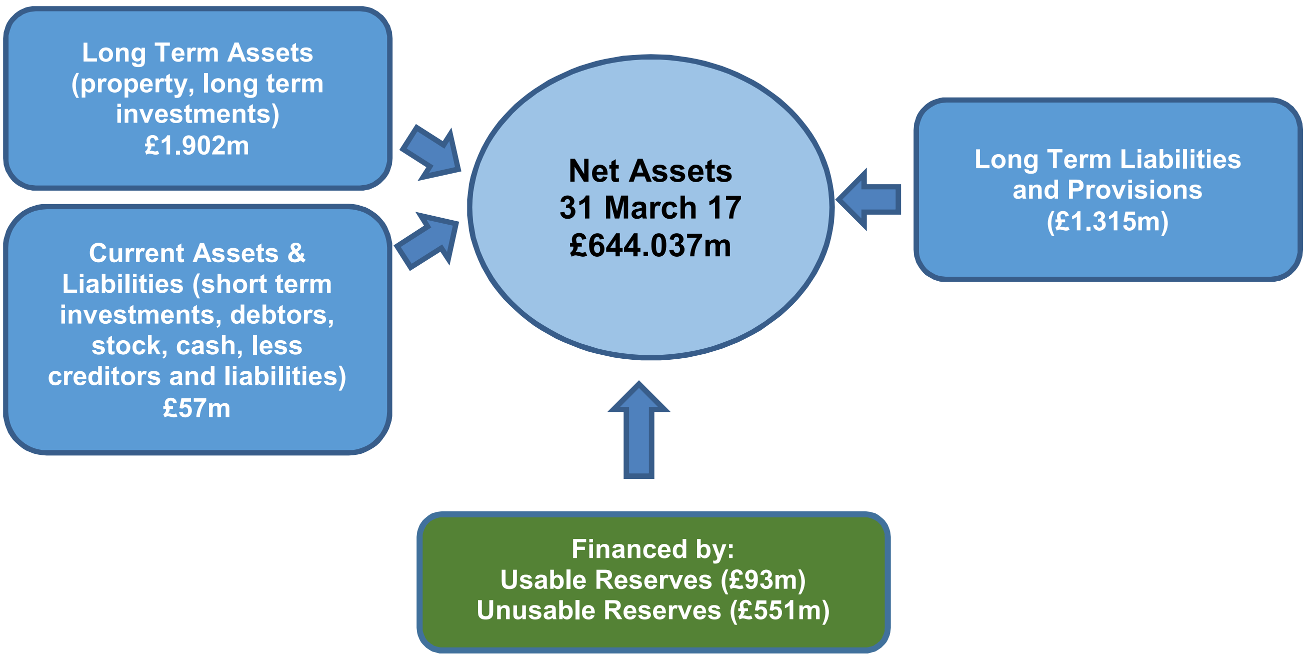
The Council pays for its capital expenditure from a number of sources including borrowing money. Borrowing and any associated interest costs must ultimately be repaid from the existing and future income of the Council. The following chart shows how the capital monies spent during the year were paid for:-



The impact of the low level of support from Welsh Government for capital resources has been that the Council has to find a greater share of its requirement to meet essential investment via unsupported borrowing. Unsupported borrowing was used to pay for £40 million of expenditure during 2016/17 with additional commitments set out in future capital expenditure plans approved in the Budget report of February 2017.

Financial Position

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



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

The valuation of assets involves a number of assumptions, however, movements in asset valuations as well as any accounting charges resulting such as depreciation have no impact on the council tax or rent payable as they are required to be reversed from unusable reserves. Note 19 details movements in assets, capital expenditure and its financing, the main changes were;

- The purchase of land at Dumballs Road.
- Investment properties, schools, assets classified as surplus and the Councils art and civic regalia were re-valued during 2016/17 as part of a rolling programme of revaluation.
- Capital receipts from the disposal of property assets and similar income was £10.7 million. The most significant property disposals generating a receipt included the sale of a former youth hostel at Wedal Road, Land and former Council administrative offices at Bessemer Close, former trading standards office at Bridge Street, Suffolk House and Council dwellings sold as under the Right to Buy scheme for eligible tenants.
- Legal ownership of Whitchurch High school and associated properties were transferred to the Governors during the year, following the statutory vesting by Welsh Government. In accordance with accounting practice relating to recognition of schools on the Balance Sheet, this transfer is shown as a loss on disposal of assets during the year.

Investments

Investments for treasury management purposes are £68.6 million at 31 March 2017 and are represented by temporary cash balances deposited with financial institutions. Note 20 of the accounts provides further information on the Council's financial assets and liabilities and the nature and extent of risks involved.

Whilst the Council's 100% shareholding in Cardiff Bus is not quoted on a recognised stock exchange, for accounting purposes, the Council is required to make an estimate of its value. This is done using the Company's Earnings before Interest Tax Depreciation and Amortisation (EBITDA) for the year, a multiplier of enterprise value and the pension fund deficit. The value in the balance sheet at 31 March 2017 reduced by £3.5 million to £13.3 million. This is due to lower earnings and an increased pension deficit.

Borrowing

The Council borrows money to manage its daily cash flows and to pay for capital expenditure. The Council continues to use some of its temporary cash balances to pay for capital expenditure. All loans are in the name of the Council and not separated for Housing Revenue Account or Council Fund purposes.

The Council has fixed interest loans of £674 million at the end of the year, of which £617.2 million is owed to the Public Works Loan Board (PWLB) and £56.8 million is owed to other bodies, primarily financial institutions.

During the year external loans totalling £6.8 million were repaid and £14.6 million of new loans were raised, with the overall interest rate on the Council's borrowing being an average of 4.74% at 31 March 2017. Interest payable on borrowing was £32.2 million during 2016/17, of which £12.5 million was payable by the Housing Revenue Account.

Provisions

The Council sets aside money for liabilities or losses which are likely to be incurred, but where the exact amount and timing of payment may be uncertain. During 2016/17, total provisions decreased by £3.3 million to £34.9 million. These include a net decrease in insurance provisions of £1.1 million and a decrease in Landfill site provisions of £1.4 million. Details of the movement of individual provisions are shown in note 26 to the Core Statements.

Pensions Liabilities

- The Council's future liability in respect of pension benefits payable, compared to assets held, is £586.723 million at 31 March 2017.
- The Council is a member of the Cardiff and Vale Pension Fund. The cost to the Council during the year for pension liabilities is £43 million.
- The fund's assets at 31 March 2016 cover 85% of future liabilities
- A 20 year recovery plan has been in place to restore the value of assets to 100% of the liability in respect of service prior to the most recent valuation date.

Further details are given in note 18 to the Core Financial Statements.

Balances and Reserves

Balances represent accumulated surpluses retained by the Council and Reserves are sums of money put aside for specific uses. Earmarked reserves are detailed in note 2 to the core statements whilst other usable and unusable reserves are shown in notes 29 and 30 to the core statements respectively. Total usable reserves increased by £11 million to £93.3 million at 31 March 2017. Of this balance £14.255 million related to the Council Fund Balance which is held for contingencies and is retained at a level after consideration of financial resilience and risks by the Section 151 Officer.

Usable Reserves	£000	£000
Balance on 1 April 2016		**82,296**
Movements to/(from) reserves:		
Council Fund Balance	(1,000)	
Council Fund Earmarked Reserve	7,165	
Housing Revenue Account Balance	0	
Housing Revenue Account Earmarked Reserves	3,132	
Capital Receipts Reserve	1,782	
		11,079
Balance on 31 March 2017		**93,375**

Prior Period Adjustments

In relation to the single entity core statements restatements have been made to the 2015/16 balances as follows -

- The Municipal Mutual Insurance (MMI) provision that was shown in 2015/16 has been split between provisions and earmarked reserves.
- Assets previously classified as assets under construction (AUC) were moved to intangible assets including AUC. These changes have been made to improve the accuracy of the comparators in the accounts.
- A restatement in relation to the pensions information was required as two joint committees; Regional Adoption Service and Shared Regulatory Service, which had previously not disclosed separate pension information included this in the 2016/17 accounts and this required the 2015/16 balances to be restated.
- The Comprehensive Income & Expenditure Account was restated for the prescribed change in the Code in relation to the format of reporting the net cost of services. This was previously presented based on SERCOP classifications but a change in 2016/17 means this is now reported on the basis of the internal management reporting structure.

- The Economic Development line was also restated to reflect the agency arrangement in relation to the treatment of the Prosiect Gwyrdd contract costs. This involved both the income and expenditure being stripped out but as these amounts were the same, this had no impact on the bottom line.

These changes were reflected in the group accounts along with the figures from Cardiff Bus 2015/16 final accounts, as these were not available at 30 September 2016.

Cardiff and Vale of Glamorgan Pension Fund

The Council administers the Fund on behalf of the two Local Authorities and other contributing bodies. In 2016/17 pension benefits payable by the Fund totalled £79.1 million and the contributions receivable from employers and employees totalled £82.0 million. Fund's assets increased by £349 million, from £1.653 billion to f£2.002 billion. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had improved since the previous valuation, with the market value of the Fund’s assets at that date covering 82% of the pension liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay. The next valuation is due to take place during 2019.

Corporate Governance

The Council has adopted the ‘Delivering Good Governance in Local Government’ framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).

The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council’s Constitution represents its code of governance, setting out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

The Framework comprises two core principles and five supporting principles:-

Core principles

a) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
b) Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

c) Defining outcomes in terms of sustainable economic, social, and environmental benefits;
d) Determining the interventions necessary to optimise the achievement of the intended outcomes;
e) Developing the entity’s capacity, including the capability of its leadership and the individuals within it;
f) Managing risks and performance through robust internal control and strong public financial management;
g) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

The Annual Governance Statement (AGS) on pages 149 to 170 summarises the assessment of governance against the governance framework and comprises three elements:

1) Statements from Senior Management, the Audit Manager and the Audit Committee;
2) Supporting information and evidence mapped to the core and supporting good governance principles;
3) A Senior Management review of the Council's significant governance issues.

Acknowledgements

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

Christine Salter
Corporate Director Resources
June 2017

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

The Council's responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In 2016/17 that officer was Christine Salter, Corporate Director Resources who holds the statutory post of Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts.

Councillor Bob Derbyshire **Date: 28 September 2017**
Lord Mayor

The Corporate Director Resources responsibilities

The Corporate Director Resources is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 (the Code).

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

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

The Corporate Director Resources has also:

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

The Corporate Director Resources Certificate

The financial statements for The County Council of the City and County of Cardiff give a true and fair view of the financial position of the Council at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Christine Salter **Date: 28 September 2017**
Corporate Director Resources

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

I have audited the accounting statements and related notes of:

- The County Council of the City and County of Cardiff;
- The County Council of the City and County of Cardiff Group; and
- The Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The County Council of the City and County of Cardiff's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.
The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 16, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view. My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the County Council of the City and County of Cardiff; the County Council of the City and County of Cardiff Group and the Cardiff and Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2017 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:
- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Cardiff and Vale of Glamorgan Pension Fund

In my opinion, the pension fund accounts and related notes:
- give a true and fair view of the financial transactions of Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception
I have nothing to report in respect of the following matters, which I report to you, if, in my opinion:
- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Accounting policies used when formulating the accounts

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Council's income and expenditure for the year ended 31 March 2017 and its financial position at 31 March 2017. The accounts are prepared in accordance with proper accounting practices as contained in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

1. Accounting policies issued but not yet adopted

There are no new accounting standards in the 2017/18 Code that are likely to have a material impact in the accounts.

2. Accruals of Income and Expenditure

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

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

3. Cash and Cash Equivalents

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

4. Contingent assets and liabilities

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

5. Deferred Liabilities

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

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

6. Disposals and Capital Receipts

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

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

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

7. Employee Benefits

Benefits Payable during Employment

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

Termination Benefits

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

Post-Employment Benefits

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

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

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

Defined Benefit Schemes

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

Liabilities are discounted to their value at current prices, determined in reference to market yields of high quality corporate bonds.

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

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

The change in the net pensions liability is analysed in the following components:
- the current service cost has been based on the assumptions at the start of the year and the estimated pensionable pay over that year
- past service costs cover items such as the provision of enhanced or discretionary benefits on retirement. The costs included in the accounts for 2016/17 are the full costs relating to early retirements granted in the year, which have been calculated as the special contributions payable into the fund, adjusted for the financial assumptions used under IAS19, to represent the approximate cost of the increase in benefits granted to members under IAS19
- gains and losses on settlements and curtailments
- the net interest on the net defined benefit liability/asset is the interest on the present value of liabilities/assets and interest on the net changes in those liabilities/assets over the period, calculated using the discount rate at the start of the period.

Re-measurements comprising the following, are charged to the Pensions Reserve as Other Income and Expenditure:
- the return on the plan assets – excluding amounts included in net interest on the defined benefit liability
- actuarial gains/losses have been calculated by updating values from the last actuarial valuation to reflect conditions at the balance sheet date.

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

Defined Contribution Schemes
The Teachers' Pension Scheme is a defined benefit scheme but as the Council cannot identify its share of the underlying assets and liabilities in the scheme on a consistent basis; this scheme is to be accounted for as if it were a defined contribution scheme under IAS19.

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

8. Events After the Balance Sheet Date

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

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

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

9. Exceptional Items

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

10. Financial Assets

Financial assets are classified into three types:

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

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

Level 1 – quoted prices in active markets for identical assets that the Council can access at the measurement date
Level 2 – inputs other than quoted prices that are observable for the asset
Level 3 – unobservable inputs for the asset

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

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

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

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

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

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

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

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

11. Financial Liabilities

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

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

Level 1 – quoted prices in active markets for identical liabilities that the Council can access at the measurement date
Level 2 – inputs other than quoted prices that are observable for the liability
Level 3 – unobservable inputs for the liability

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

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

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

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

12. Grants - Revenue

Grants and other contributions relating to revenue expenditure are accounted for on an accruals basis and recognised when:
- the Council has complied with the conditions for their receipt.
- there is reasonable assurance that the grant or contribution will be received.

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

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

13. Grants and Contributions – Capital

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

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

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

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

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

14. Intangible Non-Current Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised. In the case of computer software and licences, this will be capitalised where it relates to the enhancement or development of systems, expenditure on which is deemed to generate long-term economic benefits to the Council in the form of savings and improvements in service delivery. Intangible assets are included in the Balance Sheet at historic cost net of amortisation and are reviewed for impairment and re-valued only where they have a readily ascertainable market value. The assets are amortised to the relevant service line over the economic life of the investment to reflect the pattern of consumption of benefits.

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

15. Interests in Companies and Other Entities

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

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

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

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

Gains and losses on revaluation and disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Rentals received in relation to investment properties are credited to the relevant service line and result in a gain for the Council Fund Balance. However, revaluation and disposal gains and losses are not permitted to have an impact on the Council Fund Balance. The gains and losses are therefore reversed out of the Council Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

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

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

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

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

Lease payments are apportioned between:

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

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and

Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

20. Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered, principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. Annual reviews are undertaken as to whether assets still meet the criteria for Assets Held for Sale and where this is not the case they are reclassified and revalued in accordance with the appropriate class.

21. Overhead and Support Services Costs

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

22. Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Material errors discovered in prior period figures are corrected by amending opening balances and comparative amounts for the prior period.

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

23. Property, Plant, Equipment, Community and Heritage Assets

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

Recognition:

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

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

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

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

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

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

These assets are then carried in the Balance Sheet using the following measurement bases:
- Infrastructure Assets, Community Assets and Assets under Construction – depreciated historical cost.
- The unique nature of Heritage Assets makes reliable valuation complex. These difficulties are recognised by the Code and so many individual assets are not recorded in the accounts, but additional narrative disclosures are made about the nature and scale of such assets. Heritage assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.
- Council Dwellings – Existing Use Value for Social Housing (EUV-SH) This is the estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, on the assumption that the property will continue to be let and used for social housing. The Council has used a discount factor of 40% to adjust beacon values to existing use value.
- Surplus Assets are valued at Fair Value, based on highest and best use.

All other assets are measured at current value. Where there is an active market for assets, Existing Use Value is used as the basis for determining current value. Where there is no market-based evidence, because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. For schools land and buildings, a detailed approach to DRC, known as Modern Equivalent Asset (MEA), is used, due to the much specialised nature of these assets. Non-property assets, such as plant and equipment, have short useful lives or low values (or both), and, therefore, depreciated historical cost basis is used as a proxy for current value.

Revaluation:
Asset revaluations take place with an effective date of 1 April of the financial year and are undertaken by professional valuers.

The Council must balance the requirement to ensure carrying amounts are not materially different from their fair or current value at the year-end, with the time, costs and resources involved in providing valuation services for accountancy purposes. It does this by:-

- undertaking an annual impairment review of property with the Council's in-house valuation team to identify significant changes
- using the experience and local knowledge of the in-house valuation team to provide valuation services to ensure financial services are made aware of all property issues affecting the Council
- having an agreed rolling programme of revaluation which is shorter than the minimum 5 year cycle required by the Code in order to ensure there is sufficient, regular and consistent coverage of all classes of assets.

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

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

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

Charges to Revenue for Non-Current Assets:
Service lines are debited with the following amounts to record the cost of holding assets during the year:

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

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

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

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

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

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

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

Depreciation is calculated on the following range of useful lives:

Asset category	Initial Useful Life in years
Intangible Assets	3-5
Council Dwellings	50
Land	n/a
Buildings	3-65
Vehicles, Plant, Furniture and Equipment	5-15
Infrastructure*	7-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

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

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

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

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

- plant, equipment and engineering services.
- structure.

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

24. Provisions

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

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

25. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

26. Reserves

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

27. Value Added Tax

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

Critical judgements in applying accounting policies

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

- There is a high degree of uncertainty about future levels of funding for local government, however the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. Lower levels of funding require prioritisation choices to be made and significant investment is required in property assets, that should be retained, and highway infrastructure in order to maintain their condition and usefulness in service delivery.

- In 2014/15, CIPFA clarified the requirements for recognising schools property on Council Balance sheets. This highlighted the need for there to be 'control' of assets, with a key criteria for recognition being legal ownership. The Council includes Voluntary Aided, Voluntary Controlled and Foundation schools in its balance sheet only if it owns the land and can accordingly direct the use of the assets. In most cases these are owned by religious bodies, the trustees or governing body of the school.

    - The Council has recognised £132 million of investment properties, valued at fair value, in its balance sheet as at 31 March 2017. This includes ground leases to generate income, land purchased for regeneration to be paid for from their disposal proceeds, as well as land and buildings leased to external bodies to provide their services. The Code requires only those assets solely held for income generation or capital appreciation to be shown as investment properties. All other assets are required to be treated as operational assets and valued on a basis recognising their use by the Council in delivering Council services. Initial testing has shown that there are likely to be some properties included in investment properties that may not meet the current definition of the code and may need to be reclassified to and valued as operational assets even though the Council does not operate services from them. However, the Council needs to undertake a full and comprehensive review to determine that its classification is appropriate. This is to be done in 2017/18 to ensure a considered approach in agreement with the Council's external auditors and valuation professionals.

Assumptions made about the future and other sources of estimation uncertainty

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

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
Valuation of assets such as investments, land, property, plant, equipment and Investment in companies	Valuation involves assessment of a number of variables such as market conditions, useful life, cost of reconstruction, assessment of condition, use of a discount factor of 40% to adjust vacant possession values to existing use value for social housing etc. These assumptions are made by professional qualified in-house or external valuation providers or use of industry data in order to determine figures for the Statement of accounts and property transactions. Valuations are carried out within the Council by a qualified Chartered Surveyor, in accordance with the Practice Statements and Guidance notes set out in the Royal Institution of Chartered Surveyors (RICS) Valuation Standards (The Red Book) and any other relevant guidance. Where it is difficult to provide valuations e.g. valuations of the Council's shareholding in Cardiff City Transport Services Ltd, a guide such as multipliers of EBITDA are used.	Where required revaluations are carried out as part of a rolling programme. Any charges to services for non-current assets is required to be reversed out in the accounts, so this will not have an impact on Council Tax or rents. Any transactions involving disposals may be valued on a different basis and would be the subject of an open market disposal, with any revisions in value reflected in the Balance Sheet. Any change in the fair value of Cardiff City Transport Services Ltd as a result of the use of multipliers can be significantly variable, however has no impact on the level of Council Tax as changes are reflected by a corresponding amendment in the available for sale reserve.
Provisions	The Council makes a number of provisions for liabilities that it may face where a reasonable estimate of value can be made. In most cases these are subject to legal claims such as Insurance claims and other items as disclosed in the provisions note. Provisions relating to landfill sites, due to their significant value and long life are subject to a high level of estimation of future liabilities; this is detailed further in the provisions note.	The provisions are based on information known at the Balance Sheet date and best estimates and professional internal and external advice is used to determine value and number of provisions. The outcomes of such issues will have an impact on the Outturn of the Council in future years, however due to the uncertain nature of these events, are difficult to quantify.
Provisions in relation to arrears	At 31 March 2017, the Council had amounts it was owed for items such as sundry debtors, Council Tax, Non Domestic Rates (NDR) and rents. After taking into account trends in past collection experience and other relevant changes that may impact on collectability such as the economic climate, a level of impairment is assumed which may, or may not, be deemed to be sufficient.	Improvements in collection will improve future reported Outturn position, however where customers are finding it difficult to pay for Council services, this will require increases in the level of provisions currently set aside.
Debtors and Creditors	The level of debtors and creditors at the Balance Sheet date may need to be manually determined or estimated.	There is a risk of under/overstatement which would impact on current and future reported position of revenue Outturn or capital expenditure.
Employee leave benefits	The level of leave, flexi time and time in lieu owed to staff is based on a sample	The level of creditor accrual may be under or over estimated. This will have

Item	Uncertainty	Effect if Actual Results Differ from Assumptions
	of staff and extrapolated to arrive at a figure for all employees. In calculating the accrual for school based teaching staff, the Council assumes that all are continuing in the profession after the date of the Balance Sheet.	no impact on the reported Outturn position as statute allows the reversal of this figure to a reserve.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Actuaries provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions are difficult to measure as they interact in different ways.

Comprehensive Income and Expenditure Statement

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

2015/16 Restated				Note	2016/17		
Gross Expenditure	Gross Income	2015/16 Net Expenditure			Gross Expenditure	Gross Income	2016/17 Net Expenditure
£000	£000	£000			£000	£000	£000
156,257	(74,425)	**81,832**	City Operations		108,517	(52,402)	**56,115**
238,155	(186,010)	**52,145**	Communities, Housing & Customer Services		239,620	(189,528)	**50,092**
11,210	(1,432)	**9,778**	Corporate Management		6,762	(469)	**6,293**
31,026	(27,258)	**3,768**	Economic Development		64,316	(44,397)	**19,919**
333,268	(97,674)	**235,594**	Education & Lifelong Learning		348,120	(100,654)	**247,466**
6,388	(1,822)	**4,566**	Governance & Legal Services		6,912	(2,556)	**4,356**
9,836	(6,816)	**3,020**	Harbour Authority		9,085	(6,537)	**2,548**
161,726	(67,729)	**93,997**	Housing Revenue Account		50,009	(69,938)	**(19,929)**
36,850	(16,316)	**20,534**	Resources		28,636	(9,195)	**19,441**
163,552	(19,303)	**144,249**	Social Services		180,319	(26,432)	**153,887**
1,027	(2,026)	**(999)**	Summary Revenue Account		1,547	(5,078)	**(3,531)**
187,392	0	**187,392**	Exceptional Item	3	0	0	**0**
1,336,687	**(500,811)**	**835,876**	**Net Cost of Services**	4	**1,043,843**	**(507,186)**	**536,657**
27,880	0	**27,880**	Police and Crime Commissioner for South Wales	6	29,367	0	**29,367**
290	0	**290**	Community Council Precepts	6	296	0	**296**
16,798	0	**16,798**	Levies & Contributions	6	17,034	0	**17,034**
10,618	(11,814)	**(1,196)**	(Gain)/loss on sale of non-current assets		32,221	(9,009)	**23,212**
55,586	**(11,814)**	**43,772**	**Other Operating Expenditure**		**78,918**	**(9,009)**	**69,909**
32,152	0	**32,152**	Interest Payable on debt	20	32,250	0	**32,250**
16,618	0	**16,618**	Interest on net defined benefit liability/(asset)	18	18,035	0	**18,035**
0	(1,272)	**(1,272)**	Interest & Investment Income		0	(979)	**(979)**
488	0	**488**	Change in fair value of Investment Properties		9,105	(18,805)	**(9,700)**
1,092	(1,282)	**(190)**	Other Investment Income		0	0	**0**
50,350	**(2,554)**	**47,796**	**Financing and Investment Income & Expenditure**		**59,390**	**(19,784)**	**39,606**
0	(25,304)	**(25,304)**	Recognised Capital Grants & Contributions		0	(41,191)	**(41,191)**
0	(322,851)	**(322,851)**	Revenue Support Grant	31	0	(320,309)	**(320,309)**
0	(101,253)	**(101,253)**	Non-Domestic Rates	9	0	(105,994)	**(105,994)**

1,834	(175,121)	**(173,287)**	Council Tax Income	8	2,063	(182,502)	**(180,439)**
0	(3,344)	**(3,344)**	Other Central Grants		0	0	**0**
1,834	**(627,873)**	**(626,039)**	**Taxation & Non-Specific Grant Income**		**2,063**	**(649,996)**	**(647,933)**
		301,405	**(Surplus)/Deficit on Provision of Services**				**(1,761)**
		(134,348)	Revaluation Gains	30			**(26,098)**
		73,310	Revaluation Losses	30			**10,169**
		591	Impairment losses on non-current assets charged to the Revaluation Reserve				**784**
		1,484	(Surplus)/Deficit on revaluation of available for sale financial assets	30			**3,576**
		(12,346)	Actuarial (gains)/losses on pension assets/liabilities	18			**16,049**
		(71,309)	**Other Comprehensive Income & Expenditure**				**4,480**
		230,096	**Total Comprehensive Income & Expenditure**				**2,719**

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

	Council Fund Balance	Council Fund Earmarked Reserves	HRA Balance	HRA Earmarked Reserves	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Council Reserves
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2015 carried forward	**13,154**	**34,413**	**8,438**	**238**	**1,336**	**57,579**	**819,273**	**876,852**
Movement in Reserves during 2015/16								
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	**(301,405)**	0	**(301,405)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	71,309	**71,309**
Total Comprehensive Income and Expenditure	**(19,108)**	**0**	**(282,297)**	**0**	**0**	**(301,405)**	**71,309**	**(230,096)**
Adjustments between accounting basis & funding basis under regulations (note 1)	39,022	0	283,013	0	4,087	**326,122**	(326,122)	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**19,914**	**0**	**716**	**0**	**4,087**	**24,717**	**(254,813)**	**(230,096)**
Transfers to/(from) Earmarked Reserves (note 2)	(17,813)	17,813	(716)	716	0	**0**	0	**0**
Other Movements in Reserves	0	0	0	0	0	**0**	0	**0**
Increase/(Decrease) in 2015/16	**2,101**	**17,813**	**0**	**716**	**4,087**	**24,717**	**(254,813)**	**(230,096)**
Balance at 31 March 2016 carried forward	**15,255**	**52,226**	**8,438**	**954**	**5,423**	**82,296**	**564,460**	**646,756**
Movement in Reserves during 2016/17								
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	**1,761**	0	**1,761**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	(4,480)	**(4,480)**
Total Comprehensive Income and Expenditure	**(17,268)**	**0**	**19,029**	**0**	**0**	**1,761**	**(4,480)**	**(2,719)**

Adjustments between accounting basis & funding basis under regulations (note 1)	23,433	0	(15,897)	0	1,782	**9,318**	(9,318)	**0**
Net Increase/(Decrease) before Transfers to/(from) Earmarked Reserves	**6,165**	**0**	**3,132**	**0**	**1,782**	**11,079**	**(13,798)**	**(2,719)**
Transfers to/(from) Earmarked Reserves (note 2)	(7,165)	7,165	(3,132)	3,132	0	**0**	0	**0**
Increase/(Decrease) in 2016/17	**(1,000)**	**7,165**	**0**	**3,132**	**1,782**	**11,079**	**(13,798)**	**(2,719)**
Balance at 31 March 2017 carried forward	**14,255**	**59,391**	**8,438**	**4,086**	**7,205**	**93,375**	**550,662**	**644,037**

Balance Sheet

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

31 March 2016 Restated £000		Note	31 March 2017 £000
	Property Plant & Equipment:	19	
529,464	Council Dwellings		537,862
744,171	Other Land and Buildings		741,776
15,446	Vehicles, Plant, Furniture & Equipment		15,557
298,598	Infrastructure		294,621
19,620	Community Assets		19,652
30,800	Assets under construction (AUC)		42,555
36,299	Surplus assets not held for sale		40,992
	Heritage Assets:	19	
51,278	Heritage Assets		53,846
	Investment Property:	19	
110,471	Investment Properties		132,241
	Intangible Assets:		
3,426	Intangible assets including AUC	19	3,315
18,214	Long-term Investments		13,691
6,081	Long-term Debtors		5,616
1,863,868	**Total Long-Term Assets**		**1,901,724**
54,216	Short-term Investments		66,124
2,819	Held for Sale assets	21	80
2,139	Inventories		2,175
86,498	Short-term Debtors	22	83,754
17,352	Cash and Cash Equivalents	23	18,776
163,024	**Total Current Assets**		**170,909**
(16,148)	Short-term Borrowing	20	(14,972)
(85,297)	Short-term Creditors	24	(87,603)
(2,354)	Pension Strain	27	(1,414)
(10,466)	Provisions	26	(7,116)
(986)	Deferred Liabilities	28	(2,846)
(115,251)	**Total Current Liabilities**		**(113,951)**
(659,408)	Long-term Borrowing	20	(668,028)
(27,756)	Provisions	26	(27,821)
(6,617)	Deferred Liabilities	28	(14,021)

(9,933)	Capital Contributions Receipts in Advance	31	(11,843)
(2,526)	Revenue Grants Receipts in Advance	31	(2,016)
(1,791)	Capital Grants Receipts in Advance	31	(974)
(4,891)	Pensions Strain	27	(3,219)
(551,963)	Net Pensions Liability	18	(586,723)
(1,264,885)	**Total Long-Term Liabilities**		**(1,314,645)**
646,756	**NET ASSETS**		**644,037**
	Financed by:		
15,255	Council Fund Balance		14,255
52,226	Council Fund Earmarked Reserves		59,391
8,438	Housing Revenue Account Balance		8,438
954	Housing Revenue Account Earmarked Reserves		4,086
5,423	Capital Receipts Reserve	29	7,205
82,296	**Usable Reserves**		**93,375**
254,122	Revaluation Reserve		258,922
856,975	Capital Adjustment Account		876,075
2,049	Deferred Capital Receipts		2,038
16,811	Available for Sale Financial Instruments Reserve		13,235
0	Financial Instruments Adjustment Account		0
(559,208)	Pensions Reserve		(591,356)
(6,289)	Accumulated Absences Adjustment Account		(8,252)
564,460	**Unusable Reserves**	30	**550,662**
646,756	**TOTAL RESERVES**		**644,037**

Cash Flow Statement

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

2015/16 £000		Note	2016/17 £000
301,405	**Net (Surplus) /Deficit on the provision of services**		**(1,761)**
(185,014)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	33	(97,213)
(178,481)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	33	48,392
(62,090)	**Net cash flows from operating activities**		**(50,582)**
(1,196)	Interest Received		(644)
30,034	Interest Paid		32,220
(90,928)	Net cash flow from other operating activities		(82,158)
276,948	**Investing activities**		**62,792**
89,521	Purchase of property, plant and equipment, investment property and intangible assets		99,661
31,146	Purchase of short-term and long-term Investments		9,093
200,875	Other payments for investing activities		7,579
(9,814)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,009)
(31,744)	Capital Grants		(40,942)
(1,504)	Capital Contributions		(3,590)
(1,282)	Proceeds from short-term and long-term investments		0
(250)	Other receipts from investing activities		0
(209,073)	**Financing activities**		**(13,634)**
(201,611)	Cash receipts from short-term and long-term borrowing		(14,645)
(13,454)	Other receipts from financing activities		(6,220)
0	Cash payments for the reduction of outstanding liabilities relating to finance leases		0
5,992	Repayments of short-term and long-term borrowing		7,231
0	Other payments for financing activities		0
5,785	**Net (increase)/ decrease in cash and cash equivalents**		**(1,424)**
23,137	**Cash and cash equivalents at the beginning of the reporting period**		**17,352**
17,352	**Cash and cash equivalents at the end of the reporting period represented by:**		**18,776**
233	Cash		223
13,108	Bank (including cheque book schools)		15,992
4,011	Short-term deposits with banks and building societies		2,561

INDEX OF NOTES TO THE CORE FINANCIAL STATEMENTS

1. Adjustments between Accounting Basis and Funding Basis under Regulation

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

2016/17	Usable Reserves			Movement in Unusable Reserves
	Council Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of Non-Current assets	44,539	9,285	0	(53,824)
Revaluation losses of Non-Current Assets	38,118	0	0	(38,118)
Reverse previous impairment on revaluation	(36,062)	0	0	36,062
Amortisation of Intangible Assets	550	122	0	(672)
Movements in the market value of Investment Properties	(9,908)	208	0	9,700
Movement in the value of Held for Sale Assets	0	0	0	0
Capital grants and contributions applied	(31,546)	(9,645)	0	41,191
Revenue expenditure funded from capital under statute	4,097	25	0	(4,122)
Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	17,605	(2,483)	9,138	(24,260)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(24,624)	(8,043)	0	32,667
Capital expenditure charged against the Council Fund and HRA balances	(4,820)	(6,009)	0	10,829
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(7,675)	7,675
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	42	(42)	0
Capital receipts set aside for the repayment of debt	125	0	350	(475)
Adjustments involving the Revaluation Reserve				
Amount of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	7,502	395	0	(7,897)
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	58,603	2,976	0	(61,579)
Employer's contributions to the Pension Scheme	(40,016)	(2,851)	0	42,867

Pension Strain Future Years	(2,665)	53	0	2,612
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	1,935	28	0	(1,963)
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	11	(11)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	0	0	0	0
Total Adjustments	**23,433**	**(15,897)**	**1,782**	**(9,318)**

Comparative Movements in 2015/16

2015/16	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserves	
	£000	£000	£000	£000
Adjustments primarily involving the Capital Adjustment Account:				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and impairment of non-current assets	44,012	12,134	0	(56,146)
Revaluation losses of non-current assets	21,688	108,260	0	(129,948)
Reverse previous impairment on revaluation	(6,843)	(345)	0	7,188
Amortisation of intangible assets	1,104	120	0	(1,224)
Movements in the market value of Investment properties	488	0	0	(488)
Movement in the value of Held for Sale Assets	904	0	0	(904)
Capital grants and contributions applied	(15,122)	(10,181)	0	25,303
Revenue expenditure funded from capital under statute	4,879	187,392	0	(192,271)
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	5,938	522	0	(6,460)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:				
Statutory provision for the financing of capital investment	(23,664)	(7,912)	0	31,576
Capital expenditure charged against the General Fund and HRA balances	(1,136)	(4,818)	0	5,954
Use of the Capital Receipts Reserves to finance new capital expenditure	0	0	(5,857)	5,857
Credit for disposal costs that qualify to be met from the resulting capital receipts	0	32	(32)	0

Capital Receipts set aside for the repayment of debt	48	0	(1,433)	1,385
Adjustments involving the Revaluation Reserve				
Amount of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement/Recoupment of Grant/Other	(3,741)	(2,380)	11,371	(5,250)
Adjustments involving the Financial Instruments Adjustment Account				
Amortisation of Premiums and Discounts	(2,400)	33	0	2,367
Adjustments involving the Pensions Reserve:				
Net retirement benefits as per IAS19	57,077	2,814	0	(59,891)
Employer's contributions to the Pension Scheme	(39,020)	(2,630)	0	41,650
Pension Strain Future Years	(1,781)	(56)	0	1,837
Adjustments involving the Accumulating Compensated Absences Adjustment Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(1,409)	28	0	1,381
Adjustments involving the Deferred Capital Receipts Reserve				
Transfers to the Capital Receipts Reserve upon receipt of cash	0	0	38	(38)
Transfers to the Deferred Capital Receipts Reserve in relation to gain/loss on disposal	(2,000)	0	0	2,000
Total Adjustments	**39,022**	**283,013**	**4,087**	**(326,122)**

2. Earmarked Reserves

This note sets out the amount set aside from the Council Fund and HRA balances in earmarked reserves to fund future expenditure plans and the amounts used from earmarked reserves to meet Council Fund and HRA expenditure in 2016/17.

	Balance	Contributions		Balance
	31 March 2016 Restated £000	From Revenue £000	To Revenue £000	31 March 2017 £000
SCHOOLS BALANCES				
Schools Reserves	**1,727**	3,936	(1,421)	**4,242**
Cathays HS – Maintenance of Playing Field	**3**	0	0	**3**
Primary/Special Schools Repairs	**(53)**	320	(57)	**210**
	1,677	**4,256**	**(1,478)**	**4,455**
SCHOOLS RESERVES				
Out of School Childcare	**119**	9	(30)	**98**
Special Educational Needs Unit	**102**	0	(102)	**0**
Schools Catering	**704**	0	(242)	**462**
Schools Formula Funding	**1,928**	747	(1,104)	**1,571**
Schools Organisational Plan	**8,123**	6,813	(8,522)	**6,414**
	10,976	**7,569**	**(10,000)**	**8,545**

OTHER EARMARKED RESERVES				
Apprenticeship	**427**	772	(126)	**1,073**
Bereavement Services	**43**	257	(138)	**162**
Building Control Fee Earning	**594**	7	0	**601**
Bute Park Match Funding	**203**	0	(33)	**170**
Cardiff Academy Training	**145**	0	(48)	**97**
Cardiff Dogs' Home Legacy	**118**	0	(10)	**108**
Cardiff Enterprise Zone	**3,515**	1,421	(328)	**4,608**
Cardiff Insurance	**5,784**	560	0	**6,344**
Central Market Minor Works	**42**	1	0	**43**
Central Transport Service Vehicle	**568**	0	(202)	**366**
City Deal	**113**	243	(199)	**157**
City Wide Management and Initiatives	**479**	350	(379)	**450**
Community Based Transitional	**474**	0	(126)	**348**
Community Safety	**81**	0	(51)	**30**
Connect to Cardiff Refurbishment	**10**	0	0	**10**
Corporate Events and Cultural Services	**680**	201	(232)	**649**
Corporate Landlord Function	**175**	800	0	**975**
Discretionary Rate Relief	**100**	0	0	**100**
Emergency Management, Safeguarding and Prevent	**212**	23	(130)	**105**
Employee Changes	**1,632**	5,020	(1,097)	**5,555**
Energy Conservation	**518**	0	(284)	**234**
Energy/Carbon Reduction	**450**	0	0	**450**
Equal Pay	**282**	0	0	**282**
Flatholm	**24**	0	(24)	**0**
Fraud Detection	**193**	0	(53)	**140**
Harbour Authority	**644**	21	(186)	**479**
Highways Local Government Borrowing Initiative	**1,047**	0	(1,047)	**0**
Homes in Multiple Occupation - Licensing	**63**	0	(25)	**38**
Homelessness	**1,552**	0	(19)	**1,533**
House Mortgage	**29**	0	0	**29**
Housing Options Centre	**1,059**	0	(136)	**923**
Housing Support	**1,404**	0	(99)	**1,305**
ICT Holding Account	**784**	128	(50)	**862**
Inspectorate Support	**308**	0	(13)	**295**
Integrated Partnership Strategy	**31**	0	0	**31**
Invest to Save	**350**	0	0	**350**
Joint Equipment Store	**195**	0	0	**195**
Kitchen Improvement	**457**	0	(125)	**332**
Legal Services	**460**	347	(200)	**607**
Libraries Book Fund	**0**	19	0	**19**
Local Lend a Hand Mortgage Scheme	**177**	45	0	**222**
Local Plan	**98**	1	0	**99**
Major Projects	**1,221**	150	(20)	**1,351**
Members Development	**81**	31	0	**112**
MMI Insurance	**589**	578	0	**1,167**
Municipal Election	**599**	133	(38)	**694**
Non-Domestic Rates Due Diligence	**60**	0	0	**60**
Organisational Development Programme	**1,277**	524	(759)	**1,042**

Parking & Enforcement	**370**	5,469	(5,489)	**350**
Projects, Design & Development	**137**	0	0	**137**
Public Service Board Initiative	**46**		(23)	**23**
Property Asset Management	**129**	116	(89)	**156**
Registration Service Improvement	**46**	0	0	**46**
Resources	**1,480**	783	(396)	**1,867**
Scrutiny Development & Training	**82**	0	0	**82**
Shared Regulatory Service	**0**	243	(128)	**115**
Social Care Technology	**761**	0	(52)	**709**
Strategic Budget	**0**	2,532	0	**2,532**
Waste Management/Prosiect Gwyrdd	**2,570**	522	(1,267)	**1,825**
Welfare Reform	**3,407**	276	(889)	**2,794**
Workshops Asset Maintenance	**12**	127	0	**139**
Youth and Community Education	**449**	53	(138)	**364**
	38,836	**21,753**	**(14,648)**	**45,941**
CARDIFF'S SHARE OF RESERVES OF JOINT COMMITTEES				
Central South Consortium	**142**	12	0	**154**
Cardiff Capital Region City Deal*	**0**	54	0	**54**
Glamorgan Archives	**97**	0	(13)	**84**
Prosiect Gwyrdd	**61**	5	0	**66**
Regional Adoption Service	**50**	0	(22)	**28**
Shared Regulatory Service	**387**	0	(323)	**64**
	737	**71**	**(358)**	**450**
Total Council Fund Reserves	**52,226**	**33,649**	**(26,484)**	**59,391**
HRA RESERVES				
Repairs & Building Maintenance Services	**516**	500	0	**1,016**
Development & Acquisition	**0**	2,582	0	**2,582**
IT Reserve	**238**	0	0	**238**
Tackling Overcrowding	**200**	0	0	**200**
Welfare Reform Reserve	**0**	50	0	**50**
Total HRA Reserves	**954**	**3,132**	**0**	**4,086**
TOTAL EARMARKED RESERVES	**53,180**	**36,781**	**(26,484)**	**63,477**

*Cardiff Capital Region City Deal Joint Committee was formally ratified on the 1 March 2017

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

Schools - Under Local Management of Schools regulations, schools are able to carry forward surpluses and deficits. These are committed to be spent on schools and are not available to the Council for general use. Details of individual school balances will be available from 30 September 2017 on the Council's Schools Budget Forum website.

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

Schools Organisational Plan - to fund borrowing and other costs associated with schools reorganisation resulting from investment in the Schools Organisation Plan and 21st Century Schools.

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

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

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

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

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

Corporate Landlord Function - to support the corporate landlord functions across the Council in order to provide a cohesive and commercial operating model.

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

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

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

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

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

Legal Services - to fund future Legal Services initiatives, including projects in connection with ICT upgrades and procurement of additional resource on a temporary basis.

Major Projects - to support the costs of major projects.

Municipal Mutual Scheme (MMI) - represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in note 33.

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

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

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

2015/16 Restated £000		2016/17 £000
	Income	
(4,271)	On-street pay car parking fees	(4,362)
(805)	Off-Street car parking fees	(1,042)
(309)	Residents parking permits	(330)
(2,022)	Penalty charge notices	(2,019)
(2,840)	Moving Traffic Offences	(3,256)
(63)	Camera Car	(104)
(2)	Other income	0
(10,312)	**Total Income**	**(11,113)**
	Expenditure	
978	Operational costs / Parking and Permits	1,037
4,377	Enforcement service	4,607
5,355	**Total Expenditure**	**5,644**
(4,957)	**Civil Parking Enforcement Net (Surplus)/Deficit**	**(5,469)**
	Appropriations to Parking Reserve:	
69	**Balance 1 April 2016**	**370**
4,957	Contributions from CPE	5,469
(4,656)	Contributions to revenue*	(5,489)
370	**Balance 31 March 2017**	**350**

* Eligible expenditure totalling £5.489 million was drawn down from the reserve leaving a balance of £350,000 at the 31 March 2017. This included a budgeted drawdown of £5.025 million which supported a range of Council services including ongoing support and improvements to transport, parking, highways and environmental services. It also included a specific drawdown for various improvement schemes and initiatives. These were approved by the Director of Operations in consultation with the Cabinet Member for Transport, Planning and Sustainability.

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

Social Care Technology – to support Social Care IT developments.

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

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

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

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

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

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

3. Exceptional Items

The exceptional item in 2015/16 of £187.392 million related to the Council's settlement payment to Welsh Government to facilitate the exit of the HRA Subsidy System. Whilst this means that the Council will no longer have to pay over part of its rental income to Welsh Government in the form of a subsidy payment, the Council pays additional costs for interest. It also sets aside from any income, additional amounts for reducing the amount borrowed and outstanding.

4. Expenditure and Funding Analysis

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

2015/16			Directorate	2016/17		
Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES		Net Expenditure Charged to CF and HRA	Adjustments between accounting & funding basis	Net expenditure CIES
£000	£000	£000		£000	£000	£000
49,902	31,930	81,832	City Operations	34,078	22,037	56,115
46,089	6,056	52,145	Communities, Housing & Customer Services	43,408	6,684	50,092
29,727	(19,949)	9,778	Corporate Management	24,665	(18,372)	6,293
2,119	1,649	3,768	Economic Development	13,095	6,824	19,919
234,480	1,114	235,594	Education & Lifelong Learning	244,197	3,269	247,466
4,411	155	4,566	Governance & Legal Services	4,541	(185)	4,356
0	3,020	3,020	Harbour Authority	0	2,548	2,548
0	93,997	93,997	Housing Revenue Account	0	(19,929)	(19,929)
15,600	4,934	20,534	Resources	19,680	(239)	19,441
142,625	1,624	144,249	Social Services	153,031	856	153,887
43,520	(44,519)	(999)	Summary Revenue Account	41,466	(44,997)	(3,531)
0	187,392	187,392	Exceptional Item	0	0	0
568,473	**267,403**	**835,876**	**Net Cost of Services**		**(41,504)**	**536,657**
(555,767)	21,296	(534,471)	Other Income and Expenditure	(560,044)	21,626	(538,418)
12,706	**288,699**	**301,405**	**(Surplus) or Deficit on Provision of Services**	**18,117**	**(19,878)**	**(1,761)**
		(13,154)	Opening Council Fund balance as at 31 March	**(15,255)**		
		(1,696)	Surplus/Deficit on the Council Fund	0		
		(405)	Adjust for transfers (to)/from reserve	1,000		
		(15,255)	Closing Council Fund balance as at 31 March	**(14,255)**		

4.1. Note to the Expenditure and Funding Analysis

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

Directorate	2015/16 Adjustments for capital purposes	Net change for Pensions Adjustments	Other differences	Total Adjustments
	£000	£000	£000	£000
City Operations	32,848	(761)	(157)	31,930
Communities, Housing & Customer Services	5,394	(90)	752	6,056
Corporate Management	41	2,482	(22,472)	(19,949)
Economic Development	3,867	(506)	(1,712)	1,649
Education & Lifelong Learning	10,808	(1,496)	(8,198)	1,114
Governance & Legal Services	7	(27)	175	155
Harbour Authority	3,114	(133)	39	3,020
Housing Revenue Account	107,471	128	(13,602)	93,997
Resources	7,871	(177)	(2,760)	4,934
Social Services	936	252	436	1,624
Summary Revenue Account	0	0	(44,519)	(44,519)
Exceptional Item	187,392	0	0	187,392
Net Cost of Services	**359,749**	**(328)**	**(92,018)**	**267,403**
Other Income and Expenditure from the Expenditure & Funding Analysis	(26,012)	16,618	30,690	21,296
(Surplus) or Deficit on Provision of Services	**333,737**	**16,290**	**(61,328)**	**288,699**

i. Adjustments for capital purposes

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

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

ii. Net Change for Pension Adjustments

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

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

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

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

4.2. Expenditure and Income Analysed by Nature

	2015/16 £000	2016/17 £000
Expenditure		
Employee Benefits Expenses	410,954	430,055
Other Service Expenses	561,242	568,272
Depreciation, Amortisation & Impairment	373,137	57,231
Change in Fair Value of Investment Properties	488	(9,700)
Interest Payments	32,152	32,250
Precepts & Levies	44,968	46,698
Loss on Sale of Non-Current Assets	0	23,212
Total Expenditure	**1,422,941**	**1,148,018**
Income		
Fees, Charges & Other Service Income	(225,690)	(236,267)
Interest and Investment Income	(1,272)	(979)
Income from Council Tax and Non-Domestic Rates	(597,392)	(606,742)
Government Grants and Contributions	(295,795)	(305,791)
Gain on Sale of Non-Current Assets	(1,387)	0
Total Income	**(1,121,536)**	**(1,149,779)**
Surplus & Deficit on the Provision of Services	**301,405**	**(1,761)**

5. Harbour Authority and Associated Activities

Income, expenditure and assets relating to functions transferred to the Council following the winding up of Cardiff Bay Development Corporation (CBDC) on 31 March 2000 are included within the Council's overall accounts. However a separate set of accounts are required to be prepared in accordance with the Harbours Act 1964 and can be seen from page 183. It should be noted that the Harbour Authority accounts have been prepared on a Companies Act 2006 basis and not in accordance with the Code.

6. Precepts and Levies

	2015/16 £000	2016/17 £000
Precepts		
Police and Crime Commissioner for South Wales	27,880	29,367
Community Councils:		
Lisvane	34	34
Pentyrch	85	85
Radyr	108	112
St Fagans	18	18
Old St Mellons	26	28
Tongwynlais	19	19
	28,170	**29,663**
Levies & Contributions		
South Wales Fire & Rescue Service	16,507	16,775
Natural Resources Wales	141	139
Cardiff Port Health Authority	144	115
Newport Health Authority	6	5
	16,798	**17,034**

7. Participation in Joint Committees

During 2016/17 the Council was lead Authority (*) for three Joint Committees and a member authority of three others. The table below shows the revenue contributions made to these Committees:

Committee	Purpose	2015/16 £000	2016/17 £000
Glamorgan Archives*	Management and administration of the Glamorgan Records Office	218	212
Prosiect Gwyrdd*	To manage residual waste treatment	49	32
Cardiff Capital Region City Deal*	To co-ordinate and discharge the member Councils' obligations in relation to the City Deal"	0	42
Central South Consortium Joint Education Service	To provide a regional approach to improvement in schools	1,571	1,505
Regional Adoption Service	To develop and improve adoption services and share best practice	393	472
Shared Regulatory Service	To provide environmental health services	5,100	5,231
Total		**7,331**	**7,494**

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

8. Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into nine valuation bands estimating 1 April 2003 values for this specific purpose. Charges are calculated by taking the amount of income required for the council and the Police and Crime Commissioner for the forthcoming year and dividing this amount by the council tax base. The council tax base is the number of properties in each band adjusted to a proportion to convert the number to a band D equivalent, totalled across all bands and adjusted for discounts. Cardiff's Council Tax base for 2016/17 was £141,288 (£139,500 for 2015/16).

The amounts for a band D property in Cardiff during 2016/17 were as follows:

Band D Council Tax:	2015/16 £	2016/17 £
Cardiff Council	1,022	1,060
Police and Crime Commissioner for South Wales	200	208
TOTAL	**1,222**	**1,268**

The above amount (£1,268) is multiplied by the proportion specified for the particular band (see following table) to give the individual amount due. Community Council precepts are then added in each of the six Community Council areas.

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

Analysis of the net proceeds from Council Tax:

	2015/16 £000	2016/17 £000
Council Tax collectable	(175,121)	(182,502)
Provision for non-payment of Council Tax	1,834	2,063
	(173,287)	**(180,439)**

The net proceeds from Council Tax figure of £180.439 million includes precepts of £29.663 million and a transfer to the bad debt provision of £900,000. This remaining balance of £149.8 million is the Council Tax attributable to the Council, as part of the Council's Outturn for 2016/17.

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

31 March 2016 £000		31 March 2017 £000
(4,915)	Council Tax Bad Debt Provision	(5,858)

9. Non-Domestic Rates (NDR)

NDR is organised on a national basis. The Welsh Government specifies an amount for the rate (48.6p in 2016/17 and 48.2p in 2015/16) and, subject to the effects of transitory arrangements; local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but pays the proceeds into the NDR pool administered by the Welsh Government. The sums collected are redistributed back to Local Authorities on the basis of a fixed amount per head of population.

The NDR income of £189.057 million for 2016/17 (£193.334 million for 2015/16) was based on a total rateable value of £475.602 million for 2016/17 (£476.309 million for the year 2015/16).

Analysis of the net proceeds from non-domestic rates:

	2015/16 £000	2016/17 £000
Non-Domestic Rates collectable	193,334	189,057
Cost of collection allowance	(886)	(896)
Provision for non-payment of NDR	(3,774)	(1,696)
Payment into national pool	**188,674**	**186,465**
Redistribution from national pool	**(101,253)**	**(105,994)**

10. Agency Income and Expenditure

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

Welsh Government

- Non Domestic Rates collection. A net debtor of £14.993 million at 31 March 2017 (£8.773 million at 31 March 2016) is included in the balance sheet which represents the amount by which the cash paid over to Welsh Government exceeds the amount collected from ratepayers.
- Houses into Homes Loans - provide loans to bring back unused properties into homes. At 31 March 2017 the Welsh Government had provided £3.236 million of funding, £500,000 was repaid giving a new balance available of £2,736 million of which £1.516 million is outstanding as loans provided. The balance available for new loans was £1.220 million (£1.196 million at 31 March 2016).
- Home Improvement loans - provide loans for home improvements. At 31 March 2017 the Welsh Government had provided £1.062 million of funding. £183,000 of new loans were approved in 2016/17 (nil in 2015/16) leaving a balance available for new loans of £879,000.

South Wales Trunk Road Agency

The total reimbursement received by the Council was £394,000 in 2016/17 (£445,000 in 2015/16).

Business Improvement District (BID) Company

In 2016/17, a BID was set-up which is a partnership between the local business community and the Council. The BID is a defined area within the city centre in which a levy is charged on all business rate payers of all relevant businesses in addition to their business rates bill. This is used to develop projects benefitting the local area. The Council collects the income and pays this over to the BID Company. At 31 March 2017 the Council owed the company £85,393.

Prosiect Gwyrdd

The Council is responsible for the costs in relation to the contract with Viridor to provide waste treatment in relation to commercial and industrial waste. The total income and expenditure of £10.995 million is not included in the Council's CIES and there are not entries in the Balance Sheet. This was £5.282 million in 2015/16 – this amount has been restated in the accounts to take it out of the Council's CIES in the Commercial Services line in both the expenditure and income.

11. Remuneration

11.1 The Accounts and Audit (Wales) Regulations 2014 require the ratio of the remuneration of the Chief Executive to the median remuneration of all the body's employees. The multiple between the median full time equivalent earnings and the Chief Executive in 2016/17 was 1:8 (1:8 in 2015/16). The median full time equivalent earnings for 2016/17 was £21,164 (£20,849 in 2015/16).

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

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

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

Remuneration band	Number of Employees	
£	2015/16	2016/17
60,000-64,999	46	43
65,000-69,999	44	43
70,000-74,999	14	8
75,000-79,999	4	9
80,000-84,999	10	13
85,000-89,999	3	1
90,000-94,999	3	4
95,000-99,999	3	1
100,000-104,999	0	1
105,000-109,999	2	1
110,000-114,999	1	2
115,000-119,999	1	2
120,000-124,999	8	5
125,000-129,999	1	0
130,000-134,999	0	2
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	2*	1
175,000-179,999	0	0
180,000-184,999	0	0

*The remuneration of one of the employees identified included severance payments, further details are available on page 57 reference (e), this does not include the pension contribution.

11.3. Shown in the table below are remuneration details of:

- Senior employees (Directors, Assistant Directors and Heads of Service) whose salary is £60,000 or more per annum but less than £150,000. These are identified by job title.
- Employees whose salary is £150,000 or more on an annualised basis. These are identified by name.

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

No bonuses have been paid during 2016/17 (2015/16 - £nil)

2016/17 Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment			Employers pension contribution (22.9% of salary) £	Total £
			Received via payroll (taxable) (a) £	Received via creditors (non taxable) £	Enhancement of Retirement Benefits		
Paul Orders, Chief Executive	171,700	0	0	0	0	39,319	211,019
Corporate Director Resources & Section 151 Officer (a)	131,300	0	0	0	0	7,517	138,817
Assistant Director Children's Services (b)	130,519	0	0	0	0	0	130,519
Director Education & Lifelong Learning	121,200	0	0	0	0	27,755	148,955
Director Social Services	121,200	0	0	0	0	27,755	148,955
Director Communities, Housing & Customer Services	121,200	0	0	0	0	27,755	148,955
Director Economic Development	121,200	0	0	0	0	27,755	148,955
Director City Operations	121,200	0	0	0	0	27,755	148,955
Assistant Director Adult Services	82,416	0	0	0	0	18,873	101,289
Assistant Director Housing & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director Customer Services & Communities	82,416	0	0	0	0	18,873	101,289
Assistant Director of Commercial Services	82,416	0	0	0	0	18,873	101,289

Chief HR Officer	82,416	0	0	0	0	18,873	101,289
Head of Service, Finance	82,416	0	0	0	0	18,873	101,289
Head of Performance & Partnerships	82,416	0	0	0	0	18,873	101,289
Director Governance & Legal Services & Monitoring Officer (Commenced 19/09/2016) (c)	64,640	0	0	0	0	14,803	79,443
Assistant Director Education & Lifelong Learning (Commenced 01/10/2016) (d)	41,208	0	0	0	0	9,437	50,645
Interim Monitoring Officer (Leaving Date 18/09/2016) (e)	38,461	0	0	0	0	8,732	47,193
Assistant Director Education & Lifelong Learning (Leaving Date 19/06/2016) (f)	18,086	25	0	0	0	4,142	22,253

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £57,196, (£16,437 in 2015/16) a breakdown is provided below:
   £21,860 National Assembly for Wales Election
   £22,920 Police and Crime Commissioner Election
   £11,111 European Union Referendum
   £1,305 Grangetown & Plasnewydd By-Election

b) During 2016/17 agency invoices of £130,519 (£129,800 in 2015/16) were received for services as Assistant Director Children Services. Payments made were £135,458.
c) Director Governance & Legal Services commenced 19/09/2016. Annualised salary of £121,200.
d) Assistant Director Education & Lifelong Learning commenced 01/10/2016. Annualised salary £82,416.
e) Operational Manager Legal Manager Litigation was appointed Interim Monitoring Officer until 18/09/2016. Annualised salary of £82,416.
f) Assistant Director Education & Lifelong Learning left the Council on 19/06/2016. Annualised salary of £82,416.

Comparative Data for 2015/16

2015/16 Post title	Salary, fees and allowances £	Taxable benefits £	Compensation for loss of employment: Received via payroll (taxable) (a) £	Compensation for loss of employment: Received via creditors (non taxable) £	Compensation for loss of employment: Enhancement of Retirement Benefits	Employers pension contribution (22.9% of salary) £	Total £
Paul Orders, Chief Executive	170,000	0	0	0	0	38,930	208,930
Corporate Director Resources & Section 151 Officer (a)	130,000	0	0	0	0	29,770	159,770
Assistant Director Children's Services (Commenced 27/04/2015) (b)	129,800	0	0	0	0	0	129,800
Director Education & Lifelong Learning	120,000	55	0	0	0	27,480	147,535
Director Social Services, Director Children's Services (c)	120,000	47	0	0	0	27,480	147,527
Director Communities, Housing & Customer Services	120,000	0	0	0	0	27,480	147,480
Director Economic Development	120,000	0	0	0	0	27,480	147,480
Director City Operations, Director Strategic Planning,Highways,Traffic & Transport (d)	120,000	0	0	0	0	27,480	147,480
Director Governance & Legal Services, County Clerk & Monitoring Officer (e)	110,000	0	31,000	30,000	0	24,287	195,287
Assistant Director Education & Lifelong Learning	81,989	64	0	0	0	18,776	100,829
Assistant Director Housing & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Customer Services & Communities	81,989	0	0	0	0	18,776	100,765
Assistant Director Environment	81,989	0	0	0	0	18,776	100,765
Chief HR Officer	81,989	0	0	0	0	18,417	100,406
County Solicitor (Leaving Date 12/09/2015) (f)	60,129	0	0	2,138	0	12,366	74,633

Interim Assistant Director Adult Services (Commenced 05/08/2015) (g)	53,523	0	0	0	0	12,257	65,780
Head of Service, Finance (Commenced 10/08/2015) (h)	52,426	0	0	0	0	12,087	64,513
Chief Officer Change & Improvement (Leaving Date 20/09/2015) (i)	38,922	0	0	0	0	8,913	47,835
Director Sport, Leisure & Culture (Leaving Date 24/07/2015) (j)	37,742	2	0	19,594	169,553	8,643	235,534
Director Environment (Leaving Date 24/07/2015) (k)	36,361	4	0	7,125	0	8,643	52,133
Director Health & Social Care (Leaving Date 24/07/2015) (l)	36,135	40	0	10,688	82,861	8,643	138,366
Head of Performance & Partnerships (Commenced 15/02/2016) (m)	10,317	0	0	0	0	2,363	12,680
Interim Monitoring Officer (Commenced 01/03/2016) (n)	6,800	0	0	0	0	1,557	8,357

a) In addition to the remuneration fees detailed in the table above, Corporate Director Resources received fees relating to Returning Officer duties of £16,437 (£13,080 in 2014/15).
b) During 2015/16 agency invoices of £129,800 (Nil in 2014/15) were received for service as Assistant Director Children Services, payments made were £119,900.
c) Director Social Services from 16/06/2015. Annualised salary of £120,000. Director Children's Services until 15/06/2015. Annualised salary of £120,000.
d) Director City Operations from 16/06/2015. Annualised salary of £120,000. Director Strategic Planning, Highways, Traffic & Transport until 15/06/2015. Annualised salary of £120,000.
e) Director Governance & Legal Services from 16/06/2015 until 29/02/2016. Annualised salary of £120,000. Clerk & Monitoring Officer until 15/06/2015. Annualised salary of £120,000.
f) County Solicitor left the Council on 12/09/2015. Annualised salary of £120,000.
g) Operational Manager Learning Disabilities was appointed Interim Assistant Director Adult Services commencing 05/08/2015. Annualised salary of £81,600.
h) Head of Service, Finance commenced 10/08/2015. Annualised salary of £81,600.
i) Chief Officer Change & Improvement left the Council on 20/09/2015. Annualised salary of £81,600.
j) Director Sport, Leisure & Culture left the Council on 24/07/2015. Annualised salary of £120,000.
k) Director Environment left the Council on 24/07/2015. Annualised salary of £120,000.
l) Director Health & Social Care left the Council on 24/07/2015. Annualised salary of £120,000.
m) Head of Performance & Partnerships commenced 15/02/2016. Annualised salary of £81,600.
n) Operational Manager Legal Manager Litigation was appointed Interim Monitoring Officer commencing 01/03/2016. Annualised salary of £81,600.

11.4 Exit Packages

The numbers of exit packages with total cost per band and the total cost of the compulsory and other redundancies are set out in the following tables. The total costs of the exit packages identified are made up of two elements. The first element is the one off payment made to an individual as compensation for loss of employment through either Voluntary or Compulsory Redundancy, the second element is the pension strain cost in comparing year-on-year figures.

2016/17 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	9	64	**73**	**617,394**
£20,001 – £40,000	0	16	**16**	**403,619**
£40,001 – £60,000	1	4	**5**	**228,575**
£60,001 – £80,000	0	3	**3**	**214,224**
£80,001 – £100,000	0	1	**1**	**87,320**
£100,001 – £150,000	0	1	**1**	**130,276**
£150,001 – £200,000	1	0	**1**	**172,584**
Total	**11**	**89**	**100**	**1,853,992**

2015/16 Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band £
£0 - £20,000	27	100	**127**	**857,681**
£20,001 – £40,000	2	28	**30**	**824,167**
£40,001 – £60,000	2	7	**9**	**445,424**
£60,001 – £80,000	0	3	**3**	**187,296**
£80,001 – £100,000	1	1	**2**	**190,626**
£100,001 – £150,000	0	0	**0**	**0**
£150,001 – £200,000	1	0	**1**	**189,147**
Total	**33**	**139**	**172**	**2,694,341**

11.5 Members Allowances

The total amount of Members' Allowances (including basic and special responsibility) paid in 2016/17 was £1,284,685 (£1,293,164 in 2015/16). As required by the Code this figure includes all remuneration paid to members including basic and special allowances, care allowances and expenses directly reimbursed.

12. Health Act 1999 Pooled Funds and Similar Arrangements

The Cardiff and Vale Joint Equipment Store (JES) is a Section 33 partnership agreement between Cardiff and Vale of Glamorgan local Authorities and the Cardiff and Vale University Health Board for the provision of an integrated community equipment service serving the combined Cardiff and Vale region. The agreement came into effect on 1 January 2012. The Council's transactions are included in the Adult Social Care line of the Comprehensive Income and Expenditure Statement. Income and expenditure for the pooled budget arrangements for the year ending 31 March 2017 is as follows:

2015/16 £000		2016/17 £000
	Expenditure	
1,685	Equipment	1,742
124	Contribution to Overheads	124
1,809	Total Expenditure	**1,866**
	Funding	
(1,214)	Cardiff and Vale University Health Board	(1,161)
(405)	Cardiff Council	(518)
(259)	Vale of Glamorgan Council	(187)
(1,878)	**Total Funding**	**(1,866)**
69	**Surplus transferred to JES Partnership Reserve**	**0**

13. Related Parties

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, providing the majority of its funding in the form of grants and prescribing the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Grants received from government departments are set out in note 31 including grant receipts outstanding at 31 March 2017.

Members of the Council have direct control over the Council's financial and operating policies. The total members' allowances paid in 2016/17 is shown in note 11. Members' interests in other organisations have been identified by an inspection of the Members' and Officers' Declaration of Interest Register. During 2016/17, goods and services totalling £15,776,620 were commissioned from companies in which members had an interest (£7,054,814 in 2015/16). Grants totalling £790,960 (£1,798,344 in 2015/16) were paid to voluntary organisations in which members had an interest.

Officer's emoluments are shown in note 11 to the Core Financial Statements. In 2016/17, for companies in which Chief Officers had an interest there were no goods and services commissioned (£1,423 in 2015/16). For goods and services provided, income of £9,040 was received in 2016/17 (£0 in 2015/16).

Subsidiary Companies include Cardiff City Transport Services (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. Details of transactions with these companies are shown in note 25 to the Core Financial Statements.

Cardiff Medicentre was a joint venture between the Council, Cardiff University, the Welsh Government and Cardiff and Vale University Health Board. The Council disposed of its interest in the Medicentre on 31 March 2016.

Pension Fund contributions paid to the Pension Fund are shown in note 18 to the Core Statements.

Precepts and Levies collected on behalf of other organisations and an analysis of amounts levied on the Council by other bodies can be found in note 6 to the Core Financial Statements. Separate to the precept, the Council made payments of £46,168 to Police and Crime Commissioner for South Wales during 2016/17 (£135,000 in 2015/16).

Related Party Balances

The following balances were held in respect of related parties:

31 March 2016			31 March 2017	
Debtors £000	Creditors £000		Debtors £000	Creditors £000
18,415	(5,484)	Central Government Grants	24,114	(2,117)
0	(87)	Cardiff City Transport Services Ltd	109	(13)
1	0	Medicentre/CBTC/Cardiff Business Council	0	0
1	0	Senior Officers – outstanding car loan balances	0	0
204	(5)	Companies in which members' interests declared/other	5,019	(9)

14. External Audit Costs

	2015/16 £000	2016/17 £000
Fees payable to Wales Audit Office for external audit services	400	389
Fees payable to Wales Audit Office for the certification of grant claims and returns	84	88
Total	**484**	**477**

15. Leasing

Council as Lessee

Operating leases

Operating leases exist in respect of properties, vehicles and other items of equipment. The following sums were charged to revenue in 2016/17:

	2015/16 £000	2016/17 £000
Property Leases	1,553	1,829
Other Leases	2,365	2,705

The Council was committed at 31 March 2017 to making payments of £3.939 million under operating leases in 2017/18 (£3.700 million at 31 March 2016 for 2016/17) comprising the following elements:

	31st March 2016		31st March 2017	
	Property Leases £000	Other Leases £000	Property Leases £000	Other Leases £000
Leases expiring within 1 year	0	131	38	1,847
Leases expiring between 2 and 5 years	518	1,979	1,066	857
Leases expiring after 5 years	905	167	131	0

Finance Leases

There were no finance leases at 31 March 2017 (none in 2015/16) and there are no future obligations under finance leases.

Council as Lessor

Operating Leases

Operating leases exist in respect of land and buildings and the Council received revenue of £6.193 million in 2016/17 (£6.352 million in 2015/16).

The Council was committed as at 31 March 2017 to receiving income of £5.547 million (£5.856 million as at 31 March 2016) under operating leases for Land & Buildings comprising the following elements:

	31 March 2016	31 March 2017
	£000	£000
Leases expiring within 1 year	221	165
Leases expiring between 2 and 5 years	1,171	1,166
Leases expiring after 5 years	4,464	4,216

Finance Leases
The Council does not provide any leases of this type.

16. Investment Properties

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

	2015/16 £000	2016/17 £000
Rental income from investment property	(5,511)	(6,047)
Direct operating expenses arising from investment property	1,861	2,607
Net (gain) / loss	**(3,650)**	**(3,440)**

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

17. Prudent Revenue Provision

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

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

	2015/16 £000	2016/17 £000
Non-housing revenue provision	23,664	24,625
Housing Revenue Account provision	7,912	8,042
Prudent revenue provision	**31,576**	**32,667**

18. Pensions

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

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

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

Teachers' Pension Scheme

Unless they opt out, teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Teacher's Pension Agency on behalf of the Department for Education. It is a defined benefit scheme and although it is unfunded, a notional fund as a basis for calculating the employer's contribution rate. However, it is not possible for the Council to identify its share of the underlying liabilities of the scheme attributable to its own employees and so for the purposes of the Statement of Accounts it is accounted for on the same basis as a defined contribution scheme, i.e. the cost charged to Net Cost of Services in the year is the cost of the employer's contributions to the scheme.

In 2016/17 the Council paid £19.016 million in respect of teachers' pension costs, which represents 16.5% of teachers' pensionable pay (£17.499 million representing 15.5% of teachers' pensionable pay in 2015/16). In addition, the Council is responsible for the costs of any additional benefits awarded on early retirement outside of the Teachers' scheme. These benefits are fully accrued in the pension's liability for unfunded liabilities.

Local Government Pension Scheme

The Council's non-teaching employees are automatically enrolled unless they choose to opt out of joining the Cardiff and Vale of Glamorgan Pension Fund (The Fund), for which the Council acts as Administering Authority. This is a defined benefit scheme based on career-average pensionable salary. Both the Council and the employees pay contributions into the fund, calculated at a level intended to balance the pensions' liabilities with the pensions' assets.

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

The disclosures below relate to within the Fund and, where applicable, certain unfunded benefits provided by the Employer as referred to above.

Transactions relating to retirement benefits

The main accounting statements have been compiled in accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) and for the Local Government Pension Scheme, include the cost to the Council of pension entitlements earned in the year rather than the cost of contributions paid into the Fund. The cost of entitlements earned, which is known as the Current Service Cost has been recognised in the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

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

The following table sets out the requisite transactions that have been made in the Comprehensive Income and Expenditure Statement and Movement in Reserve Statement during the year. The below figures represent Cardiff Council only.

	2015/16			2016/17		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Comprehensive Income Expenditure Statement (CI&E Statement)						
Net Cost of Services:						
Current Service Cost	39,800	0	**39,800**	39,800	0	**39,800**
Past Service Costs	2,640	720	**3,360**	3,410	180	**3,590**
Financing & Investment Income & Expenditure						
Interest on net defined benefit liability/(asset)*	15,430	1,180	**16,610**	16,290	1,530	**17,820**
Net charge to C I&E Statement	**57,870**	**1,900**	**59,770**	**59,500**	**1,710**	**61,210**
Movement in Reserves Statement						
Reversal of net charges made for retirement benefits in accordance with IAS19	(57,870)	(1,900)	**(59,770)**	(59,500)	(1,710)	**(61,210)**
Actual amount charged against Council Tax in respect of pensions for the year						
Employers contributions payable to the scheme	38,340	0	**38,340**	39,640	0	**39,640**
Payments in respect of unfunded pensions liabilities **	0	3,310	**3,310**	0	3,230	**3,230**
	38,340	**3,310**	**41,650**	**39,640**	**3,230**	**42,870**

*This is different from the figure in the CIES as the CIES includes a share of the joint committees.
** Included in this figure are enhanced benefits awarded to teachers for which the Council is responsible and some unfunded liabilities which are administered by Rhondda Cynon Taff (RCT) Council on behalf of the Council.

Contributions for year ending 31 March 2018
Local Government Scheme - employer's regular contributions to the Fund for the accounting period ending 31 March 2018 are estimated to be £38.02 million. Additional contributions may also become due in respect of any employer discretions to enhance members' benefits in the Fund over the next accounting period.

Unfunded liabilities - in the accounting period ending 31 March 2018 the Council expects to pay £3.23 million directly to beneficiaries.

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

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

(a) Principal financial assumptions

	31 March 2016 % pa	31 March 2017 % pa
Rate of Inflation - Retail Price Index (RPI)	2.9	3.1
Rate of Inflation - Consumer Price Index (CPI)	1.8	2.0
Rate of general increase in salaries*	2.8	3.0
Rate of increase to pensions in payment**	1.8	2.0
Rate of increase to deferred pensions	1.8	2.0
Discount rate for scheme liabilities	3.4	2.6

*This has been set as 1.0% p.a. above the CPI inflation assumption which is consistent with the assumption used at the 2016 valuation.
** In excess of Guaranteed Minimum Pension increases in payment where appropriate.

(b) Mortality assumptions

	31 March 2016		31 March 2017	
	Men	Women	Men	Women
Future lifetime from age 65:-				
Currently age 65	23.8	26.8	23.0	25.7
Currently age 45	25.9	29.1	24.0	27.1

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

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

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

	31 March 2016	31 March 2017		
	Approx. split of assets %	Quoted %	Unquoted %	Total %
Equities	75.1	73.6	4.5	78.1
Property	7.3	6.3	0.0	6.3
Government Bonds	8.1	8.5	0.0	8.5
Corporate Bonds	7.2	5.8	0.0	5.8
Cash	2.3	1.5	0.0	1.5
Other*	0.0	-0.2	0.0	-0.2
Total Pension Strain	**100**	**95.5**	**4.5**	**100**

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

Reconciliation of funded status to Balance Sheet

	31 March 2016			31 March 2017		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Notional value of assets	1,010,320	0	**1,010,320**	1,198,860	0	**1,198,860**
Present value of liabilities	(1,509,170)	(46,650)	**(1,555,820)**	(1,730,930)	(47,490)	**(1,778,420)**
Net pension asset/(liability)*	**(498,850)**	**(46,650)**	**(545,500)**	**(532,070)**	**(47,490)**	**(579,560)**

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

Assets and Liabilities in relation to Retirement Benefits
Changes to the present value of liabilities during the accounting period:

	31 March 2016			31 March 2017		
	Funded scheme £000	Unfunded liabilities £000	Total £000	Funded scheme £000	Unfunded liabilities £000	Total £000
Opening present value of liabilities	(1,524,800)	(38,250)	**(1,563,050)**	(1,509,170)	(46,650)	**(1,555,820)**
Current service cost	(39,800)	0	**(39,800)**	(39,800)		**(39,800)**
Interest cost	(48,220)	(1,180)	**(49,400)**	(50,680)	(1,530)	**(52,210)**
Contributions by participants	(9,710)	0	**(9,710)**	(9,910)	0	**(9,910)**
Remeasurements in Other Comprehensive Income (OCI)	69,690	(9,810)	**59,880**	(165,900)	(2,360)	**(168,260)**
Net benefits paid out *	46,310	3,310	**49,620**	47,940	3,230	**51,170**
Past service cost	(2,640)	(720)	**(3,360)**	(3,410)	(180)	**(3,590)**
Closing present value of liabilities	**(1,509,170)**	**(46,650)**	**(1,555,820)**	**(1,730,930)**	**(47,490)**	**(1,778,420)**

* Includes changes to the actuarial assumptions.

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

	31 March 2016 £000	31 March 2017 £000
Opening fair value of assets	1,023,600	1,010,320
Interest income on assets	32,790	34,390
Remeasurement gains/(losses) on assets	(47,810)	152,540
Contributions by employer	38,340	39,640
Contributions by participants	9,710	9,910
Net benefits paid out **	(46,310)	(47,940)
Closing fair value of assets	**1,010,320**	**1,198,860**

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

Re-measurements in Other Comprehensive Income (OCI)

	31 March 2016		31 March 2017	
	Funded Scheme £000	Unfunded Liabilities £000	Funded Scheme £000	Unfunded Liabilities £000
Return on plan assets (in excess of) / below that recognised in net interest	47,810	0	(152,540)	0
Actuarial (gains)/losses due to change in financial assumptions	(56,570)	(1,000)	318,150	3,300
Actuarial (gains)/losses due to changes in demographic assumptions	0	0	(119,650)	(590)
Actuarial (gains)/losses due to liability experience	(13,120)	10,810	(32,600)	(350)
Actuarial (gains)/losses arising on inherited pension assets and liabilities	0	0	0	0
Total amount recognised in OCI	**(21,880)**	**9,810**	**13,360**	**2,360**

Actual return on assets

	31 March 2016 £000	31 March 2017 £000
Interest income on assets	32,790	34,390
Remeasurement gain/(loss) on assets	(47,810)	152,540
Actual return on assets	**(15,020)**	**186,930**

Analysis of amount recognised in the Comprehensive Income & Expenditure Statement

	31 March 2016			31 March 2017		
	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000	Funded Scheme £000	Unfunded Liabilities £000	Total gain /(loss) in CI&E £000
Total Actuarial Gain/(Loss)*	21,880	(9,810)	**12,070**	(13,360)	(2,360)	**(15,720)**

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

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

	2012/13 £m	2013/14 £m	2014/15 £m	2015/16 £m	2016/17 £m
Total gain/(loss) –funded scheme	(47.19)	263.70	(49.85)	21.88	(13.36)
Total gain/(loss) –unfunded liabilities	(2.56)	2.76	(1.64)	(9.81)	(2.36)
Cumulative gain/(loss)	**(566.00)**	**(299.54)**	**(351.03)**	**(338.68)**	**(354.40)**

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

	31 March 2013 £000	31 March 2014 £000	31 March 2015 £000	31 March 2016 £000	31 March 2017 £000
Fair value of assets	818,465	906,610	1,027,052	1,014,120	1,198,860
Present value of funded liabilities	(1,482,889)	(1,341,187)	(1,528,588)	(1,513,150)	(1,730,930)
Present value of unfunded liabilities	(42,890)	(38,450)	(38,250)	(46,650)	(47,490)
Surplus/(deficit)	**(707,314)**	**(473,027)**	**(539,786)**	**(545,680)**	**(579,560)**

History of experience gains and losses

	Year ending 31.3.13 £m	Year ending 31.3.14 £m	Year ending 31.3.15 £m	Year ending 31.3.16 £m	Year ending 31.3.17 £m
Experience gains/(losses) on funded assets	67.92	47.95	78.33	(47.80)	152.54
Experience gains/(losses) on funded liabilities	1.55	34.60	8.21	13.39	32.60
Experience gains/(losses) on unfunded liabilities	0.08	0.04	(0.36)	10.81	(0.35)

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

Discount rate assumption

Adjustment to discount rate	+0.1% p.a £000	-0.1% p.a. £000
Present value of total obligation	1,699,220	1,763,230
% change in present value of total obligation	-1.8%	1.9%
Projected service cost	47,240	50,180
Approximate % change in projected service cost	-3.0%	3.1%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a £000	-0.1% p.a. £000
Present value of total obligation	1,738,960	1,723,000
% change in present value of total obligation	0.5%	-0.5%
Projected service cost	48,690	48,690
Approximate % change in projected service cost	0.0%	0.0%

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

Adjustment to pension increase rate	+0.1% p.a £000	-0.1% p.a. £000
Present value of total obligation	1,755,140	1,707,090
% change in present value of total obligation	1.4%	-1.4%
Projected service cost	50,180	47,240
Approximate % change in projected service cost	3.1%	-3.0%

Post retirement mortality assumption

Adjustment to mortality age rating assumption	-1 year £000	+1 year £000
Present value of total obligation	1,782,440	1,679,740
% change in present value of total obligation	3.0%	-3.0%
Projected service cost	50,450	46,940
Approximate % change in projected service cost	3.6%	-3.6%

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

19. Non-Current Assets

Non-Current assets valuation

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

2016/17	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P,P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2016	**537,762**	**773,882**	**37,178**	**587,344**	**19,620**	**36,299**	**30,800**	**2,022,885**
Additions	17,980	21,954	4,821	11,093	32	351	33,876	**90,107**
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	**(784)**
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	**(2,974)**
Derecognition - disposals	(1,186)	(25,659)	(5,183)	0	0	(1,430)		**(33,458)**
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	**8**
Other reclassifications	400	13,291	193	7,088		1,074	(22,089)	**(43)**
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	**8,200**
Revaluation increases /(decreases) to SDPS**	0	(14,774)	0	0	0	(1,011)	0	**(15,785)**
At 31 March 2017	**554,803**	**767,945**	**36,684**	**605,525**	**19,652**	**40,992**	**42,555**	**2,068,156**
Depreciation								
At 1 April 2016	**8,298**	**29,711**	**21,732**	**288,746**	**0**	**0**	**0**	**348,487**
Depreciation charge	8,659	16,642	4,764	22,158	0	0	0	**52,223**
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	**(1,347)**
Derecognition - disposals	(16)	(12)	(5,183)	0	0	0	0	**(5,211)**
Depreciation written out to SDPS **	0	0	0	0	0	0	0	**0**
Reclassifications	0	(25)	0	0	0	0	0	**(25)**
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	**(18,986)**
At 31 March 2017	**16,941**	**26,169**	**21,127**	**310,904**	**0**	**0**	**0**	**375,141**
Net Book Value:								
At 31 March 2017	**537,862**	**741,776**	**15,557**	**294,621**	**19,652**	**40,992**	**42,555**	**1,693,015**
At 31 March 2016	**529,464**	**744,171**	**15,446**	**298,598**	**19,620**	**36,299**	**30,800**	**1,674,398**

* RR = Revaluation Reserve

** SDPS = Surplus or deficit on Provision of Services

Comparative Movements in 2015/16

2015/16 Restated	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	P,P & E under construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 1 April 2015	**604,426**	**805,389**	**41,388**	**575,174**	**19,206**	**37,024**	**11,509**	**2,094,116**
Additions	16,866	18,251	4,739	11,284	389	2,103	25,540	**79,172**
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	**(591)**
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	**(4,702)**
Derecognition - disposals	(815)	(4,200)	(9,605)	0	0	(3,200)	0	**(17,820)**
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	**(2,252)**
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	**(2,282)**
Revaluation increases /(decreases) to RR*	63,820	(14,001)	0	0	0	(415)	0	**49,404**
Revaluation increases /(decreases) to SDPS**	(143,710)	(25,998)	0	0	0	(2,452)	0	**(172,160)**
At 31 March 2016	**537,762**	**773,882**	**37,178**	**587,344**	**19,620**	**36,299**	**30,800**	**2,022,885**
Depreciation								
At 1 April 2015	**35,414**	**39,724**	**26,399**	**266,508**	**0**	**0**	**0**	**368,045**
Depreciation charge	8,298	16,905	4,862	22,238	0	0	0	**52,303**
Depreciation written out on impairment	0	(60)	0	0	0	0	0	**(60)**
Derecognition - disposals	0	(47)	(9,529)	0	0	0	0	**(9,576)**
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	**(1,136)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	(35,414)	(25,675)	0	0	0	0	0	**(61,089)**
At 31 March 2016	**8,298**	**29,711**	**21,732**	**288,746**	**0**	**0**	**0**	**348,487**
Net Book Value:								
At 31 March 2016	**529,464**	**744,171**	**15,446**	**298,598**	**19,620**	**36,299**	**30,800**	**1,674,398**
At 31 March 2015	**569,012**	**765,665**	**14,989**	**308,666**	**19,206**	**37,024**	**11,509**	**1,726,071**

* RR = Revaluation Reserve
** SDPS = Surplus or deficit on Provision of Services

Heritage Assets

2015/16 £000		2016/17 £000
50,884	**Balance at 1 April**	51,278
348	Additions	97
0	Revaluation increases /(decreases)to RR	2,471
46	Other Reclassifications	0
51,278	**Balance at 31 March**	**53,846**

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

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

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

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

Scheduled Ancient Monuments - The Council is responsible or part responsible for 17 of the 28 scheduled ancient monuments in the City. These are required to be protected for their contribution to knowledge and culture and include prehistoric burial sites and mounds, castles and forts, religious sites, defence structures as well as other sites of industrial significance. Unless expenditure has been incurred on these assets previously, these sites are not included in the Council's accounts at historic cost or value. Given the unique and often diverse nature of these assets, conventional valuation approaches lack sufficient reliability and the costs of obtaining valuations for these items would be disproportionate to the benefits. Details of these monuments are held within the Scheduled Ancient Monuments in Cardiff information leaflet which is available on www.cardiff.gov.uk under Resident, Planning and Conservation of the Built Environment section.

Paintings, artefacts and civic regalia - The Council has a collection of paintings, artefacts and civic regalia, much of which is related to local interest. The main items in terms of number and value are collections at the castle reflecting its historic significance and interpretation for visitors. Other items held at public buildings have been accumulated over a number of years. These items are included in the balance sheet at an insurance valuation of £38.4 million undertaken externally as at 1 April 2016, by Mr A.N. Schoon, Antiques and Fine Art Valuer.

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

For assets held at the castle, acquisition, disposal and care is undertaken in accordance with the museum accreditation scheme.

The statutory requirements placed upon the owners of Scheduled Ancient Monuments are likely to make the disposal of assets within Council ownership unviable. Before any work, alteration or controlled archaeological excavations are undertaken, consent is obtained from the Welsh Government.

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

2015/16 £000		2016/17 £000
100,787	**Balance at 1 April**	110,471
8,713	Additions	13,207
(617)	Disposals	(1,182)
(301)	Reclassified (to) / from Held for Sale	0
2,377	Other Reclassifications	45
(66)	Revaluation increases / (decreases) to RR*	0
(422)	Revaluation increases / (decreases) to SDPS**	9,700
110,471	**Balance at 31 March**	**132,241**

* Revaluation Reserve
** Surplus/Deficit on Provision of Services

Intangible Assets
Movements in Intangible assets during 2016/17 are summarised as follows:

	Other Intangible Assets £000	Intangible AUC £000	Total £000
Cost or Valuation			
At 1 April 2016	6,411	1,528	**7,939**
Additions	129	432	**561**
Other reclassifications	0	0	**0**
Impairment \(Losses) / reversals to SDPS	0	0	**0**
At 31 March 2017	**6,540**	**1,960**	**8,500**
Amortisation			
At 1 April 2016	4,513	0	**4,513**
Amortisation	672	0	**672**
At 31 March 2017	**5,185**	**0**	**5,185**
Net Book Value:			
At 31 March 2017	**1,355**	**1,960**	**3,315**
At 31 March 2016	**1,898**	**1,528**	**3,426**

Comparative Movements in 2015/16:

Restated 2015/16	Other Intangible Assets £000	Intangible AUC Restated £000	Total £000
Cost or Valuation			
At 1 April 2015	4,523	3,359	**7,882**
Additions	98	377	**475**
Other reclassifications	1,790	(1,931)	**(141)**
Impairment \(Losses) / reversals to SDPS	0	(277)	**(277)**
At 31 March 2016	**6,411**	**1,528**	**7,939**

Amortisation			
At 1 April 2015	3,289	0	**3,289**
Amortisation	1,224	0	**1,224**
At 31 March 2016	**4,513**	**0**	**4,513**
Net Book Value:			
At 31 March 2016	**1,898**	**1,528**	**3,426**
At 31 March 2015	**1,234**	**3,112**	**4,346**

Capital Expenditure and Capital Financing

Capital expenditure incurred in the year is shown in the following table, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by borrowing, it results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be paid for. Prudent provision for the repayment of external borrowing reduces the CFR.

2015/16 £000		CFR exc. landfill 2016/17 £000	Landfill CFR 2016/17 £000	Total CFR 2016/17 £000
521,990	**Opening Capital Financing Requirement**	**708,835**	**24,533**	**733,368**
	Capital Expenditure:			
78,705	Property, Plant and Equipment*	86,570	0	**86,570**
348	Heritage Assets	97	0	**97**
0	Assets Held for Sale	0	0	**0**
8,753	Investment Properties	13,207	0	**13,207**
474	Intangible Assets	561	0	**561**
590	Loans/ Equity	171	0	**171**
200,432	Expenditure on REFCUS	7,751	0	**7,751**
	Sources of Finance:			
(5,857)	Capital Receipts	(7,675)	0	**(7,675)**
(33,034)	Government grants and other contributions	(41,458)	0	**(41,458)**
(5,954)	Direct revenue contributions and reserves	(10,834)	0	**(10,834)**
(33,080)	Prudent revenue and capital provision for loan repayment	(32,790)	(1,104)	**(33,894)**
733,367	**Closing Capital Financing Requirement**	**724,435**	**23,429**	**747,864**
	Explanation of movements in year:			
(7,264)	Increase / (Decrease) in underlying need to borrow (supported by government financial assistance)	(5,317)	0	**(5,317)**
218,641	Increase / (Decrease) in underlying need to borrow (unsupported by government financial assistance)	20,917	(1,104)	**19,813**
211,377	**Increase in Capital Financing Requirement**	**15,600**	**(1,104)**	**14,496**

*The difference between this figure for 2016/17 and the figure in the non-current assets note on page 72 is £3.537 million. This is due to a donated asset that is not recorded in the CFR.

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

Revenue Expenditure funded from Capital under Statute (REFCUS)
The following amounts were treated as capital expenditure to be paid for from capital resources. It includes expenditure on items that do not result in the creation or enhancement of an asset for the Council or where specific approval has been received from Welsh Government to treat such expenditure as capital expenditure and meet from resources that can only be used to pay for capital expenditure. The 2015/16 figures included the one off settlement payment of £187.4 million to exit the Housing Revenue Account Subsidy system, as well as a Capitalisation direction that allowed the Council to meet revenue costs of service reform from capital receipts. No directions were utilised in 2016/17.

	2015/16 £000	2016/17 £000
Expenditure:		
Housing Improvement Grants	6,645	4,792
Buildings not owned by Cardiff Council	2,293	2,745
Capitalisation Direction - Service Reform	2,435	0
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	187,392	0
Grants awarded (not Housing Grants)	1,667	214
Charged to Income and Expenditure Statement	**200,432**	**7,751**
Funded by:		
Grants and Contributions	(8,161)	(3,629)
Borrowing, Receipts and Other Capital Resources	(192,271)	(4,122)
	(200,432)	**(7,751)**

Significant capital expenditure contractual commitments
At 31 March 2017 the figure for significant capital expenditure commitments scheduled for completion in 2017/18 and future years is £35.588 million (£26.222 million 2015/16) and includes the following:

	£000
Eastern High School	14,695
Public Realm - Central Square	6,695
St. Mellons Community Hub Phase 2	3,567
LED Lighting on Strategic Routes	3,290
Ninian Park School Extension	3,099
Communal Heating upgrades (Council Dwellings)	1,567
Roof replacements (Council Dwellings)	1,383
Greener Grangetown	1,292

20. Financial Instruments

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

	31 March 2016 Restated			31 March 2017		
	Long Term £000	Short Term £000	Total £000	Long Term £000	Short Term £000	Total £000
Investments/Financial Assets						
Loans & Receivables at amortised cost	2,179	71,873	**74,052**	597	85,188	**85,785**
Investments at Fair Value	17,214	0	**17,214**	13,691	0	**13,691**
Total	**19,393**	**71,873**	**91,266**	**14,288**	**85,188**	**99,476**
Borrowings/Financial Liabilities						
Financial Liabilities at Amortised Cost	**(659,408)**	**(16,148)**	**(675,556)**	**(668,028)**	**(14,972)**	**(683,000)**

Investments / Financial Assets
Loans and receivables include:

- **Cash and bank including temporary investments** is £85 million, of which £68.6 million is deposited for various maturities with financial institutions
- **Car loans** to eligible Council staff. Loans are repaid with interest, over a specified period, not greater than five years, as set out in a loan agreement
- **Loans to Organisations** includes loans for Small to Medium Enterprises. Loans of £1m and £500,000 to Cardiff Bus and for regeneration of the Tramshed respectively were repaid in 2016/17.

	Valuation Method - Level	31 March 2016 Restated		31 March 2017	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Cash and Cash Equivalents	Cost	17,352	17,352	18,776	18,768
Deposits with banks and building societies	Level 2	53,093	53,138	65,082	65,130
Local Authority Mortgage Scheme	Level 2	1,042	1,076	1,042	1,045
Assisted Car Purchase Loans	Cost	726	726	629	629
Loan to Cardiff Bus	Cost	1,000	1,000	0	0
Loans to External Organisations / Subsidiary	Cost	839	839	256	256
Financial assets		**74,052**	**74,131**	**85,785**	**85,828**

Investments at Fair value include:

- The Council's 100% shareholding in Cardiff City Transport Services Limited. The Council's shareholding is not listed on any quoted market, however accounting rules require a fair value to be estimated. The valuation is estimated using inputs other than quoted prices (Level 2), with the inputs being Earnings Before Interest Tax Depreciation and Amortisation (EBITDA), an estimated multiplier to determine an enterprise value and the Company's pension fund deficit. These variables can fluctuate dependent on the company's performance and economic climate and so any accounting valuation may vary significantly from year to year. Accordingly, any valuation should be used with caution. Any change in value is offset by a corresponding movement to the 'Available for Sale Financial Instruments Reserve'; hence there is no impact on Council Tax payable. The fair value of the investment at 31 March 2017 is estimated to be £13.3 million (£16.8 million 2015/16).

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

Borrowings / Financial Liabilities include:

- Borrowing is undertaken to fund the long term capital expenditure requirements of the Council and any short term cash flow requirements. It includes Lender Option Borrower Option Loans (LOBO) which allow the lender to change the rate of interest at specified periods, allowing the Council to either accept the new rate or repay the loan before the contractual maturity date. The date of maturity for such instruments is assumed to be the contractual period to maturity rather than the next date that the lender could request a change in the rate. The carrying amounts below also include accrued interest payable at 31 March 2017.

	Valuation Method - Level	31 March 2016		31 March 2017	
		Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Public Works Loan Board Loans	Level 2	(620,098)	(839,641)	(624,514)	(915,372)
Lender Option Borrower Option Loans	Level 2	(51,634)	(63,468)	(51,637)	(74,972)
Market loans, Bonds and Temporary Balances	Level 2	(3,824)	(3,655)	(6,849)	(6,171)
Bank overdraft	Cost	0	0	0	0
Financial liabilities		**(675,556)**	**(906,764)**	**(683,000)**	**(996,515)**

The fair value of borrowing and financial liabilities is more than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date.

Fair value calculations use the following assumptions:

- For PWLB debt, the transfer or fair value shown in the table is based on new borrowing rates from the PWLB for equivalent loans at 31 March 2017. An exit price fair value of £1,079,450 million is also calculated using early repayment discount rates which are lower than equivalent loan rates. The Council has no contractual obligation to pay these penalty costs and would not incur any additional cost if the loans run to their planned maturity date.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.
- No early repayment or impairment is recognised.

Financial Instrument Gains/Losses

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

	Financial Liabilities		Financial Assets				Total	
	Liabilities at Amortised Cost		Loans & Receivables		Investments at Fair Value			
	2015/16 £000	2016/17 £000	2015/16 '£000	2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000	2016/17 £000
Interest Expense	32,152	32,250	0	0	0	0	**32,152**	**32,250**
Impairment Losses	0	0	0	0	0	0	**0**	**0**
Interest Payable & Similar Charges	**32,152**	**32,250**	**0**	**0**	**0**	**0**	**32,152**	**32,250**
Interest / Dividend Income	0	0	(1,039)	(755)	0	0	**(1,039)**	**(755)**
Interest and Investment Income	**0**	**0**	**(1,039)**	**(755)**	**0**	**0**	**(1,039)**	**(755)**
(Surplus) / Loss on Disposal	0	0	0	0	(190)		**(190)**	**0**

(Surplus) / Loss on Revaluation	0	0	0	0	1,484	3,575	**1,484**	**3,575**
(Surplus) / Loss arising on revaluation or Disposal of financial assets	**0**	**0**	**0**	**0**	**1,294**	**3,575**	**1,294**	**3,575**
Net (gain) / loss for the year	**32,152**	**32,250**	**(1,039)**	**(755)**	**1,294**	**3,575**	**32,407**	**35,070**

Gains and losses include interest payable on borrowing, amounts receivable on investments, gains on disposal of investments and also movements from estimating changes in value of investments at fair value. No dividend was received in 2016/17 from Cardiff Bus (£250,000 2015/16).

Nature and Extent of Risks arising from Financial Instruments
The Council's activities in relation to financial instruments whether for treasury management purposes or service objectives expose it to a variety of risks. In undertaking its treasury management activities, the overriding objective is to minimise the risk of adverse consequences or loss, whilst at the same time not unduly constraining investment returns or unnecessarily incurring interest costs. Given the nature of investments, a trade-off between security, liquidity and yield cannot be avoided i.e. there is risk of default. This risk is enhanced when loans to external organisations are provided for service delivery objectives and indicators of significant impairment are considered at the balance sheet date.

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

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

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

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

Credit Risk	Likelihood of Default	31 March 2016 £000	31 March 2017 £000
Deposits – banks, buildings societies	Deposits are placed only with banks and building societies that have Fitch minimum criteria of F1 (i.e. highest credit quality). Lending is restricted to a maximum amount and duration for each financial institution, also taking into account extent of public ownership and sovereign rating. Ratings are regularly reviewed. A risk of non-recoverability applies to all of the Council's deposits which require rigorous monitoring of credit risk and credit criteria. The Council uses treasury management advisors who assist in monitoring credit risk of counterparties. To date, the Council has not experienced default of any institution and as the counterparty exposure following table shows this is not deemed to be a significant factor for investments held. Accordingly no provisions or losses are to be recognised.	70,334	83,900
Local Authority Mortgage Scheme (LAMS)	The Council has placed a £1 million indemnity with Lloyds Bank as part of this scheme. This matures on the 24 April 2017. No mortgage defaults have occurred to date and an earmarked reserve is in place should this occur.	1,000	1,000

<table>
<tr><th>Credit Risk</th><th>Likelihood of Default</th><th>31 March 2016 £000</th><th>31 March 2017 £000</th></tr>
<tr><td>Car Loans</td><td>Repayments are recovered directly from employees pay and indemnity insurance is a condition of the loan. Default experience is minimal.</td><td>726</td><td>629</td></tr>
<tr><td>Loans to External Bodies</td><td>Includes primarily loans to SME’s £256,000. Loans of £1m and £500,000 to Cardiff Bus and for regeneration of the Tramshed respectively were repaid in 2016/17. Where there is deemed to be a risk of non-repayment a provision or impairment is considered.</td><td>1,910</td><td>256</td></tr>
<tr><td>Customers</td><td>The Council does not generally allow credit for customers and provision is made for non-payment based on the age profile of outstanding debt, adjusted for large invoices known to have been settled after balance sheet date and any other material factors that could affect the ultimate sum collectable.
The bad debt provision for 2016/17 was based on the adjusted age profile disclosed in the following table.
<table>
<tr><th></th><th>2015/16</th><th>2016/17</th></tr>
<tr><th></th><th>£000</th><th>£000</th></tr>
<tr><td>Less than 1 year</td><td>14,180</td><td>15,684</td></tr>
<tr><td>1 – 2 years</td><td>593</td><td>413</td></tr>
<tr><td>2 – 3 years</td><td>426</td><td>138</td></tr>
<tr><td>3 – 4 years</td><td>448</td><td>124</td></tr>
<tr><td>4 – 5 years</td><td>100</td><td>90</td></tr>
<tr><td>Over 5 years</td><td>372</td><td>359</td></tr>
<tr><td>Total</td><td>16,119</td><td>16,808</td></tr>
</table>
Other debt such as grant income due from government bodies and year-end accruals of income is considered to be 100% collectable and provision against non-payment is not usually considered necessary.</td><td>16,119</td><td>16,808</td></tr>
<tr><td>Total</td><td></td><td>90,089</td><td>102,593</td></tr>
</table>

Counterparty Exposure at 31 March 2017

Counterparty	Country	Fitch Long Term	Investment £000
Bank of Scotland	UK	A	8,000
Commonwealth Bank of Australia	Australia	AA-	12,000
Development Bank Singapore	Singapore	AA-	5,000
Goldman Sachs International Bank	UK	A	10,000
Lloyds - LAMS	UK	A	1,000
Nationwide Building Society	UK	A	10,000
Oversea-Chinese Banking Corporation	Singapore	AA-	5,000
Santander UK	UK	A	10,000
Standard Chartered Bank	UK	AA-	5,000
Standard Life Investments	Domiciled in Ireland	AAA	2,550
Total			**68,550**

Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2017, the probability of any default is 0.013% or £8,912.

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

31 March 2016 £000	Loans Outstanding	31 March 2017 £000
612,826	Public Works Loans Board	617,207
51,000	Lender Option Borrower Options (LOBOs)	51,000
2,348	Market Debt / Bonds	5,839
666,174	**Total**	**674,046**
6,766	Under 12 months	6,019
5,594	12 months and within 24 months	3,983
5,680	24 months and within 5 years	9,948
20,276	5 years and within 10 years	24,238
144,214	10 years and within 20 years	152,214
164,000	20 years and within 30 years	165,000
178,689	30 years and within 40 years	208,689
123,955	40 years and within 50 years	86,955
12,000	50 years and within 60 years	12,000
5,000	60 years and within 70 years	5,000
666,174	**Total**	**674,046**

The total values in the above table can be reconciled to the carrying amount of all financial liabilities carried at amortised cost by the addition of accrued interest of £7.944 million and miscellaneous short term borrowing of £1.010 million.

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

£m	Potential Repayment Date	Option Frequency	Full Term Maturity
6	21/05/2017	6 months	21/11/2041
6	21/05/2017	6 months	21/11/2041
6	21/05/2017	6 months	23/05/2067
6	01/09/2017	6 months	23/05/2067
5	15/01/2018	5 years	17/01/2078
22	21/11/2020	5 years	23/11/2065

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

Interest Rate Risk
The possibility that financial loss might arise for the Council as a result of changes in interest rates.

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

Variable affected by interest rate fluctuations	Impact of Variation	Actions to mitigate interest rate risk
Interest earned on variable rate investments	Interest rate rises will increase income credited to the Comprehensive Income and Expenditure Statement, while reductions may result in less income than budgeted.	• Production and Council approval of a Treasury Management Strategy at the start of each financial year, setting limits for fixed and variable rate exposure. • Interest rate forecasts based on advice from treasury management advisors are built into the budget and monitored regularly throughout the year. • By borrowing fixed rate, the Council aims to minimise the revenue impact of interest fluctuations to provide stability for planning purposes. Council borrowing is primarily at fixed rather than variable rates.
Interest paid on variable rate borrowings	If interest rates rise, lenders may exercise options to increase rates in a Lender Option Borrower Option loan potentially increasing the interest expense charged to the Comprehensive Income and Expenditure Statement, should the Council accept the higher rate.	
Fair value of fixed rate financial assets	Interest rate rises will cause fair value to fall. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	
Fair value of fixed rate financial liabilities	Fair value will fall if interest rates rise. This will not impact on the Comprehensive Income and Expenditure Statement or Balance Sheet values for the majority of assets held at amortised cost, but will impact on the disclosure note for fair value.	

To give an indication of the Council's sensitivity to interest rate change, the table indicates the estimated impact on the Comprehensive Income and Expenditure Statement had interest rates during 2016/17 been on average 1% higher with all other variables held constant.

Interest Rate Risk Income and Expenditure Account	£000
Increase in interest payable on borrowings	(265)
Interest in interest receivable on investments	461
Impact on Income and Expenditure Account	**196**
Increase in interest transferred to HRA	(58)
Increase in interest transferred to other balances and accounts	(63)
Net Income / (Expenditure)	**75**

Changes in Fair Value	£000
Decrease in Fair Value of Fixed Rate Investments	233
Decrease in Fair Value of Fixed Rate Borrowings	153,656

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

Foreign exchange risk

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

Price Risk
This is the possibility of the Council having financial gains or losses from movements in prices of financial instruments. Whilst the Council's approved Treasury Management policy allows investments in financial instruments such as bank certificates of deposit and Government bonds. The Council invests primarily in those instruments where the sum returned on maturity is the same as the initial amount invested. For service investment purposes, the Council has equity holdings of £76,000 (£157,000 in 2015/16) which are quoted on a recognised stock exchange at 31 March 2017.

The Council's 100% shareholding in Cardiff City Transport Services Ltd is not quoted on a recognised exchange and thus not subject to gains or losses from market price movements. A general shift of 5% in the fair value (positive or negative) would result in a £664,000 gain or loss being recognised in the Movement in Reserves Statement.

21. Held for Sale Assets

2015/16 £000		2016/17 £000
3,040	**Balance at 1 April**	2,819
(1,751)	De-recognition	(2,731)
2,553	Reclassified to/(from) Held for Sale	(8)
(119)	Revaluation increases /(decreases) to RR*	0
(904)	Revaluation increases /(decreases) to SDPS**	0
2,819	**Balance at 31 March**	**80**

*Revaluation Reserve
** Surplus/Deficit on Provision of Services

22. Debtors

31 March 2016 £000		31 March 2017 £000
43,059	Central Government Bodies	45,251
13,242	Other Local Authorities	9,120
4,691	NHS Bodies	5,259
34	Public Corporations & Trading Funds	14
25,472	Other Entities and Individuals	24,110
86,498	**Total Debtors Net of Impairments**	**83,754**

23. Cash and Cash Equivalents

31 March 2016 £000		31 March 2017 £000
233	Cash	223
13,108	Bank (including cheque book schools)	15,992
4,011	Short-term deposit with banks and building societies	2,561
17,352	**Total Cash and Cash Equivalents**	**18,776**

Included within the bank figure above are bank balances of chequebook schools totalling £1.740 million (£859,000 in 2015/16).

In addition to the above, at 31 March 2017 the Council held £594,000 (£883,000 at 31 March 2016) on behalf of third parties, mainly Adult Services social care clients. This amount is not included on the balance sheet as this money does not belong to the Council.

24. Creditors

31 March 2016 £000		31 March 2017 £000
(13,498)	Central Government Bodies	(16,155)
(11,518)	Other Local Authorities	(7,907)
(1,424)	NHS Bodies	(1,594)
(9)	Public Corporations & Trading Funds	(4)
(58,848)	Other Entities and Individuals	(61,943)
(85,297)	**Total Creditors**	**(87,603)**

25. Interests in Other Companies and Other Organisations

The Council had three wholly owned subsidiary companies which traded during 2016/17. The interest in Cardiff City Transport Services Ltd is consolidated into the Council's group accounts, on pages 126 to 146. The interests in the other organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. They have therefore been excluded from the consolidation in 2016/17.

Cardiff City Transport Services Ltd. (Cardiff Bus)

Cardiff City Transport Services Ltd. was set up in accordance with the provisions of the Transport Act 1985 to run the Council's municipal bus operation and started operations in October 1986. The company's operating results for 2016/17 are summarised below:

	Year to 31 March 2016 Restated £000	Year to 31 March 2017 Draft £000
Turnover and other income	(30,991)	(32,007)
Operating and other expenditure	30,633	31,686
Net (Profit) / Loss before Taxation	**(358)**	**(321)**
Less: Taxation	65	0
(Profit) / Loss after Taxation	**(293)**	**(321)**

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

	31 March 2016 Restated £000	31 March 2017 Draft £000
Bus and other operating assets	22,422	21,791
Current Assets	6,033	5,013
Less Current Liabilities	(5,786)	(4,715)
Creditors: Amounts falling due after more than one year	(5,252)	(4,998)
Provisions & Long term liabilities	(1,308)	(1,117)
Deferred Taxation	(1,282)	(1,282)
Pension Liability	(2,791)	(3,820)
Total Assets less Liabilities	**12,036**	**10,872**
Represented by:		
Share Capital	4,618	4,618
Retained Earnings	4,276	3,112
Revaluation Reserve	3,142	3,142
Net Worth	**12,036**	**10,872**

In 2016/17 the Council made payments totalling £9.448 million to Cardiff Bus (£9.308 million in 2015/16), of which £8.527 million related to concessionary fares payments (£8.655 million in 2015/16). The Council also received income of £93,000 (£326,000 in 2015/16). During 2016/17 Cardiff Bus did not pay a dividend to the Council in 2016/17 (£250,000 was paid in 2015/16).

At 31 March 2017, Cardiff Bus had inter-company balances with the Council as follows: debtors £106,000 (£87,000 in 2015/16) and creditors £9,000 (£nil in 2015/16).

The accounts for year ended 31 March 2017 have not yet been audited. The company's auditors are Deloitte.

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

	March 2016 Restated £000	March 2017 £000
Net (Profit) / Loss before Taxation	(60)	(13)
Less: Taxation	11	2
(Profit) / Loss after Taxation	**(49)**	**(11)**

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

	31 March 2016 Restated £000	31 March 2017 £000
Total assets less current liabilities	850	853
Creditors: falling due after more than one year	(7)	(7)
Provision for taxation	(118)	(116)
Total Assets less liabilities	**725**	**730**
Represented by:		
Retained Profit	269	274
Revaluation Reserve	456	456
Net Worth	**725**	**730**

During 2016/17 the Council received income of £0 (£36,000 in 2015/16) from CBTC. At 31 March 2017 CBTC owed the Council £0 (£792 at 31 March 2016) and was owed £0 (£nil at 31 March 2016).

The accounts for year ended 31 March 2017 have not yet been audited. The company's auditors are Gerald Thomas & Co.

Cardiff Business Council Ltd.
Cardiff Business Council is a company set in 2013/14 to grow Cardiff's private sector by marketing and promoting the Cardiff Capital Region as a world-class destination for business investment and tourism. This company is to close in 2017/18 and is not considered a going concern. The company's operating results for 2016/17 are summarised below:

	Year to 31 March 2016 £000	Year to 31 March 2017 £000
Net (Profit) / Loss before Taxation	108	40
Less: Taxation	0	0
(Profit) / Loss after Taxation	**108**	**40**

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

	31 March 2016 £000	31 March 2017 £000
Total assets less current liabilities	42	2
Total Assets less liabilities	**42**	**2**
Represented by:		
Retained Profit	42	2
Net Worth	**42**	**2**

During the year the Council made no core funding payments (£340,000 in 2015/16) to Cardiff Business Council and received £1,244 income from the Company (£40,036 in 2015/16). The Council incurred other expenditure in connection with Cardiff Business Council totalling £2,164 (£177,092 in 2015/16).

The company's auditors are Broomfield & Alexander. An unqualified audit opinion has been issued in respect of the accounts for year ended 31 March 2017.

Atebion Solutions Ltd

A new wholly owned company was incorporated on the 5 October 2016 to deliver procurement and commercial services in the public sector. There were no transactions in the 2016/17 financial year and the company will produce its first set of accounts as at 31 March 2018.

26. Provisions

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance Provisions	(10,442)	4,422	(3,539)	**(9,559)**	(4,278)	(5,281)
MMI Scheme of Arrangement Levy	(277)	304	(78)	**(51)**	(10)	(41)
Ferry Road Landfill Provision	(9,096)	144	0	**(8,952)**	(210)	(8,742)
Lamby Way Landfill Provision	(16,574)	1,288	0	**(15,286)**	(1,589)	(13,697)
Other Provisions	(1,833)	1,231	(487)	**(1,089)**	(1,029)	(60)
Total Provisions	**(38,222)**	**7,389**	**(4,104)**	**(34,937)**	**(7,116)**	**(27,821)**

The **Cardiff Insurance Provision** represents sums set aside to meet the cost of claims received, but not yet settled. The Council operates a system of self-insurance which provides cover either in part or in total for a considerable number of the Council's insured risks. Major risks including property, liability and motor vehicle are partially self-funded whereas full cover is provided for secondary risks such as 'All Risks'.

Municipal Mutual Insurance (MMI) Scheme of arrangement levy provision represents a scheme that was triggered on 13 November 2012 and this will involve the claw back of a percentage of previously paid claims as well as a percentage of future claims. Further details are provided in note 32

Landfill Aftercare Provision reflects the financial obligations to address restoration and aftercare for Lamby Way and Ferry Road sites in accordance with initial permits for the disposal of waste. These obligations can stretch for over 60 years with potentially significant but uncertain capital and revenue expenditure. During 2013/14, the Council's Waste Management service produced estimates of such costs as part of its Aftercare Management Plan, which will be reviewed in 2017/18.

Other provisions include £522,000 in relation to potential maintenance costs in connection with the Council's occupancy of the Friary building.

27. Pension Strain

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

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

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

	31 March 2016 £000	31 March 2017 £000
Pension Strain due within 1 year	2,354	1,414
Pension Strain due later than 1 year	4,891	3,219
Total Pension Strain	**7,245**	**4,633**

28. Deferred Liabilities

These are amounts paid in advance by external bodies towards future year's revenue costs and maintenance.

	Balance 1 April 2016 £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(7,603)	1,250	(3,314)	**(9,667)**	(846)	(8,821)
Rent Smart Wales Income in Advance	0	0	(7,200)	**(7,200)**	(2,000)	(5,200)
Total Deferred Liabilities	**(7,603)**	**1,250**	**(10,514)**	**(16,867)**	**(2,846)**	**(14,021)**

29. Usable Reserves

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

Usable Capital Receipts Reserve

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

2015/16 £000		2016/17 £000
1,336	**Balance as at 1 April**	**5,423**
	Movements during Year:	
8,739	Sale of Land, Buildings and other assets	7,501
2,426	Sale of Council Dwellings	2,991
283	Recoupments of grant/other	192
11,448		**10,684**
(5,857)	Finance Capital Expenditure	(7,675)
(1,504)	Provide for Repayment of External Loans	(1,227)
(7,361)		**(8,902)**
5,423	**Balance as at 31 March**	**7,205**

30. Unusable Reserves

Revaluation Reserve

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

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

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

2015/16 £000		2016/17 £000
201,371	**Balance as at 1 April**	**254,122**
134,348	Upward revaluation of assets	26,098
(73,901)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(10,953)
60,447	**Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**	**15,145**
(2,446)	Difference between fair value depreciation and historical cost depreciation (charged to Capital Adjustment Account)	(2,448)
(5,250)	Accumulated gains on assets sold or scrapped	(7,897)
(7,696)	Amount written off to the Capital Adjustment Account	**(10,345)**
254,122	**Balance as at 31 March**	**258,922**

Capital Adjustment Account

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

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

2015/16 £000		2016/17 £000
1,164,708	**Balance as at 1 April**	**856,975**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(56,146)	Charges for depreciation and impairment of non-current assets	(53,824)
7,188	Reverse previous impairment on revaluation	36,062
(129,948)	Revaluation losses on Property, Plant and Equipment	(38,118)
(1,224)	Amortisation of intangible assets	(672)
(192,271)	Expenditure on REFCUS	(4,122)
(6,460)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(24,260)
(378,861)		**(84,934)**
2,446	Adjusting amounts written out of the Revaluation Reserve (historic cost adjustment)	2,448
(376,415)	Net written out amount of the cost of non-current assets consumed in the year	**(82,486)**
	Capital financing applied in the year:	
5,857	Capital Receipts	7,675
5,233	Direct Revenue Financing	10,829
721	Reserves and provisions	0
42	Insurance settlement	0
25,261	Grants and contributions	41,191
31,576	Prudent Revenue Provision	32,667
1,504	Capital receipts to provide for repayment of external loans	1,227
(120)	Reduction in loan debtors	(1,703)
70,074		**91,886**
(488)	Movements in the value of Investment Properties	9,700
(904)	Movement in the value of Held for Sale assets	0
856,975	**Balance as at 31 March**	**876,075**

Deferred Capital Receipts Reserve

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

2015/16 £000		2016/17 £000
87	**Balance as at 1 April**	**2,049**
2,000	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
(38)	Transfers to the Capital Receipts Reserve upon receipt of cash	(11)
2,049	**Balance as at 31 March**	**2,038**

The balance increased in 2015/16 due to the deferred payment from disposal of the Central Bus Station site.

Available for Sale Financial Instruments Reserve

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

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

2015/16 £000		2016/17 £000
18,295	**Balance as at 1 April**	16,811
(1,484)	(Downwards) / Upwards revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(3,576)
16,811	**Balance as at 31 March**	13,235

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

Financial Instruments Adjustment Account

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

2015/16 £000		2016/17 £000
(2,367)	**Balance as at 1 April**	0
2,367	Proportions of premiums and discounts incurred in previous financial years to be charged against the Council Fund Balance in accordance with statutory requirements	0
0	**Balance as at 31 March**	0

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

Pensions Reserve

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

2015/16 Restated £000		2016/17 £000
(555,151)	**Balance as at 1 April**	**(559,208)**
12,347	Actuarial gains or losses on pensions assets and liabilities	(16,049)
(60,086)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(61,579)
1,837	Reversal of amounts accrual in respect of pension strain for future years	2,613
41,845	Employer's pensions contributions and direct payments to pensioners payable in the year	42,867
(559,208)	**Balance as at 31 March**	**(591,356)**

Accumulated Absences Account

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

2015/16 £000		2016/17 £000
(7,670)	**Balance as at 1 April**	**(6,289)**
1,381	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,963)
(6,289)	**Balance as at 31 March**	**(8,252)**

31. Grant Income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement in 2016/17:

	2015/16 £000	2016/17 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	(322,851)	(320,309)
Outcome Agreement Grant	(3,344)	0
Non-Domestic Rates	(101,253)	(105,994)
Capital Grants	(23,613)	(39,778)
Developers' Contributions	(1,691)	(1,413)
Total	**(452,752)**	**(467,494)**
Credited to Services (Revenue Grants & Contributions)		
Central Government Bodies	(277,944)	(256,021)
Other Local Authorities	(3,282)	(2,033)
NHS Bodies	(9,022)	(11,799)
Public Corporations & Trading Funds	(216)	(709)
Other Entities and Individuals	(15,903)	(1,519)
Total	**(306,367)**	**(272,081)**

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

31 March 2016 £000		31 March 2017 £000
	Capital Grants Receipts in Advance	
(1,791)	Central Government Bodies	(974)
0	Other Local Authorities	0
0	NHS Bodies	0
0	Public Corporations and Trading Funds	0
0	Other Entities and Individuals	0
(1,791)	**Total**	**(974)**

31 March 2016 £000		31 March 2017 £000
	Revenue Grants and Contributions Receipts in Advance	
(2,056)	Central Government Bodies	(1,122)
0	Other Local Authorities	0
(29)	NHS Bodies	0
(199)	Public Corporations and Trading Funds	(372)
(242)	Other Entities and Individuals	(522)
(2,526)	**Total**	**(2,016)**

Capital Expenditure and other Contributions Receipts in Advance:

31 March 2016 £000		31 March 2017 £000
(10,095)	**Balance as at 1 April**	**(9,933)**
	Movements during Year:	
(1,504)	Contributions received during the year	(3,590)
1,284	Contributions applied to expenditure during the year	1,413
382	Reclassification	267
(9,933)	**Balance as at 31 March**	**(11,843)**

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

32. Contingent Assets & Liabilities

Assets

The Council holds a proportion of equity in a number of properties arising primarily from the affordable housing contribution that developers provide on new build developments. The equity proportions range from 20% to 40%, with the buyer nominated by the Council providing the balance of the resources to purchase the property. These properties were aimed at first time buyers who could not afford to buy a home on the open market. When the owner of the property wishes to sell their home, the Council have the first opportunity to nominate a purchaser from the assisted home ownership waiting list. If there is no nomination, the owner is free to sell on the open market and the Council is entitled to its relevant proportion of the market value of disposal in accordance with the charge on the property. This is treated as a capital receipt in the year that it is received. The estimated total value of equity provided at 31 March 2017 is £4.520 million.

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

There are a number of outstanding VAT claims that could be due to the Council in the future. This includes Cultural Exemption and Royal Mail claims. Certain claims would also be subject to due interest being added to the amount received.

Liabilities

As at 31 March 2017 there existed 12 claims against the Council for which there is no insurance cover. The claims include unfair dismissal, disability discrimination, council house disrepairs, personal injury claims and breach of contract. The potential liability in respect of the claims is estimated to be £523,000, although some are unknown and the Council is resisting liability.

In relation to the development of new bus interchange at Central Square, the Council has entered into a pre planning agreement whereby the developer will deal with tenant, design, planning and demolition issues as part of its proposed developed of a mixed use facility building The Pre Planning Agreement commits the Council to underwrite certain agreed costs being incurred by the developer to enable work on the full planning application, development of a business case to identify and eliminate risks and to support a funding approach for the interchange. Whilst the Council may retain some warranties over any design and other costs incurred, should the Council not proceed with the bus interchange with the developer, costs of up to £4.7 million would be payable.

The former Authorities of South Glamorgan County Council and Cardiff City Council are creditors of Municipal Mutual Insurance (MMI) Ltd and are legally bound by the Scheme of Arrangement. MMI ceased taking new business on 30 September 1992. The scheme allows new claims to be made against MMI and outstanding claims with MMI to be settled. The Council are liable to pay a percentage of claims previously settled by MMI and contribute to the cost of future settled claims.

Cardiff Council's share of the maximum liability in relation to the former Authorities is currently estimated at £2.394 million. However, as the Council has already paid a levy totalling £0.542 million, the maximum residual exposure has been reduced to £1.847 million. The accounts reflect the eventual payment of 65% of this sum, reflected as a provision of £51,000 with £1.167 million held in earmarked reserve. The level of 65% is considered prudent based on most recent actuarial advice however, the contingent liability relates to the potential that a sum over and above this could eventually fall due at some point in the future.

33. Notes to Cash Flow Statement

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

	2015/16 £000	2016/17 £000
Depreciation, impairment & amortisation	(181,572)	(46,851)
Charges made for retirement benefits (IAS19) less employers contributions	(15,023)	(18,062)
Contributions (to)/from provisions	6,272	2,005
Gain/loss on disposal of non-current assets	(11,710)	(32,158)
Increase/(decrease) in stock	(30)	36
Increase/(decrease) in debtors (exc capital)	12,863	(6,214)

(Increase)/decrease in creditors (exc capital creditors) & super fund	4,186	4,031
	(185,014)	**(97,213)**

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

	2015/16 £000	2016/17 £000
REFCUS	(192,271)	(4,122)
Net gain/(loss) on sale of non-current assets	11,096	8,946
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	25,304	41,191
Other cash items which effect investing or financing activities	(22,610)	2,377
	(178,481)	**48,392**

34. Events After the Reporting Period

There are no events after the reporting period to report.

35. Date of Authorisation of the Accounts for Issue

This Statement of Accounts was authorised for issue on 28 September 2017 by Corporate Director Resources. Post Balance Sheet events have been considered up to this date.

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

Expenditure items include repairs and maintenance (£19.959 million), supervision and management (£19.239 million), including rent collection, housing allocations and property and estate management and interest and debt repayment, including a contribution to pay for capital expenditure (£26.587 million).

During 2016/17, some key performance indicators included:

- Successful void property management evidenced by the 1% vacant stock as a percentage of overall stock.
- 100% of reported graffiti cleared in line with targets.
- 100% of 551 clean and clear jobs completed within 10 working days.
- 93% of urgent antisocial behaviour cases contacted within 1 working day.
- 98% of emergency repairs completed on time.
- 92% of responsive repairs carried out by the in-house workforce.

Tenant participation is welcome and encouraged in numerous ways including a dedicated Tenant Participation team, conferences, tenants' voice meetings, Community Action days, information provision at the Citizen Hubs, the Tenants' Times publication and other social media.

A recent Tenant Satisfaction Survey showed: -

- 83% of tenants who expressed an opinion were satisfied with the way we deal with repairs
- 90% of tenants were satisfied with their neighbourhood as a place to live
- 95% of tenants were satisfied that they were kept informed about things affecting them as tenants

The major income streams include Council house rents (£63.253 million) and charges for services and facilities (£6.067 million). The average weekly net rent charged in 2016/17 was £91.11 based on a 52 week rent year.

Our housing stock is valued in the accounts at £538 million. The Council revalued council dwellings in 2015/16 with the vacant possession value deemed to be £1.3 billion. In accordance with the valuation requirements, this was adjusted downwards, in our case by an adjustment factor of 40% in order to show the economic cost of providing social housing at less than market rent. Valuations are updated at least every three years.

The Capital Financing Requirement is a measure of debt in relation to the HRA. At 31 March 2017, this stands at £274 million and is currently below the maximum limit set by Welsh Government (£316 million). The overall debt level includes the one off payment of £187.392 million paid during 2015/16 to exit the Housing Revenue Account Subsidy System (HRAS). This exceptional item is recognised as capital expenditure in the Comprehensive Income and Expenditure Statement. The HRAS was a funding mechanism whereby circa £15 million of net rental income received from dwelling rents had to be passed back to the Treasury via Welsh Government. Following the buy-out and under the new self-financing regime, the Council can now retain and reinvest all income, after additional costs of interest and provision for debt payment. All borrowing must be affordable both now and in the future as it needs to be repaid with interest.

A 30 year business plan and financial model, completed on an annual basis for submission to Welsh Government, provides financial forecasts and performance and service information for the HRA.

With over 8,000 people currently on the combined housing waiting list, the plan includes 600 new affordable Council homes in the City with further targets for new build and acquisitions. In addition, the Council has applied to the Welsh Government to suspend the Right to Buy scheme to preserve current stock levels. Other objectives include support for people in vulnerable situations and an integrated approach to locality based care to enable people to continue to live independently at home.

The HRA Income and Expenditure Account shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2015/16 Restated £000		Note	2016/17 £000
	Expenditure		
22,740	Repairs and maintenance		19,959
17,929	Supervision and management		19,239
133	Rents, rates, taxes and other charges		170
32	Housing Revenue Account subsidy payable		0
565	Provision for bad and doubtful debts		650
120,169	Depreciation, impairment and revaluation losses of non-current assets	8	9,407
0	Sums directed by the Welsh Government that are expenditure in accordance with the Code	9	25
187,392	Housing Revenue Account settlement payment		
66	Debt management costs		39
349,026	**Total Expenditure**		**49,489**
	Income	2	
(61,103)	Dwelling rents		(63,253)
(89)	Non-dwelling rents		(98)
(6,444)	Charges for services and facilities		(6,067)
(67,636)	**Total Income**		**(69,418)**
281,390	**Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement**		(19,929)
	HRA share of the operating income and expenditure included in the Comprehensive Income & Expenditure Statement:		
(1,855)	(Gain)/loss on sale of HRA non-current assets		(2,088)
13,015	Interest payable and similar charges		12,497
0	Changes in fair value of investment properties		208
(72)	Interest and Investment income		(72)
(10,181)	Capital Grants and Contributions applied		(9,645)
282,297	**(Surplus)/Deficit for year on HRA services**		**(19,029)**

MOVEMENT ON HRA STATEMENT

2015/16 £000		Note	2016/17 £000
(8,438)	**Balance on the HRA at the end of the previous year**		**(8,438)**
(283,013)	Adjustments between accounting basis and funding basis under regulations	1	15,897
(716)	**Net (increase)/decrease before transfers to or from reserves**		**(3,132)**
716	Transfers to/(from) earmarked reserves		3,132
0	**Increase or decrease in the year on the HRA**		**0**
(8,438)	**Balance on the HRA at the end of the current year**		**(8,438)**

1. Adjustments between Accounting Basis and Funding Basis Under Regulations

2015/16 £000		Note	2016/17 £000
	Adjustments primarily involving the Capital Adjustment Account:		
	Reversal of items debited or credited to the HRA Income and Expenditure Statement:		
120,169	Charges for depreciation, impairment and revaluation of non-current assets	8	9,407
0	Movement in the market value of investment properties		208
187,392	Sums directed by Welsh Government	9	25
0	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		0
(10,181)	Capital grants and contributions applied		(9,645)
	Insertion of items not debited or credited to the HRA Income and Expenditure Statement:	-	
(7,912)	Prudent Provision for the financing of capital investment		(8,043)
(4,818)	Capital expenditure funded by the HRA		(6,009)
	Adjustments involving the Pensions Reserve:		
2,758	Net Retirement Benefits per IAS19		2,976
0	Pension Strain Accrual – future years		53
(2,630)	Employers Contributions to pension schemes		(2,851)
	Adjustments involving the Capital Receipts Reserve:		
(2,149)	Non-current assets written off as part of the gain/loss on disposal to the HRA Income and Expenditure Statement		(2,483)
32	Credit for disposal costs that qualify to be met from the resulting capital receipts		42
	Adjustments involving the Revaluation Reserve:		
290	Non-current assets written off as part of the gain/loss on disposal to the HRA Income & Expenditure Account		395
	Adjustments involving the Accumulated Compensated Absences Account:		

28	Amount by which officer remuneration charged to the HRA Income & Expenditure Account on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		28
	Adjustments involving the Financial Instruments Adjustment Account:		
34	Amortisation of premiums and discounts		0
283,013	**Total Adjustments**		**(15,897)**

2. Rental Income

This is the total rent income due for the year after allowance is made for voids etc. Vacancies accounted for 1.25% of rental income (2.03% in 2015/16). Average rents were £91.11 per week (£88.23 in 2015/16) based on a 52 week year.

3. Rent Arrears and Bad Debt Provision

	As at 31 March 2016		As at 31 March 2017	
	Rent arrears £000	Bad debt provision £000	Rent arrears £000	Bad debt provision £000
Ordinary HRA	2,795	2,189	3,166	2,465
Leasehold properties	41	41	39	39
Hostels	156	156	210	210
Total	**2,992**	**2,386**	**3,415**	**2,714**

In addition the following sums were also due from tenants:

	As at 31 March 2016		As at 31 March 2017	
	Arrears £000	Bad debt provision £000	Arrears £000	Bad debt provision £000
Service Charges	81	49	91	55
Tenants recoverables	358	358	399	399
Total	**439**	**407**	**490**	**454**

During 2016/17 a number of old debts totalling £211,450 were written off as irrecoverable (£195,202 in 2015/16).

4. Pension Costs

In accordance with International Accounting Standards 19 – Employee Benefits (IAS 19) the amount included within Supervision and Management in respect of employee costs includes the current service cost for pensions. In order that the bottom line pension cost borne by the HRA equals the total employer's contributions paid to the Pension Fund in the year plus any discretionary benefits payable to ex-housing staff, a transfer has been made to the Pensions Reserve as follows:

	2015/16 £000	2016/17 £000
Cost of employer's contributions plus discretionary benefits	2,630	2,851
Current service cost	(2,758)	(2,976)
Pension Strain Accrual - Future Years	0	53
Net transfer to Pensions Reserve	**(128)**	**(72)**

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

5. Housing Stock

The Council's housing stock is shown below:

	31 March 2016	31 March 2017
Houses	7,251	7,224
Bungalows	624	628
Flats/Bedsits	5,083	5,082
Maisonettes	168	169
Retirement complexes	357	352
Total	**13,483**	**13,455**

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

	31 March 2016	31 March 2017
Bed spaces in hostels	9	9
Flats in hostels	49	49
Total	**58**	**58**

6. Capital Expenditure and Capital Financing

2015/16 £000		2016/17 £000
94,518	**Opening Capital Financing Requirement**	**276,599**
	Capital Expenditure:	
16,867	Council dwellings	17,980
352	Other land & buildings	2,095
786	Vehicles, plant & equipment	115
94	Surplus assets	351
1,259	Assets under construction	3,516
118	Intangible Assets including intangible AUC	70
0	REFCUS	25
187,392	REFCUS - Housing Revenue Account settlement payment	0
0	Appropriation of Land	0
	Sources of Finance:	
(1,876)	Capital Receipts	(3,173)
(10,181)	Government grants and other contributions *	(9,645)
(4,818)	Direct revenue contributions and reserves	(6,009)
(7,912)	Prudent revenue and capital provision for loan repayment	(8,042)
276,599	**Closing Capital Financing Requirement**	**273,882**
316,554	Debt Cap at 31 March	316,554
39,955	Headroom	**42,672**
	Explanation of Movements in Year:	
0	Decrease in Underlying need to borrow (supported by government financial assistance - relating to previous years)	0
182,081	Increase / (Decrease) in Underlying need to borrow (unsupported by government financial assistance - relating to previous years)	(2,715)

*£9.590 million (£9.614 million in 2015/16) of Major Repairs Grant was received from Welsh Government and applied in the year.

Following the exit from the housing subsidy system in 2015/16 all borrowing for the HRA is unsupported. As part of the exit, the Council must adhere to a debt cap set by Welsh Government. This is based on the Housing Capital Financing Requirement (CFR) calculation and at 31 March 2017, the cap was £316.554 million. The table above shows the Council remained within its cap. Breach of the cap could result in financial penalties imposed on the Council by Welsh Government.

7. Capital Receipts

Proceeds from the disposal of HRA Assets during 2016/17 were as follows:

- Council Dwellings and Home Purchase Contributions £2.991 million (£2.426 million in 2015/16)
- Land £0.234 million (£0.207 million in 2015/16)

8. Depreciation, Impairment and Revaluation Charged

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

2015/16 £000		2016/17 £000
	Depreciation	
8,299	Council Dwellings	8,659
141	Land and buildings	187
373	Vehicles, plant & equipment and Intangibles	391
8,813	**Total depreciation**	**9,237**
	Impairment and Revaluation	
111,543	Council dwellings	152
(221)	Land and buildings	17
34	Vehicles, plant & equipment and Intangibles	0
111,356	**Total Impairment and Revaluation**	**169**
120,169	**Depreciation, impairment and revaluation of non-current assets**	**9,406**

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

9. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure of £25,000 was incurred in 2016/17(£187.392 million in 2015/16). The amount charged to the HRA in 2015/16 was in relation to the settlement payment made for the exit from the HRA Subsidy system.

	2015/16 £000	2016/17 £000
Expenditure:		
Buildings not owned by the Council	0	25
Capitalisation Direction - Housing Revenue Account Subsidy System Settlement Payment	187,392	0
Charged to Income and Expenditure Account	**187,392**	**25**

Funded by:		
Borrowing, receipts and other capital resources	187,392	25
	187,392	**25**

Foreword

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

The Pension Fund's assets rose by 20.9% during 2016/17, from £1.653 billion to £2.002 billion. The Fund's overseas investments saw returns of over 30% in sterling terms as a consequence of the fall in the value of the pound following the Referendum on the UK's membership of the EU. Over the longer term returns on the Fund's investments have averaged over 10% per annum.

The triennial actuarial valuation of the Fund as at 31 March 2016 was completed in March 2017. The funding ratio improved from 82% to 85%, largely due to the growth in Fund assets over the three years. An increase in liabilities due to changes in financial assumptions was offset by a reduction due to revised demographic assumptions. The overall funding deficit was £299m and employer contributions have been set for the next three years with the aim of recovering deficits within 19-20 years.

The eight LGPS funds in Wales continued to develop their proposals for a Wales Investment Pool during the year following the positive response from the DCLG in March 2016 to the outline proposal submitted in February. Detailed proposals were submitted in July and approval to proceed was received in November. The Welsh funds are establishing a Joint Governance Committee to oversee the Pool and City of Cardiff Council approved the governance proposals at its Full Council meeting in February 2017. The assets of the Pool will be managed by a regulated Pool Operator. The Pool will be established during 2017/18 so that the funds can begin transferring assets by the DCLG deadline of 1 April 2018. Individual funds will continue to set their own investment strategies and asset allocations in accordance with their funding positions and liability profiles.

In order to participate fully in the pooling arrangements, the City of Cardiff Council established its Pensions Committee in June 2016 and the Committee met four times during the year. The Committee has strategic oversight of the Fund and is responsible for reviewing the Fund's policy statements. Operational management of the Fund continues to be delegated to the Corporate Director Resources. The Chair of the Committee will be the Council's representative on the Joint Governance Committee for the Wales Pool.

The Fund's key objectives continue to be to deliver an effective and efficient service to the 39,000 contributing employees, pensioners and deferred members, and to minimise the financial burden on contributing employers over the long term.

Christine Salter
Corporate Director Resources
June 2017

Actuarial Statement

Cardiff and Vale of Glamorgan Pension Fund

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the Cardiff and Vale of Glamorgan Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon Hewitt Limited, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had increased since the previous valuation, with the market value of the Fund’s assets as at 31 March 2016 (of £1,653.0M) covering 85% of the liabilities allowing, in the case of pre-1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions to be paid to the Fund by participating employers with effect from 1 April 2017 was:
   - 16.6% of pensionable pay. This was the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date, (the primary rate)

   Plus

   - Contributions to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 20 years from 1 April 2017 (the secondary rate), equivalent to 6.4% of pensionable pay (or £17.4M in 2017/18, and increasing by 3.0% p.a. thereafter), before any phasing in or 'stepping' of contribution increases.

   This would imply an average employer contribution rate of about 23.0% of pensionable pay in total, if the membership remains broadly stable and payroll increases by 2.8% p.a.
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon Hewitt's report dated 31 March 2017 (the actuarial valuation report). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
4. The funding plan adopted in assessing the contributions for each individual employer or group was in accordance with the Funding Strategy Statement in force at that time. The approach adopted, and the recovery period used for each employer, was agreed with the administering authority reflecting the employers' circumstances.
5. The actuarial valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	4.6% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	4.6% p.a.
Admission Bodies	2.5% p.a.
Rate of pay increases	3.0% p.a.
Rate of increase to pension accounts	2.0% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.

In addition, the discount rate for orphaned liabilities (i.e. employers with no active members and where there is no scheme employer responsible for funding the non-active liabilities) was 2.1% p.a. in-service and left-service.

The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) 2014 Core Projections with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting assumed life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.9	25.6
Future pensioners aged 45 at the valuation date	23.9	27.0

The assets were valued at market value.
Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.

7. The formal actuarial valuation report and the Rates and Adjustment certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Contribution rates will be reviewed at the next actuarial valuation of the Fund due as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This statement has been prepared by the Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of City and County of Cardiff. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

https://www.cardiff.gov.uk/ENG/Your-Council/Council-finance/Pensions/Documents/Actuarial%20valuation%20as%20at%2031%20March%202016%20%28Final%29.pdf

Aon Hewitt Limited

May 2017

FUND ACCOUNT FOR YEAR ENDED 31 MARCH 2017

2015/16 Restated £000		2016/17 £000
	CONTRIBUTIONS AND BENEFITS	
	Contributions receivable	
60,370	from employers (note 5)	61,674
16,360	from employees (note 5)	16,862
5,034	Transfers in	3,241
2,134	Other Income (Capitalised Payments and interest on deficit funding)	1,460
83,898		**83,237**
	Benefits Payable	
(59,118)	Pensions (note 6)	(60,659)
(16,910)	Lump Sums (note 6)	(13,468)
	Payments to and on account of leavers	
(136)	Refunds of contributions	(117)
(8,220)	Transfers out	(4,807)
(84,384)		**(79,051)**
	Net Additions/(Withdrawals) from	
(486)	dealings with Members of the Fund	**4,186**
	RETURNS ON INVESTMENT	
18,176	Investment Income (note 9)	19,115
(31,716)	Change in market value of investments (note 10)	338,888
(12,520)	Management expenses (note 8)	(13,370)
(26,060)	Net Returns on Investments	**344,633**
(26,546)	Net Increase/(Decrease) in the Fund During Year	**348,819**
1,679,405	Opening Net Assets of the Scheme	1,652,859
1,652,859	**Closing Net Assets of the Scheme**	**2,001,678**

NET ASSET STATEMENT AS AT 31 MARCH 2017

2015/16 Restated £000		2016/17 £000
1,599,878	Investments at market value (note 10)	1,937,128
29,002	Cash & investment proceeds due (note 10)	44,861
1,628,880		**1,981,989**
	Current assets	
128	UK & Overseas Tax	147
4,533	Contributions due from Employers and deficit funding	4,588
602	Sundry Debtors (note 14)	986
2,886	Pension Strain costs due within one year	1,806
8,149		**7,527**
	Non-current assets	
13,386	Deficit funding (former employers)	11,154
4,891	Pension strain costs due after one year	3,222
18,277		**14,376**
	Current liabilities	
(1,536)	Unpaid Benefits	(1,053)
(911)	Sundry Creditors (note 14)	(1,161)
(2,447)		**(2,214)**
1,652,859	**Net Assets of the Scheme**	**2,001,678**

NOTES TO THE ACCOUNTS

1. The Statement of Accounts summarises the transactions and net assets of the Pension Fund for the financial year 2016/17. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom, 2016/17 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the administering Authority. They do not take account of obligations to pay pensions and benefits which fall due after the year end. Under IAS26 the Fund is required to disclose the ''actuarial present value of the promised retirement benefits''. This figure has been calculated by the Actuary as at 31 March 2016 as £2,273.6 million, with a comparator value as at the 31 March 2013 valuation of £2,028.8 million.

The actuarial position is summarised in the Actuarial Statement which is included on pages 104 and 105. This shows that the overall funding level as at 31 March 2016 is 85%.

2. Accounting Policies

(a) Basis of Preparation

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

(b) Valuation of Investments

Quoted bond and equity investments are valued at bid market value at close of business on the last working day in March 2017 (bid market value is the price at which an investment can be sold at a given date). Private Equity Fund investments are valued at fair value, as determined by the administrators of the Fund, based on valuations provided by the general partners of the underlying investments. Where this is a publicly traded investment the valuation is based upon the closing market prices at the balance sheet date of the Fund. If the investment is not publicly traded, the general partner will consider the operational results of the company or any recent transactions in the company. If the company's year end does not coincide with the Pension Fund's year end, the valuation is updated with regard to the calls and distributions made between the Private Equity Fund's audited account date and the Pension Fund's year end. Pooled vehicles are normally valued at bid prices where available. Overseas investments have been converted at WM/Reuters closing spot rates of exchange. Official SETS prices have been used for FTSE100 securities (plus the reserve list). Derivatives are stated at market value. The value of futures contracts is determined using exchange prices at the reporting date. The future value of forward currency contracts is based on market forward exchange rates at the year end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year end with an equal and opposite contract.

(c) Critical judgements in applying accounting policies

Unquoted private equity investments - These are inherently based on forward looking estimates and judgements valued by the investment managers using two main sets of valuation guidelines that apply to private equity; the Private Equity Valuation Guidelines (PEVG) in the US and the International Private Equity and Venture Capital Valuation Guidelines (IPEVCG) outside the US. The value of unquoted private equities at 31 March 2017 was £88 million (£83 million at 31 March 2016).

Pension fund liability -This is calculated by the actuary every three years with an annual statement in the intervening years. This is calculated in accordance with IAS19 and the main assumptions used in the calculation are summarised in the actuary's statement on page 104 and 105. This estimate is based on significant variances based on changes to the underlying assumptions.

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

Item	Uncertainties	Effect if actual results differ from assumptions
Actual present value of promised retirement benefits	Estimations of the liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries increase, changes in mortality rates and expected returns on pension fund assets. The actuary provides the fund with advice regarding the assumptions to be used.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. An increase in assumed earnings inflation or assumed life expectancy would increase the value of the liabilities.
Private Equity Valuations	Private equity investments are valued at fair value in accordance with international accounting standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total private equity investments in the financial statements are £88 million. There is a risk that this investment may be under, or overstated in the accounts.

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

3. Taxation

(a) UK Income, Capital Gains Taxes
The Fund is an exempt approved fund able to recover UK income tax. No Capital Gains Tax is chargeable.

(b) Value Added Tax
The accounts are shown exclusive of VAT. As the County Council is the administering Authority, VAT is recoverable on all Fund activities.

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

4. Titles of Ownership

Evidences of ownership for the property unit trusts and private equity holdings are held at County Hall. All other evidences of ownership were held at 31 March 2017 by The Northern Trust Company for the benefit of the Council. Statements of holdings have been provided by Northern Trust.

5. Employing Bodies – Contributions

2016/17	No. of contributors at 31.03.17	Contribution rates (% of pensionable pay)	Employers £000	Employees £000	Total £000	Additional lump sum (memo) £000
SCHEDULED BODIES:						
Barry Town Council	18	27.0%	84	20	104	0
Cardiff and Vale College	415	13.6%	1,343	519	1,862	238
Cardiff City Transport	21	25.4%	661	48	709	480
City of Cardiff Council	9,271	22.9%	36,470	9,950	46,420	0
Cardiff Metropolitan University	756	13.6%	3,437	1,454	4,891	527
Cowbridge Town Council	4	27.0%	160	43	203	0
Dinas Powys Community Council	1	27.0%	7	2	9	0
Lisvane Community Council	1	27.0%	3	1	4	0
Llantwit Major Town Council	5	27.0%	20	5	25	0
Penarth Town Council	14	27.0%	101	21	122	0
Penllyn Community Council	1	27.0%	1	0	1	0
Pentyrch Community Council	3	27.0%	3	1	4	0
Public Services Ombudsman for Wales	1	32.3%	294	4	298	279
Radyr & Morganstown Community Council	0	27.0%	4	1	5	0
St Davids Sixth Form College	37	13.6%	125	52	177	14
Stanwell School	79	16.4%	178	59	237	13
Vale Of Glamorgan Council	3,702	22.7%	13,211	3,672	16,883	0
Wenvoe Community Council	1	27.0%	3	1	4	0
Sub-total	**14,330**		**56,105**	**15,853**	**71,958**	
ADMITTED BODIES:						
Adult Learning Wales (formerly Workers Education Association)	50	22.3%	268	77	345	6
APP Clean UK	3	21.5%	5	1	6	0
Cardiff Business Technology Centre	6	28.7%	32	7	39	0
Cardiff University	47	27.3%	1,637	78	1,715	1,300
Careers Wales (Cardiff & Vale)	75	18.1%	378	136	514	0
Children In Wales	33	27.3%	219	48	267	0
Colleges Wales	6	19.8%	56	23	79	0
Design Commission for Wales	4	20.3%	36	14	50	0
Glen Cleaning	3	27.0%	8	1	9	0
GLL	288	18.0%	221	75	296	0
Mirus Wales	6	23.4%	289	23	312	231
National Trust	8	20.7%	27	8	35	0
One Voice	2	19.4%	26	8	34	9

Play Wales	5	24.0%	60	14	74	13
Royal National Eisteddfod	16	25.5%	160	38	198	32
Sport Wales	137	20.2%	1,546	307	1,853	670
Supacleen	1	22.9%	1	0	1	0
Wales & West Housing	1	20.6%	137	16	153	109
Welsh Council For Voluntary Action	69	21.4%	463	135	598	42
Sub-total	**760**		**5,569**	**1,009**	**6,578**	
Total	**15,090**		**61,674**	**16,862**	**78,536**	

Additional deficit funding
There was no additional deficit funding in 2016/17.

Comparative note for 2015/16

2015/16	**No. of contributors at 31.03.16**	**Contribution rates (% of pensionable pay)**	**Employers £000**	**Employees £000**	**Total £000**	**Additional lump sum (memo) £000**
SCHEDULED BODIES:						
Barry Town Council	13	27.0%	75	18	93	0
Cardiff and Vale College	374	13.6%	1,293	484	1,777	260
Cardiff City Transport	27	25.4%	689	55	744	480
City of Cardiff Council	9,987	22.9%	35,625	9,714	45,339	0
Cardiff Metropolitan University	743	13.6%	3,299	1,390	4,689	527
Cowbridge Town Council	4	27.0%	18	4	22	0
Dinas Powys Community Council	1	27.0%	7	2	9	0
Lisvane Community Council	1	27.0%	3	1	4	0
Llantwit Major Town Council	4	27.0%	18	4	22	0
Penarth Town Council	14	27.0%	78	18	96	0
Penllyn Community Council	1	27.0%	1	0	1	0
Public Services Ombudsman for Wales	1	32.3%	290	6	296	266
Radyr & Morganstown Community Council	1	27.0%	7	1	8	0
St Davids Sixth Form College	39	13.6%	126	51	177	14
Stanwell School	78	16.4%	171	56	227	13
Vale Of Glamorgan Council	3,317	22.7%	13,258	3,672	16,930	0
Wenvoe Community Council	1	27.0%	2	0	2	0
Sub-total	**14,606**		**54,960**	**15,476**	**70,436**	
ADMITTED BODIES:						
APP Clean UK	5	21.5%	6	2	8	0
Cardiff Business Technology Centre	4	28.7%	22	5	27	0
Cardiff Gypsy & Traveller Project	0	23.4%	1	0	1	0

Cardiff Institute For The Blind	2	20.6%	68	3	71	59
Cardiff University	54	27.3%	1,654	82	1,736	1,300
Careers Wales (Cardiff & Vale)	78	18.1%	389	138	527	0
Children In Wales	25	27.3%	153	36	189	0
Civic Trust For Wales	0	23.4%	8	0	8	8
Colleges Wales	6	19.8%	57	19	76	9
Design Commission for Wales	4	20.3%	34	13	47	0
Mirus Wales	6	23.4%	58	22	80	0
National Trust	9	20.7%	34	10	44	0
One Voice	2	19.4%	23	7	30	6
Play Wales	6	24.0%	54	14	68	8
Royal National Eisteddfod	13	25.5%	150	36	186	32
Sport Wales	129	20.2%	1,866	281	2,147	1,050
Wales & West Housing	1	20.6%	133	15	148	105
Welsh Council For Voluntary Action	59	21.4%	455	131	586	36
Workers Education Association	52	22.3%	245	70	315	6
Sub-total	**455**		**5,410**	**884**	**6,294**	
Total	**15,061**		**60,370**	**16,360**	**76,730**	

Additional deficit funding
There was no additional deficit funding in 2015/16.

6. Employing Bodies - Benefits Paid

2016/17	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	102	0	0	0
Cardiff City Transport	2,284	438	45	0
City of Cardiff Council	38,977	6,037	1,209	314
Cardiff and Vale College	622	227	0	22
Cardiff Metropolitan University	1,718	161	412	0
Cowbridge Town Council	15	0	0	0
Dinas Powys Town Council	8	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	61	16	0	0
Public Services Ombudsman for Wales	18	0	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	486	398	0	0
St Cyres School	55	10	0	0
St Davids Sixth Form Coll	70	19	0	0
Stanwell School	65	40	0	0
Vale of Glamorgan Council	11,559	2,625	607	85
Sub-total	**56,143**	**9,971**	**2,273**	**421**
ADMITTED BODIES:				
Adult Learning Wales (formerly Workers Education Association)	38	36	0	0
Barry College	3	3	0	0
Cardiff Bay Arts Trust	12	0	0	0
Cardiff Bay Devt Corp	499	5	106	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff & Co	15	0	0	0
Cardiff Gypsy & Traveller Project	13	0	0	0
Cardiff Institute for Blind	67	0	2	0
Cardiff University	1,036	158	0	0
Careers Wales (Cardiff & Vale)	351	2	0	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	28	43	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	0	0	0	0
Community Relations	1	0	0	0

Council For Admin In Wales	212	0	0	0
Design Commission for Wales	3	0	0	0
Dimensions	8	0	0	0
Fforwm	75	0	0	0
Glam & Gwent Hsg Assoc	59	45	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	216	46	0	0
Intervol	22	0	0	0
Land Authority for Wales	332	22	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
National Eisteddfod	63	0	13	0
National Trust	19	0	0	0
New Theatre	5	0	0	0
Play Wales	20	0	0	0
Porthcawl Holiday Home	62	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	862	103	104	0
STAR	7	0	0	0
Wales & West Housing	126	50	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	201	26	39	0
Sub-total	**4,516**	**539**	**264**	**0**
TOTAL	**60,659**	**10,510**	**2,537**	**421**

Comparative note for 2015/16

2015/16	Retirement Pensions £000	Lump Sums on Retirement £000	Death Grants £000	Commutation Payments £000
SCHEDULED BODIES:				
Barry Town Council	84	160	0	0
Cardiff City Transport	2,307	224	0	11
City of Cardiff Council	38,348	7,735	1,220	395
Cardiff and Vale College	640	213	55	2
Cardiff Metropolitan University	1,549	1,124	85	18
Cowbridge Town Council	11	10	0	0
Dinas Powys Town Council	9	0	0	0
Llantwit Major Town Council	18	0	0	0
Mary Immaculate High School	8	0	0	0
Penarth Town Council	43	114	0	0
Probation Service	39	0	0	0
Public Services Ombudsman for Wales	227	35	0	0
Royal Welsh College of Music & Drama	77	0	0	0
S Wales Magistrates Courts	373	173	1	23
St Cyres School	48	16	56	0
St Davids Sixth Form Coll	69	23	0	0
Stanwell School	57	37	0	0
Vale of Glamorgan Council	10,979	4,028	37	99
Sub-total	**54,886**	**13,892**	**1,454**	**548**
ADMITTED BODIES:				
Cardiff Bay Arts Trust	11	3	0	0
Cardiff Bay Devt Corp	502	46	0	0
Cardiff Business Technology Centre	13	0	0	0
Cardiff Gypsy & Traveller Project	11	0	0	0
Cardiff Institute for Blind	71	0	0	0
Cardiff University	1,076	211	0	(9)
Careers Wales (Cardiff & Vale)	348	136	65	0
Catholic Children's Society	2	0	0	0
Channel View Centre	5	0	0	0
Children in Wales	14	0	0	0
Citizens Advice Bureau (Cardiff)	13	0	0	0
Citizens Advice Bureau (Vale)	12	0	0	0
Civic Trust for Wales	18	0	0	0
Colleges Wales	74	0	0	0
Community Relations	2	2	0	0
Design Commission for Wales	3	0	0	0
Dimensions	10	0	0	0
Glam & Gwent Hsg Assoc	58	0	0	0

Glamorgan Holiday Hotel	60	47	0	0
Higher Ed Development Wales	3	0	0	0
Housing for Wales	202	30	0	0
Intervol	22	0	0	0
Land Authority for Wales	304	0	0	0
National Eisteddfod	71	0	0	0
National Trust	10	91	0	0
Memorial Hall	12	0	0	0
Mirus Wales (Opportunity Housing Trust)	20	0	0	0
Play Wales	20	0	0	0
S E Wales Com Trust	7	0	0	0
Sport Wales	839	64	0	23
STAR	7	0	0	0
Wales & West Housing	139	(7)	0	0
Wales Youth Agency	56	0	0	0
Welsh Council for Voluntary Action	189	173	0	0
Workers Education Association	28	141	0	0
Sub-total	**4,232**	**937**	**65**	**14**
TOTAL	**59,118**	**14,829**	**1,519**	**562**

7. Membership of the Fund

Fund membership at 31 March 2017 is as follows:

	2015/16	2016/17
Contributing Employers	36	37
Contributors	15,061	15,090
Pensioners	10,626	10,846
Deferred pensioners	12,308	12,697
TOTAL MEMBERSHIP	**37,995**	**38,633**

8. Management Expenses

Management Expenses fully charged to the Fund are:

	2015/16 £000	2016/17 £000
Administration Costs	912	945
Investment Management Expenses	11,484	12,297
Oversight & Governance Costs	124	128
TOTAL	**12,520**	**13,370**

9. Investment Income

	2015/16 £000	2016/17 £000
UK Fixed Interest Securities	5,098	5,325
Overseas Fixed Interest Securities	2,663	1,546
UK Equities & Private Equity Funds	3,209	3,808
Pooled investments	1,432	1,588
Overseas Equities (net of irrecoverable tax)	3,817	4,567

Property Unit Trust Income	1,700	2,113
Interest on UK cash	132	76
Securities Lending	125	92
TOTAL	**18,176**	**19,115**

10. Investments at Market Value

2015/16 £000		2016/17 £000
	UK Fixed Interest:	
66,966	Public Sector	41,541
93,423	Other (Pooled)	140,330
160,389		**181,871**
	Overseas Fixed Interest:	
86,645	Public Sector (Pooled)	96,843
86,645		**96,843**
95,636	UK quoted Equities & Convertibles	116,358
161,746	Foreign quoted Equities	212,725
257,382		**329,083**
118,632	UK & Global Property (Pooled)	**126,298**
83,101	Private Equity	**88,328**
	Pooled Funds	
470,172	UK	562,509
423,557	Overseas	552,195
893,729		**1,114,704**
(2,273)	Derivatives: Forward Currency contracts	933
(2,273)		**933**
	Cash:	
24,267	UK	22,863
5,059	Overseas	19,073
1,949	Net investment proceeds due	1,993
31,275		**43,929**
1,628,880	**TOTAL**	**1,981,989**

2016/17	Value at 31/03/16 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/17 £000's
Fixed Interest Securities	247,034	224,136	(210,599)	18,143	278,714
Equities	257,382	73,299	(81,827)	80,229	329,083
Pooled Funds	893,729	144,934	(243,495)	319,537	1,114,705
Property unit trusts	118,632	763	0	6,903	126,298
Private equity	83,101	2,735	(24,619)	27,111	88,328
Sub total	**1,599,878**	**445,867**	**(560,540)**	**451,923**	**1,937,128**
Forward Currency	(2,273)	2,573,915	(2,546,860)	(23,849)	933
Futures	0	0	0	0	0
Total Derivatives	**(2,273)**	**2,573,915**	**(2,546,860)**	**(23,849)**	**933**
Debtors	1,949				1,993
Creditors	0				0
Managers' Cash	5,004				11,698
Internal Cash	24,267				22,863
Currency Overlay	55				7,374
Total Cash	**31,275**			**(89,186)**	**43,928**
Total Cash and Investment Proceeds Due	**29,002**			**(113,035)**	**44,861**
Total	**1,628,880**			**(338,888)**	**1,981,989**

Comparative data for 2015/16:

2015/16	Value at 31/03/15 £000's	Purchase at cost £000's	Sale Proceeds £000's	Change in Market Value £000's	Value at 31/03/16 £000's
Fixed Interest Securities	245,090	101,156	(98,590)	(622)	247,034
Equities	276,564	63,341	(55,312)	(27,211)	257,382
Pooled Funds	907,792	878	0	(14,941)	893,729
Property unit trusts	99,211	10,305	0	9,116	118,632
Private equity	87,433	3,269	(24,085)	16,484	83,101
Sub total	**1,616,090**	**178,949**	**(177,987)**	**(17,174)**	**1,599,878**
Forward Currency	(2,209)	2,709,754	(2,695,045)	(14,773)	(2,273)
Futures	0	0	0	0	0
Total Derivatives	**(2,209)**	**2,709,754**	**(2,695,045)**	**(14,773)**	**(2,273)**
Debtors	1,742				1,949
Creditors	(141)				0
Managers' Cash	7,700				5,004
Internal Cash	24,110				24,267
Currency Overlay	5,859				55
Total Cash	**39,270**			**(231)**	**31,275**
Total Cash and Investment Proceeds Due	**37,061**			**(14,542)**	**29,002**
Total	**1,653,151**			**(31,716)**	**1,628,880**

Analysis of derivatives

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

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

11. Summary of Manager's Portfolio Values at 31 March 2017

	£000	% of Fund
Aberdeen Asset Management	279,696	14.1
Aberdeen Emerging Markets	74,215	3.7
Blackrock Investment Management	626,980	31.6
Invesco Perpetual	101,741	5.1
J P Morgan	81,838	4.1
Majedie	123,283	6.2
Nikko	113,335	5.7
Schroder Investment Managers	105,524	5.3
State Street Global Advisers	229,929	11.6
Property	126,298	6.4
Private Equity Managers	88,328	4.5
Mesirow currency overlay & cash with custodian	7,960	0.4
Internally managed (Cash)	22,862	1.2
Total	**1,981,989**	**100**

12. Financial Instruments

a) Classification of financial instruments

31/03/2016				31/03/2017		
Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000		Fair Value through profit and loss £000	Loans and Receivables £000	Financial Liabilities at Amortised Costs £000
			Financial assets			
247,034	0	0	Fixed Interest Securities	278,714	0	0
257,382	0	0	Equities	329,083	0	0
893,729	0	0	Pooled Funds	1,114,705	0	0
118,632	0	0	Property Unit Trusts	126,298	0	0
83,101	0	0	Private Equity	88,328	0	0
168,982	0	0	Derivatives	158,033	0	0
0	29,326	0	Cash	0	41,935	0
1,949	0	0	Other Investments	1,993	0	0
0	26,426	0	Debtors	0	21,903	0
1,770,809	**55,752**	**0**		**2,097,154**	**63,838**	**0**
			Financial liabilities			
(171,255)	0	0	Derivatives	(158,033)	0	0
0	0	0	Other Investments	0	0	0
0	0	(1,812)	Creditors	0	0	(2,214)
0	0	0	Borrowings	0	0	0
(171,255)	**0**	**(1,812)**		**(158,033)**	**0**	**(2,214)**
1,599,554	**55,752**	**(1,812)**		**1,939,121**	**63,838**	**(2,214)**

b) Net gains and losses on financial instruments

31/03/2016 £000	Financial Assets	31/03/2017 £000
(21,259)	Fair value through profit and loss	350,452
0	Loans and receivables	0
	Financial liabilities	
(12,630)	Fair value through profit and loss	(13,222)
2,173	Loans and receivables	(402)
(31,716)	**Total**	**338,888**

c) Valuation of financial instruments carried at fair value

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

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

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

Values as at 31 March 2017	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£000	£000	£000	£000
Financial assets				
Financial assets at fair value	837,726	884,776	374,652	2,097,154
Loans and receivables	63,838	0	0	63,838
Total financial assets	**901,564**	**884,776**	**374,652**	**2,160,992**
Financial liabilities				
Financial liabilities at fair value	0	0	(158,033)	(158,033)
Financial liabilities at amortised cost	(2,214)	0	0	(2,214)
Total financial liabilities	**(2,214)**	**0**	**(158,033)**	**(160,247)**
Net financial assets	**899,350**	**884,776**	**216,619**	**2,000,745**

13. Nature and extent of risks arising from financial instruments

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

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

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

Market Risk

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

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

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

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

Interest Rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The analysis below shows the effect of a 100 basis point (1%) movement in interest rates on the net assets available to pay benefits

Asset Type	Carrying amount as at 31.03.2017	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	44,861	449	(449)
Fixed interest securities	278,714	2,787	(2,787)
Total	**323,575**	**3,236**	**(3,236)**

2015/16 Comparative:

Asset Type	Carrying amount as at 31.03.2016	Change in year in the net assets available to pay benefits	
		+ 100bps	- 100bps
	£000	£000	£000
Cash	29,002	290	(290)
Fixed interest securities	247,034	2,470	(2,470)
Total	**276,036**	**2,760**	**(2,760)**

Currency risk is the risk to which the Pension Fund is exposed to fluctuations in foreign currency exchange rates.
The Fund's Global Bonds and North American, European and Japanese Equities portfolios are covered by currency hedging arrangements. Fund managers will also take account of currency risk in their investment decisions.

Currency risk – sensitivity analysis
Following analysis of historical data, the fund's aggregate currency change has been calculated as 6.36%. A 6.36% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31.03.2017	Change to net assets available to pay benefits	
		6.36%	6.36%
	£000	£000	£000
Overseas quoted securities	771,053	820,092	722,014
Total change in assets available	**771,053**	**820,092**	**722,014**

Currency exposure – asset type	Asset value as at 31.03.2016	Change to net assets available to pay benefits	
		6.35%	6.35%
	£000	£000	£000
Overseas quoted securities	602,722	640,995	564,449
Total change in assets available	**602,722**	**640,995**	**564,449**

Price risk is the risk of losses associated with the movement in prices of the underlying assets. By diversifying investments across asset classes and managers, the Pension Fund aims to reduce the exposure to price risk. Diversification of asset classes seeks to reduce correlation of price movements, whilst employing specialist managers enables the Fund to benefit from investment expertise.

Price risk sensitivity analysis
Potential price changes are determined based on the observed historical volatility of asset class returns. The potential volatilities are consistent with a one standard deviation movement in the change in value of assets over the last three years, applied to the period end asset mix. The total volatility shown for Total Currency incorporates the impact of correlation across currencies, which dampens volatility, therefore the Value on Increase and Value on Decrease figures for the currencies will not sum to the total figure.

Asset type	Value as at 31.03.2017 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	**1,981,989**	**7.34%**	**2,127,467**	**1,836,511**
UK Equities	685,792	9.99%	754,303	617,281
Overseas Equities	771,053	10.05%	848,544	693,562
Total Bonds	279,696	4.74%	292,954	266,438
Cash	30,822	0.01%	30,825	30,819
Alternatives	88,328	2.12%	90,201	86,455
Property	126,298	3.18%	130,314	122,282

Asset type	Value as at 31.03.2016 £000	Percentage change %	Value on increase £000	Value on Decrease £000
Total Assets	***1,628,880***	***7.34%***	***1,748,440***	***1,509,320***
UK Equities	565,808	9.99%	622,332	509,284
Overseas Equities	585,303	10.05%	644,126	526,480
Total Bonds	247,034	4.74%	258,743	235,325
Cash	29,002	0.01%	29,005	28,999
Alternatives	83,101	3.18%	85,744	80,458
Property	118,632	2.12%	121,147	116,117

Credit Risk
Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation and cause the fund to incur a financial loss. The Fund reviews its exposure to credit and counterparty risk through its external investment managers. The Fund is also exposed to credit risk through its securities lending programme. This is run by the Fund's custodian, Northern Trust who manages and monitors the counterparty risk, collateral risk and the overall lending programme.

The Pension Fund's bank account is held with the Lloyds bank. Surplus cash is not invested with Lloyds but is placed with a selection of AAA Money Market institutions. The Fund's cash holding under its treasury management arrangements as at 31.03.2017 was £22.2 million (£24.8 million at 31.03.2016). This was held with the following institutions:

	Rating	Balance at 31.03.2016 £000	Balance at 31.03.2017 £000
Money market funds			
Ignis	AAA	**12,000**	**12,000**
Deutsche	AAA	**920**	**0**
Blackrock	AAA	**11,950**	**10,170**
Bank current account			
Lloyds Bank	A	**(80)**	**74**
Total		**24,790**	**22,244**

Liquidity Risk
Liquidity risk represents the possibility that the Fund may not have funds available to meet its financial obligations. The current position of the fund is that it is cash positive, which reflects the fact that contributions into the Fund exceed benefits being paid out. The Pension Fund's cash is kept in a separate bank account and the cash position is monitored on a daily basis. Surplus funds are deposited in money market funds on a short term basis. At an investment level, the Funds' investments are substantially made up of listed securities which are considered readily realisable.

14. Sundry Debtors & Creditors

	2015/16 £000	2016/17 £000
Debtors		
Pensions Administration	0	0
Miscellaneous	602	986
	602	**986**
Creditors		
Management & Custody Fees	(911)	(1,161)
Miscellaneous	0	0
	(911)	**(1,161)**
Total	**(309)**	**(175)**

15. Additional Voluntary Contributions
Scheme members may elect to make additional voluntary contributions to enhance their pension benefits. Contributions are made directly from scheme members to the AVC provider and are therefore not represented in these accounts.

The amount of AVC contributions paid during the year amounted to £508,000 and the market value of separately invested AVC's as at 31 March 2017 was £3.620 million.

16. Commitments
As at 31 March 2017 the Fund had outstanding private equity commitments of a maximum of £43.62 million (£38.64 million at 31 March 2016).

As at 31 March 2017 the Fund had forward currency contracts amounting to £158.968 million of purchases and £158.033 million of sales, showing an unrealised gain of £935,000.

17. Securities Lending
At the year end the value of quoted equities on loan was £44.66 million (£40.42 million at March 2016) in exchange for which the custodian held collateral of £48.26 million (£42.54 million at March 2016). For the year ending 31 March 2017, the Fund received income of £93,000 from the lending of stock.

18. Contingent Liabilities
The Fund has no contingent liabilities.

19. Related Party Transactions
The relationship between the employers and the Pension Fund is, by its very nature, close, therefore, each participating employer is considered a related party as shown in notes 5 and 6.

Other related party transactions with the Council are:

- Cash invested internally by the Council (for working capital purposes) - see note 9;
- Administration expenses charged to the Fund by the Council are shown in note 8.
- Paragraph 3.9.4.3 of the Code of Practice exempts local Authorities from the key management personnel disclosure requirements of IAS24 on the basis that requirements for officer remuneration and members' allowances is detailed in section 3.4 of the Code and can be found in the main accounts of The County Council of the City and County of Cardiff.

20. Post Balance Sheet Events
There are no post balance sheet events to report.

INTRODUCTION

The group accounts that follow comply with the requirement of the 2016/17 Code that a local authority with interests in subsidiaries, associates and joint ventures should prepare group accounts in addition to its single entity accounts. These accounts consolidate the operating results and balances of The County Council of the City and County of Cardiff and its subsidiary Cardiff City Transport Services Ltd (Cardiff Bus). At the point of drafting these accounts, the accounts for Cardiff Bus had not been audited and, therefore, the draft figures have been consolidated within the Group Accounts.

The Council has interests in two other subsidiaries: Cardiff Business Technology Centre (CBTC) and Cardiff Business Council. In addition, the Council had an interest in the Cardiff Medicentre Joint Venture during 2015/16, however this interest had been sold as at 31 March 2016. The interests in these organisations are considered immaterial in terms of both the turnover and the net assets of the group. The Council does not depend upon these organisations for statutory service provision and it is not considered that they expose the Council to a material level of commercial risk. Therefore they have been excluded from the consolidation in 2016/17. Details of the Council's interests in these organisations are included in note 25 to the Core Financial Statements.

ACCOUNTING POLICIES APPLICABLE TO THE GROUP ACCOUNTS

Basis of Consolidation
The group accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council and Cardiff City Transport Services Ltd. Inter-group transactions and balances between the Council and its subsidiary have been eliminated in full.

Accounting policies
The financial statements in the group accounts are prepared in accordance with the policies set out in the Statement of Accounting Policies on pages 19 to 34 with the following additions and exceptions:

1. Retirement Benefits
Cardiff City Transport Services Ltd. operates two defined benefit funded pension schemes which it accounts for in accordance with IAS19. The level of contributions made to the schemes and the cost of contributions included in the financial statements are based on the recommendations of independent actuaries. Accounting policies consistent with those of the Council have been adopted although the financial assumptions used may differ. Both these schemes are now closed to new members. The company also has a money purchase pension scheme for new employees. Pension costs charged to the profit and loss account represent the contributions payable by the group to the pension scheme during the year.

2. Value Added Tax
VAT paid by other group entities is accounted for in the Group Comprehensive Income and Expenditure Statement to the extent that it is irrecoverable from HM Revenue and Customs.

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

4. Charges to Income and Expenditure for Non-Current Assets
A charge is made from the revaluation reserve of the subsidiary company to the group income and expenditure reserve for the difference between depreciation charged on the current value of non-current assets held by the subsidiary and what would have been the historical cost depreciation for the year.

5. Derivatives Financial Instruments
Cardiff Bus is exposed to price risk arising from fluctuations in oil prices and the company enters into energy hedges to fix the price of fuel. In the opinion of the Board of Directors there is no material exposure to price risk. The company does not hold derivatives for speculative purposes.

THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

2015/16					2016/17		
Gross Expenditure £000	Gross Income £000	2015/16 Net Expenditure £000		Note	Gross Expenditure £000	Gross Income £000	2016/17 Net Expenditure £000
177,001	(96,094)	**80,907**	City Operations		130,583	(74,992)	**55,591**
238,155	(186,010)	**52,145**	Communities, Housing & Customer Services		239,620	(189,528)	**50,092**
11,210	(1,432)	**9,778**	Corporate Management		6,762	(469)	**6,293**
31,017	(27,258)	**3,759**	Economic Development		64,316	(44,397)	**19,919**
333,158	(97,545)	**235,613**	Education & Lifelong Learning		348,099	(100,633)	**247,466**
6,388	(1,822)	**4,566**	Governance & Legal Services		6,911	(2,555)	**4,356**
9,836	(6,816)	**3,020**	Harbour Authority		9,085	(6,537)	**2,548**
161,726	(67,729)	**93,997**	Housing Revenue Account		50,009	(69,938)	**(19,929)**
36,850	(16,316)	**20,534**	Resources		28,636	(9,195)	**19,441**
163,552	(19,303)	**144,249**	Social Services		180,301	(26,414)	**153,887**
1,027	(2,026)	**(999)**	Summary Revenue Account		1,547	(5,078)	**(3,531)**
187,392	0	**187,392**	Exceptional Item	6	0	0	**0**
1,357,312	**(522,351)**	**834,961**	**Net Cost of Services**		**1,065,869**	**(529,736)**	**536,133**
27,880	0	**27,880**	South Wales Police Authority Precept		29,367	0	**29,367**
290	0	**290**	Community Council Precepts		296	0	**296**
16,798	0	**16,798**	Levies & Contributions		17,034	0	**17,034**
10,618	(11,814)	**(1,196)**	(Gain)/loss on sale of non-current assets		32,221	(9,060)	**23,161**
55,586	**(11,814)**	**43,772**	**Other Operating Expenditure**		**78,918**	**(9,060)**	**69,858**
32,318	0	**32,318**	Interest Payable on debt		32,433	0	**32,433**
16	0	**16**	Interest element of finance leases	4	0	0	**0**
16,756	0	**16,756**	Interest on net defined liability/(asset)		18,113	0	**18,113**
0	(1,035)	**(1,035)**	Interest & Investment Income			(986)	**(986)**
1,092	(1,282)	**(190)**	Other Investment Income				**0**

488	0	**488**	Change in fair value of Investment Properties		9,105	(18,805)	**(9,700)**
50,670	**(2,317)**	**48,353**	**Financing and Investment Income & Expenditure**		**59,651**	**(19,791)**	**39,860**
0	(25,304)	**(25,304)**	Recognised Capital Grants & Contributions		0	(41,191)	**(41,191)**
0	(322,851)	**(322,851)**	Revenue Support Grant		0	(320,309)	**(320,309)**
0	(101,253)	**(101,253)**	Non-Domestic Rates		0	(105,994)	**(105,994)**
1,834	(175,121)	**(173,287)**	Council Tax Income		2,063	(182,502)	**(180,439)**
0	(3,344)	**(3,344)**	Other Central Grants		0	0	**0**
1,834	**(627,873)**	**(626,039)**	**Taxation & Non-Specific Grant Income**		**2,063**	**(649,996)**	**(647,933)**
65	**0**	**65**	Tax expenses - Corporation Tax payable			**0**	**0**
1,465,467	**(1,164,355)**	**301,112**	**(Surplus)/Deficit on Provision of Services**		**1,206,501**	**(1,208,583)**	**(2,082)**
		(134,348)	Revaluation Gains				**(26,098)**
		73,310	Revaluation Losses				**10,169**
		591	Impairment losses on non-current assets charged to the Revaluation Reserve				**784**
		(39)	(Surplus)/Deficit on revaluation of available for sale financial assets				**81**
		(12,346)	Actuarial gains/losses on pension assets/liabilities				**16,050**
		(1,000)	Share of other comprehensive income & expenditure of subsidiaries				**1,486**
		(73,832)	**Other Comprehensive Income & Expenditure**				**2,472**
		227,280	**Total Comprehensive Income & Expenditure**				**390**

GROUP MOVEMENT IN RESERVES STATEMENT FOR THE YEAR ENDED 31 MARCH 2017

	Council Fund Balance £000	Council Fund Earmarked Reserves £000	HRA Balance £000	HRA Earmarked Reserves £000	Capital Receipts Reserve £000	Total Usable Reserves Restated £000	Unusable Reserves Council £000	Unusable Reserves - Group Entities £000	Total Authority Reserves £000
Balance at 31 March 2015 carried forward Restated	**13,154**	**34,413**	**8,438**	**238**	**1,336**	**57,579**	**805,595**	**6,125**	**869,299**
Movement in Reserves during 2015/16 (restated)	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on the provision of Services	(19,108)	0	(282,297)	0	0	**(301,405)**	0	293	**(301,112)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	72,832	1,000	**73,832**
Total Comprehensive Income and Expenditure	**(19,108)**	**0**	**(282,297)**	**0**	**0**	**(301,405)**	**72,832**	**1,293**	**(227,280)**
Adjustments between accounting basis & funding basis under regulations	39,022	0	283,013	0	4,087	**326,122**	(326,122)	0	**0**
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	**19,914**	**0**	**716**	**0**	**4,087**	**24,717**	**(253,290)**	**1,293**	**(227,280)**
Transfers to/(from) Earmarked Reserves	(17,813)	17,813	(716)	716	0	**0**	0	0	**0**

Increase / (Decrease) in 2015/16	**2,101**	**17,813**	**0**	**716**	**4,087**	**24,717**	**(253,290)**	**1,293**	**(227,280)**
Balance at 31 March 2016 carried forward (restated)	**15,255**	**52,226**	**8,438**	**954**	**5,423**	**82,296**	**552,305**	**7,418**	**642,019**
Movement in Reserves during 2016/17	-	-	-	-	-	-	-	-	-
Surplus or (deficit) on the provision of Services	(17,268)	0	19,029	0	0	**1,761**	**0**	321	**2,082**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**(986)**	(1,486)	**(2,472)**
Total Comprehensive Income and Expenditure	**(17,268)**	**0**	**19,029**	**0**	**0**	**1,761**	**(986)**	**(1,165)**	**(390)**
Adjustments between accounting basis & funding basis under regulations	23,433	0	(15,897)	0	1,782	**9,318**	**(9,318)**	0	**0**
Net Increase / (Decrease) before Transfers to/(from) Earmarked Reserves	**6,165**	**0**	**3,132**	**0**	**1,782**	**11,079**	**(10,304)**	**(1,165)**	**(390)**
Transfers to/(from) Earmarked Reserves	(7,165)	7,165	(3,132)	3,132	0	**0**	**0**	0	**0**
Increase / (Decrease) in 2016/17	**(1,000)**	**7,165**	**0**	**3,132**	**1,782**	**11,079**	**(10,304)**	**(1,165)**	**(390)**
Balance at 31 March 2017 carried forward	**14,255**	**59,391**	**8,438**	**4,086**	**7,205**	**93,375**	**542,001**	**6,253**	**641,629**

GROUP BALANCE SHEET AS AT 31 MARCH 2017

31 March 2016 (Restated)		Note	31 March 2017
£000			£000
	Property Plant & Equipment:	7	
529,464	Council Dwellings		537,862
749,507	Other Land and Buildings		747,007
31,857	Vehicles, Plant, Furniture & Equipment		31,442
298,598	Infrastructure		294,621
19,620	Community Assets		19,652
30,800	Assets under construction (AUC)		42,555
36,299	Surplus assets not held for sale		40,992
51,278	Heritage Assets		53,846
110,471	Investment Properties		132,241
3,426	Intangible Non-Current Assets including AUC		3,315
1,441	Long-term Investments		412
5,081	Long-term Debtors		5,616
675	Deferred tax asset		675
1,868,517	**Total Long Term Assets**		**1,910,236**
54,215	Short-term Investments		66,124
2,819	Assets held for Sale		80
2,398	Inventories		2,466
87,177	Short-term Debtors	9	84,524
22,360	Cash and Cash Equivalents		22,613
168,969	**Total Current Assets**		**175,807**
(17,148)	Short Term Borrowing		(14,972)
(87,623)	Short Term Creditors	11	(89,825)
(2,354)	Pension Strain		(1,414)
(11,536)	Provisions	12	(8,031)
(2,224)	Deferred Liabilities	13	(4,311)
(65)	Deferred tax liability		0
(120,950)	**Total Current Liabilities**		**(118,553)**
(658,408)	Long Term Borrowing		(668,028)
(29,063)	Provisions		(28,938)
(11,869)	Deferred Liabilities		(19,018)
(9,933)	Capital Contributions Receipts in Advance		(11,843)
(2,526)	Revenue Grants Receipts in Advance		(2,016)
(1,791)	Capital Grants Receipts in Advance		(974)

(4,891)	Pensions Strain		(3,219)
(554,754)	Net Pensions Liability		(590,543)
(1,282)	Deferred tax liability		(1,282)
(1,274,517)	**Total Long Term Liabilities**		**(1,325,861)**
642,019	**NET ASSETS**		**641,629**
	Financed by:		
15,255	Council Fund Balance		14,255
52,226	Council Fund Earmarked Reserves		59,391
8,438	Housing Revenue Account Balance		8,438
954	Housing Revenue Account Earmarked Reserves		4,086
5,423	Capital Receipts Reserve		7,205
82,296	**Usable Reserves**		**93,375**
257,264	Revaluation Reserve		262,063
856,975	Capital Adjustment Account		876,075
2,049	Deferred Capital Receipts		2,038
4,656	Available for Sale Financial Instruments Reserve		4,574
(559,208)	Pensions Reserve		(597,671)
(6,289)	Accumulated Absences Adjustment Account		(8,252)
4,276	Reserves (Group Entities)		9,427
559,723	**Unusable Reserves**		**548,254**
642,019	**TOTAL RESERVES**		**641,629**

GROUP CASH FLOW STATEMENT AS AT 31 MARCH 2017

2015/16 (Restated) £000		Note	2016/17 £000
301,112	Net (Surplus) /Deficit on the provision of services		**(2,082)**
(185,907)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14	(98,531)
(179,093)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14	48,261
(63,888)	**Net cash flows from operating activities**		**(52,352)**
(1,209)	Interest Received		(644)
30,050	Interest Paid		32,220
166	Finance lease interest paid		0
0	Dividends received		0
234	Taxation (group only)		65
(93,129)	Net cash flow from other operating activities		(83,993)
281,522	**Investing activities**		**63,023**
93,760	Purchase of property, plant and equipment, investment property and intangible assets		99,892
31,231	Purchase of short-term and long-term Investments		9,093
200,875	Other payments for investing activities		7,579
(9,814)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets		(9,009)
(31,744)	Capital Grants		(40,942)
(1,504)	Capital Contributions		(3,590)
(1,282)	Proceeds from short-term and long-term investments		0
(211,548)	**Financing activities**		**(10,924)**
(205,399)	Cash receipts from short-term and long-term borrowing		(14,645)
(13,454)	Other receipts from financing activities		(5,966)
1,313	Cash payments for the reduction of outstanding liabilities relating to finance leases		1,456
5,992	Repayments of short-term and long-term borrowing		8,231
0	Other payments for financing activities		0
6,086	**Net (increase)/ decrease in cash and cash equivalents**		**(253)**
28,446	**Cash and cash equivalents at the beginning of the reporting period**		**22,360**
22,360	**Cash and cash equivalents at the end of the reporting period represented by:**		**22,613**
233	Cash		223
15,513	Bank (including cheque book schools)		16,970
6,614	Short-term deposits with banks and building societies		5,420

NOTES TO THE GROUP ACCOUNTS
The notes to the Council's Core Financial Statements as set out on pages 42 to 95 apply also to the Group Accounts with the following additions and exceptions:

1. Remuneration

(a) The number of employees of the Council and its subsidiary whose remuneration is over £60,000 per annum is disclosed below.

Remuneration band	Number of Employees	
£	2015/16	2016/17
60,000-64,999	46	43
65,000-69,999	44	43
70,000-74,999	14	8
75,000-79,999	5	11
80,000-84,999	10	13
85,000-89,999	3	1
90,000-94,999	3	4
95,000-99,999	3	1
100,000-104,999	1	1
105,000-109,999	2	2
110,000-114,999	1	2
115,000-119,999	1	2
120,000-124,999	8	5
125,000-129,999	1	0
130,000-134,999	0	2
135,000-139,999	0	1
140,000-144,999	0	0
145,000-149,999	1	0
150,000-154,999	0	0
155,000-159,999	0	0
160,000-164,999	0	0
165,000-169,999	0	0
170,000-174,999	2	1
175,000-179,999	0	0
180,000-184,999	0	0

Further information regarding the remuneration of directors and employees of Cardiff Bus is contained in the company's 2016/17 Financial Statements.

(b) The disclosure for Members allowances is the same as for the single entity accounts.

2. Related Parties Disclosures

Related party transactions and balances of the group are as contained in note 13 to the single entity financial statements.

3. External Audit Costs

In 2016/17 the following fees were paid by the Council and its subsidiary in respect of audit and inspection:

	2015/16 £000	2016/17 £000
Fees payable to Wales Audit Office for external audit services	400	389
Fees payable to other external auditors in respect of external audit services	32	41
Fees payable to external auditors for the certification of grant claims and returns	84	88
Fees payable in respect of other services provided by external auditors	3	5
Total	**519**	**523**

4. Leasing

Finance Leases
Finance leases exist in respect of vehicles and equipment. The aggregate finance charges made during 2016/17 were as follows:

The assets acquired under finance leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2015/16 £000		2016/17 £000
11,620	Vehicles, Plant, Furniture & Equipment	11,836

Obligations under finance leases:

2015/16 £000		2016/17 £000
1,238	Obligations payable within 1 year	1,465
4,679	Obligations payable between 2 and 5 years	4,783
573	Obligations payable after 5 years	214
6,490	**Total liabilities as at 31 March**	**6,462**

5. Pensions

The following sums were charged to the Group Comprehensive Income and Expenditure Statement in the year in respect of pensions:

	2015/16 £000	2016/17 £000
Net Cost of Services		
Past and current service cost and operating charge	44,407	44,188
Net Operating Expenditure		
Interest on net defined benefit liability/(asset)	16,993	18,195
Net charge to Group Income & Expenditure Account	**61,400**	**62,383**
Appropriation to/(from) Pensions Reserve to Council Fund Balance	(18,241)	(18,340)
Appropriation to/(from) Pensions Reserve to Profit and Loss Accounts of subsidiaries	340	458
Net charge to Council Fund Balance and Profit & Loss Accounts of Subsidiaries in respect of Pensions	**43,499**	**44,501**
Presented by:		
Employers Contributions charged to Council Tax:		
Employers Contributions Payable to the Scheme	(38,535)	(39,640)
Payments in Respect of Unfunded Pensions Liabilities	(3,310)	(3,230)

Employers Superannuation Contributions Made by Subsidiaries to Defined Benefit Schemes in the Year	(1,654)	(1,631)
	(43,499)	**(44,501)**

Pensions Assets and Liabilities of Cardiff Bus
The disclosures that follow relate solely to the pensions' arrangements of Cardiff City Transport Services Ltd. and have been taken directly from the 2016/17 financial statements of Cardiff City Transport Services Ltd.

The company operates its own pension scheme, the Cardiff City Transport Services Limited Pension Scheme, as well as contributing to the Cardiff and Vale of Glamorgan Pension Fund on behalf of employees who were formerly employed by the Cardiff City Council Transport Department. Both schemes provide benefits based on final pensionable pay and the assets of the schemes are held separately from those of the company. Company contributions are determined by a qualified actuary on the basis of triennial valuations. Since 1 August 2001, the Cardiff City Transport Services Limited Pension Scheme (final salary) has been closed to new members and a money purchase scheme has been introduced. This closed to new members in July 2013. The total cost charged in the profit and loss account for the money purchase scheme of £806,000 (£554,000 in 2015/16) represents contributions payable during the year. At 31 March 2017, contributions of £85,000 (£70,000 in 2015/16) due in respect of the current reporting period had not been paid over to the scheme.

Cardiff City Transport Services Limited Pension Scheme
The most recent actuarial valuation of the Cardiff City Transport Services Limited Pension Scheme, as required under section 224(2)(a) of the Pensions Act 2004, was carried out as at 1 April 2012. For the purpose of the valuation of the defined benefit section, it was assumed that the investment return on assets prior to pension liabilities coming into payment will be 1.4% per annum higher than the rate of future annual wage and salary growth and 1.9% per annum higher than the rate of future price inflation. The investment return for pension liabilities once in payment was assumed to be 0.9% higher than the rate of future price inflation.

The valuation showed that the total market value of the scheme's assets, net of members' AVCs, was £30.0m and that this value represented 89% of the value of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in earnings and pensions.

The basic rate of company contributions required to meet the cost of defined benefits, without allowance for any recovery of deficit, was found to be 14.5% of members' pensionable pay from 1 April 2015. Employee contributions were payable in addition. For the majority of defined benefit section members, contributions were required at the rate of 5% of pensionable pay (a small number contribute at the lower rate of 4%).

Company and employee contributions for members of the defined contribution section are payable in accordance with the scheme rules.

An actuarial valuation was carried out on the Cardiff City Transport Services Limited Pension Scheme as at 31 March 2017 by a qualified independent actuary. The major assumptions used by the actuary were:

	At 31 March 2015	At 31 March 2016	At 31 March 2017
Rate of increase in salaries	3.5% pa	3.1% pa	3.3% pa
Discount rate	3.3% pa	3.5% pa	2.6% pa
Inflation Assumption (RPI)	3.0% pa	3.1% pa	3.3% pa
Inflation Assumption (CPI)	2.0% pa	2.1% pa	2.3% pa
Pension Increases (CPIS)	2.0% pa	2.1% pa	2.3% pa

Mortality assumption
The mortality assumptions are based on SIPA tables, relevant to year of birth adjusted for medium cohort effects, rated up two years, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 20.5 years if they are male and for a further 22.5 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 21.8 years after retirement if they are male and for a further 24.0 years after retirement if they are female.

The assets in the fund and expected rates of return were:

The assets in the fund and expected rates of return were:	2014/15		2015/16		2016/17	
	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000
Equities	N/A	13,036	N/A	13,734	N/A	14,679
Diversified Growth	N/A	15,744	N/A	15,348	N/A	16,724
Convertible Bonds	N/A	3,990	N/A	3,759	N/A	4,001
Cash and LDI	N/A	25	N/A	83	N/A	2,414
		32,795		32,924		37,818

* Under the reporting standard FRS102, which replaces FRS17, the expected return on assets is set equal to the discount rate at the start of the year.

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value of assets	32,795	32,924	37,818
Present value of scheme liabilities	(34,276)	(32,046)	(38,459)
Net IAS19 Scheme Deficit	(1,481)	878	(641)

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Analysis of amount charged to operating profit			
Current service cost and total operating charge	(588)	(669)	(589)
Analysis of amount credited/(charged) to interest receivable/payable			
Expected return on pension scheme assets	2,018	835	846
Interest on pension scheme liabilities	(1,304)	(1,120)	(1,110)
Net finance income/(charge)	714	(285)	(264)

Analysis of amount recognised in the primary statements

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Actual return less expected return on pension assets	974	(315)	4,348
Changes in financial assumptions underlying the scheme/(liabilities)	(3,599)	2,664	(5,985)
Actuarial gain/(loss) recognised in the primary statements	**(2,625)**	**2,349**	**(1,637)**

Movements in scheme deficit during the year

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
At 1 April b/f	**172**	**(1,481)**	**878**
Movement in year:			
Total operating charge	(588)	(669)	(589)
Contributions	846	964	971
Net finance income/(charge)	714	(285)	(264)
Actuarial gain/(loss) in the primary statements	(2,625)	2,349	(1,637)
At 31 March c/f	**(1,481)**	**878**	**(641)**

Cardiff and Vale of Glamorgan Pension Fund
Cardiff Bus also participates in the Local Government Pension Scheme, which is a defined benefit scheme based on final pensionable salary.

The latest complete minimum funding requirement valuation of the Cardiff and Vale of Glamorgan Pension Fund was made as at 31 March 2013.

The result of this valuation revealed that the company's required contributions to this scheme in respect of its employees who are members will be 25.4% of pensionable pay from 1 April 2011 continuing into 2016/17. In addition to this rate, Cardiff City Transport Services Limited is required to pay £480,000 per annum.

The most recent completed valuation was carried out as at 31 March 2013, and has been updated by independent actuaries to the Cardiff and Vale of Glamorgan Pension Fund (the Fund) to take account of the requirements of IAS19 in order to assess the liabilities of the Fund as at 31 March 2017. Liabilities are valued on an actuarial basis using the projected unit method which assesses the future liabilities discounted to their present value.

The company's contribution rate over the accounting period was 25.4% of pensionable pay plus a monetary amount of £480,000. The contribution rates certified for the company at the 31 March 2013 valuation are as follows:

April 2017 to March 2018 25.4% of pensionable pay plus £480,000.

These figures include the past service element of the contribution rate.

The scheme is now closed to the company's employees and the company's condition of continued participation is to pay contributions as required.

The main assumptions used for the purposes of IAS19 are as follows:

	At 31 March 2015	At 31 March 2016	At 31 March 2017
Rate of increase in salaries	3.5% pa	3.1% pa	3.3% pa
Discount rate	3.3% pa	3.5% pa	2.6% pa
Rate of increase in pensions in payment	2.0% pa	2.1% pa	2.3% pa
Rate of increase in deferred pensions	2.0% pa	2.1% pa	2.3% pa
Rate of inflation (RPI)	3.0% pa	3.1% pa	3.3% pa
Rate of inflation (CPI)	2.0% pa	2.1% pa	2.3% pa

Mortality assumption
The mortality assumptions are based on SIPMA tables, for 100% of medium cohort, subject to a 1% p.a. minimum improvement underpin. The assumptions are that a member aged 65 at the valuation date will live on average for a further 21.5 years if they are male and for a further 23.2 years if they are female. For a member who is 45 at the valuation date and retires at age 65, the assumptions are that they will live on average for a further 22.7 years after retirement if they are male and for a further 24.6 years after retirement if they are female.

The assets in the fund and expected rates of return were:

The assets in the fund and expected rates of return were:	2014/15		2015/16		2016/17	
	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000	Long-term expected return on assets	Fair Value £000
Equities	7.6% pa	21,285	N/A	19,917	N/A	23,640
Government bonds	3.4% pa	1,870	N/A	2,148	N/A	2,573
Corporate bonds	4.0% pa	2,173	N/A	1,909	N/A	1,756
Property	6.9% pa	1,622	N/A	1,936	N/A	1,907
Cash	0.9% pa	467	N/A	610	N/A	454
Other assets	7.6% pa	83	N/A	0	N/A	(60)
		27,500		26,520		30,270

*Under the reporting standard FRS102, which replaces FRS17, the expected return on assets is set equal to the discount rate at the start of the year.

The net pension liability measured under IAS19 comprised the following:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value share of assets	27,500	26,520	30,270
Present value of scheme liabilities	(30,710)	(30,190)	(33,450)
Net IAS19 Scheme Deficit	(3,210)	(3,670)	(3,180)

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Total market value of assets	32,795	32,924	37,818
Present value of scheme liabilities	(34,276)	(32,046)	(38,459)
Net IAS19 Scheme Deficit	**(1,481)**	**878**	**(641)**

Analysis of amount charged to operating profit:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Current Service Cost / Past Service Cost	(320)	(270)	(210)
Total Operating Charge	**(320)**	**(270)**	**(210)**

Analysis of amount credited/(charged) to interest receivable/payable:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Expected return on pension scheme assets	1,710	900	920
Interest on pension scheme liabilities	(1,250)	(990)	(1,030)
Net Finance Income / (Charge)	**460**	**(90)**	**(110)**

Analysis of amount recognised in the primary statements:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
Actual return less expected return on pension assets	1,500	(1,300)	3,580
Changes in financial assumptions underlying the scheme/(liabilities)	(1,800)	510	(3,430)
Actuarial gain/(loss) recognised in the primary statements	**(300)**	**(790)**	**150**

Movements in scheme deficit during the year:

	At 31 March 2015 £000	At 31 March 2016 £000	At 31 March 2017 £000
At 1 April	**(3,810)**	**(3,210)**	**(3,670)**
Movement in year:			
Total operating charge	(320)	(270)	(210)
Contributions	760	690	660
Net finance income/(charge)	460	(90)	(110)
Actuarial gain/(loss) in the primary statements	(300)	(790)	150
At 31 March	**(3,210)**	**(3,670)**	**(3,180)**

The total net pension liability measured under IAS19 for both schemes is as follows:

The Group and the Company	At 31 March 2016 £000	At 31 March 2017 £000
Cardiff City Transport Scheme	(878)	641
Cardiff & Vale of Glamorgan Pension Scheme	3,670	3,180
Deferred Tax Asset	(558)	(938)
Total	**2,234**	**2,883**

6. Exceptional Item

There are no exceptional items reported in the 2016/17 Cardiff Bus Accounts.

7. Non-Current Assets Note

2016/17	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2016	537,762	779,249	76,639	587,344	19,620	36,299	30,800	**2,067,713**
Additions	17,980	21,954	6,564	11,093	32	351	33,876	**91,850**
Impairment losses/reversals to RR *	0	(588)	0	0	0	(196)	0	**(784)**
Impairment losses / reversals to SDPS **	(153)	(2,443)	(325)	0	0	(21)	(32)	**(2,974)**
Derecognition - disposals	(1,186)	(25,659)	(6,575)	0	0	(1,430)	0	**(34,850)**
Reclassified (to)/from Held for Sale	0	0	0	0	0	8	0	**8**
Other reclassifications	400	13,291	193	7,088		1,074	(22,090)	**(44)**
Revaluation increases /(decreases) to RR*	0	2,282	0	0	0	5,918	0	**8,200**
Revaluation increases /(decreases) to SDPS**	0	(14,775)	0	0	0	(1,011)	0	**(15,786)**
At 31 March 2017	**554,803**	**773,311**	**76,496**	**605,525**	**19,652**	**40,992**	**42,555**	**2,113,334**
Depreciation								
At 1 April 2016	8,298	29,742	44,782	288,746	0	0	0	**371,568**
Depreciation charge	8,659	16,746	6,997	22,158	0	0	0	**54,560**
Depreciation written out on impairment	0	(1,161)	(186)	0	0	0	0	**(1,347)**
Derecognition - disposals	(16)	(12)	(6,539)	0	0	0	0	**(6,567)**
Depreciation written out to SDPS **	0	0	0	0	0	0	0	**0**
Reclassifications	0	(25)	0	0	0	0	0	**(25)**
Depreciation written out on revaluation	0	(18,986)	0	0	0	0	0	**(18,986)**
At 31 March 2017	**16,941**	**26,304**	**45,054**	**310,904**	**0**	**0**	**0**	**399,203**
Net Book Value:								
At 31 March 2017	**537,862**	**747,007**	**31,442**	**294,621**	**19,652**	**40,992**	**42,555**	**1,714,131**
At 31 March 2016	**529,464**	**749,507**	**31,857**	**298,598**	**19,620**	**36,299**	**30,800**	**1,696,145**

* RR = Revaluation Reserve
**SDPS = Surplus or deficit on Provision of Services

Comparative Information for 2015/16:

2015/16 (Restated)	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	P,P & E under construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 1 April 2015	604,426	810,949	77,813	575,174	19,206	37,024	11,509	**2,136,101**
Additions	16,866	18,251	8,948	11,284	389	2,103	25,540	**83,381**
Impairment losses/reversals to RR *	0	(591)	0	0	0	0	0	**(591)**
Impairment losses / reversals to SDPS **	(3,247)	(809)	0	0	0	(102)	(544)	**(4,702)**
Derecognition - disposals	(815)	(4,200)	(10,778)	0	0	(3,200)	0	**(18,993)**
Reclassified (to)/from Held for Sale	0	(1,842)	0	0	0	(410)	0	**(2,252)**
Other reclassifications	422	(2,317)	656	886	25	3,751	(5,705)	**(2,282)**
Revaluation increases /(decreases) to RR*	63,820	(14,134)	0	0	0	(415)	0	**49,271**
Revaluation increases /(decreases) to SDPS**	(143,710)	(26,058)	0	0	0	(2,452)	0	**(172,220)**
At 31 March 2016	**537,762**	**779,249**	**76,639**	**587,344**	**19,620**	**36,299**	**30,800**	**2,067,713**
Depreciation								
At 1 April 2015	35,414	39,754	48,415	266,508	0	0	0	**390,091**
Depreciation charge	8,298	17,011	7,058	22,238	0	0	0	**54,605**
Depreciation written out on impairment	0	(60)	0	0	0	0	0	**(60)**
Derecognition - disposals	0	(47)	(10,691)	0	0	0	0	**(10,738)**
Depreciation written out to SDPS **	0	(1,136)	0	0	0	0	0	**(1,136)**
Reclassifications	0	0	0	0	0	0	0	**0**
Depreciation written out on revaluation	(35,414)	(25,780)	0	0	0	0	0	**(61,194)**
At 31 March 2016	**8,298**	**29,742**	**44,782**	**288,746**	**0**	**0**	**0**	**371,568**
Net Book Value:								
At 31 March 2016	**529,464**	**749,507**	**31,857**	**298,598**	**19,620**	**36,299**	**30,800**	**1,696,145**
At 31 March 2015	**569,012**	**771,195**	**29,398**	**308,666**	**19,206**	**37,024**	**11,509**	**1,746,010**

* RR = Revaluation Reserve
**SDPS = Surplus or deficit on Provision of Services

8. Financial Instruments

In addition to the financial instrument disclosures in the single entity accounts it should be noted:

Consolidation Adjustment

On consolidation, the Council's shareholding in Cardiff Bus ceases to be a financial instrument, as the consolidated balance sheet includes the net assets of the subsidiary and their corresponding net worth. The increase to fair value is eliminated in the consolidation process.

Derivative Financial Instruments

Cardiff Bus enters into energy hedges to fix the price of fuel. At 31 March 2017, the company had no contracts to buy fuel.

9. Debtors

31 March 2016 Restated £000		31 March 2017 £000
43,210	Central Government Bodies	45,499
13,278	Other Local Authorities	9,349
4,691	NHS Bodies	5,364
34	Public Corporations & Trading Funds	14
25,964	Other Entities and Individuals	24,298
87,177	**Total Debtors Net of Impairments**	**84,524**

10. Cash and Cash Equivalents

This figure represents cash temporarily available for investment at balance sheet date and includes £2.852 million (£2.596 million in 2015/16) which Cardiff City Transport Services Ltd. holds in an escrow account against future insured liabilities. Cardiff City Transport Services Ltd holds £2.859 million (£2.603 million in 2015/16) in money market accounts that are not instant access.

11. Creditors

31 March 2016 Restated £000		31 March 2017 £000
(13,498)	Central Government Bodies	(16,155)
(11,518)	Other Local Authorities	(7,916)
(1,424)	NHS Bodies	(1,594)
(9)	Public Corporations & Trading Funds	(4)
(61,174)	Other Entities and Individuals	(64,156)
(87,623)	**Total Creditors**	**(89,825)**

12. Provisions

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Provisions £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Cardiff Insurance Provisions	(10,441)	4,422	(3,540)	**(9,559)**	(4,277)	(5,282)
MMI Scheme of Arrangement Levy	(277)	304	(78)	**(51)**	(10)	(41)
Cardiff Bus Insurance Provision	(2,378)	(751)	1,097	**(2,032)**	(915)	(1,117)
Ferry Rd Landfill Provision	(9,096)	144	0	**(8,952)**	(210)	(8,742)
Lamby Way Landfill Provision	(16,574)	1,288	0	**(15,286)**	(1,589)	(13,697)
Other Provisions	(1,833)	1,231	(487)	**(1,089)**	(1,030)	(59)
Total Provisions	**(40,599)**	**6,638**	**(3,008)**	**(36,969)**	**(8,031)**	**(28,938)**

13. Deferred Liabilities

	Balance 1 April 2016 Restated £000	Utilised/ Released in year £000	Transfers to Deferred Liabilities £000	Balance 31 March 2017 £000	Not later than one year £000	Later than one year £000
Commuted Maintenance Sums	(7,603)	1,250	(3,314)	**(9,667)**	(846)	(8,821)
Rent Smart Wales Income in Advance	0	0	(7,200)	**(7,200)**	(2,000)	(5,200)
Cardiff Bus Finance Lease Liability	(6,490)	1,457	(1,429)	**(6,462)**	(1,465)	(4,997)
Total Deferred Liabilities	**(14,093)**	**2,707**	**(11,943)**	**(23,329)**	**(4,311)**	**(19,018)**

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

	2015/16 (Restated) £000	2016/17 £000
Depreciation and impairment	(183,867)	(49,188)
Charges made for retirement benefits (IAS19) less employers contributions	(13,949)	(17,604)
Contributions (to)/from provisions	6,272	2,005
Gain/loss on disposal of fixed assets	(11,710)	(32,158)
Cardiff Bus Taxation	(65)	0
Increase/(decrease) in stock	(108)	68
Increase/(decrease) in debtors (exc capital)	12,595	(5,822)
(Increase)/decrease in creditors (exc capital creditors) & super fund	4,925	4,168
	(185,907)	**(98,531)**

Adjust for items included in the net surplus/deficit on provision of services that are investing and financing activities

	2015/16 £000	2016/17 £000
REFCUS	(192,271)	(4,122)
Net gain/(loss) on sale of non-current assets	11,096	8,946
Repayments of liabilities under finance leases	0	0
Capital grants/contributions recognised in I&E	25,304	41,191
Other cash items which affect investing or financing activities	(23,222)	2,246
	(179,093)	**48,261**

15. Expenditure and Funding Analysis

Please refer to note 4 in the Notes to Core Financial Statements for the Council's segmental reporting analysis. The group report is not prepared on the basis that Cardiff Bus prepares its accounts in accordance with UK GAAP.

During 2016/17, the Corporate Director Resources had financial responsibility for a number of charities. Although their financial administration is integrated with that of the Council, the charities are legally separate from it and separate financial statements are produced, which are in accordance with applicable accounting standards and the Statement of Recommended Practice on Accounting by Charities, published by the Charity Commissioners.

The charities are managed and expenditure is approved in accordance with criteria set out in the governing document of each one.

The Council is the sole trustee of the following charities, the purposes of which are outlined below. Numbers in brackets are the charity registration numbers.

Llandaff War Memorial Fund (219060) – For defraying the cost of upkeep of the war memorial at Llandaff.

Maindy Park Foundation (524137) – Recreation or other leisure-time occupation for the benefit of the inhabitants of the City of Cardiff with the object of improving the conditions of life for those inhabitants.

Cardiff Further Education Trust Fund/Craddock Wells Trust – Apart from the provision of premises for educational purposes, the Trust makes grants to students, usually through the Council, and makes a small annual payment to the University of Wales, Cardiff.

Norwegian Church Preservation Trust - The Norwegian Church Preservation Trust was transferred to the County Council, under the management of the Cardiff Harbour Authority in May 2006. It is intended to continue to retain and enhance the cultural, arts programmes and the links between Wales and Norway of this important visitor's attraction on the Cardiff Bay Waterfront for future generations.

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for the year ended 31 March 2017 have yet to be examined. This is to be undertaken in January 2018 which is within the statutory deadlines set.

A financial summary for each fund follows. Detailed financial statements may be obtained from:

Christine Salter
Corporate Director Resources
County Hall
Cardiff
CF10 4UW

	Balance as at 31 March 2016 £	Income £	Asset Revaluation £	Expenditure £	Balance as at 31 March 2017 £
General Funds					
Llandaff War Memorial Fund	1,440	4	0	(10)	**1,434**
Maindy Park Foundation	78,349	147	0	(10)	**78,486**
Norwegian Church Preservation Trust	(105)	69,161	0	(69,161)	**(105)**
Further Education					
Cardiff Further Education Trust/ Craddock Wells	20,854,910	458,646	3,521,854	(175,456)	**24,659,954**
R Fice Memorial Trust	59,611	7,974	0	(2,168)	**65,417**
The Howardian Trust	29,405	3,160	0	(500)	**32,065**
Total	**21,023,610**	**539,092**	**3,521,854**	**(247,305)**	**24,837,251**

The accounts for the Cardiff Further Education Trust and the Norwegian Church Preservation Trust are required by the Charity Commission to be independently examined. The accounts for the year ended 31 March 2017 have yet to be examined. This is to be undertaken in January 2018 which is within the statutory deadlines set.

Scope of Responsibility

1. The City of Cardiff Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, including arrangements for the management of risk.

2. The Cardiff Harbour Authority (Harbour Authority) is subsumed in the Council and not a separate entity. The Council is the Administering Authority for the Cardiff and Vale of Glamorgan Pension Fund (the Pension Fund) and Cardiff Port Health Authority (CPHA). In January 2017 the Council was also approved by Cabinet as the Accountable Body for the City Capital Region (CCR) City Deal.

3. The governance arrangements detailed in this Annual Governance Statement (AGS) apply equally to the Council's responsibilities to the Harbour Authority, Pension Fund, CPHA and CCR City Deal. Within the Statement of Accounts, the Annual Return of the CPHA includes a corresponding Annual Governance Statement with additional supporting governance information. There are further specific requirements for the Pension Fund which are:

   - The Statement of Investment Principles;
   - Funding Strategy Statement;
   - A full Actuarial Valuation to be carried out every third year.

4. The Council has adopted the 'Delivering Good Governance in Local Government' framework, developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE). This framework was updated following a period of consultation with the financial year 2016/17 representing its first year of application.

5. This statement explains how the Council has complied with the Governance Framework and meets the requirements of the Accounts and Audit (Wales) Regulations 2014.

6. The governance arrangements in the Council's three wholly owned subsidiary companies which traded in 2016/17, namely Cardiff City Transport Services Ltd. (Cardiff Bus), Cardiff Business Technology Centre (CBTC) and Cardiff Business Council Ltd are subject to periodic review. These were not reviewed by the Council in 2016/17.

The purpose of the Governance Framework

7. The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and the means through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. The Council's Constitution represents its code of governance, setting out how decisions are made and the procedures which are followed through rules, codes of practice and protocols.

8. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives but is based on an ongoing process to identify, prioritise and appropriately manage risk.

The Governance Framework

9. The Framework comprises two core principles and five supporting principles. Principles A and B permeate implementation of principles C to G but good governance is dynamic, and the Council as a whole is committed to improving governance on a continuing basis through a process of evaluation and review.

Core Principles

a. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
b. Ensuring openness and comprehensive stakeholder engagement.

Supporting Principles

c. Defining outcomes in terms of sustainable economic, social, and environmental benefits;
d. Determining the interventions necessary to optimise the achievement of the intended outcomes;
e. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
f. Managing risks and performance through robust internal control and strong public financial management;
g. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Assessment Process and Summary

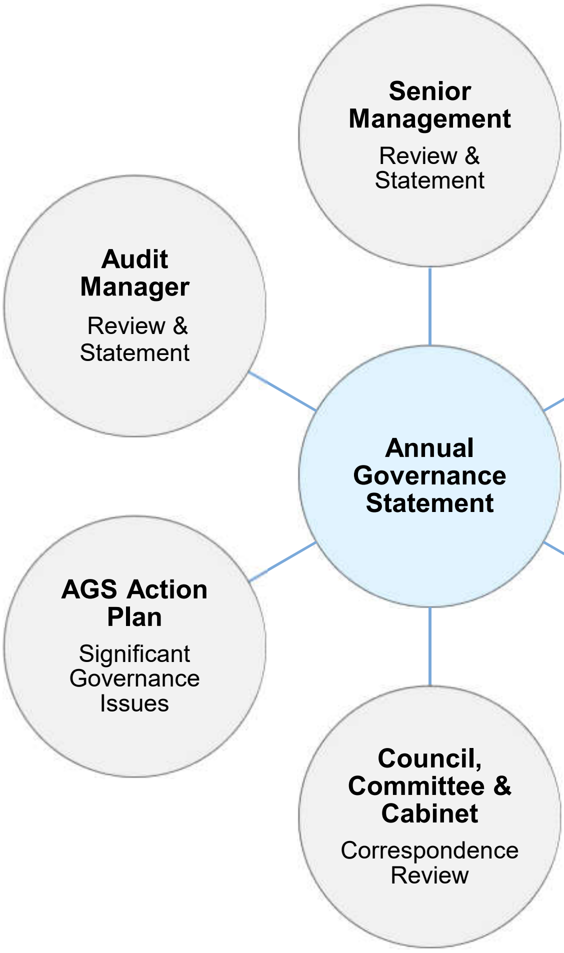
10. The AGS summarises the assessment of governance against the governance framework and comprises three elements:

    1) Statements from Senior Management, the Audit Manager and the Audit Committee;
    2) Supporting information and evidence mapped to the core and supporting good governance principles;
    3) A Senior Management review of the Council's significant governance issues.

11. The three elements above when taken together represent the assessment of governance, through the perspectives of the Senior Management Team (SMT) and the independent opinions of the Internal Audit Manager and Audit Committee based on their respective programmes of work and an assessment of the system of internal control.

12. For further information and detail, supporting information is mapped to the governance framework principles (a-g) within the AGS and followed by an open disclosure from the senior management team (SMT) of the significant governance issues affecting the organisation as summary actions to take forward and address.

13. The diagram below sets out the components of this assessment.



i) Assurance Statements

14. The following statements are made at the year-end, upon consideration of the performance information, governance disclosures and audit and regulatory report findings from assessors both internal and external to the Council.

Senior Management Statement

15. As a Senior Management Team we have self-assessed directorate and corporate governance arrangements in place during 2016/17. The assessment was based on the governance maturity which we could evidence within each Directorate Management Team against a series of assurance statements. Each Director was responsible for completing a robust assessment of governance within their directorate and identifying and reporting significant governance issues. The Senior Management Team reviewed all returns in May 2017, from which the Chief Executive authorised the overall position.

16. We can report an overall assessment of 'strong' application of good governance across the assurance areas. This was based on a self-assessment using a 5-point rating system ranging from 'not in place', 'limited application', 'mixed application', 'strong application' to 'embedded'. The greatest maturity was identified in relation to performance management, upholding internal controls, compliance, the prevention and detection of fraud and monitoring and managing a challenging budget position.

17. The maturity assessment highlighted opportunities to enhance the discipline of partnership governance and long term business decision making for resource savings, for which there was a higher incidence of mixed application and evidence than other areas. The Senior Management

Team recognises the need to prioritise actions for enhancement to enable strong evidence of application across all areas going forward. All Directorates are taking ownership of their assessments and the opportunity to focus on their individual areas for enhancement to governance maturity based on their respective assessments as we move into 2017/18.

18. The Senior Management Team collectively own the Corporate Risk Register and we have reviewed all corporate risks quarterly in 2016/17. We have also refreshed the risk escalation process at the financial year end to ensure we have systematic early identification and awareness of the most significant risks facing the organisation. A proportionate approach is taken to manage risks and allocate resources based on their assessed risk ratings.

19. The Senior Management Team collectively own an action plan of significant governance issues for which there has been steady progress in their management throughout 2016/17. In recognition of the progress made to address recommendations made in the WAO Corporate Assessment Follow On report 2016, this matter has been removed as a significant governance issue from the preceding year. The action plan is included in the annual governance statement 2016/17.

Audit Manager Statement

20 Based on the programme of audit and investigatory work undertaken and contributions to preparing some of the key governance documents e.g. the Corporate Risk Register and Annual Governance Statement, it is considered that the overall framework for control within the Council for 2016/17 remains satisfactory. This opinion is based with an acknowledgment of the increasing pressure on resources in both demand and budgets which is managed by a robust performance culture.

It is becoming increasingly challenging to provide a satisfactory opinion as, whilst the financial control framework remains robust, audits continue to highlight system weaknesses in some areas and / or compliance issues which identify further opportunities to enhance control. The impact on budgets puts pressure on those remaining resources combined with the loss of knowledge and experience as officers leave the Council. This is happening at a time where demands are steady or increasing and change is bringing with it new challenges and risks that need to be managed.

It is noted that there were 31 audits completed where a “Limited assurance” opinion was provided and three where a “No assurance” opinion was provided, which it is felt reflects, to a degree, the pressure on resources across directorates to maintain a sound control environment while struggling to retain efficient and effective services and deliver the change agenda. This requires regular monitoring and reporting with key themes identified and targeted.

In addition to this general pressure on resources, areas of particular concern have been highlighted in quarterly progress reports presented to the Section 151 Officer and Audit Committee, and include:

- The Control Risk Self-Assessment (CRSA) approach has been a major step forward in gathering evidence to support sound governance, risk management and control arrangement and has been well received. Although it is most widely used to support the audit of schools, it is used within the audits of most fundamental financial systems, as well as the audits of the Pension Fund, Insurance Fund and some Social Services systems. Work continues to ensure that the CRSA approach is targeting key risk areas thus retaining an extensive area of coverage but also being mindful of the resources needed to support it and provide the evidential information. The CRSA approach will be undermined if it results in significant resource from either auditors or more importantly the areas being reviewed.

- Work on contracts has continued to identify concerns over contract management skills as new ways of operating are being explored. Audits have highlighted some contract related matters and how these need addressing given the significance of the contract sums.

- In some audits, it was evident that there was a lack of work instructions and process mapping to capture how procedures and systems operate. This was highlighted because of the potential impact with a number of experienced staff leaving, stressing the need for proper documentation to ensure remaining and any new staff consistently follow tried and tested systems which should comply with Council rules and policies.

On a positive note, Internal Audit continues to provide training on internal control as part of the Cardiff Manager Programme; this is seen as a major step forward in raising awareness with senior managers around these key areas of governance and has helped clarify and set out their responsibilities for leading on compliance. The Group Auditor (Investigations) has developed and delivered a training programme for investigating officers (236 officers trained) in line with the Council's revised disciplinary policy, and has also delivered bespoke training for some groups of staff.

Audit Committee Statement

21. Based on the evidence presented to the Audit Committee during 2016/17, it is the considered view of the Committee that the Council does, for the most part, have sound financial controls and governance arrangements in place. Strategic risks representing the true challenges facing the Council are well captured and reviewed on a regular basis. Examples of where the Committee has continuing concerns, which will be incorporated into the Committee's Work Programme for 2017/18, include:

Budget Prioritisation / Control	The Audit Committee recognises the significant sustained financial pressure that the Council is under. Budget monitoring (control) has been reported as a 'red' corporate risk in each Audit Committee meeting in 2016/17 and the Corporate Director Resources has reported the outturn position in each finance update. Audit Committee has raised concern that in some areas there have been significant overspends, with those in the Social Services Directorate being most notable. Audit Committee has explored the sufficiency of the budget for Social Services to meet demand and cost requirements. It is positive that both the Corporate Director Resources and the Director of Social Services have attended Audit Committee and expressed the same sentiments that there has been a need to forecast demand better, but also that there is scope to improve the accountability of delivering the required savings within the Directorate. It is crucial that budgets are prioritised to deliver robust and achievable savings, and assurance has been received from the Corporate Director Resources that greater continued work is ongoing to further enhance the budget setting process and its delivery.
Organisational Development	The Chief Executive has attended Audit Committee to discuss the Corporate Assessment Follow On report which was published by the Wales Audit Office (WAO) in February. Audit Committee recognises the importance of the Organisational Development Programme (ODP) in contributing to the improvements required through its programmes of work. Audit Committee recognises that delivery against the ODP and the Corporate Assessment are being monitored and challenged by other Committees (namely the Policy Review and Performance Scrutiny Committee). However, at a time of continued financial pressure, Audit Committee has a particular interest in the demonstration of the ODP as enabling the delivery of key savings. This need has been supported by the Corporate Assessment Follow On report, which highlighted a need for a clear link between Medium Term Financial Plan savings plans and work streams or projects in the ODP.

	The Chief Executive has provided explanation of a number of mechanisms which have been put in place to improve organisational planning and delivery. In terms of budget setting, the process for 2017/18 was brought forward to improve forward planning and engagement, a refresh of the ODP was made in June 2016, and a new Head of Performance and Partnerships post was created in 2015/16 to strengthen performance management. Audit Committee anticipates the next report from WAO to recognise the effectiveness of these improvements. Internal Audit has undertaken a Control Risk Self Assessment (CRSA) approach to auditing a pilot of ODP projects and an audit of OD Governance. It is positive to note overall satisfactory assurance.
Financial / Internal Control	The continuing reduction in resources, together with a growing population and greater demand for public services, mean that the Council is facing significant challenges in how it delivers services in the future. A key enabler for meeting severe financial pressures is reforming and redesigning services. There is a clear need to ensure strong internal controls are integrated within new or reformed processes and systems. At a time when many decisions have to be finance driven it is essential that internal controls are not neglected or impaired. Audit Committee has continued to invite those senior managers and officers to account for services or functions where financial or internal control weaknesses have been identified. We continue to challenge any impairment in stewardship and control of public funds and assets, seeking prompt and proportionate management actions. Audit Committee has welcomed an external assessment of the Internal Audit Team as required in the Public Sector Internal Audit Standards (PSIAS) which is commencing at the municipal year end 2016/17. Internal audit is a key source of assurance for the Audit Committee on financial and internal control, and external validation of conformance with the PSIAS offers us assurance and enables greater promotion of the value of the Internal Audit services.
Contract and Procurement Matters	'Commissioning capability and capacity' has been carried forward as a significant governance issue from 2015/16. Audit Committee has taken an interest in the progress made to address this issue, through which management propose separating the Commissioning Strategy from the Procurement Strategy to provide clear and distinct guidance for the separate disciplines. Audit Committee is keen that this work is progressed and promptly, given the high value for money implications in a context of significant procurement and contract spend. The Building Maintenance Framework is a high value contract which has been of interest to Audit Committee for a number of years in respect of its cost and the quality and effectiveness of service delivery. Members have raised contract management concerns over the operation of this contract following multiple issues being raised by constituents relating to the standard of work completed on domestic Council properties as part of the framework. Last financial year, Audit Committee was presented with a briefing which summarised the findings of an independent report on the Building Maintenance Framework from Constructing Excellence Wales (CEW). With the knowledge that a new commissioning and procurement process is underway for the next iteration of this framework contract, Audit Committee has taken a keen interest in emphasising that the following issues in the

	existing contract are sufficiently addressed. Audit Committee has emphasised the need: • for better communication of the policies and processes with Elected Members; • for a focussed single Council delivery approach to provide best use of resources and improved monitoring, customer service and satisfaction; • to ensure effective use of Council resources, value for money in parallel to effectiveness and efficiencies of current framework; • to learn from current framework contract arrangements; • for a robust process for complaints; their review; and consideration be given to a quality assurance report for tenants / clients to complete and return (aimed at providing the more vulnerable people with a greater opportunity to comment on work done and quality issues); • for the Building Maintenance Project Board to continue to monitor the implementation of the recommendations arising from the CEW report. At a time when the Council is moving towards new models of service delivery Audit Committee will continue to seek assurances that improvements are being made to contract management on a Council-wide basis. Audit Committee will continue to monitor the findings of Internal Audit reports and the progress of the Building Maintenance Project Board.
Financial Resilience (including Treasury Management)	In a position of austerity the Audit Committee is focussed on ensuring that financial decisions are made which will benefit the organisation over the medium and long term in addition to meeting current service needs. The Audit Committee has received updates on financial resilience as part of the finance updates from the Corporate Director Resources in each meeting in 2016/17. Committee has also received a report from the Wales Audit Office (WAO) of their financial resilience assessment of the Council, which took place between May – October 2015. Whilst the report provided assurance on effective financial resilience, the Audit Committee has maintained its focus on monitoring the use of reserves and links between all directorate delivery plans to the Medium Term Financial Plan to improve planning, integration and control. Sound treasury management is recognised as vital to safeguard and provide best value from the Council's borrowing and investments. Audit Committee has continued to probe the levels and profiles of investments and borrowing throughout the year and has played a key role in reviewing the Treasury Management Strategy and Reports. This will continue to be a key area of focus going into 2017/18.
Schools Governance & Compliance	Audit Committee has continued to raise concerns about governance and compliance matters in schools. Historically, Audit Committee has received a greater proportion of 'Limited Assurance' and 'No Assurance' audit reports in relation to schools, compared to the rest of the Council. This trend has not improved in 2016/17, with Internal Audit opinions of both 'Limited Assurance' and 'No Assurance' issued to Cardiff schools this year. Particular concerns and details have been discussed in Audit Committee meetings, together with relevant management responses. The Committee acknowledges that the Council is not able to set rules for schools to adhere to regarding contracting matters, albeit advice can be offered on good practice. Although practices can only be commended, given

	the size of school budgets and the reputational risks associated with weaknesses in school governance, this area of interest remains a priority of the Audit Committee. The Audit Committee continues to support the production and use of best practice guidance in schools to strengthen financial stewardship and control.

ii) Governance Framework - Supporting Information

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

22. All Members and Officers in the Council are required to comply fully with Codes of Conduct as set out in the Constitution, which sets out the particular roles and responsibilities of Officers and Members and provides clarity on the interfaces between these roles. These include:

- Functions and subsections delegated to officers;
- Members' Code of Conduct;
- Employees' Code of Conduct;
- Protocol on Member / Officer Relations;
- Cardiff Undertaking – signed by all Members upon election and underlines their duties to the City and its citizens.

23. The Monitoring Officer has the specific duty to ensure that the Council, its Officers, and its Elected Councillors, maintain the highest standards of conduct in all they do based on Section 5 of the Local Government and Housing Act 1989, as amended by Schedule 5 paragraph 24 of the Local Government Act 2000. An interim Monitoring officer was in place in the financial year 2016/17 until the appointment of the new Director of Governance and Legal Services and Monitoring Officer in September 2016.

24. The Standards and Ethics Committee has a responsibility to monitor and scrutinise the ethical standards of the Council, its Members, employees and any associated providers of the Council's services, and to report to the Council on any matters of concern. The Committee is chaired by an independent person and its role includes determining the outcome of complaints against Councillors and Co-opted Members and monitoring the Council's whistleblowing procedures. There were 18 complaints raised against Members in 2016/17 of which 5 were from other Members, and 13 were from members of the public. The outcomes / status of each complaint is reported to the Standards and Ethics Committee each quarter.

25. A strong commitment is made to ensuring the Council's Codes of Conduct are upheld. In 2015, complaints about a Councillor's conduct were referred by the Monitoring Officer to the Public Services Ombudsmen for Wales. This resulted in the conclusion in March 2017 through a Case Tribunal by the Adjudication Panel for Wales (APW) that the Member had failed to comply with the Council's Code of Conduct. The Councillor was suspended from acting as a member of the Council for one month.

26. To learn lessons from the experiences of Councillors whilst in office, a Member Exit Survey was completed in February 2017. 61% of respondents reported that they will stand for re-election, with those standing down citing 'retirement', 'work-life balance/time pressures', 'dissatisfaction with role' and 'other' reasons as most related to their decision. Personal experience of bullying and discriminatory behaviours were reported at rates of 37% and 34% respectively. Witnessing bullying and discriminatory behaviours were reported at 68% and 79% respectively between Councillors and at 32% and 21% respectively between Councillors and Officers.

27. To address the matters raised in the Member Exit Survey, a HR counselling service for employees will be made available to all Members from the new intake. The survey findings will be taken into

account in the development of the Member support and induction programme and a new survey of Members will take place December 2017.

28. An Officers' Personal Interests & Secondary Employment Policy requires staff to disclose any personal interest which actually or potentially conflict with their duties to the Council and all secondary employment. The policy sets out how all Council employees are obliged, under the Employees' Code of Conduct, to ensure that their private interests do not conflict with their public duties, and to comply with the Council's rules on the registration and declaration of financial and non-financial interests.

29. For Members, the 'Cardiff Undertaking' sets out expectations of conduct in accordance with the 'Principles of Public Life'. The Corporate Assessment Follow-on, issued by the Wales Audit Office (WAO) in February 2016, recognised these governance arrangements, but concluded that the Standards and Ethics Committee could do more to visibly enforce the principles of the Cardiff Undertaking.

30. To address this recommendation the Standards & Ethics Committee has committed to publishing biannual Member Briefings on the work of the committee, underlining the importance of the Cardiff Undertaking and member conduct and behaviour. The first briefing was authorised for publication to all members in August 2016.

31. The Council's Cabinet approved Corporate Values focus on fairness, openness and working together. The Council supports a culture of behaviour based on these values which guide how the long term vision of the Council is put into effect, as well as how Members and Officers deliver their day to day roles. Corporate and directorate planning and personal performance and development arrangements are aligned to delivering corporate values and priorities.

32. An Employee Survey 2017 has demonstrated an improvement in staff experiences and perceptions across all 10 response statements since last conducted in 2015. The survey which excluded school-based employees, had a response rate of 33.9% and covered matters including information, communication and engagement, learning and development, performance management, health and wellbeing, council values, priorities and the employee charter. For each best practice statement a 'high level' of agreement was the most frequent response, with an average (mean) response of 'medium level' of agreement.

33. The Workforce Strategy and Employee Charter have been in place throughout 2016/17 and are underpinned by the Council's vision and values and aligned to the Corporate Plan and the Organisational Development Programme:

- The Employee Charter sets out the expectations of employees, managers and senior managers and has formed part of the objective setting process for personal performance and development reviews. It aims to address the issues raised by the Wales Audit Office in September 2014 as part of the Corporate Assessment and the earlier Welsh Local Government Association (WLGA) Peer Review.

- The Workforce Strategy seeks to deliver outcomes for and with employees, within a culture that supports a flexible, skilled, engaged and diverse workforce.

34. The Council takes fraud, corruption and maladministration very seriously supported by the following policies to prevent, and manage such occurrences:

- Financial Procedure Rules;
- Contract Standing Order and Procurement Rules;
- Whistleblowing Policy;
- Fraud, Bribery & Corruption Policy;
- Money Laundering Policy and Procedure;
- ICT Security Policy;

- Data Protection Policy & Procedure;
- HR policies regarding investigation and discipline of staff.

35. Induction training is undertaken by all staff to ensure awareness and understanding on a range of policies, procedures and regulations including those relating to Financial Control, Data Protection, Health & Safety, Equalities and IT Security. Induction training also ensures that all staff are aware of the corporate values and how they should be applied.

36. The Council has a Whistleblowing Policy in place through which staff and contractors are encouraged to speak out on misconduct or illegal behaviour within the organisation, which affects the public or other people (making a disclosure in the public interest). Supported by this policy there have been 3 whistleblowing cases reported to the Monitoring Officer in 2016/17.

37. The Corporate Director Resources is the Council's Section 151 Officer with overall responsibility for the financial administration of the Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

B. Ensuring openness and comprehensive stakeholder engagement.

38. Through its Corporate Values, the Council outlines a commitment to being "open and honest about the difficult choices we face, and allowing people to have their say on what's important to them and their communities." Consultation, engagement and joint working with citizens are central to delivering this value and are outlined as follows.

39. To support openness, the Council is focusing on publishing increasing amounts of data through the development of an Open Data Strategy as part of the Council's Publication Scheme. It has adopted the UK government's approach to publishing data to a minimum of 3 stars out of a 5 star scale. This means data should be easily accessible and available to re-use as required (subject to terms outlined in the Open Government Licence). In 2016/17 a project group has focussed on achieving this standard.

40. There is open debate and challenge on performance and risk management with quarterly reporting and review in Senior Management Team (SMT) and further challenge and oversight in Cabinet, Scrutiny and Audit Committee meetings. A Risk Management Steering Group is in place to develop and review risk management policy and accountability frameworks and to support SMT in identifying new and emerging corporate risks. A 'Star Chamber' is used by the Chief Executive, Directors and Cabinet Members to agree actions arising from an open debate of performance and service delivery challenges.

41. Meetings of the Council, Cabinet and Committees are generally open to the public to attend except where confidential or exempt information is being discussed, as defined by the law. Full Council meetings include a facility for public questions, and the Council's Scrutiny Committees invite stakeholder contributions to their scrutiny programme, both through research and consultation exercises and through direct access to address Committees. Throughout 2016/17 the Council has webcast Council and Planning Committee meetings to enable wider public accessibility. Papers and reports are also available on the Council's website via 'Modern.gov.'

42. The public and other stakeholders are given the opportunity to tell the Council what they think about the services provided through the Council's Comments, Complaints and Compliments Policy. It reflects guidance given in the Welsh Government Model Policy and Guidance Paper for Handling Complaints, as well as guidance received from the Public Service Ombudsman for Wales and places a greater emphasis on a prompt resolution of complaints. Cabinet is informed annually of the number of complaints received.

43. Citizens, communities and partners have been engaged in a three year conversation 'The Cardiff Debate' about the future of public services in Cardiff. Consultation on the 2016/17 budget involved

3,348 people completing a 'Changes for Cardiff' questionnaire and public views were also given via petitions, social media, attendance at 'drop-in' public engagement events, and through correspondence. The consultation ran for more than four weeks and included twenty community engagement events, a youth council event, an online questionnaire, a video, social media promotion and hard copy questionnaires distributed across the city.

44. Regular meetings are held with Institutional stakeholders to whom the Council is accountable, which include the Welsh Government and the Council's External Auditors (Wales Audit Office). Efforts have also been made to foster open and effective relationships between the County Council and the six Community Councils in Cardiff through a Community Councils Charter ("the Charter"). It reflects the model Charter issued by the Welsh Government in the Local Government (Wales) Measure 2011 and is based on equality of partnership between the two tiers of local government.

45. The Council participates in a single integrated partnership strategy 'What Matters' 2010-2020' which was introduced to deliver a vision of 7 shared citizen outcomes, and bring together the Community Strategy; the Children & Young People's Plan; the Health, Social Care & Wellbeing Strategy and the Community Safety Strategic Assessment. A Public Service Board was in place throughout 2016/17 and replaced a former Local Service Board to deliver the 'What Matters' outcomes and also to meet the requirements of the Wellbeing of Future Generations Act 2015. Delivery against the What Matters outcomes is subject to an annual review.

46. The Wellbeing of Future Generations Act 2015 requires decision making to encompass 7 wellbeing goals and 5 ways of working to ensure improvements to the economic, social, environmental and cultural well-being of the Local Authority area. Statutory membership includes the Local Authority, Health Board, Fire and Rescue Service and Natural Resources Wales. To help embed the wellbeing goals in the decision making process a Liveable City Policy Forum helped to develop a Liveable City Integration Tool to be piloted in assessing the impact of draft policy decisions in the next financial year.

47. Neighbourhood Partnership teams made up of multi-agency staff, collaborate and work together to redefine conventional working and bring more decision-making and resources closer to communities. This approach has shaped the work of some delivery programmes such as Families First, Communities First, Flying Start and Youth Engagement Panels to target Council resources effectively, reduce duplication and identify gaps in services. Cardiff's Community Hubs offer locality based partnership working and Neighbourhood delivery has been a consideration in alternative delivery models (ADMs).

48. The Council regularly engages in consultation with the Trade Unions and a 'Partnership for Change Agreement' was signed off in February 2015. This agreement, lays the groundwork to address the difficult challenges ahead around how, irrespective of any service delivery models agreed, the Council will jointly address the continuing budget savings required whilst reducing operating costs, improving performance and improving customer satisfaction. A Joint Partnership Board supports the reform agenda.

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

49. The Cabinet has established a vision for Cardiff to be "Europe's most liveable capital city" through achieving seven outcomes, as jointly agreed by public service and third sector partners. A 'Liveable City Report' is published annually and captures performance against a range of indicators associated with each of the following outcomes.

- People in Cardiff are safe & feel safe
- Cardiff has a thriving & prosperous economy
- People in Cardiff achieve their full potential
- Cardiff is a great place to live, work & play
- People in Cardiff have a clean, attractive & sustainable environment
- People in Cardiff are healthy

- Cardiff is a fair, just & inclusive society

50. The Corporate Plan sets out the organisation's priorities and clear improvement objectives to be delivered with the support of Lead Members. It was approved by Council in February 2016 for the period 2016 – 2018, informed by the consultation on budget proposals for 2016/17. It sets the strategic direction and provides a framework for Directorate Delivery Plans and performance management objectives. Corporate Plan priorities have been maintained from last year as below:

- Better education and skills for all;
- Supporting vulnerable people;
- Creating more jobs and better paid jobs;
- Working together to transform services.

51. The delivery of the Corporate Plan is monitored through the Council's Performance Management Framework, which includes:

- Performance Challenge sessions of the Council's Senior Management Team;
- Joint Cabinet and Senior Management Team Performance Challenge meetings;
- A Challenge Forum involving Members, Senior Officers and external peer support to challenge the Council's progress against its improvement journey and the delivery of the Corporate Plan

52. The Council has committed to the Sustainable Development Charter and making decisions that produce the best long term outcomes for Cardiff and the future of Wales. A Cardiff Capital Region (CCR) City Deal aims to enhance development, infrastructure, land use, economic development and employment. Its proposals are supported by a £1.2bn fund with a target of creating 25,000 jobs by 2036, leveraging £4bn of private sector investment and securing economic growth. The CCR City Deal involves the UK Government, Welsh Government and ten Council's working together, through joint enterprise. In January 2017, an independent report of how best to support the ambitions of the CCR from the CCR Growth and Competitiveness Commission was endorsed by the 10 Council Leaders. Work has begun to include the report's recommendations as areas of work within the CCR City Deal Implementation Plan.

53. In the context of increasing demand for Council Services and ongoing reductions in budgets, a rolling three year Organisational Development Programme has continued to:

- Review the shape and scope of the organisation and the way in which services are currently delivered to meet demand;
- Enhance citizen engagement and widen opportunities for people and communities to shape services around their needs;
- Identify delivery models that may be established to meet demand pressures and reflect budgetary realities;
- Strengthen performance management, workforce development and staff engagement arrangements;
- Identify opportunities for further efficiency savings through better internal and external collaboration, integration of service delivery and better use of assets and infrastructures.

54. The Final Local Government Settlement for 2016/17 was received in February 2016 which was later than the usual date of December. Not having a firm figure of Aggregate External Finance (AEF) for the 2016/17 financial year caused some uncertainty, but was managed through regular consultation with the Welsh Government and prudence in the budget setting process. Cardiff experienced a 0.1% reduction in AEF which in cash terms equated to a £301,000 loss of general funding compared to 2015/16.

55. The Council's Budget for 2016/17 included a budget reduction requirement of £33 million for 2016/17, building on £113 million in the previous three years with a further £73 million requirement anticipated over the next three. A deliverable Budget Strategy has been a key document for meeting

the radical changes which must continue to be made to the shape of the organisation in order for it to remain operational and resilient.

56. Consultation on the Council's 2016/17 budget proposals "Changes for Cardiff" ran from 11 December 2015 – 12 January 2016. As outlined under principle *B. Ensuring openness and comprehensive engagement* of this AGS, a number of mechanisms were used to ensure the consultation was as accessible as possible.

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

57. To ensure decision makers are well informed, all decisions taken by Members are supported by written reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Such reports address the key risks involved in particular decisions and alternative courses of action which are available. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.

58. The Well-being of Future Generations Act commenced from April 2016 to improve the economic, social and environmental well–being of Wales in accordance with the detailed sustainable development principles and well-being goals that are prescribed by the Act. The Council participated in an early adopter's process in 2015/16 to facilitate understanding and preparation for the requirement of the Act. A Liveable City Policy Forum and a Performance & Governance Programme have further developed processes and performance management arrangements throughout 2016/17 to enable delivery of the Act to embed in organisational processes and decision making.

59. Consultation on draft decisions resulting from budget proposals is robust and the impact on citizens and service users is an important consideration. The Cardiff Debate and 'Changes for Cardiff' communications with citizens have been an important means of identifying and designing services to meet the needs and expectations of service users and citizens in Cardiff in the context of budgetary constraints.

60. To ensure staff are consulted and involved in decision making, various channels of communication are used including Corporate Roadshows, the Chief Executive's Update, joint updates from the Leader and Chief Executive, Core Brief, 'Our News' newsletter and 'Your Inbox' circulars. A Council Ambassador Network has employees at all levels from across the Council helping to take forward the four corporate commitments from the Employee Survey namely: Health and Wellbeing; Performance Management; Learning and Development; and Employee Voice.

61. To ensure robust project based decision making, the Council has developed a Business Case template using the Office of Government Commerce (OGC) "Five Case Model", as recommended by HM Treasury for use by Public Sector bodies. Additionally, to assist with the evaluation of alternative delivery models being considered by the Council as part of its Organisational Development Programme, a Corporate Alternative Delivery Model (ADM) Evaluation Methodology was developed by the Commissioning and Procurement Service in 2015/16. It has been made available for use throughout the financial year 2016/17 and was used robustly on an Infrastructure Services ADM project.

62. The Council has a performance management framework to facilitate and measure the delivery of priorities at City, Council, Directorate and officer levels. The framework includes statutory National Strategic Indicators together with local indicators to support a wide understanding of performance. The annual performance against these indicators is submitted to the Welsh Government to be audited as part of the revised Wales Programme for Improvement as the result of the Local Government (Wales) Measure. This framework ensures that there is alignment between Performance against the Council's targets and objectives are reported publicly on a quarterly and annual basis.

63. The Budget Strategy report for 2016/17 acknowledged the requirement for an updated approach to identifying budget targets given the extent of the financial challenge in the medium term. The budget

strategy used a Reshaping the Base Budget approach to establish linkages between the Reshaping Service Programme and the Council's target operating model. It looked to initially identify the shape of services and then to understand the link to strategic priorities. Savings were then identified against the four drivers of:

- Policy led savings
- Business Process efficiency led savings
- Discrete Directorate led savings
- Income/commercialisation savings

64. To provide greater confidence in the delivery of savings, once the 2016/17 directorate proposals were submitted, they were subject to progressive challenge to ensure clearer ownership, accuracy, feasibility, achievability and risk management.

65. The Wales Audit Office (WAO) conducted a review into the financial resilience in Cardiff Council in March 2016, to assess whether the council effectively manages budget reductions in order to ensure ongoing financial resilience. The conclusion was that

    'The Council has improved its arrangements for financial planning and has sound financial control and governance arrangements but now needs to develop robust plans to support the timely delivery of its savings proposals'.

66. The Council's financial control and governance arrangements were assessed as low risk, and financial planning as medium risk. This was consistent with the findings of the WAO follow on report published on 26 February 2016 which recognised that the Council has improved its Medium Term Financial Plan / Programme (MTFP) arrangements and had raised the profile of financial resilience but through which four specific recommendations were made to further strengthen financial planning processes.

67. The Council's risk management guidance emphasises the requirement to incorporate risk management into all levels of business, including the management of shared risks through programme, project and partnership arrangements.

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

68. The Council has put in place a commitment to effective leadership, recognised in the WAO Corporate Assessment Follow On 2016, which concluded that:

    'The Council has put in place better arrangements to support improvements and to address longstanding issues, but is now at a critical point in embedding them if it is to achieve a step change in delivering improved outcomes'.

69. WAO recognised a more engaged culture, with good Member and officer commitment to attending and engaging in full Council meetings. They reported a need to improve more variable Member engagement observed in Scrutiny Committee meetings, the Leader's meetings with opposition leaders, the Challenge Forum, Member Training and Member Briefing sessions. The requirement to clarify some roles and responsibilities within the Council's decision making framework was also reported.

70. The Council has developed a Statement of Action to respond to the Follow On Corporate Assessment and a Performance and Governance Programme to further develop and embed performance management arrangements.

71. The Council's has published an Annual Statutory Improvement Report, which provides a retrospective summary evaluation of performance for 2015-16 as required by the Local Government (Wales) Measure 2009. In assessing progress against Improvement Objectives, a number of

sources of information were used including reviews of inspection reports, surveys, feedback, case studies and performance measures. A WAO Annual Improvement Report of May 2016 anticipated Council compliance with the requirements of the Local Government (Wales) Measure 2009 providing arrangements to support improved outcomes and embed the pace of improvement are maintained.

72. Strategic business change is delivered through the Organisational Development Programme (ODP) via two portfolios of work; i) Enabling and Commissioning Services (Led by the Corporate Director Resources) and ii) Reshaping Services (Led by the Director of Communities, Housing and Customer Services). The ODP utilises a best practice governance approach (Project Quality Assurance (PQA)) to provide effective planning, monitoring and delivery. Oversight is achieved via portfolio Programme Boards, an Investment Review Board and the Senior Management Team (SMT).

73. Decision making responsibilities and authority are clearly set out in the Council's Constitution. It documents the roles and relationships for decision making, between the Full Council, the Cabinet, Scrutiny and other Non-Executive Committees. It also details decisions delegated to senior officers through the different management tiers.

74. The Chief Executive (Head of Paid Service) is the most senior member of the Council's staff and has responsibility for overall management supported by seven Directors (Tier 1) and a number of Assistant Director / Chief Officer (Tier 2) posts. The structure in place throughout 2016/17 was supported by HayGroup benchmarking analysis in 2015 which aligned the management structure of Cardiff Council to other Core City Councils and a selection of other Unitary/City Councils of a similar size.

75. The Cabinet is the part of the Council which is responsible for most major decisions. The Cabinet is made up of the Leader elected by the Council, and up to nine other councillors whom he/she nominates for approval by the Council. The Cabinet has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide.

76. The Council aims to ensure that Members and Officers have the skills, knowledge and capacity to discharge their responsibilities effectively and recognises the importance of well trained, competent people. All new staff and Members attend an induction programme to introduce them to the Council and its values, objectives, policies and procedures.

77. A Member Development Strategy aims to provide Members with access to a range of development opportunities to assist them in delivering their roles as Community Leaders and Council representatives. A Member Development Programme is informed by the WLGA Continuing Professional Development for Councillors Competency Framework which sets out the range of skills and knowledge required by Members. The existing programme has been in a process of review by a Member Development Steering Group during 2016/17 as part of a Member Support and Induction Project.

78. Performance is primarily evaluated through the Council's Personal Performance and Development Review (PPDR) process, which provides a framework for employees and managers to discuss work performance and behaviour as well as to identify learning and development needs. It enables employees to be clear about their roles, responsibilities and the behaviours expected of them whilst giving a clear understanding of how their job and efforts contribute to the Council's objectives. Member Personal Development Reviews are also in place to help them update their knowledge and learn new skills, where required, to be more effective in supporting their communities. The Cardiff Council Academy supports the PPDR through the provision of a number of learning and development programmes and courses.

79. An in-house Cardiff Manager Programme represents a commitment to increasing the learning and development of staff with line management responsibilities. The programme is well embedded, having trained more than 400 staff in key management and finance skills since it commenced in 2014. Approximately 220 managers have completed an ILM level 3 qualification following participating in the programme.

80. The Council's Workforce Strategy has employee health and wellbeing as a priority. The Council has signed the 'Time to Change Wales' Organisational Pledge and achieved the Corporate Health Standard – Bronze Award. An Employee Health and Wellbeing Strategy 2016-19 was approved by Cabinet in June 2016 and provides a broad framework to address barriers to wellbeing and identify ways to improve employee wellbeing. This strategy has commenced the delivery of planned wellbeing initiatives, employee support mechanisms and joint working with employees, Trade Unions and other groups and networks. A number of measures of success include staff turnover, sickness and resolution policy data, and employee survey feedback completed in quarter four 2016/17.

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

81. Risk management is an integral part of strategic decision making, forming a key element of business planning, budget proposals, budget strategy, programme and project considerations. A Corporate Risk Register (CRR) is maintained and reviewed by SMT each quarter to ensure it includes key risks to the corporate vision, objectives and priorities. A Corporate Risk Map has also been used throughout 2016/17 to provide a transparent representation of the status of corporate risks and to support a proportionate management response.

82. The risk management process is led by the Information Governance and Risk Management Team, and supported by a nominated Member Risk Champion, Senior Officer Risk Champion and a network of Directorate Risk Champions. This process is designed to ensure clear ownership of risks which are identified, reviewed and escalated systematically each financial quarter.

83. The risk maturity of the Council has been self-assessed in 2016/17 and benchmarked through the CIPFA network. The reviews identified that the Council has a number of the characteristics of a 'risk-defined' risk maturity level. Work has now commenced to achieve those remaining characteristics in 2017/18.

84. Service delivery is monitored through risk registers and performance information and reports. The Cardiff's Statutory Improvement Report provides an annual summary of performance against Welsh Government indicators and corporate priorities and commitments. Projects and Programmes are monitored using PQA criteria, including use of milestones, risk and issue registers and lessons learned methodologies.

85. Decisions are made based on reports from officers which include assessments of the legal, HR and financial implications arising from the decision. Reports also take into account the impact of economic, social and environmental wellbeing factors through the Council's Impact Screening Tool.

86. The Council's five standing Scrutiny Committees are designed to support the cabinet in providing accessible, efficient and effective services for citizens. They meet on a monthly basis to undertake pre-decision scrutiny, policy monitoring and review and launch in-depth inquiries to help the Cabinet develop and review policies and services. The majority of recommendations raised to Cabinet following Scrutiny Inquiries are fully accepted. The Council also has collaborative scrutiny arrangements with its partners. Examples include the Prosiect Gwyrdd Joint Committee, the Shared Regulatory Services Joint Committee and the Glamorgan Archives Joint Committee.

87. The Audit Committee provides assurance to the Council on the effectiveness of its governance, risk management, and internal control arrangements through a wide ranging programme of work. The Audit Committee through its work programme has standard agenda items at each meeting which include; budgetary and financial information, treasury management, risk and governance, internal audit, external audit and operational matters. The Audit Manager reports functionally to the Audit Committee and the Council's Section 151 Officer is their principal advisor.

88. As part of its quality assurance and improvement programme the Internal Audit Section has to measure conformance with the Public Sector Internal Audit Standards (PSIAS) which came into

force in April 2013. The PSIAS is a central measure of the effectiveness of the internal audit function against the mandatory elements of the International Professional Practices Framework. An essential measure of conformance is a mandatory external assessment at least every five years. Following internal preparation, an external assessment will commence in quarter one 2017/18.

89. Members and senior managers are provided with quarterly performance information on a balanced scorecard basis, with performance measured against performance indicators which are aligned to corporate plan priorities. The standard corporate risk scoring approach is used to measure performance and enable consistency of understanding. The financial element of the balanced scorecard quantifies variances between the budget and actual position for each directorate in respect of the overall budget position, savings delivery and staff costs.

90. The Council has robust arrangements for internal control. The risk management policy, strategy and methodology enables consistency in risk assessments across the Council, supported by a portfolio of policies and procedures to ensure effective stewardship of public monies, address maladministration, corruption and fraud, as summarised under Principal B *Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.*

91. Effective arrangements are in place to safeguard personal data. The Corporate Director Resources is the Council's Senior Information Risk Owner, supported by a dedicated team who manage the overall Council approach to information management. An Information Governance Strategy contains a suite of information governance policies, procedures and guidance information to support compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, Privacy and Electronic Communication Regulations and Protection of Freedoms Act.

92. An Information Governance Training Strategy sits alongside the Information Governance Strategy to enable clear understanding of corporate and individual responsibilities. A risk assessment determines the extent of staff training, information and support required to provide the Council and the Information Commissioner's Office with the required assurance. Members are registered with the Information Commissioner's Office as individual Data Controllers.

93. As outlined in the section on *Principle D. 'Determining the interventions necessary to optimise the achievement of the intended outcomes'* significant attention has been given to financial management to support both long term and operational performance, through medium term financial planning and robust financial resilience mechanisms. This is integrated into all levels of planning and control, and is tracked both through performance monitoring of outcomes and through the corporate risk management mechanisms.

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

94. The Council aims for all reports for the public and other stakeholders to be written in a fair, balanced and understandable way. This is to achieve a balance between providing full and complete information to demonstrate clear transparency without being onerous or overly complex.

95. The Council also aims for information to be easy for the Council and the public to find and use. It has adopted the Information Commissioner's model publication scheme, which sets out the classes of information that should be routinely available.

96. The Council's Annual Statutory Improvement Report evaluates performance, summarising the findings of a number of reports on performance, including corporate measures and evaluations of delivery against the What Matters, equality, sustainability and scrutiny measures.

97. The AGS is an assessment of the governance of the Council applied to the 'Delivering Good Governance in Local Government' CIPFA / SOLACE framework, as outlined in the *Assessment Process and Summary*.

98. To demonstrate accountability, Senior Management Assurance Statements (SMAS) are completed by each Director to self-assess performance against a set of governance, risks management and internal control statements. The overall position was reviewed and authorised by the Chief Executive in May 2017, at which point the overall Senior Management Statement included within section 4) *Assessment Process and Summary*, was approved by SMT. Collectively, SMT hold an Action Plan of significant governance issues, representing an open disclosure of the most prominent issues of governance which require attention following the SMAS review. The AGS Action Plan is included in the following section.

99. The SMAS and AGS Action plan of significant governance issues are reviewed biannually by SMT, Audit Committee and the Information Governance and Risk Team. The aim is to achieve openness and transparency in Council affairs and identification, communication and management of matters which require corporate attention.

100. Annual Council meet in May of each year to establish Committees: their size, terms of reference and allocation of seats. The Council's Constitution sets out the terms of reference for each of its Committees and the decisions that can be taken by each of those Committees, and is reviewed regularly by the Constitution Committee. A number of Committees have been appointed by Council to discharge regulatory and scrutiny services and they deliver annual reports on their performance and findings.

101. Prior to services being delivered through third parties or via joint working arrangements, the Legal Services Team assist directorates to ensure responsibilities and accountabilities for governance and risk management are adequately documented. The risk management policy strategy and methodology requires clear risk management arrangements in whichever model of service delivery is used.

102. Performance information is published against statutory NSI and PAM datasets, as set by the Welsh Government. Where these indicators and measures are relevant to the progress made against the Council's Improvement Objectives and Outcome Agreement they are included in Council's Improvement Report. This report includes ranking information to clearly and transparently show performance relative to each other Local Authorities in Wales.

103. The Council has taken steps to ensure that recommendations for corrective action made by external audit are acted upon, such as the development of a statement of action for the Corporate Assessment Follow-on published in February 2016, and targeted governance projects to deliver the required improvements. Opportunities to learn from wider studies from the WAO are taken through the use of a tracker system to identify and summarise a range of their publications for the information and consideration of the Audit Committee.

104. The Council has an effective Internal Audit Service, as supported by performance information and reporting. The Internal Audit Charter enables direct access to all officers, managers and members and requires functional reporting to the Audit Committee. Governance assessments form an element of the majority of audit engagements and the overall review of governance, risk management and control has informed the annual assurance statement from the Audit Manager. An audit recommendation follow-up process is in place to provide assurance to Audit Committee that recommendations are acted upon.

105. Peer challenges, reviews and inspections from regulatory bodies are welcomed by Cardiff Council as a means to provide assurance over service delivery or identify opportunities for improvement.

iii) AGS Action Plan – Significant Governance Issues

106. An Action Plan of Significant Governance issues is owned by the Senior Management Team, and formally reviewed and updated on a bi-annual basis. At the 2016/17 year-end, each member of the Senior Management Team contributed to an updated position against four existing significant governance issues and put forward suggestions of new significant issues.

107. Of the four significant governance issues carried forward from 2015/16:

- The Senior Management Team agreed in May 2017 that implementation of the actions from the 'WAO Corporate Assessment Follow On Report' are sufficiently underway to enable this matter to be removed as a significant governance issue.
- One existing governance issue has been reframed and renamed 'relevance costs and decision making'. The issue formerly focused on the 'transparency of internal market prices', but now reflects a wider issue of cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.
- The remaining two significant governance issues carried forward were approved to remain unchanged on the action plan at the 2016/17 year-end ('Capacity and Decision Making' and 'Commissioning Capability and Capacity').

108. Fourteen suggested new issues were also discussed at the Senior Management meeting on 30th May 2017. At this meeting, having considered each and the extent of 'mixed application' in the self-assessments, it was decided that two new issues would be added to the action plan of significant governance issues as follows:

- 'Partnership / Collaborative Governance' - based on fully determining and defining the level of governance, assurance and reporting required to ensure a consistent and proportionate approach is applied.
- 'Robust and Sustainable Savings' - based on ensuring robust business cases consistently underpin achievable savings proposals to deliver sustainable services.

109. The majority of the other issues presented were considered to be either subsets of existing governance issues from the existing action plan, or having a link to a corporate risk, through which they already being managed and reported.

110. The issues in the action plan will continue to be managed and formally reviewed on a bi-annual basis in 2017/18. As a result of the review, the five issues to carry forward at the year-end position have been updated and are shown in the table below.

Significant Issue	Year End Position 2016/17	Responsible Officer(s)
1. Capacity and Decision Making The Council is facing unprecedented financial pressures where significant savings have had to be realised, consequently Directorates have seen a reduction in staff resources which increases the pressure on staff to have the capacity to provide professional and sound advice.	There is a continued need for horizon scanning so new pressures and different work demands are anticipated before they are required. This relies on good communication between customer service areas and central support functions. There is a responsibility of the corporate functions to ensure that the recommendations, policies and sanctions are proportionate in order to ensure that the integrity of the Council is not called into question. There needs to be clear communication as to why processes need to be followed and the risks in respect of processes not being followed. Where intense resources are required then Council needs assurance that these controls are set at an appropriate level.	**Senior Management Team**
2. Commissioning Capability and Capacity In the new Organisational Framework it is critical that we challenge current service provision and priorities. The success of a number of programmes depends on having this capability and capacity in place e.g. Health & Social Care transformation.	Retaining and further developing the commissioning capability and capacity remains a priority in the context of significant spend on commissioned services. Supply risks require ongoing monitoring and management, such as the risk that the marketplace may not be able to meet the social care and support needs of the population. Work is ongoing to embed Strategic Commissioning across the Council to ensure that reducing resources are clearly targeted to deliver identified and prioritised outcomes.	**Senior Management Team**
3. **Relevant Costs and Decision Making** Internal function activities and performance needs to be accounted for more transparently within the corporate whole. This includes ensuring greater cost awareness in business decisions, such as projects with greater accountability and transparency of charges and costs.	Work continues to be undertaken so that awareness of costs is raised across all areas of Council. Finance staff are connected to most projects and empowered to challenge whether or not all relevant costs are taken into account of a business decision.	**Senior Management Team**

4. Partnership / Collaborative Governance The level of governance, assurance and reporting required for the Council's partnership and collaborative activities needs to be more fully determined and defined to ensure a consistent and proportionate approach is applied.	**New Governance Issue** – added at year end.	**Senior Management Team**
5. Robust and Sustainable Savings There is a need to ensure robust business cases consistently underpin achievable savings proposals. In ensuring decisions encompass future generation needs there is also a need to ensure there is documented consideration of the sustainability of services and the mitigation of risks (e.g. assets, technology, HR and service delivery).	**New Governance Issue** – added at year end.	**Senior Management Team**
Removed Significant Governance Issue in 2016/17		
WAO Corporate Assessment Follow On Report The WAO Corporate Assessment Follow On report was received formally by Cabinet on 10 March 2016. The report made one formal recommendation and 14 'proposals for improvement' relating to various corporate matters including governance issues. <u>Action at year end position 2016/17</u> Remove as Significant Governance Issue	**Action at year end position 2016/17** The Statement of Action in response to the WAO recommendations was agreed by Cabinet on 21 March 2016. During 2016/17, progress has been monitored and subject to periodical reviews from WAO. Those interim reviews have been positive and acknowledged progress in all areas reviewed. **Issue moved to business as usual for 2017/18.**	**Senior Management Team**

Significant Issues - The Cardiff and Vale of Glamorgan Pension Fund

111. During 2016/17, the Council established a Pensions Committee to give strategic oversight of the Pension Fund. Operational management of the Fund including administration and monitoring of investments remains the responsibility of the Corporate Director Resources under the Council's Scheme of Delegations.

112. The Council has also approved the establishment of a Joint Governance Committee (JGC) for the Wales Investment Pool. The JGC will be formally established in 2017/18 and will comprise one elected member from each of the eight LGPS administering authorities in Wales. The JGC will

oversee the establishment and operation of the Pool and will be supported by an Officer Working Group.

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

Significant Issue	Year End Position 2016/17	Responsible Officer(s)
Welsh Local Government Pension Funds Working Together – Wales Investment Pool. The eight Welsh LGPS Funds submitted their detailed pooling proposals to the DCLG in July 2016 and approval was received from the minister in November. The DCLG requires pools to be operational by April 2018. The operator of the Pool's Collective Investment Vehicle will be appointed during 2017.	The Cardiff and Vale of Glamorgan Pension Fund to continue to participate in the establishment of the Wales Investment Pool through the Joint Governance Committee and the Officer Working Group. Developments are regularly reported to the Pensions Committee, the Investment Advisory Panel and the Local Pension Board.	**Corporate Director Resources**

Significant Issues - Cardiff Port Health Authority (CPHA)

114. Shared Regulatory Services acts as a Port Health Authority through a partnership between Cardiff Council, Bridgend Council and the Vale of Glamorgan Council. The partnership is governed by a Joint Committee, which is equally represented by Cabinet Members and Public Protection Committee Chairs from each Council. There were no significant governance issues reported in 2016/17.

115. Within Cardiff Council, governance issues are discussed and reported though an officer group to the Senior Management Team where required. There were no significant governance issues reported in 2016/17 through this mechanism.

Certification by the Leader of the Council and the Chief Executive

116. I certify the Annual Governance Statement 2016/17.

117. Actions will be taken to address the significant governance issues and matters identified as part of the Senior Management Assurance Statement assessment process.

Paul Orders, Chief Executive
Date: 28 September 2017

Councillor Huw Thomas, Leader of the City of Cardiff Council
Date: 28 September 2017

Knowledge of basic accountancy terminology is assumed. However, there are certain specialist terms related to local government finance, which are described below:

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Actuarial Gains and Losses
For a defined benefit pensions scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation, or the actuarial assumptions have changed.

Agency Services
The provision of services or functions, which are the responsibility of one Authority or public body, by another. The policy and financial resources are set by the principal Authority and implemented by the agent Authority.

Assets Held for Sale
Assets meeting all the criteria of:- immediately available for sale, where the sale is highly probable, actively marketed and expected to be sold within 12 months.

Asset Under Construction
An asset that is not yet complete.

Borrowing
Loans taken out taken out by the Council to pay for capital expenditure or for the prudent management of the Council's financial affairs.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure
Capital expenditure pays for improvements to existing and new assets used in the delivery of Council services as well as other items determined by Regulation. Capital resources are scarce, costly and also have long term revenue implications over many years and even generations where capital expenditure is funded by borrowing. Hence the requirement of the Prudential Code to ensure what is charged as Capital Expenditure is Prudent, Sustainable and Affordable.

The statutory definition of capital expenditure is given in the Local Government Act 2003, the Local Authorities (Capital Finance) Regulations 2003 and 2004 amended. Statute relies on the accounting measurement of cost in IAS 16 to determine whether expenditure is eligible to be capitalised or whether it should be treated as revenue expenditure. Key to what is eligible as capital spend are the following words in IAS 16 - 'Costs directly attributable to bringing the specific asset into working condition for its intended use'.

Capital Financing Requirement
A Council's underlying need to borrow for a capital purpose. It measures capital expenditure incurred but not yet financed by the receipt of grants, contributions and charges to the revenue account via a prudent minimum revenue provision.

Capital Receipts
Income from the sale of capital assets that can be used to fund new capital expenditure schemes, or reduce the underlying need to borrow. Capital receipts cannot be used to fund revenue expenditure, unless they relate to the costs of securing disposal or where a ministerial permission allows.

Carrying Amount
The Balance Sheet value recorded of either an asset or a liability.

Cash and Cash Equivalents
Sums of money available for immediate use and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Chartered Institute of Public Finance & Accountancy (CIPFA)
CIPFA is the leading professional accountancy body which determines accounting standards and reporting standards to be followed by Local Government.

Civil Parking Enforcement
A responsibility granted by Welsh Government designating Cardiff as a “Civil Enforcement Area”. This gives the Council direct control over the deployment of enforcement staff across the highway network, allowing enforcement to be targeted more effectively to local needs and transportation strategies.

Community Assets
These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingent Liabilities or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council’s accounts.

Council Dwellings
Flats and Houses owned by the Council as part of its Housing Revenue Account and provided at an affordable level of rent which is lower than market rent.

Council Fund Balance
The Council Fund Balance represents the cumulative retained surpluses on the Council’s revenue budget. It provides a working balance which can be used to cushion the Council against unexpected events or emergencies. It is reviewed annually to ensure it remains at an appropriate level.

Credit Criteria
The parameters used as a starting point in considering with whom the Council may place investments, aimed at ensuring the security of the sums invested.

Credit Rating
A credit rating assesses the credit worthiness of an individual, corporation or country. Credit ratings are calculated from financial history and current assets and liabilities. Typically, a credit rating tells a lender or investor the probability of the subject being able to pay back a loan.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment (Pensions)
For a defined benefit pension scheme an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Debtors
These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts
These represent capital income still to be received after disposals have taken place.

Defined Benefit Scheme (Pensions)
This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme (Pensions)
A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Impairment/Amortisation
A charge made to the Comprehensive Income and Expenditure Statement to reflect an estimate of the use or consumption of non-current assets in the year in the provision of Council services.

De-recognition
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Direct Revenue Financing
The amount of revenue funding in the year used to pay for capital expenditure incurred.

Earmarked Reserves
Amounts set aside to be used to meet specific, known or predicted future expenditure.

External Audit
The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

Fair Value
Fair Value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Heritage Asset
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Highways Network Asset
A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land.

Housing Revenue Account (HRA)
Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the Council Fund.

Impairment
A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets
Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets
These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

Interest Cost (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investment Properties
Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

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

Joint Venture
A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

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

Levy
An amount of money which a Local Authority is required to collect on behalf of another organisation.

Liabilities
These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

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

Net Book Value (NBV)
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Non-domestic rates (NDR)
A levy on businesses collected by billing Authorities, on behalf of the Welsh Government, and paid into an All Wales Pool. The Pool is then redistributed amongst all Welsh Authorities on the basis of population.

Operating Lease
This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Pension Fund
A fund built up from deductions from employees' pay, contributions from employers and investment income from which pension benefits are paid.

Precept
A demand levied by one public Authority, which is collected on its behalf by another Authority.

Prior Period Adjustments
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Projected Unit Method (Pensions)
An actuarial method of calculating the liabilities of a pension scheme which allows for projected future increases in pensionable pay up to retirement or date of leaving service

Property, Plant and Equipment (PPE)
Tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions
Amounts set aside in respect of liabilities or losses which are likely or certain to be incurred, but in relation to which the exact amount and date of settlement may be uncertain.

Prudential Code for Capital Finance
The system introduced on 1 April 2004 by Part 1 of the Local Government Act 2003 which allows local Authorities to borrow without Government consent, provided that they can afford to service the debt from

their own resources and that any such borrowing is prudent and sustainable. This requires the preparation and approval of various indicators.

Prudent Revenue Provision (PRP)
An amount set aside as a provision each year to repay loans taken out to pay for capital expenditure. This has the effect of reducing the Capital Financing Requirement (CFR).

Public Works Loan Board (PWLB)
The Public Works Loan Board is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local Authorities and other prescribed bodies, and to collect the repayments.

Recharge
An internal charge for services rendered by one Council directorate or section to another.

Related Parties
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above. For individuals identified as related parties, the following are also presumed to be related parties:
• members of the close family, or the same household; and
• partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Reserves
Reserves are also amounts set aside for future use. Reserves may be for a specific purpose in which case they are referred to as 'earmarked reserves' or they may be general reserves (or balances) which every Council must maintain as a matter of prudence.

Revaluation Reserve
The Reserve records the accumulated gains on the non-current assets held by the Council arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Expenditure funded from Capital Under Statute (REFCUS)
Represents expenditure that may properly be capitalised under statutory provisions but which creates no tangible asset for the Council e.g. house renovation grants to private individuals or revenue expenditure which would normally be charged to the revenue account, but which can be charged to capital following approval by the Welsh Government.

Revenue Support Grant
General government grant in support of local Authority services. It seeks to even out the effects on the council taxpayer of differences in needs between Authorities.

Settlement (Pensions)
An irrevocable action that relieves the employer of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement.

Surplus Assets
Assets that are not being used to deliver services, but which do not meet the criteria to be classified as either Investment Properties or Assets Held for Sale.

Term Deposits
A term deposit is a money deposit at a banking institution that cannot be withdrawn for a certain "term" or period of time.

Treasury Management
The process by which the Council controls its cash flow and its borrowing and lending activities.

Trust Funds
Funds held in trust which are administered by the Council.

ANNUAL RETURN

2016/17

of

CARDIFF PORT HEALTH AUTHORITY

NARRATIVE REPORT

Port Health Authorities are constituted with the primary objective of preventing the spread of infectious diseases without creating unnecessary interference to world shipping.

Cardiff Port Health Authority was originally established by a Provisional Order in 1882, becoming permanently constituted by the Cardiff Port Order (1894) and consolidated by the Cardiff Port Order (1938) and the Port Health Authorities (Wales) Order (1974). Its authority covers the area, from low water mark, three miles seaward, between Sully Island and the River Rhymney, including all water, docks, harbours and vessels.

The Authority, through the officers of the Environmental Service of the Shared Regulatory Service, inspects ships entering the area to ensure compliance with health regulations. To meet the expenditure incurred in these activities, the Authority raises a levy on the County Council of the City and County of Cardiff and the Vale of Glamorgan Council. Its other main revenue source is income arising from the granting of Ship Sanitation Control Exemption Certificates/Ship Sanitation Control Certificates (SSCEC/SSCC).

ACCOUNTING POLICIES

1. General

The accounting statements that follow have been prepared in accordance with proper practices as required by the Accounts and Audit (Wales) Regulations 2014 (as amended).

2. Debtors and Creditors

The transactions of the Port Health Authority are recorded on an accruals basis. Where there is insufficient information available to provide actual figures, estimates are used although this element is not significant.

Accounting statements for Cardiff Port Health Authority:

	Year Ending	
	31 March 2016 (£)	31 March 2017 (£)
Statement of income and expenditure/receipts and payments		
1. Balances brought forward	133,210	151,221
2. (+) Income from local taxation and/or levy	159,850	127,876
3. (+) Total other receipts	1,314	1,115
4. (-) Staff costs	125,428	129,337
5. (-) Loan interest/capital repayments	0	0
6. (-) Total other payments	17,725	14,396
7. (=) Balances carried forward	151,221	136,479
Statement of Balances		
8. (+) Debtors and stock balances	0	0
9. (+) Total cash and investments	154,637	139,810
10. (-) Creditors	3,416	3,331
11. (=) Balances carried forward	151,221	136,479
12. Total non-current assets and long-term assets	0	0
13. Total borrowing	0	0

Annual Governance Statement (Part 1)

We acknowledge as the members of the Body, our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the Body's accounting statements for the year ended 31 March 2017, that:

	Agreed?	
	Yes	No
1. We have put in place arrangements: • Effective financial management during the year; and • For the preparation and approval of the accounting statements	Yes	
2. We have maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption, and reviewed its effectiveness.	Yes	
3. We have taken all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and codes of practice that could have a significant financial effect on the ability of the Body to conduct its business or on its finances.	Yes	
4. We have provided proper opportunity for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014.	Yes	
5. We have carried out an assessment of the risks facing the Body and taken appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	Yes	
6. We have maintained an adequate and effective system of internal audit of the accounting records and control systems throughout the year and have received a report from the internal auditor.	Yes	
7. We have considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Body and, where appropriate, have included them on the accounting statements.	Yes	
8. We have taken appropriate action on all matters raised in previous reports from internal and external audit.	Yes	

Annual Governance Statement (Part 2)

	Agreed?	
	Yes	No
1. We have registered as an employer with HM Revenue and Customs and properly operate Pay As You Earn as part of our payroll arrangements; ***or*** We do not need to register for PAYE because none of our employees are paid £112 or more a week, get expenses and benefits, have another job or get a pension.	Yes	
2. We have maintained proper payroll records for each of our employees including deductions of tax and national insurance.	Yes	
3. We have adopted a Code of Conduct setting out proper standards of behaviour expected of councillors and individually, have agreed to abide by the Code	Yes	

Body Certification and approval

Approval and certification of the accounts and annual governance statement
The Body is responsible for the preparation of the accounting statements in accordance with the requirements of the Accounts and Audit (Wales) Regulations 2014 and for the preparation of an Annual Return which:

Certification by the RFO	**Approval by the Body**
I certify that the accounting statements contained in this Annual Return presents fairly the financial position of the Body, and its income and expenditure, or properly presents receipts and payments, as the case may be, for the year ended 31 March 2017.	I confirm that these accounting statements and Annual Governance Statement were approved by the Body under body minute reference:
RFO signature:	**Chair signature:**
Name: Christine Salter	**Name: Councillor Bob Derbyshire, Lord Mayor**
Date:	**Date:** 28 September 2017

The external auditor conducts the audit on behalf of, and in accordance with, guidance issued by the Auditor General for Wales. On the basis of their review of the Annual Return and supporting information, they report whether any matters that come to their attention give cause for concern that relevant legislation and regulatory requirements have not been met.

We certify that we have completed the audit of the Annual Return for the year ended 31 March 2017 of:

External auditor's name:	
External auditor's signature	**Date: 28 September 2017**
For and on behalf of the Auditor General for Wales	

Electronic Publication of Financial Statements
The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client Officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

STATEMENT OF ACCOUNTS

2016/17

OF

CARDIFF HARBOUR AUTHORITY

Narrative Report

Introduction

This document presents the Statement of Accounts for Cardiff Harbour Authority. Section 42(1) of the Harbours Act 1964 sets out that statutory undertakings, such as local authorities that have functions of maintaining, improving or managing a harbour are required to prepare an annual statement of accounts relating to the harbour activities. These accounts have been prepared on an IFRS basis, in line with the requirements of the Companies Act 2006. Cardiff Harbour Authority is subsumed within the County Council of the City and County of Cardiff and is, therefore, not a company. As a result, this foreword is in place of the director's report required by the Companies Act 2006.

Agreement

By an Agreement dated 27 March 2000 made pursuant to and for the purposes of section 165 of the Local Government Planning and Land Act 1980 (as amended) the Council agreed to take responsibility for and to discharge the Harbour Authority undertaking and obligations in regard to the bay and the outer harbour under the terms of the Cardiff Bay Barrage Act 1983.

The Agreement has since been varied by the following Deeds of Variation:

- Dated 25 August 2006 and made between the National Assembly for Wales and the Council.
- Dated 27 March 2007 and made between the National Assembly for Wales and the Council.
- Dated 15 September 2009 and made between the Welsh Ministers and the Council.
- Dated 5 April 2011 and made between the Welsh Ministers and the Council.
- Dated 3 April 2014 and made between the Welsh Ministers and the Council.
- Dated 19 April 2016 and made between the Welsh Ministers and the Council.

Review of the Financial Year

The existing three year budget, which was agreed with the Welsh Ministers, covers the period 2014/15 to 2016/17. The revised budget for 2016/17 was set at £5.891 million which represented a reduction of £0.362 million on the previous year. This has increased the level of financial risk to the Council as any unforeseen costs have to be absorbed within the agreed fixed cost budget unless there are qualifications within the agreement.

The financial deficit for the year ended 31 March 2017 was £2.432 million (£2.852 million in 2015/16).

Total Capital Expenditure incurred and funded by the Harbour Grant during the year was £290,000. This forms part of a three year programme to 2016/17 for works at the harbour, barrage and surrounding environmental infrastructure. Works included in the programme were: catamaran survey vessel, twin skipper barge, public realm improvements and oil pollution collection equipment.

Key Achievements

During 2016-17 Cardiff Harbour Authority continued to work hard to meet its statutory obligations. The achievements against the Harbour Authority action plan and performance indicators are reported quarterly to the Welsh Government and are highlighted below:

- Successful dredging campaigns carried out in July 2016 and January 2017.
- Regional Tourism Engagement Fund funding for the installation of the Enormous Crocodile on the Barrage as part of the Roald Dahl Anniversary.
- Inner harbour improvements saw new commercial operator huts installed.
- High level compliance in maintaining statutory water quality standards comprising over 400,000 readings with excellent monitoring regime and mitigation measures in place.
- Two hundred and ninety four tonnes of litter removed from the rivers and bay.
- Cardiff International White Water (CIWW) gained Duke of Edinburgh Accredited Centre license and hosted Duke of Edinburgh Royal Diamond Jubilee visit.
- Cardiff Bay Water Activity Centre (CBWAC) continued to increase income for the 5th year.
- Following the establishment of the Cardiff & Vale Rowing Academy, the club had its first two athletes represent Wales this year.
- Record entry for the Welsh Schools and Welsh Indoor Rowing Championships with over 1,200 competitors over two days.

Annual Governance Statement

The Cardiff Harbour Authority is not a separate entity to the Council and the financial transactions and systems, governance and controls of the Cardiff Harbour Authority are integrated into those of the Council. For reference, the Annual Governance Statement can be found with the Statement of Accounts for the Council. The financial statements that follow are an extract from the accounts of the County Council of the City and County of Cardiff, where such transactions can be identified separately without significant cost. The extract has been amended to remove those entries required by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 that are not recognised by International Financial Reporting Standards.

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

The Corporate Director Resources Responsibilities

The Corporate Director Resources is responsible for the preparation of the Statement of Accounts in accordance with the requirements of the Harbours Act 1964.

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the requirements of the Harbours Act 1964.

The Corporate Director Resources has also:

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

The Corporate Director Resources Certificate

The financial statements for the Cardiff Harbour Authority give a true and fair view of the financial position of the Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

Christine Salter **Date: 28 September 2017**
Corporate Director Resources

<u>Audit Report of the Auditor General to those Charged with Governance of Cardiff Harbour Authority</u>

I have audited the accounting statements and related notes of Cardiff Harbour Authority for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's accounting statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 187, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Authority's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cardiff Harbour Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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

Opinion on the accounting statements of Cardiff Harbour Authority

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Opinion on other matters

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of
Huw Vaughan Thomas
Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
CF11 9LJ

The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Accounting policies

In accordance with the Accounts and Audit (Wales) Regulations 2014, this Statement of Accounts summarises the Harbour Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). A number of the accounting policies used in preparing these accounts, along with any critical assumptions and sources of estimation used are the same as those for the accounts of the Council. Whilst these are not replicated in full, the key policies applied are below:-

Accounting policies used when formulating the accounts

1. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when the cash payments are made or received. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet.

2. Employee Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Harbour Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to expenditure.

3. Grants - Revenue

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

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

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

4. Grants and Contributions – Capital

Grants and contributions that are applied in the year to fund capital schemes are treated as revenue income and credited to the Comprehensive Income and Expenditure Statement.

5. Inventories

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

6. Operating Leases

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

7. Overheads and Support Services Costs

The Council makes recharges in respect of the cost of support services to the Cardiff Harbour Authority. The total absorption costing principle is used so that the full cost of overheads and support services are shared between users in proportion to the benefits received.

8. Property, Plant, Equipment, Community and Heritage Assets

Assets that have physical substance used in the production or supply of goods or services, those intended to be held indefinitely and those for the promotion of culture and knowledge and expected to be used during more than one financial year.

Recognition:

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

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

Measurement:

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

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

- infrastructure assets, community assets and assets under construction are included at depreciated historical cost.
- Heritage Assets are included at historic cost if included in the accounts and only measured at fair value where the benefits of doing so outweigh the costs.

Revaluation:

Assets included in the Balance Sheet at fair value are revalued as part of a three year rolling programme.

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation.

Charges to Revenue for Non-Current Assets:

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

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

The Harbour Authority does not receive grant for depreciation or any other accounting adjustments for non-current assets.

Impairment and Downward Revaluation:

Assets are assessed at each year-end as to whether there is any indication that an asset may be reduced in value, either due to a reduction in service potential (impairment) or general market fluctuations (downward revaluation). Where either type of loss is identified, they are accounted for, as follows:

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

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

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

Depreciation is calculated on the following bases:

Asset category	Initial Useful Life in years
Intangible Assets	5
Land	n/a
Buildings	17-65
Vehicles, Plant, Furniture and Equipment	7
Infrastructure **	10-120
Community Assets, Investment Properties, Heritage Assets, Surplus Assets and Assets Held for Sale	n/a

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

9. Reserves
The Harbour Authority holds one usable reserve. It is used to hold accumulated operational surpluses which can be used to fund future expenditure commitments and as a contingency against unforeseen events. Certain reserves are kept to manage the accounting processes for non-current assets, retirement and employee benefits and do not represent usable resources for the Harbour Authority.

10. Value Added Tax
The Harbour Authority does not have a separate VAT registration to the Council and, apart from certain cases where the Harbour Authority funds supplies of goods or services to other persons or organisations, the Harbour Authority is reimbursed for VAT. The revenue accounts have, therefore, been prepared exclusive of this tax.

Guide to the Financial Statements

Comprehensive Income and Expenditure Statement

This statement provides information on how the Harbour Authority has performed throughout the year and as a result, whether or not their operations have resulted in a surplus or a deficit.

Balance Sheet

This statement provides a snapshot of the financial position at 31 March, showing what the Harbour Authority owns and owes.

Cashflow Statement

A Cashflow Statement has not been provided, in accordance with Section 394 of the Companies Act 2006. Information in relation to the cashflows of the Harbour Authority can be found within the Council's Statement of Accounts.

Notes to the Core Financial Statements

These notes provide any further analysis required to explain those figures contained in the financial statements.

Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

2015/16 £000		2016/17 £000
	Income	
(5,930)	Government Grants	(5,533)
(312)	Capital Grants Applied	(290)
(876)	Fees and Charges	(959)
(7,118)	**Total Income**	**(6,782)**
	Expenditure	
2,616	Employees	2,736
1,461	Premises	1,317
172	Transport	92
2,049	Supplies and Services	1,652
558	Support Services	475
3,114	Capital Charges	2,942
9,970	**Total Expenditure**	**9,214**
2,852	**Net Expenditure for the Year**	**2,432**

Balance Sheet as at 31 March 2017

31 March 2016 £000		Note Ref	31 March 2017 £000
	Property, Plant and Equipment		
6,691	Land and Buildings	2	6,634
404	Vehicles, Plant, Furniture & Equipment	2	593
160,876	Infrastructure	2	158,439
1,103	Community Assets	2	1,103
358	Investment Assets	2	333
0	Assets under Construction (AUC)	2	176
169,432			167,278
56	Heritage Assets	2	56
64	Intangible Assets	2	0
169,552	**Long-term Assets**		167,334
382	Stocks and Work in Progress	3	343
589	Debtors	4	30
2,272	Cash		497
3,243	**Current Assets**		870
(2,558)	Creditors	5	(399)
(2,558)	**Current Liabilities**		(399)
170,237	**Net Assets**		167,805
	Reserves:		
165,649	General Reserve	1	163,217
4,588	Revaluation Reserve	1	4,588
170,237	**Total Reserves**		167,805

Notes to the Core Financial Statements

1. Reserves

2016/17	General Reserve £000	Revaluation Reserve £000
Balance at 1 April 2016	165,649	4,588
Movements in Reserves	(2,432)	0
Closing Balance at 31 March 2017	163,217	4,588

Comparative movements for 2015/16:

2015/16	General Reserve £000	Revaluation Reserve £000
Balance at 1 April 2015	168,501	4,933
Movements in Reserves	(2,852)	(345)
Closing Balance at 31 March 2016	165,649	4,588

Held within the General Reserve is an earmarked amount reserved for project activities and contingencies. This amount is £591,000 as at 31 March 2017 (£756,000 as at 31 March 2016).

2. Movements in Property, Plant, Equipment & Other Long Term Assets

Long term assets are primarily Property, Plant and Equipment, with movements analysed in the table that follows.

2016/17	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	PP&E under construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
Cost or Valuation									
At 1 April 2016	**6,749**	**665**	**218,658**	**1,103**	**358**	**0**	**227,533**	**56**	**319**
Additions	0	**331**	0	0	0	**176**	**507**	0	0
Impairment losses/reversals to RR *	0	0	0	0	0	0	**0**	0	0
Impairment losses / reversals to CIES **	0	0	0	0	0	0	**0**	0	0
Derecognition - disposals	0	0	0	0	0	0	**0**	0	0
Reclassified (to)/from Held for Sale	0	0	0	0	0	0	**0**	0	0
Revaluation increases /(decreases) to RR*	0	0	0	0	0	0	**0**	0	0
Revaluation increases /(decreases) to CIES**	0	0	0	0	(25)	0	**(25)**	0	0
At 31 March 2017	**6,749**	**996**	**218,658**	**1,103**	**333**	**176**	**228,015**	**56**	**319**
Depreciation									
At 1 April 2016	**58**	**261**	**57,782**	**0**	**0**	**0**	**58,101**	**0**	255
Depreciation charge	57	**142**	2,437	0	0	0	2,636	0	64
Depreciation written out on impairment	0	0	0	0	0	0	0	0	0
Derecognition -disposals	0	0	0	0	0	0	0	0	0
Depreciation written out to CIES **	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Depreciation written out on revaluation	0	0	0	0	0	0	0	0	0
At 31 March 2017	**115**	**403**	**60,219**	**0**	**0**	**0**	**60,737**	**0**	**319**
Net Book Value:									
At 31 March 2017	**6,634**	**593**	**158,439**	**1,103**	**333**	**176**	**167,278**	**56**	**0**
At 31 March 2016	**6,691**	**404**	**160,876**	**1,103**	**358**	**0**	**169,432**	**56**	**64**

* RR = Revaluation Reserve
**CIES = Comprehensive Income and Expenditure Statement

Comparative movements for 2015/16:

2015/16 Restated	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Infrastructure Assets £000	Community Assets £000	Investment Assets £000	PP&E under construction £000	Total Property, Plant & Equipment £000	Heritage Assets £000	Intangible Assets £000
Cost or Valuation									
At 1 April 2015	7,774	504	218,563	1,103	475	0	**228,419**	56	319
Additions	55	161	95	0	0	0	**311**	0	0
Impairment (losses)/reversals to RR*	(445)	0	0	0	0	0	**(445)**	0	0
Impairment (losses) / reversals to CIES **	(325)	0	0	0	0	0	**(325)**	0	0
Disposals	0	0	0	0	(117)	0	**(117)**	0	0
Revaluation increases /(decreases) to RR*	(142)	0	0	0	0	0	**(142)**	0	0
Revaluation increases /(decreases) to CIES**	(168)	0	0	0	0	0	**(168)**	0	0
At 31 March 2016	6,749	665	218,658	1,103	358	0	227,533	56	319
Depreciation									
At 1 April 2015	242	166	55,345	0	0	0	**55,753**	0	191
Depreciation charge	57	95	2,437	0	0	0	**2,589**	0	64
Depreciation written out on impairment	(20)	0	0	0	0	0	**(20)**	0	0
Disposals	0	0	0	0	0	0	**0**	0	0
Depreciation written out on revaluation	(221)	0	0	0	0	0	**(221)**	0	**0**
At 31 March 2016	58	261	57,782	0	0	0	58,101	0	255
Net Book Value:		0							
At 31 March 2016	6,691	404	160,876	1,103	358	0	169,432	56	64
At 31 March 2015	7,532	338	163,218	1,103	475	0	172,666	56	128

* RR = Revaluation Reserve
**CIES = Comprehensive Income and Expenditure Statement

3. Stock

Movements in stock during the financial year are as follows:

	2015/16 £000	2016/17 £000
At 1 April 2016	485	382
Stock written off to the CI&E	(103)	(39)
Balance carried forward	**382**	**343**

4. Debtors

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	513	30
Trade Receivables	76	0
Total	**589**	**30**

5. Creditors

	31 March 2016 £000	31 March 2017 £000
Central Government Bodies	(1,978)	(77)
Trade Payables	(580)	(322)
Total	**(2,558)**	**(399)**

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – The County Council of the City and County of Cardiff

Audit year: 2016-17

Date issued: September 2017

Document reference: **488A2017**

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are some issues to report to you prior to their approval.

Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the County Council of the City and County of Cardiff (the Council) at 31 March 2017 and its income and expenditure for the year then ended.

2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3 The quantitative level at which we judge such misstatements to be material for the Council's accounts is £11.7 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5 This report sets out for consideration the matters arising from the audit of the financial statements of the Council, for 2016-17, that require reporting under ISA 260.

Status of the audit

6 We received an initial draft of the draft financial statements for the year ended 31 March 2017 on 15 June 2017 in line with the agreed deadline and have now substantially completed the audit work.

7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9 The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

12 In the course of the audit, we consider a number of matters both qualitative and quantitative relating to the accounts and report any significant issues arising to you. There were some issues arising in these areas this year:

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There are two other matters discussed and corresponded upon with management which we need to report to you.** In 2015-16 officers accepted our recommendation to review the classification of Investment properties to ensure they fully meet the Code's definitions. The first part of a comprehensive review was to revalue all investment properties and this has been completed in 2016-17. The second part to be carried out by officers in 2017-18 will be to consider each investment property against the Code's definitions, and we will work closely with officers to inform this review. Officers have not made any changes to the classification of investment properties in the 2016-17 accounts.

  We also flagged to officers that improvements are needed in the description of assets and, in particular, infrastructure assets within the Council's fixed assets registers. This will ensure that assets are more clearly identifiable, can be tracked year to year, and officers can confirm they are accounted for and depreciated correctly in line with the Council's accounting policies.

- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13 As part of the finalisation process, we are required to provide you with representations concerning our independence.

14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and the Council that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of the County Council of the City and County of Cardiff (the Council) for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and CIPFA Code of Practice on Local Authority Accounting in the UK 2016-17; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

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

- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working/ collaborative arrangements that would impact on the financial statements.

Financial statement representations

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

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Council has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the accounts.

The Council has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The reserves of the Council have been reviewed and are properly treated within the final accounts in accordance with the CIPFA guidance.

The provisions of the Council have been reviewed and have been properly treated within the final accounts in accordance with IAS 37.

The Council has accounted for and disclosed its partnership and joint/collaborative working arrangements in accordance with accounting standards and the CIPFA Code.

The financial statements are free of material misstatements, including omissions. There were no uncorrected misstatements.

Representations by the Council

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the County Council of the City and County of Cardiff on XX September 2017.

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

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance]
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General to the Members of the County Council of the City and County of Cardiff

I have audited the accounting statements and related notes of:

- The County Council of the City and County of Cardiff;
- The County Council of the City and County of Cardiff Group; and
- The Cardiff and Vale of Glamorgan Pension Fund;

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The County Council of the City and County of Cardiff's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page XX, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the County Council of the City and County of Cardiff; the County Council of the City and County of Cardiff Group and the Cardiff and Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Cardiff and Vale of Glamorgan Pension Fund

In my opinion, the Pension Fund accounts and related notes:

- give a true and fair view of the financial transactions of Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of

Huw Vaughan Thomas	24 Cathedral Road
Auditor General for Wales	Cardiff
[Date]	CF11 9LJ

The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£31,440,000	Balance Sheet - Increase to Pensions Liability, corresponding decrease in Net Assets at 31 March 2017. Equalised by matching increase to negative Pensions Reserve balance.	Journals posting the actuarially assessed long-term Pension Liability relating to the Local Government Pension Scheme were incorrect and the resulting Pension Liability disclosed on the draft balance sheet did not agree to the actuarially assessed liability.
£3,257,000	Comprehensive Income and Expenditure Statement – Gain on Sale of Non-Current Assets increases within Other Operating Expenditure. Matched by decrease in Gross Income for Housing Revenue Account within Net Cost of Services.	Receipts arising from sale of HRA properties had been incorrectly posted within the directorate net expenditure. Reclassification moves the receipt into the correct disclosure line.
£1,457,000	Balance Sheet – re-analysis of Insurance Provision balance between liabilities payable within 12 months and over 12 months.	Incorrect calculation of the split of liabilities.
£1,079,000	Comprehensive Income and Expenditure Statement – decrease in Gross Expenditure for Education Directorate within Net Cost of Services. Matched by decrease in Revaluation Reserve balance on Balance Sheet.	Revaluation of three schools incorrectly charged the negative revaluation partly against Gross Expenditure for Education Directorate within Net Cost of Services. The correct accounting treatment was write-back of existing Revaluation Reserve balances relating to these three schools.

Value of correction	Nature of correction	Reason for correction
£897,000	Balance Sheet – increase in Property, Plant and Equipment balance, Other Land and Buildings category. Matched by adjustments on Revaluation Reserve balance and Capital Adjustment Account balance on Balance Sheet.	Construction costs for new high school site to be jointly used with Cardiff and Vale College were not correctly accounted for at year-end – the Council correctly accounted for expenditure incurred but did not uplift the value of the site land in line with the agreed arrangements on accounting for the original land transfer.
Various	A number of amendments to narratives and notes to the financial statements have been made to correct transposition errors, cross referencing etc.	To ensure that notes are accurate and cross reference within the body of the financial statements.

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WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Audit of Financial Statements Report – **Cardiff & Vale of Glamorgan Pension Fund**

Audit year: 2016-17

Date issued: September 2017

Document reference: **490A2017**

Contents

The Auditor General intends to issue an unqualified audit report on your financial statements. There are no issues to report to you prior to their approval.

Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of the Cardiff & Vale of Glamorgan Pension Fund (the Pension Fund) at 31 March 2017 and its income and expenditure for the year then ended.

2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3 The quantitative level at which we judge such misstatements to be material for the Pension Fund is £19.98 million. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5 This report sets out for consideration the matters arising from the audit of the financial statements of the Pension Fund, for 2016-17, that require reporting under ISA 260.

Status of the audit

6 We received the draft financial statements for the year ended 31 March 2017 on 15 June 2017 in line with the agreed deadline, and have now substantially completed the audit work.

7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9 The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

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

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and generally easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear.
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13 As part of the finalisation process, we are required to provide you with representations concerning our independence.

14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Cardiff & Vale of Glamorgan Pension Fund that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

[Audited body's letterhead]

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

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff & Vale of Glamorgan Pension Fund for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

I confirm that to the best of my knowledge and belief, having made enquiries as I consider sufficient, I can make the following representations to you.

Management representations

Responsibilities

I have fulfilled my responsibilities for:

- The preparation of the financial statements in accordance with legislative requirements and the 2016-17 Code of Practice on Local Authority Accounting in the United Kingdom; in particular the financial statements give a true and fair view in accordance therewith.
- The design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and

- unrestricted access to staff from whom you determined it necessary to obtain audit evidence.

- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- Our knowledge of fraud or suspected fraud that we are aware of and that affects Cardiff & Vale of Glamorgan Pension Fund and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.

Financial statement representations

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

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The financial statements are free of material misstatements, including omissions. There were no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by County Council of the City and County of Cardiff on XX September 2017.

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

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General to the Members of the County Council of the City and County of Cardiff

I have audited the accounting statements and related notes of:

- The County Council of the City and County of Cardiff;
- The County Council of the City and County of Cardiff Group; and
- The Cardiff and Vale of Glamorgan Pension Fund

for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

The County Council of the City and County of Cardiff's accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Movement on the Housing Revenue Account Statement and the Housing Revenue Account Income and Expenditure Statement.

The County Council of the City and County of Cardiff's Group accounting statements comprise the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow Statement.

The Cardiff and Vale of Glamorgan Pension Fund's accounting statements comprise the Fund Account and the Net Assets Statement.

The financial reporting framework that has been applied in their preparation is applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17 based on International Financial Reporting Standards (IFRSs).

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page XX, the responsible financial officer is responsible for the preparation of the statement of accounts, including the County Council of the City and County of Cardiff's Group accounting statements and the Cardiff and Vale of Glamorgan Pension Fund's accounting statements, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the County Council of the City and County of Cardiff; the County Council of the City and County of Cardiff Group and the Cardiff and Vale of Glamorgan Pension Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

In addition, I read all the financial and non-financial information in the Narrative Report to identify material inconsistencies with the audited accounting statements and related notes and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the accounting statements of the County Council of the City and County of Cardiff

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of the County Council of the City and County of Cardiff Group

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of the County Council of the City and County of Cardiff Group as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on the accounting statements of Cardiff and Vale of Glamorgan Pension Fund

In my opinion, the pension fund accounts and related notes:

- give a true and fair view of the financial transactions of Cardiff and Vale of Glamorgan Pension Fund during the year ended 31 March 2017 and of the amount and disposition of the fund's assets and liabilities as at that date, other than liabilities to pay pensions and benefits after the end of the scheme year; and

- have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016-17.

Opinion on other matters

In my opinion, the information contained in the Narrative Report is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with guidance.

Certificate of completion of audit

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

For and on behalf of

Huw Vaughan Thomas

Auditor General for Wales

[Date]

24 Cathedral Road

Cardiff

CF11 9LJ

The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£3,808,000	Net Asset Statement – Investments at market value	Correction to accurately reflect market values of two investments from the valuer's report.
£1,239,000	Fund Account – other income	Inclusion of capitalised payments originally omitted in error from draft accounts.
£588,000	Net Asset Statement – Current Liabilities: Unpaid Benefits	To reflect accurate reversal of unpaid benefits accrual brought forward from 2015-16.
£63,000	Fund Account – transfers out	Correction of a transposition error.
Various	A number of amendments to narratives and notes to the financial statements have been made to correct transposition errors, cross referencing etc.	To ensure that notes are accurate and cross reference within the body of the financial statements.

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Auditor General for Wales

Audit of Financial Statements Report – Cardiff Harbour Authority

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The Auditor General intends to issue an unqualified audit report on your financial statements. There are no issues to report to you prior to their approval.

Summary report

Introduction

1 The Auditor General is responsible for providing an opinion on whether the financial statements give a true and fair view of the financial position of Cardiff Harbour Authority (the Authority) at 31 March 2017 and its income and expenditure for the year then ended.

2 We do not try to obtain absolute assurance that the financial statements are correctly stated, but adopt the concept of materiality. In planning and conducting the audit, we seek to identify material misstatements in your financial statements, namely, those that might result in a reader of the accounts being misled.

3 The quantitative level at which we judge such misstatements to be material for the Authority is £184,000. Whether an item is judged to be material can also be affected by certain qualitative issues such as legal and regulatory requirements and political sensitivity.

4 International Standard on Auditing (ISA) 260 requires us to report certain matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.

5 This report sets out for consideration the matters arising from the audit of the financial statements of the Authority, for 2016-17, that require reporting under ISA 260.

Status of the audit

6 We received the draft financial statements for the year ended 31 March 2017 on 15 June 2017 in line with the agreed deadline, and have now substantially completed the audit work.

7 We are reporting to you the more significant issues arising from the audit, which we believe you must consider prior to approval of the financial statements. The audit team has already discussed these issues with officers.

Proposed audit report

8 It is the Auditor General's intention to issue an unqualified audit report on the financial statements once you have provided us with a Letter of Representation based on that set out in Appendix 1.

9 The proposed audit report is set out in Appendix 2.

Significant issues arising from the audit

Uncorrected misstatements

10 There are no misstatements identified in the financial statements, which remain uncorrected.

Corrected misstatements

11 There are misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process. They are set out with explanations in Appendix 3.

Other significant issues arising from the audit

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

- **We have no concerns about the qualitative aspects of your accounting practices and financial reporting.** We found the information provided to be relevant, reliable, comparable, material and easy to understand. We concluded that accounting policies and estimates are appropriate and financial statement disclosures unbiased, fair and clear
- **We did not encounter any significant difficulties during the audit.** We received information in a timely and helpful manner and were not restricted in our work. We will continue to work with officers to make further improvements to the quality of working papers supporting the accounts and audit process, as well as the accounts closure timetable for 2017-18.
- **There were no significant matters discussed and corresponded upon with management which we need to report to you.**
- **There are no other matters significant to the oversight of the financial reporting process that we need to report to you.**
- **We did not identify any material weaknesses in your internal controls that have not been reported to you already.**
- **There are not any other matters specifically required by auditing standards to be communicated to those charged with governance.**

Independence and objectivity

13 As part of the finalisation process, we are required to provide you with representations concerning our independence.

14 We have complied with ethical standards and in our professional judgment, we are independent and our objectivity is not compromised. There are no relationships between the Wales Audit Office and Cardiff Harbour Authority that we consider to bear on our objectivity and independence.

Appendix 1

Final Letter of Representation

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

[Date]

Representations regarding the 2016-17 financial statements

This letter is provided in connection with your audit of the financial statements of Cardiff Harbour Authority (the Authority) for the year ended 31 March 2017 for the purpose of expressing an opinion on their truth and fairness and their proper preparation.

We confirm that to the best of our knowledge and belief, having made enquiries as we consider sufficient, we can make the following representations to you.

Management representations

Responsibilities

We have fulfilled our responsibilities for:

- the preparation of the financial statements in accordance with legislative requirements, in particular the financial statements give a true and fair view in accordance therewith; and
- the design, implementation, maintenance and review of internal control to prevent and detect fraud and error.

Information provided

We have provided you with:

- Full access to:
  - all information of which we are aware that is relevant to the preparation of the financial statements such as books of account and supporting documentation, minutes of meetings and other matters;
  - additional information that you have requested from us for the purpose of the audit; and
  - unrestricted access to staff from whom you determined it necessary to obtain audit evidence.
- The results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- Our knowledge of fraud or suspected fraud that we are aware of and that affects the Authority and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.
- Our knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others.
- Our knowledge of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- The identity of all related parties and all the related party relationships and transactions of which we are aware.
- Our knowledge of all known partnerships and joint working/collaborative arrangements that would impact on the financial statements.

Financial statement representations

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

Significant assumptions used in making accounting estimates, including those measured at fair value, are reasonable.

Related party relationships and transactions have been appropriately accounted for and disclosed.

All events occurring subsequent to the reporting date which require adjustment or disclosure have been adjusted for or disclosed.

All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

The Authority has complied with all conditions imposed by relevant grant paying organisations and can reasonably expect to receive the amounts of grant included within the accounts.

The Authority has complied with all aspects of contractual agreements that would require adjustment to, or disclosure in, the accounting statements and related notes.

The reserves of the Authority have been reviewed and are properly treated within the final accounts in accordance with legislative requirements.

The provisions of the Authority have been reviewed and have been properly treated within the final accounts in accordance with IAS 37.

The Authority has accounted for and disclosed its partnership and joint/collaborative working arrangements in accordance with accounting standards.

The financial statements are free of material misstatements, including omissions. There were no uncorrected misstatements.

Representations by those charged with governance

We acknowledge that the representations made by management, above, have been discussed with us.

We acknowledge our responsibility for the preparation of true and fair financial statements in accordance with the applicable financial reporting framework. The financial statements were approved by the Council on XX September 2017.

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

Signed by:	Signed by:
[Officer who signs on behalf of management]	[Officer or Member who signs on behalf of those charged with governance]
Date:	Date:

Appendix 2

Proposed audit report of the Auditor General to those charged with governance of Cardiff Harbour Authority

I have audited the accounting statements and related notes of Cardiff Harbour Authority for the year ended 31 March 2017 under the Public Audit (Wales) Act 2004.

Cardiff Harbour Authority's accounting statements comprise the Comprehensive Income and Expenditure Statement and the Balance Sheet.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of the responsible financial officer and the Auditor General for Wales

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page X, the responsible financial officer is responsible for the preparation of the statement of accounts, which gives a true and fair view.

My responsibility is to audit the accounting statements and related notes in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Authority's Ethical Standards for Auditors.

Scope of the audit of the accounting statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements and related notes sufficient to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Cardiff Harbour Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the responsible financial officer and the overall presentation of the accounting statements and related notes.

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

Opinion on the accounting statements of Cardiff Harbour Authority

In my opinion the accounting statements and related notes:

- give a true and fair view of the financial position of Cardiff Harbour Authority as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Opinion on other matters

In my opinion, the information contained in the Foreword is consistent with the accounting statements and related notes.

Matters on which I report by exception

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

- adequate accounting records have not been kept;
- the accounting statements are not in agreement with the accounting records and returns;
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement contains material misstatements of fact or is inconsistent with other information I am aware of from my audit.

Certificate of completion of audit

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

For and on behalf of

Huw Vaughan Thomas
Auditor General for Wales
[Date]

24 Cathedral Road
Cardiff
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The maintenance and integrity of the County Council of the City and County of Cardiff's website is the responsibility of the Accounting Officer/Client officer; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Appendix 3

Summary of corrections made to the draft financial statements which should be drawn to the attention of those charged with governance

During our audit we identified the following misstatements that have been corrected by management, but which we consider should be drawn to your attention due to their relevance to your responsibilities over the financial reporting process.

Exhibit 1: summary of corrections made to the draft financial statements

Value of correction	Nature of correction	Reason for correction
£184,000	Balance Sheet – PPE Additions and 31 March AUC balance understated. Matched to decreased Premises Expenditure within Comprehensive Income and Expenditure Statement.	Testing of Premises expenditure within the Comprehensive Income and Expenditure Statement identified capital costs relating to the construction and outfitting of a café for eventual letting to a third party, written off to revenue.
£40,000	Balance Sheet – PPE Additions and 31 March VPFE balance understated. Matched to decreased Premises Expenditure within Comprehensive Income and Expenditure Statement.	Testing of Premises expenditure within the Comprehensive Income and Expenditure Statement identified capital costs relating to the purchase of play equipment, written off to revenue.
£25,000	Comprehensive Income and Expenditure Statement – Capital Charges understated.	Omission of the negative revaluation charge on an investment property accounted for on the Harbour Balance Sheet.
£18,000	Balance Sheet – Creditors overstated. Matched to decreased Premises Expenditure within Comprehensive Income and Expenditure Statement.	Testing of Premises expenditure identified a manual accrual which had been posted to 16-17 but which related to a 17-18 liability and ought therefore to have been omitted from the 2016-17 accounts.

Value of correction	Nature of correction	Reason for correction
Various	A number of minor amendments to narratives and notes to the financial statements have been made to correct comparator figures, ensure supporting notes balance to primary statements, amend cross-references etc.	To ensure that notes are accurate and cross reference within the body of the financial statements.

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CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 18 September 2017

CORPORATE RISK MANAGEMENT - QUARTER 1 2017/18

REPORT OF CORPORATE DIRECTOR RESOURCES AGENDA ITEM: XX

1. To update and inform the Audit Committee of the risk management position following the Risk Management Review - Quarter 1 2017/18.

2. The Audit Committee's Terms of Reference sets out their responsibility:

   - 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. Audit Committee receives an update of each Risk Management Review, and an opportunity to raise comments each financial quarter. The last Audit Committee review was on 20 June 2017, at which time the Risk Management Review - Quarter 4 2016.17, was presented.

4. There are two tiers of risk registers which make up the Quarterly Risk Management Review process. Each Directorate holds a Directorate Risk Register (DRR), and the Senior Management Team (SMT) collectively own a Corporate Risk Register (CRR). The purpose of each tier of risk register is as follows.

   - The CRR records the main risks to the delivery of corporate objectives and priorities. It is used to identify, monitor and manage the key risks facing the Council so that elected Members and senior management can make informed decisions and prioritise actions, with these high level risks in mind.
   - The DRRs record the key risks that each Directorate needs to monitor and manage in order to effectively deliver their functions and discharge their responsibilities.

5. A systematic risk escalation process commenced in quarter 4 2016.17. Through this process, directorate and corporate risks are identified, reviewed, assessed and reported each quarter, with the extent of reporting and review based on the risk rating.

6. The risk escalation process is included in Appendix A for reference, whereby each Director is required to personally review all residual (current) risks rated as 'red/amber' and above and, at a minimum, to escalate all 'red' residual risks to Senior Management Team (SMT) for collective review.

7. An important principle is that the quarterly risk escalation arrangements set the minimum risk reporting requirements at each financial quarter end. Directors are responsible for escalating risks which require SMT awareness and discussion at any point. At times

when significant potential risks materialise quickly, Directors are responsible for expediting risk discussons in SMT without wating for the next quarterly reporting cycle.

8. Once risks are escalated, SMT determine if any changes are required to the CRR and when the CRR is updated, the remaining escalated risks continue to be held on Directorate Risk Registers (DRR). These are reported to SMT each quarter, until they are approved for de-escalation.

Issues

9. Each Director has worked with their Risk Champions in undertaking the Quarter 1 Risk Management Review. The Risk Management Team has also liaised with both the Risk Champions and Senior Management and has provided advice and guidance on the measurement and reporting of risks.

10. Officers have followed up on the matters raised in the Audit Committee meeting in June 2017. Following which :

- The Director of Education and Lifelong Learning has acknowledged concerns raised about the adequacy of the secondary school provision, and concerns about meeting the needs of children with autism and special educational needs. Management have confirmed that these matters were incorporated into the Directorate's Risk Management Review – Quarter 1, with risks being managed through the risk management regime.

- The Director, Communities, Housing and Customer Services and the Assistant Director, Commercial Services, have confirmed their coordination of fire risk assessments of all Council owned residential and operational buildings. In their Risk Managemement - Quarter 1 Review, they confirmed that independent consultants have been engaged and at the point of the Risk Management - Quarter 1 Review, with only a small number of operational building tests still in progress, have found no Aluminium Composite Material (ACM) products or foam based insulation, within the Council's property portfolio.

11. The Risk Management Review process has two tiers (Directorate and Corporate) and the actions at each for quarter 1 are detailed as follows.

<u>Directorate Risks</u>

12. At the quarter 1 position, 369 risks were reported from DRRs. Of these, the 13 previously escalated risks and 13 newly escalated risks were discussed in SMT on 15 August 2017.

13. A review of the escalated risks by SMT determined that, of the previously escalated risks, 4 risks no longer required reporting to them. This decision was made as 1 risk rating (regarding ICT vendor prices) had reduced to the satisfaction of SMT, and 3 further ICT risks were combined into a reframed risk which was duly escalated to SMT. This resulted in the decision for 24 directorate risks to continue to be reported, for their monitoring and review to SMT.

Directorate	**Resources**	**City Operations**	**Communities, Housing & CS**	**Economic Development**	**Education & LL**	**Social Services**	**Governance & LS**
Directorate Risks	131	42	61	93	20	14	8
Risks Escalated to SMT c/f.	7	5	1 (shared)	5 (1 shared)	3	1	1

Corporate Risks

14. SMT collectively reviewed each escalated risk, in consideration of nature of each risk and the potential impact on the organisation and its corporate objectives. From this review it was agreed that each of the escalated risks should continue to be managed at the directorate level the accountability, management and reporting should continue at a directorate level, with no further additions to the CRR merited.

15. There were 25 corporate risks in place prior to the Quarter 1 Risk Management Review. The review resulted in a stable position being reported by SMT, with no changes made to the risk ratings and no risk additions or removals made to the CRR.

16. The Corporate Risk Map is included in Appendix B, with the CRR summary and detailed versions included in Appendix C and D respectively.

Reason for recommendation

17. To enable the Audit Committee to monitor risk management arrangements, and consider the Risk Management Review - Quarter 1 2017.18.

Legal Implications

18. 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

19. 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

20. Audit Committee to note and comment upon the risk management activity and the contents of the Corporate Risk Register, and to consider the information given in the programming of its work.

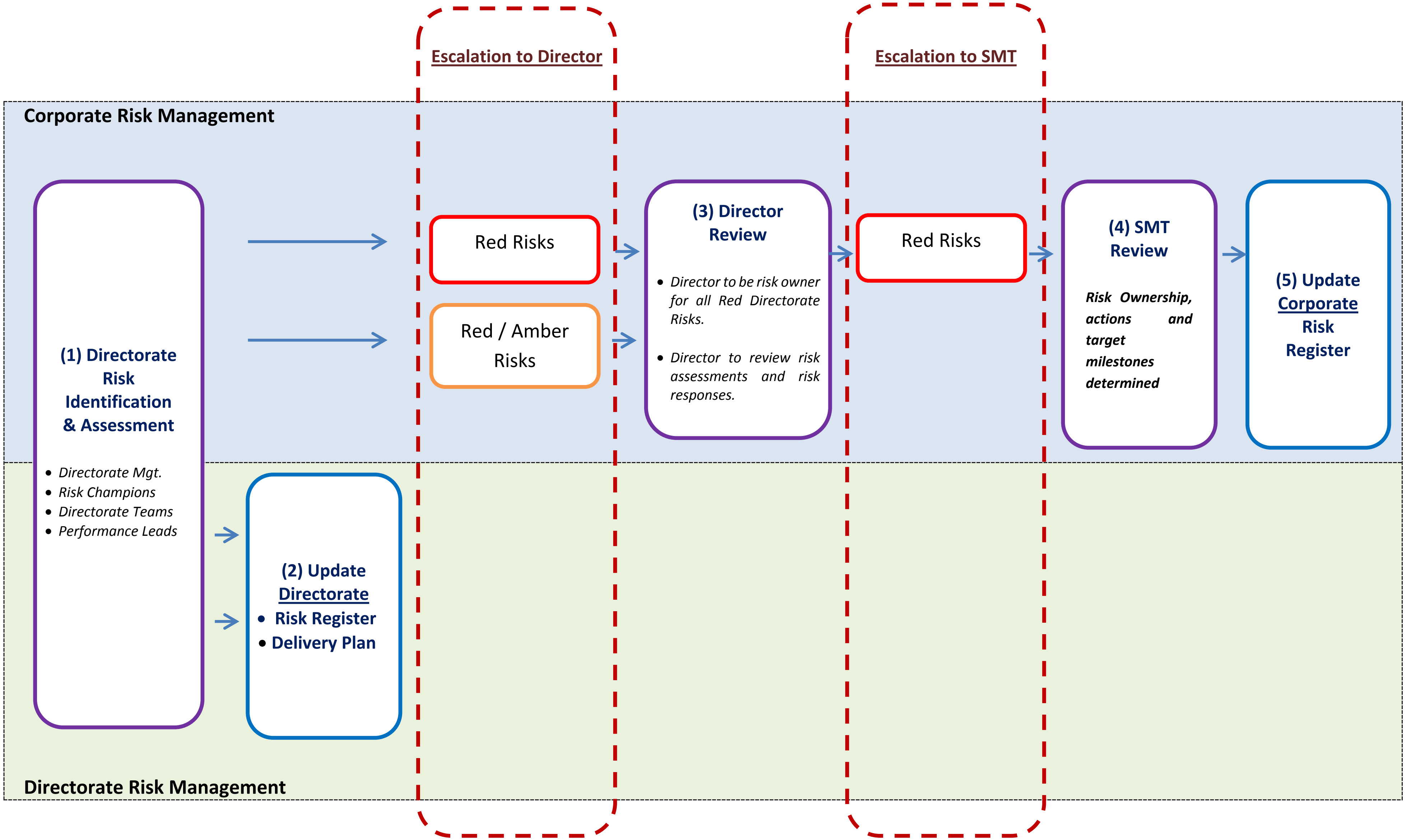
CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES

The following Appendices are attached:

Appendix A - Risk Management Quarterly Review Process
Appendix B - Corporate Risk Map - Q1 2017/18 Position
Appendix C - Corporate Risk Register – Q1 2017/18 Summary
Appendix D - Corporate Risk Register – Q1 2017/18 Detailed

Risk Management Quarterly Review Process

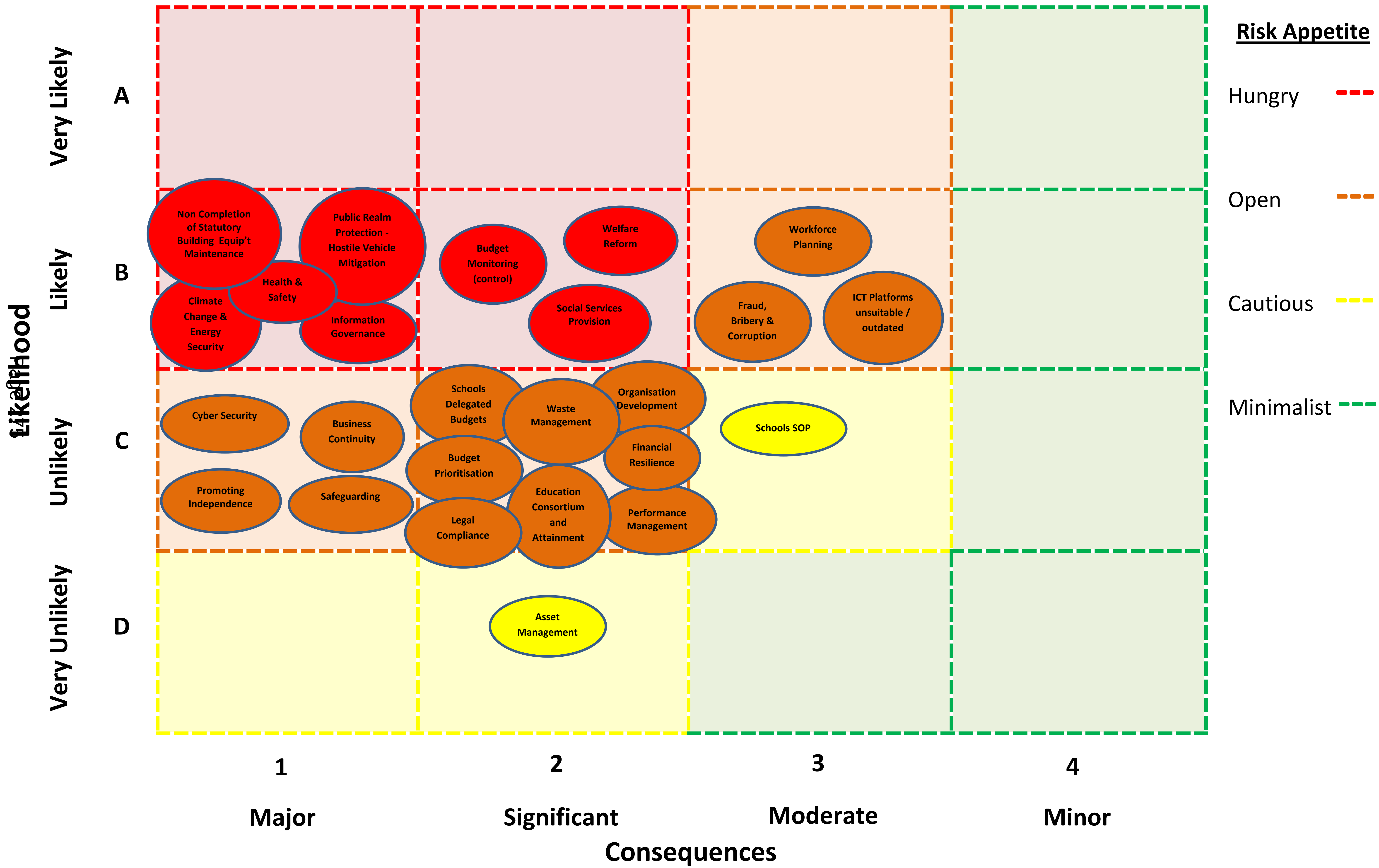
APPENDIX A



Mae'r dudalen hon yn wag yn fwriadol

Corporate Risk Register – 2017/18 (Quarter 1 Position)

Appendix B



Mae'r dudalen hon yn wag yn fwriadol

CORPORATE RISK REGISTER – Q1 Summary 2017/18

Appendix C

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
EVENT DRIVEN RISKS				
Public Realm Protection – Hostile Vehicle Mitigation 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	**Councillor Caro Wild** Strategic Planning & Transport.
Welfare Reform 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, restriction of social housing rents to LHA levels, removal of automatic entitlement to housing costs for under 21s. 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 (Jane Thomas)	**Councillor Lynda Thorne** Housing & Communities.
Cyber Security The ability to protect information systems (hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse. This includes harm caused by the operator of the system (intentionally or accidentally) as a result of failing to follow security processes. The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hacktivists and script kiddies.	High Priority A1	Medium Priority C1 (Red/ Amber)	Christine Salter (Phil Bear)	**Councillor Christopher Weaver** Finance Modernisation and Performance
Waste Management 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	Medium Priority (Red/Amber) C2	Neil Hanratty	**Councillor Michael Michael** Clean Streets, Recycling and Environment.
Education – Schools - SOP 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 (Janine Nightingale)	**Councillor Sarah Merry** Deputy Leader & Education, Employment & Skills
Business Continuity Large scale incident/loss affecting the delivery of services. The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident mangement structure, used in response to internal incidents and external emergencies, also fails in response to an incident.	High Priority B1	Medium Priority (Red/Amber) C1	Christine Salter	**Councillor Huw Thomas** Leader
ONGOING RISKS				
Non completion of Statutory Building Equipment maintenance Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council, partly due to a lack of understanding of who is responsible for arranging the testing and any remedial works identified. As a result there is a risk that all required testing/remedial works may not be undertaken and completed correctly. Also, a complete up-to-date accurate register of all statutory obligations testing requirements does not exist. Furthermore, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation	High Priority A1	High Priority B1	Neil Hanratty (Tara King)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Education Consortium & Attainment 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 (Angela Kent)	**Councillor Sarah Merry, Deputy** Leader & Education, Employment & Skills
ICT Platforms Unsuitable/ Outdated 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 (Phil Bear)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Safeguarding 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 & Davina Fiore	**Councillor Susan Elsmore** Social Care, Health & Well-being **Councillor Graham Hinchey** Children & Families. **Councillor Christopher Weaver** Finance Modernisation and Performance.
Budget prioritisation 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 (Ian Allwood)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Financial Resilience 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 (Ian Allwood)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Budget Monitoring (Control) 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 (Allan Evans)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Health and Safety 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	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Climate Change & Energy Security 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	**Councillor Michael Michael** Clean Streets, Recycling and Environment.
Information Governance 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 B1	Christine Salter (Vivienne Pearson)	**Councillor Christopher Weaver** Finance Modernisation and Performance..

CORPORATE RISK REGISTER – Q1 Summary 2017/18

Appendix C

Risk Description	Inherent Risk	Residual Risk	Risk Owner	Cabinet Member
Social Services – Provision Failure to provide robust and adequate social services in the context of increasing costs and limited resources.	High Priority B1	High Priority B2	Tony Young	**Councillor Susan Elsmore** Social Care, Health & Well-being **Councillor Graham** Hinchey, Children & Families
Promoting Independence 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	**Councillor Susan Elsmore** Social Care, Health & Well-being
Performance Management 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 (Joe Reay)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Organisation Development 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 (Dean Thomas)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Legal Compliance Changes in services and staff roles across the Council resulting in: - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource: in each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	High Priority B2	Medium Priority (Red/Amber) C2	Davina Fiore	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Education – Schools Delegated Budgets 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 (Neil Hardee)	**Councillor Sarah Merry** Deputy Leader & Education, Employment & Skills
Fraud, Bribery and Corruption 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 (Ian Allwood)	**Councillor Christopher Weaver** Finance Modernisation and Performance.
Asset Management Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	High Priority B2	Medium Priority (Amber/Green) D2	Neil Hanratty	**Councillor Russell Goodway,** Investment & Development
Workforce Planning Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	Medium Priority (Red/Amber) B2	Medium Priority (Red/Amber) B3	Christine Salter (Philip Lenz)	**Councillor Christopher Weaver** Finance Modernisation and Performance.

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
EVENT DRIVEN RISKS										
Public Realm Protection – Hostile Vehicle Mitigation 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.	Service Delivery / Reputation / Legal / Financial / Health & Safety / Financial / Partnership / Community & Environment / Stakeholders Potential for:- • Large no's of fatalities, injuries to public in crowded place. • Extensive structural damage and/or collapse of surrounding buildings. • Major fire. • Damage/disruption to utilities (gas, electricity, water etc.) • Immediate impact to businesses in the Cardiff area. • 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. • Area to be viewed as a risk for potential future business investment. • Inability to attract major future national and international events (political, sporting etc.) • Increase in demand for council services/support for all affected. • Current economic climate to reduce the effectiveness of any recovery/regeneration of the area.	A	1	High Priority	• All existing identified high risk; crowded places have been formally assessed. • Most crowded places have an extremely limited and in some cases 'third party managed' access control process to operate them; providing little/no challenge. • 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. • CONTEST Protect/Prepare Task & 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'. • 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. • The estimated cost for the procurement and installation of the PAS 68/69 mitigation and ancillary services is £3.6 Million. • Work is ongoing with City Operations to advise developers across the city in relation to appropriate mitigation required. • 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. • 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. • Wales Extremism and Counter Terrorism Unit (WECTU) Counter Terrorist Security Advisor's (CTSA's), the Emergency Services & 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.	B	1	High Priority	• 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. • The CONTEST Protect/Prepare Group will give a status report to the Cardiff CONTEST Board • 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. • £500k grant awarded by Welsh Government to provide improvements to Hostile Vehicle Mitigation Measures. This grant has been spent and materials are vested with ATG Ltd awaiting installation. • £250k Financial Resilience Mechanism (FRM) funding has been allocated in 2017/18 for the delivery / installation of the above equipment. Welsh Government want match funding and this will be dependent on the costs for installation. • The work that will be completed will improve the protection of the City Centre public realm but further funding will be required to conclude the protection of identified public realm. • Radar and topographical surveys of the sites has been undertaken and work is progressing on detailed design for procuring work. NEC Option A contact is preferred mechanism so contractor manages work with utilities.	**Andrew Gregory** **Councillor Caro Wild, Strategic Planning & Transport.**
Welfare Reform 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, restriction of social housing rents to LHA levels, removal of automatic entitlement to housing costs for under 21s. Lack of information, short timescales for implementation and the large number of citizens affected makes these changes a significant risk.	• Private landlords stop renting to benefit claimants • Social housing rents become unaffordable to some claimants, in particular those under 35 and with large families. • Increased homelessness and demand for temporary accommodation • Increased rent arrears, increased evictions • Redeployment / Severance for 140 benefits staff • Changing demands on Council stock resulting in increased voids and/or undersupply of smaller properties. • Barriers to building additional affordable housing • Supported accommodation becomes unaffordable impacting on social services and vulnerable homeless clients.	A	2	High Priority	• Communities staff continue to work closely with private landlords and advice agencies to mitigate wherever possible the reduction in benefit. • 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. • Timely information is being given to claimants to help them respond to the changes. • 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. • A new Welfare Liaison team has been created within the housing service to assist tenants affected by the changes. Work has been carried out to identify those affected by the reduced Benefit Cap and to advise them accordingly and to identify the most vulnerable families and award DHP. • Universal Credit has commenced in Cardiff, still fairly small numbers at present. 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, these services are greatly in demand. • 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. • The Advice Hub in Central Library is providing comprehensive advice services for those affected by Welfare Reform. • The Tackling Poverty Group and subgroups are working well in coordinating multi-agency activity and developing appropriate interventions during a difficult transition period for many people affected. • Briefings continue to be provided to Members on Welfare Reform and further information is sent as appropriate. • Digital inclusion training and banking support has been successfully implemented and will continue to be monitored. • Into Work Services are providing services across the city and helping people get back to work with particular focus on those families affected by the benefit cap.	B	2	High Priority	• 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. Funding has recently been provided to provide Advice and Into Work services in food bank and other community locations where hard to reach individuals attend. • 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. • Working groups are ongoing to support social tenants affected by ongoing Benefit Caps, involving RSLs, children's services, families first and a range of other partners who may be able to help support these families. • Regular meetings are held with social housing providers to monitor and improve processes. • DHP spend is being monitored carefully. Expenditure for 17/18 will focusing on the most vulnerable individuals or helping people with the transition into work. • 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. • Full implications of the removal of automatic entitlement for under 21s is not yet known and further work will be undertaken to understand this further. • Sub group set up to consider the impact of changes on Supported and temporary accommodation.	**Sarah McGill** **(Jane Thomas)** **Councillor Lynda Thorne, Housing & Communities.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
Cyber Security The ability to protect information systems (hardware, software and associated infrastructure), the data on them, and the services they provide, from unauthorised access, harm or misuse. This includes harm caused by the operator of the system (intentionally or accidentally) as a result of failing to follow security processes. The principal external threat groups to information systems are categorised by HM Government as cyber criminals, states and state-sponsored, terrorists, hacktivists and script kiddies.	Reputational / Legal / Financial / Stakeholder / Service Delivery / Health & safety The intent of cyber attackers includes, but is not limited to: • financial fraud; • information theft or misuse, • activist causes to render computer systems intolerable and to disrupt critical infrastructure and vital services. The impact of a cyber-attack / incident has the potential to involve the realisation of the risks associated with: • An information governance breach (i.e. Stop Now Order, Information Notice, Enforcement Notice, Financial Penalty etc.) • A business continuity incident – with a potential for major loss of service and legal, health and safety and financial implications. • A financial / fraud related attack. A malicious attack could result in loss of confidence from those transacting with the Council (reputation), as well as legal, asset, system, operational and financial implications.	A	1	High Priority	• A cyber security maturity assessment is regularly reviewed against 11 risk factors following the National Cyber Security Centre approach (based on network security, user education and awareness, malware prevention, removable media controls, secure configuration, privileged accounts, incident management, monitoring, home and mobile working policy, risk management regime and corporate cloud security). • The maturity self-assessment concludes that the Council has: - strong malware prevention, user privileges and home and mobile working controls. - adequate / mature risk management regime, network security, user education and awareness, removable media controls and incident management. - a need for senior management team (SMT) to collectively assess the effectiveness of secure configuration, monitoring and corporate cloud security controls. • The cyber security maturity assessment underpins this summary corporate risk and regular monitoring has commenced to drive risk-based prioritisation and actions. • Escalated risks to SMT around secure configuration, monitoring and corporate cloud security controls to SMT and support for improvements agreed at the meeting. • Risks monitored and escalated via Information Security Board as well as directorate Mgt meetings and Senior Management Team (SMT)	C	1	Medium Priority (Red/ Amber)	• ICT and Information Governance (IG) Teams to continue to liaise with FM for physical security assurances and to promote an incident reporting culture. • To enhance user education and awareness: - ICT to review user education and awareness information provided in the corporate induction pack in Q3 17/18. - Data Security Incident Policy to be communicated via Core Brief in Q3 17/18. - Data handling directorate seminars scheduled for Q3 and Q4 2017/18. - Information Asset Owners to receive compliance reports for Bob's Business training. • To ensure strong ICT security, monitoring and cloud security controls: - ICT lifecycle and notification targets are being monitored and managed through the 'ICT Platforms' risk actions. - Collaboration between ICT and IG to develop and map current ICT system providers in phased development of an Information Asset Register. - Privacy Impact Assessment / Cloud Impact Assessments to continue to be developed / reviewed through the Council's General Data Protection Regulation Action Plan being managed by the Information Governance Team. - Governance and management requirements to be formalised for periodic and systematic review of all ICT systems. - SIRO to review / consider Cloud Infrastructure to ensure: - Effective governance and management. - Resource, risk appetite and outcomes required. - Education of business systems owners in risk and management of cloud based services.	**Christine Salter** **(Phil Bear)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**
Waste Management 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	Reputational / Financial / Stakeholder / Service delivery / Legal / Environmental / Community • Significant financial penalties for failure at up to £200/tonne or incorrectly capture tonnage data. • Procure disposal elsewhere with additional costs. • Reputation damage • Increased costs of landfill and alternative treatment markets • Risk to grant funding (currently £6.9m 2016/17), potential in year cuts, future year grant reductions and changing terms and conditions • No MTFP for future grant funds or capital confirmed by WG • Reducing Grants; reducing worldwide market values for recyclates; market collapse for recycling outlets • Risk of legal challenge • The risk of fines remains high due to seasonality of recycling performance and green waste which could lead to a status quo in recycling performance or at worse a drop in performance. • The targets for statutory recycling in 2016/17 was 58% rising to 64% by 2019/20, therefore, the risk rating remains high. • Waste growth and commercial expansion remains a challenge as it brings in new residual waste. • A high risk remains in the materials market where fluctuations are influenced by world-wide pricing which is affecting the volume of material recycled.	B	1	High Priority	Policies / Strategy • Previous updates contain the policy position improvements between 2008/2015. • Waste Management Strategy 2011/2016 was approved on 13th January 2011 and was revised and approved in April 2015. Keys aspects continue to be implemented from the strategy. • Several progress reports have been made to Cabinet and Environmental Scrutiny in that period. • Monthly performance tracking of recycling has been established to help predict the end of year position. • Steps taken to improve MRF processing rates means less waste to treatment. • Commercial recycling centre opened March 2014, its performance is increasing with more commercial HWRC being identified. Growing the customer base continues. • Focus on pre-sort on the HWRCs is showing improvements in site recycling. Target of 80% recycling and reuse. • 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 2015/16. The Flats/ HMOs Strategy to improve waste and recycling collections from flats is designed to enable greater recycling and food waste from hard to capture areas, was implemented in 2016/17. This included a business case on current recycling methods. • The sweepings contract is secured and operating. • Seasonal hours changes and proof of residency at the HWRCs has resulted in tonnage reductions and savings from not processing non Cardiff waste and recycling. • The first phase of the Waste Management strategy was delivered in December 2016, which was the free reuse and recycling bulky collection service. • Restrictions to Cardiff domestic householders for residual waste through the introduction of 140 litre bins have reduced residual waste tonnage profiles in 2016/17. Risk of Fines • The risk of failing the biodegradable limits to landfill has been significantly minimised due to the current treatment and disposal routes. • Secondary recycling is being carried out on residual waste to increase recycling rates. Contracts / Projects • Several Contracts have been put in place for additional materials to be recycled from the HWRC's.	C	2	Medium Priority (Red/ Amber)	Policy / Strategy • Explore reuse partner(s) as market test and initial procurement was not successful, work is ongoing to secure a partner(s). Working with other Local Authorities to explore TEEP business cases and/or exploring joint working options. • 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. • An in year review of the HWRC facilities strategy has commenced. Operational testing of Lamby Way is underway with the official launch planned for 18th July. Risk of Fines • Ensure correct recording of waste tonnages from Neighbourhood Services to ensure exclusion of Non MSW waste that was not previously counted towards the targets. Contracts / Projects • Driving trials for the new In-Cab tachograph have commenced. Implementation and training will be rolled out across the Service. Prosiect Gwyrdd • Continued management of the contract to ensure treatment and diversion of residual waste in line with the contracted positions. • Working in partnership with Viridor to ensure appropriate wastes are presented for treatment, to reduce rejects and increase recycling. Cardiff Organic Waste Treatment Contract • Continued management of the contract to ensure treatment and diversion of residual waste in line with the contracted positions. • Working in partnership with Kelda to reduce levels of contamination and ensure appropriate wastes are presented for treatment, to reduce rejects from the process and for other wastes to be recycled by the appropriate routes. Household & Commercial Waste Collections	**Neil Hanratty** **Councillor Michael Michael, Clean Streets, Recycling and Environment.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					• Interim contract in place for disposal of biodegradable green/food waste • Aggregate recycling is now in place. • Recycling litter bins are in place in the city centre. • New initiatives such a charging for bulky waste, commercial recycling centre, sweepings, mattress and carpet recycling schemes are all underway. • New HWRC delivery model is underway. • New free reuse and recycling bulky collection services strategy 2016. • New markets for mattresses have been tendered and awarded in 2016/17. • Contract now in place for new materials at Lamby Way and Bessemer Close HWRCs e.g., carpets, tyres and UPVC widows. • Recycling Waste Management focus on pre-sort high quality recycling and removing the reliance on post sorting of waste. Prosiect Gwyrdd • Financial Close occurred December 2013 Viridor are the appointed contractor which commenced Sept 2015. Removes risk of failing biodegradable waste limit to landfill. Cardiff Organic Waste Treatment Project • The procurement of a processing contract and facility for food and green waste was completed for both Cardiff and the Vale of Glamorgan, with Kelda Organic Energy being appointed contractor. Full Service Commencement was achieved 1st April 2017, providing sustainable diversion of organic waste from landfill. Household & Commercial Waste Collections • Implemented changes to household waste collections to align service with the WG recycling blueprint e.g., smaller fortnightly black waste collection (with accompanying hygiene services) and weekly food and dry recycling and fortnightly green waste. • 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). Collaboration work • Working and engaging with Welsh Government on legal and policy changes.				• Set and achieve new commercial recycling opportunities for new materials and new income opportunities – targeting commercial food collections and schools. • National government discussions are underway regarding co-mingled recycling issue. Modelling has been undertaken on the best option for Cardiff and concluded a twin steam is the best option. Further steps will be developed to assure compliance with WG blue print. MRF • Complete procurement and installation of Auto Sorter for mixed plastics and fibre products e.g. paper and cardboard by end of Q2. • Develop business case for kerbside collections of separated glass and report to Cabinet. • Arranged for Glass trial to reduce our current cost per tonne from £60 to process to an estimated £49. Still awaiting on recycling percentage from the analysis conducted at SUEZ, recycling and resource management company, who trialled two loads.	
Education – Schools - SOP Large scale Capital Programme (£164m) with tight timescales for delivery, in context of very rapidly growing primary age school population.	Reputational / Legal / Financial / Social / Stakeholder / Health & safety. • Insufficient primary places in some areas of the City. • Further degeneration of school buildings • Reducing educational standards. • Project cost and time overruns • Risk that Welsh Government do not approve individual project funding if not satisfied with Business Cases.	B	1	High Priority	• A significant proportion of the Schools Organisation Programme has been delivered to date including:- ▪ A new Pontprennau Primary School ▪ Refurbishment to Millbank Primary School ▪ An extension to Adamsdown Primary School ▪ An extension to Coed Glas Primary School ▪ An extension to Ysgol Y Wern ▪ New Science Block at Fitzalan High • These address in the main the sufficiency issues in the Primary Sector. • The construction of the new Eastern High School, in partnership with Cardiff & Vale College is progressing well, the construction contract signed for £26m with Willmott Dixon and the buildings works commenced on site in 2016. Due for completion December 2017. • The procurement of the 3 new primary school buildings for Howardian Primary, Ysgol Hamadryad and Ysgol Glan Morfa is complete. Work started on site for Howardian and Ysgol Glan Morfa in June 2017. Ysgol Hamadryad received planning permission in June and work will start on site by September 2017. • The procurement of the new High School in the West is complete with Willmott Dixon appointed to design & build the school in January 2017. Proceeding to pre-planning in May, followed by full planning submission in August. • Assets being considered corporately to maximise the opportunity to focus funds realised within the Council and through other sources on fewer high quality buildings. • Extensive work on the 21st Century Schools Band B funding is now taking place to submit progress to WG in autumn 2017.	C	3	Medium Priority (Amber/ Green)	All risks being monitored and reported to Schools Programme Board. • 'Turn Key solutions' being progressed on all new school builds i.e. one contract, single point of management and responsibility. • Two step procurement methods being undertaken on all procurements. • Standardised design methods being used where possible. • Continued active dialogue with Welsh Government and other professional parties to support progress and development. • Prioritise population data development to support accurate projections and forecasts for existing resident populations and to support effective s106 negotiations going forward. • Ensure consistent monitoring and reporting of all risks to Schools Programme Board. • Capacity strengthened in SOP Team.	**Nick Batchelar** **(Janine Nightingale)** **Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills**

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Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
Business Continuity Large scale incident/loss affecting the delivery of services. The potential risk is that our most time sensitive activities are not sufficiently resilient and fail, following an incident which impacts on their delivery and that our incident mangement structure, used in response to internal incidents and external emergencies, also fails in response to an incident.	Reputational / Legal / Financial / Stakeholder / Service delivery / Health & safety • **Health and Safety** – potential impact on staff and on the public relying on our most, time sensitive, critical services. • **Legal action** -Failure of key services could lead to Legal action against the council. • **Financial** - 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 legal action against the corporate body where service failure leads to legal action against us from private claimants. • **Reputational -** Impact on key services to the public could lead to significant reputational damage to the organisation. • **Stakeholder** – Impact on key stakeholders as result of failure. • **Service delivery** – 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.	B	1	High Priority	• The Council has a BCM Champion who sponsors BCM at a strategic level and is actively supporting the BCM Programme. • We have an approved Business Continuity Policy which is aligned to ISO22301. • BCM Intranet web page. • 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. • The Council has employed a Business Continuity Officer (appointed October 2010). The officer is a qualified ISO22301 lead auditor. • 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. • The Council has a 24 hour Incident Management structure for Gold and Silver Officers. • 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. • 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. • 87% of our most time sensitive 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 • 24 % of our Amber activities now have business continuity plans which meet the business continuity audit requirement. • Cardiff Council is a member of the Core Cities Business Continuity Group and has been for the last 8 years. This membership allows the sharing of best practice and joint initiatives between group members. • 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. • 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 organisational resilience. • The BC Officer is actively supporting the development of an appropriate Threat and Response Policy to support council security arrangements. • The Business Continuity corporate risk has just gone through a further Internal Audit review and the BC Officer has worked closely with Internal Audit to provide them with the support, evidence, and guidance needed to allow them to review this risk. • The Corporate Emergency Management Plan was fully revised and updated in March 2017. • The Corporate Incident Management structure and Emergency Management Plan, and the Corporate recovery plan were exercised and validated in a corporate wide exercise on the 29th of March 2017, this exercise also provided an opportunity for individual Business Continuity plans to be activated.	C	1	Medium Priority (Red/ Amber)	• 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. • 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. • 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. • 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. • The Business Continuity Officer is working to develop and enhance individual Directorate response capability to ensure Directorates are in a stronger position to respond to incidents which could impact on the Council and our most time sensitive activities. • The Business Continuity Officer is proposing working closely with Education and Life Long Learning to support them in developing a school specific Business Continuity Plan template to enhance schools resilience capability.	**Christine Salter** **Councillor Huw Thomas, Leader.**
ONGOING RISKS										
Non completion of Statutory Building Equipment maintenance Currently statutory obligations testing is not organised in a consistent and centrally managed process across the Council, partly due to a lack of understanding of who is responsible for arranging the testing and any remedial works identified. As a result there is a risk that all required testing/remedial works may not be undertaken and completed correctly. Also, a complete up-to-date accurate register of all statutory obligations testing requirements	Potential consequences: • Fatalities or serious injuries • Closure of part or whole of facilities with major disruption to service delivery • HSE interventions and consequential actions including fines and prosecution; • Significant additional expenditure requiring realignment of Corporate budgets; • Temporary relocation of staff • Temporary loss of operational service • Invalidation of insurance policy • Serious adverse impact on reputation • Damage to fabric of building or other equipment	A	1	High Priority	CONTRACTOR • Competent contractor in place to undertake statutory obligations testing and consequential remedial work; RAMIS IT Software • RAMIS Statutory Obligation Compliance software system procured and in process of being commissioned. This will replace spreadsheet system currently in place; • Staff training has commenced Statutory Obligation Compliance • Electrical testing and works monitored/supervised by qualified internal staff • Electrical certificates received and reviewed by qualified internal staff • C1/C2 electrical remedial works identified through testing are attended to appropriately and immediately by contractor undertaking electrical works • Spreadsheet database established to record status of statutory obligation compliance across whole Council estate • Audit of compliance recently completed (March 2017). As a result, there is a very much improved understanding of the current level of statutory compliance; • Planned Preventative Maintenance Certificates are held centrally and can	B	1	High Priority	• Strengthen monitoring and supervision of contractors undertaking statutory obligations testing and works; • Complete installation of RAMIS, training of staff, and uploading of information into system – Qtr 4, 17/18 • Continue to commission investigations / work to complete required compliance testing (and works if required) in respect of 'gaps' in compliance status identified through the audits . • Establish In house Statutory Obligations Team to manage the undertaking of the statutory obligations surveys/work across the Council. This is being progressed through the proposed Corporate Landlord Programme. • Engage with CLAW (Consortium of Local Authorities in Wales - supports the professional and technical interests of property management in local government in Wales) to benchmark statutory obligation compliance performance and benefit from experience of other Welsh authorities • Introduce a Landlord/Tenant agreement in respect of all Council buildings to ensure the requirements for statutory obligations are clearly identified (by end 17/18). New School 'handbook' also to be put in place. • Undertake appropriate training to ensue that all Council	**Neil Hanratty** **(Tara King)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
does not exist. Furthermore, there is no embedded technology in use consistently to manage the statutory obligations work or the storing of relevant statutory obligation documentation.					be easily accesses via computer (to be transferred to RAMIS); • Asset audits to determine the statutory obligation testing requirements of non-domestic buildings commenced in Qtr1 with schools identified as the priority buildings. • Appropriate statutory obligations testing is being arranged where previously unrecorded requirements are identified through the audits Corporate Landlord Programme • Corporate Landlord Model Programme Brief has been approved by the Programme Board – objective is to create one point of contact in the Council to lead on all property matters across the Council's estate • Implementation of the Corporate Landlord Programme commenced early 2017/18. HSE • HSE concerns regarding work undertaken by Allianz (company appointed by Council Insurers) have been addressed. Health & Safety Model • A new Health & Safety Operational Manager has been appointed with a role to independently 'police' statutory obligations compliance across the building estate. Landlord / Tenant Agreement • Work commenced on the draft Landlord/Tenant Agreement template in early 2017/18. This will clearly set out responsibilities for statutory obligations compliance testing and remedial works. Conditions Survey of Non Domestic Buildings • This work has commenced with priority school buildings and will continue for the remainder of 2017/18 and into 2018/19.				building Duty Holders have a clear understanding of their statutory obligations compliance responsibilities (by end 17/18) • Continue with the conditions surveys of the non-domestic buildings (complete 18/19). • Introduce new technology to assist in improving the scheduling, commissioning, monitoring and auditing of statutory obligations work – by Qtr 4, 17/18. Present the Full Business Case for the proposed new technology to the Investment Review Board at the end of Qtr 2.	
Education Consortium & Attainment 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.	Reputational / Legal / Financial. • Budget implications. • Educational standards falling behind other LA's. • Potential impact on Estyn judgement for LA. • Intervention from WG	B	1	High Priority	There have been continuous improvements in nearly all 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 now based on clear priorities and a good understanding of Cardiff schools. Cardiff schools are being challenged more rigorously and supported more effectively to improve. A Secondary Senior Challenge Adviser with well-developed knowledge and skills to build on the progress made to date has been appointed on an interim basis. There is a new Primary Senior Challenge Adviser in post. The Schools Causing Concern processes have been revised in partnership with the Consortium and the Local Authority. The systems and processes to secure improved joint service delivery is now in place, with regular meetings calandered with the Assistant Director and the Senior Challenge Advisers, Primary and Secondary. 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. 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. 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. A number of Cardiff schools have been appointed as Pioneer Schools to develop the new curriculum over the next three years in line with "Successful Futures".	C	2	Medium Priority (Red/ Amber)	• Officers will continue to ensure the agreed commissioning arrangements are refreshed and delivered and impact positively on the performance of schools. • A comprehensive review of the Local Authority annex is underway, in preparation for the 2017-2018 academic year to ensure it is closely related with the priorities contained within the Education Directorate Delivery Plan 2017-2018. • Local Authority officers and members of the Consortium have already identified the need to commission more comprehensive support for Governors and support for Federations.	**Nick Batchelar** **(Angela Kent)** **Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills**
ICT Platforms Unsuitable/ Outdated 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.	Reputational / Financial / Stakeholder / Service delivery. ▪ Loss of PSN services. ▪ Service delivery impacts from unreliable/unavailable ICT systems ▪ Cardiff seen as unable to deliver on aspirations ▪ Poor morale from frustrations with inability to deliver services. ▪ Potential for income losses from revenue collection impacts. ▪ Unable to meet delivery deadlines on both business as usual and transformation projects.	A	2	High Priority	▪ Measurements put in place to track impact ▪ Existing ICT budget spend focused on dealing with critical issues, capital and revenue budget resource provided in 2012-15 to address major issues, medium term financial plan investment programme in place for subsequent years. ▪ Spending complete for renewal/upgrade of highest risk items, in particular firewalls, core servers/switches and external bandwidth. ▪ New system down analysis process in place to ensure that key pressure points are rapidly identified and fixed at minimum cost until full programme can be initiated. Recent issues with telephony have resulted in retargeting of some resources to focus on weak points now identified. ▪ 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) ▪ Active projects underway and the current aged file storage solution have been replaced and cloud based storage for additional resilience and flexibility is being assessed. Other projects underway to replace many of the core older back end servers. ▪ Corporate file storage systems replaced and new disk to disk backup option	B	3	Medium Priority (Red/ Amber)	▪ Development of lifecycle monitoring and clearer customer engagement. ▪ Pilot leasing scheme within schools to be considered for corporate desktop estate ▪ Monitored on the corporate risk register. ▪ Breakdown of costs to remediate to be generated and reviewed. To include workstation replacement costs, supporting network infratructure and server infrastructure.	**Christine Salter** **(Phil Bear)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					installed to improve performance and resilience • Due to mitigation actions so far to reduce the risk, the risk of critical service downtime has been reduced. • Additional load balancers to be purchased for application resilience in key systems. • Full renewal programme for all desktop, software, network, servers, and telephones, appropriate to Cardiff's ambitions and resources. • Continued assessment of priorities for replacement – applications infrastructure and servers are the next priority • Refresh of existing SAP, thin client and virtual server farms • Assessment of equipment required replacing to maintain PSN compliance • Further revenue and capital investment in 2014-16. • Migrate VM infrastructure over to Pure Storage. Project initiated and led by ICT Server Manager. • Migrated users from CAG to ASA. Project plan to move over users complete.					
Safeguarding Systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.	Reputation / Financial / Stakeholders / Service delivery / Legal / Partnership / Community • A child/ren or adult/s suffers avoidable significant harm or death. • Reputation of Council and partners. • Severe adverse publicity. • Potential regulator intervention. • Loss of confidence by the community in the safety of children and adults. • Loss of confidence of staff in the overall "safety" of the service, impacting on morale, recruitment and retention. • Potential litigation with associated financial penalties.	B	1	High Priority	• Implementation of Social Services & Wellbeing (Wales) Act 2014 in relation to the strengthening of adult safeguarding. • Strategic review of safeguarding governance across the region completed in partnership with the Vale of Glamorgan Council. • Strategic review of the functioning of the Regional Safeguarding Adults Board completed. • Ongoing implementation of the Child Sexual Exploitation Strategy. • Implementation of the Corporate Safeguarding Board work programme. • Growth proposals for operational safeguarding capacity included in 2017/18 budget • Cardiff Council hosting the All Wales Adult and Child Protection Procedure re-write.	C	1	Medium Priority (Red/ Amber)	• Training staff in relation to Adult Protection Orders.	**Tony Young** **&** **Davina Fiore** **Councillor Susan Elsmore, Social Care, Health & Well-being** **Councillor Graham Hinchey, Children & Families.** **Councillor Christopher Weaver, Finance Modernisation and Performance.**
Budget prioritisation 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).	Reputational / Financial / Legal / Service delivery / Stakeholder • Risk of failing to meet statutory obligations. • 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. • Risk that settlement figures will not be as anticipated giving an element of uncertainty to any proposals from Cabinet during public consultation and beyond. • 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. • Risk that financial constraints and budget proposals result in unintended consequences such as increased instances of non-compliance and financial impropriety. • Risk that annual budget settlement frustrates medium / longer-term planning and that the cycle does not integrate with other business cycles and vice versa. • 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. • Risk that organisational development does not align to the financial strategy in relation to budget reduction requirements. • Additional obligations such as Wellbeing of Future Generations Act leading to Council failing in statutory duty.	A	1	High Priority	**2017/18 and Medium Term** • 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 has been used for 2017/18 and will be a key part of the assurance for 2018/19 • The final 2017/18 Budget was underpinned by Directorate Savings of £13.264m and Addressable Spend Savings of £3.743m; a total of £17.007m. Robust monitoring will take place during 2017/18 in order to inform the 2018/19 budget position. • The MTFP set out in the February 2017 Budget Strategy Report shows an estimated Budget Reduction Requirement of £80.907m for the medium term (2018/19-2020/21). • The July Budget Strategy Report will set out the strategy for balnacing the Budget. • Close working with Policy team in respect of alignment with Corporate Plan and duties under Wellbeing of Future Generations Act.	C	2	Medium Priority (Red/ Amber)	**2018/19 and Medium Term** • The 2018/19 Provisional Settlement is anticipated for October 2017 with Final Settlement December 2016. There is a concern that confirmation of settlement may be deferred. • Budget to be approved at Council February 2017 • 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. • 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. **Medium Term** • Continued due diligence, challenge of proposals and development of detailed plans for both 2018/19 to 2020/21	**Christine Salter** **(Ian Allwood)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

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Financial Resilience 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.	Reputational / Financial / Legal / Service delivery / Stakeholder • 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. • 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. • Reputational risk of defaulting on creditor / payroll payments thus creating uncertainty across the community of Cardiff and beyond. • 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.	A	1	High Priority	• The Council regularly reports in relation to its financial performance and monitoring. • Theestablishment 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. • 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. Subsequent report received stated that the Council has a transparent and effective savings approach which supports financial resilience being achieved. • Further Improvement actions associated with the medium risk for financial planning related to 1) Fully developing savings proposals prior to start of year, with realistic timesclaes set and 2) Continuing to improve and further develop links between the MTFP and Organisational Development Programme. • A financial snapshot is used to report the financial resilience of the Council and is reviewed 3 times a year and reported at Budget Report (Feb17 & Feb 18), Budget Strategy (Jul) and to Audit Committee.	C	2	Medium Priority (Red/ Amber)	• Key stakeholders are briefed on this position and financial triggers against this snapshot continue to be developed and reviewed. • Work in respect of improving savings plans continues in order to increase the % of savings proposals accepted that delver. 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. • Links between the MTFP, OD Programme, Service Plans and Improvement Plans continue in order to further build on work already undertaken in the Budget Strategy Work Programme.	**Christine Salter** **(Ian Allwood)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**
Budget Monitoring (Control) 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.	• Inability to balance spend, against budget, for the financial year. • Requirement to implement emergency measures to reduce spending during the financial year thus adversely impacting on ability to meet corporate plan objectives. • Requirement to drawdown from General Reserves at the year end.	A	1	High Priority	• Clear financial procedure rules setting out roles and responsibilities for budget management are in place. • In recognition of the quantum of savings and the risks posed a £3 million General Contingency was allocated in the Budget. • Availability of General Reserve should this be required. • The final 2016/17 outturn showed a balanced position. However this included an overspend of £7.63m in relation to directorate budgets with shortfalls of £6.475m against 2016/17 savings targets and £1.881m against shortfalls carried forward from 2015/16. • The Corporate Director of Resources, Chief Executive and Cabinet Members have continued to hold challenge meetings going forward into 2017/178in all areas both to address shortfalls against budget proposals accepted but also the overall financial position of each directorate. • 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 10 completed.	B	2	High Priority	• The balance of any 2015/16 or 2016/17 savings targets designated as not being achievable have been provisionally allocated and will continue to be reviewed as the 2017/18 monitoring process progresses.	**Christine Salter** **(Allan Evans)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**
Health and Safety Ineffective 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 • Fatalities • Serious injuries • Prosecution – fines for body corporate and/ or fines/imprisonment for individual • Claims	A	1	High Priority	• The team is currently being restructured, an OM1 post for Head of Health and Safety to be advertised. SLA with Caerphilly Council ended on the 4 May 2017. • Health and safety monitoring/support for schools is an issue, one competent officer supporting Education is not sufficient to achieve improvements in compliance standards required in what is a high risk directorate. • Concerns regarding statutory compliance on the range of statutory issues including:- - Asbestos Control - Fire Safety - Electrical Safety - Gas Safety - Legionella Control • Quality of Risk Assessments across the Council is varied and improvements required in consistency and quality in some areas. • Health and Safety Advisers carry out a programme of general health and safety audits, focussing on high risk activities, and undertake other inspections / investigations as necessary. Increased competency required on specialist risks such as asbestos, fire and CDM in order to appropriately monitor and report on H&S risks. • Policy and Codes of Guidance reviewed, further work required in this area going forward to ensure that all policies are up to date and reflect current practice within the Council.	B	1	High Priority	• In light of the compliance issues which emerged since the Service Level Agreement with Caerphilly Council commenced in March 2016 it has been determined that additional management resource is required to deal with the emerging issues. • A recruitment process for a new OM1 post is in progress. The successful candidate will implement a restructured H&S Team with a focus on Corporate Governance on H&S Matters. The Council will benefit from officers with competency in Fire Safety, Asbestos and CDM in order to meet the H&S management and monitoring needs. • Framework for Managing Health and Safety to be reviewed utilising the RAMIS system to record and monitor statutory compliance as well as using the system to undertake audits/inspections and monitor actions closed (currently not achievable using CIS). • The current position with regards to statutory compliance is being reviewed by Strategic Estates with SMT being provided with a gap analysis. HSE inspection undertaken on electrical safety (24/3/17), with two improvement notices issued. Statutory Maintenance Audit included in 2017/18 Health and Safety Objectives, Building Managers and Health and Safety to undertake. • Health and Safety support to schools to be included in the restructured Health and Safety team and funded via a SLA service with schools. This will improve the standards of health and safety practice and compliance as well as avoid schools paying for external consultant's whose competency is questionable. • Risk Assessment Library to be included in the RAMIS system and populated by Service Areas, this will permit audit and review of risk assessments and will remind Service Areas of review dates – to be included in the RAMIS implementation plan. Service areas requested to review Risk Assessments via. 17/18 corporate Health and Safety Objectives. • Review of Policy/Codes of Guidance – Corporate Policy and 13 Codes of Guidance reviewed and uploaded to CIS, further reviews planned in 2017, particular priorities are Violence and Work, Control of Vibration, Stress and Wellbeing, Asbestos Management and Fire Safety. • Health and Safety training via. The Academy commenced in October 2016, a suite of Corporate H&S courses are currently being offered, it is hoped that the SLA with Caerphilly for this service can continue. Competency in	**Christine Salter** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

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									asbestos management is required for employees and contractors, included in Health and Safety Objectives for 17/18. • Review of Violence at Work and PACD System undertaken and improvements to the PACD system underway, which will ensure that the information held on the system is accurate, up to date and held in line with the DPA. Requested reviews of entries have generally not been undertaken by the timescale stipulated, this will result in out of date entries being removed, prior to reconfiguring the new system. Users who have not accessed the system during the past 12 months will also have access withdrawn but will be advised to contact Health and Safety to re-instate access if required.	
Climate Change & Energy Security 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 Flooding & increased frequency and severity of storm events: • Loss of life and personal injury • Direct damage to property, infrastructure and utilities • Contamination and disease from flood and sewer water and flood on contaminated land • Increased costs of insurance • Break up of community and social cohesion • Blight of land and development Increased summer temperatures: • An increase in heat related discomfort, illness and death, increasing pressure on health and emergency services • An increase in demand for limited water supplies • Damage to temperature sensitive infrastructure (transport systems, electrical systems). • Migration of biodiversity. Inconsistent energy supply and cost: • Inability to deliver public services • Decrease in economic output • Disruption to the supply of utilities • Increased transport costs • Increased costs for heating / providing services to buildings • Increased fuel poverty	B	1	High Priority	Emergency Management Unit 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. • 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. 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 community groups across Cardiff • 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 such as extreme temperatures 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; https://www.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Emergency-Planning-and-Resilience/Emergency-Planning-and-Resilience/Pages/default.aspx We have further developed our capability to communicate with the public with the development of the EVAC Cardiff App which is now available for both android and apple systems. Alongside the App we are developing a stand-alone website to offer further advice and information to back up the information available via the App. We have procedures in place to alert relevant departments within the council to extreme temperatures and work with partner agencies in line with Welsh Governments Heatwave Plan, this can be found via the following link; http://www.wales.nhs.uk/docopen/218909/ Energy Management Unit • The Council procures competitive energy contracts through the Crown Commercial Services on a 6 monthly purchasing window for the following 12 month financial year. • Key sites are fitted with back-up generators for emergency backup, specifically for IT systems. • 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. • The new strategy is accompanied by a project programme which is currently being implemented with projects categorised across all strands. • 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, • Progress in 2015/16 has achieved a 6.9% reduction in carbon versus 2013/14 baseline. Local Flood Risk Management Strategy 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 & Coastal Risk Strategy guidance. The LFRMS integrates; the PFRA, a coastal protection strategy, stakeholder communications and sets a clear corporate approach to flood management. Flood Risk Management Plan 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	B	1	High Priority	Emergency Management Unit • 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 Energy Management Unit • Progress has been made to establish up to date energy budgets. • Deliver development of local power generation within city boundaries and with neighbouring LAs by securing heat networks, deliver the Affordable Warmth Strategy through measures such as ECOt2 and Green Deal opportunities, provide supplementary planning guidance on passive and renewal heating systems to new build and retrofit schemes. • 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 & community planning for Energy City Wide to Business and public sector. • 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. • Delivering renewables within larger properties to lower dependency to grid supply. • 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. Local Flood Risk Management • An officers flood working group has been established to improve internal and key stakeholder communications on flooding issues. • 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 • The proposal to further progress Surface Water modelling further in line with national guidance and deadlines to inform the Cardiff Area Flood Plan awaits the next guidance from the Welsh Government • 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. • The Outline Business Case has been submitted to Welsh Government for review. Should the Council be successful in securing funding from the Welsh Government Coastal Risk Management Programme, detailed design will commence before the end of the year. The WG's CRMP has a time line between 2018 and 2021. Planning Assess findings for flood risk indicators and identify whether any corrective actions are required to reduce flood risk in new developments.	**Andrew Gregory** **Councillor Michael Michael, Clean Streets, Recycling and Environment.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					maps identify the risk, extent, velocity and hazard posed to Cardiff for a series of rainfall events. 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: • Highlighting the areas most at risk of flooding from surface water, ordinary watercourses and groundwater in Cardiff Council's area; • Draws conclusions from these risks; and • Sets out the measures that will be implemented over the 6 year cycle to mitigate these risks and make our communities more resilient. <u>Planning</u> Project Management techniques and partnership working are being used to effectively manage the process of preparing the LDP Annual Monitoring Report (AMR) and a programme of Supplementary Planning Guidance (SPG). In addition a process has been identified and tested to collect data relating to the flood risk indicators. <u>Sustainable Development Unit</u> • Changing Climate, Changing Places pilot project. • Strategic climate change resilience action plan approved by Cabinet in 2013 as part of a wider One Planet Cardiff Cabinet Report. Actions and recommendations in the plan cover heat planning and flooding issues. • 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. There has been limited response from Directorates due to key staff leaving and organisational changes. This work is now being aligned with the Well-Being of Future Generations Act. • The Council has signed up to the Compact of Mayors in addition to its existing commitment to the Covenant of Mayors. Reporting year 2 data submitted for the Compact of Mayors Carbon Disclosure Project and a Monitoring Emissions Inventory in process for the Covenant of Mayors Sustainable Energy Action Plan.				<u>Sustainable Development Unit</u> • Climate Change is being considered as part of the Well-Being Assessment and subsequent actions in the Well-Being Plan. • Work to be undertaken with both the Covenant of Mayors and the Compact of Mayors (merging to become the Global Covenant of Mayors for Climate Change) to agree a consistent method of emissions reporting and action planning so as to not duplicate efforts and get maximum benefit from the commitments.	
<u>Information Governance</u> 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.	Reputational / Financial / Legal / Service delivery / Stakeholder • Leads to the Information Commissioner issuing notices of non-compliance • These could consist of: • a Stop Now Order which would mean that no personal data could be processes by the Council in its entirety • An Information Notice which would mean that a service would have to provide information in a very limited period thereby impacting on service delivery • Undertaking which requires an Action Plan of Remedial Measures which would be subject to ICO Audit • Enforcement Notice requires immediate improvement action to be put in place • Financial Penalty up to £500,000 (currently) • The General Data Protection Regulation will come into force in May 2018 and puts in place a new Enforcement Regime and financial penalty structure. The maximum fine will be 4% of turnover or 20,000,000 euros	A	1	High Priority	• Information Security Board chaired by the SIRO held quarterly. • Suite of Information Governance Policies in place and annually updated. • Processes for Information Requests, Data Loss in place. • The Information Governance Training Strategy in place and training provided to staff with access to electronic personal data • Information Requests and Training compliance monitoring reports provided and reported to Information Security Board, SIRO. • ICO Consensual Audit determined that the Council is considered to have a 'reasonable level of assurance' in place • Standard Contracts include a clause regarding 3rd Parties processing personal data and obligations in respect of Freedom of Information • Processes established through procurement and ICT acquisition processes for ensuring Privacy Impact Assessments are completed if personal data is being processed, including Data Processing Agreement with third party contractors • Privacy Impact Assessment Board established to ensure that the Council, when changing systems and processes where personal data is involved, considers relevant legislation. • Advice provided to the National Adoption Service, and Service Level Agreements in place foe service provisions to Rent Smart Wales and Cardiff Capital Region City Deal as Cardiff Council is the Data Controller for these services • Advice and assistance provided to collaborative services of the Educational Consortium, Vale, Valleys and Cardiff Regional Adoption Service and Shared Regulatory Service where Cardiff is not the Data Controller • 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 • Advice and guidance available to Directors and Lead Officers on the Information Governance aspects of Alternative delivery Models • Digitisation of Records forms part of the considerations of the OD Programme for services becoming 'digital by default' and programmes of digitisation support provided to services where contracted. • Corporate Retention schedule in place and updated annually in line with any legislative changes • Information Governance Maturity Model established to monitor risks against areas of information goivernance to feed into corporate risk status	B	1	High Priority	• The remaining 10% of Information Requests siting in Directorates will be brought into the Information Governance Team during quarter tr 2 of 2017/18 in line with the 'One Council Approach'. • A new Information Governance Training Strategy will be developed in quarter 2 of 2017/18 to set out how the Council will continue to support and educated employees. • The Digitalisation of Paper Records Strategy and associated business process changes will be introduced in quarter 2 of 2017/18 • A Corporate external storage contract will be signed off in quarter 2 of 2017/18 to improve processes and financial spend on storage of paper records externally • A review of the Council's Data Processing Agreement template will take place in quarter 2 of 2017/18 to ensure that this remains compliant with the requirements of the Data Protection Act, this will include a review as to whether this agreement is suitability for VPN access into the Council's IT network. • A gap analysis and GDPR Implementation Plan is being developed and resources being put in place during quarter 2 of 2017/18 to manage this programme of work up until July 2018 • A GDPR Implementation Group will be established to ensure an overview of the Data Protection changes is reviewed and communicated by Information Asset Owners to each directorate.	**Christine Salter** **(Vivienne Pearson)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
Social Services – Provision Failure to provide robust and adequate social services in the context of increasing costs and limited resources.	Reputational / Community / Legal / Financial / Stakeholders / Service delivery Quality and range of services and interventions compromised, e.g.: • Safety and welfare of individuals in the community compromised. • Achievement of good outcomes for service users compromised. • Shortage of appropriate services including placements. • Inability to meet key objectives and performance targets. • Increase in challenges from carers, including financial challenges. • Increase in Delayed Transfers of Care (DToC).	B	1	High Priority	Strategic service improvement governance arrangements including: • Organisational Development Programme. • Multi agency Improving Services to Children Board. • Adult Services Improvement Board. • Vulnerable Families Partnership Board. • Social Services Reshaping Programme. • Adult Social Care Strategic Commissioning Programme. • Internal Review team within Assessment & Care Management continues to focus on delivery of targeted reviews and reviewing packages of domiciliary care for individuals. • Adult Social Services Position Statement completed. • Disability Futures Programme in place to transform futures for disabled children. • Community Resource Team moved to 7 day working. • Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place. • Growth proposals for operational safeguarding capacity in 2017/18 budget. • Financial 5-10 year analysis of growth and pressures commenced ○ Children's Services analysis presented to Cabinet in November. ○ Adult Services analysis presented to Cabinet in March. • Redesign services for children with emotional, behavioural or mental health difficulties (University Health Board led). • Key strategies to promote independence, manage demand and enhance prevention in place as follows: ○ Early Help Strategy (for children). ○ Multi-Agency Safeguarding Hub (MASH). ○ Adolescent Resource Centre. Signs of Safety.	B	2	High Priority	• 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. • Combined overall Social Services 5-10 Year Financial Strategy to be finalised and Institute of Public Care engaged. • New key strategies to promote independence, manage demand and enhance prevention to include: ○ Develop outreach Community Resource Team services. ○ Develop Older People's Housing Strategy. ○ Redesign of Day Opportunities for Learning Disabilities to include capital programme.	**Tony Young** **Councillor Susan Elsmore, Social Care, Health & Well-being** **Councillor Graham Hinchey, Children & Families.**
Promoting Independence 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.	Reputational / Legal / Financial / Community / Stakeholders / Service delivery • Increase in Delayed Transfers of Care (DToC). • Poorer outcomes for adults. • Potential ministerial intervention incurring significant reputational and political risk.	B	1	High Priority	• Leadership group established to tackle DToC - consisting of Cabinet Members from the Cardiff, Vale of Glamorgan, Chair of UHB and relevant officers. • Performance challenges set to improve DToC - includes ongoing close monitoring of DToC Plan. • Joint action plan received and agreed by the Health Minister under frequent review to monitor progress. • Health & Social Care Integration - continued progression on integration with Health - partnership / governance. • Community Resource Team moved to 7 day working. • Comprehensive ICF funded interventions designed to strengthen domiciliary care capacity in place. • Strategy to engage more proactively with the market in order to support better sustainability in domiciliary care established.	C	1	Medium Priority (Red/ Amber)	• WAO Review endorsed improvements in partnership landscape in Cardiff and establishment of a senior 'Virtual Team' now bringing benefits in terms of shared operational 'grip'. • Performance continues to improve subject to winter pressures. • Market management impacting effectively and containing 'price'. • Strategic review of reablement as part of ODP. • Strategic review of Matrix (Adam) and Proactis commissioning platform under way with a view to considering new framework arrangements.	**Tony Young** **Councillor Susan Elsmore, Social Care, Health & Well-being**
Performance Management 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.	Reputational / Service delivery / Stakeholder • The strategic and corporate level changes do not have the intended impact because they are not fully embedded in operational practices. • Council unable to accelerate performance improvement as planned/desired.	B	2	High Priority	• 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 Performance Management programme has been put in place to deliver the required change to address three key areas relating to Reporting, Planning and Challenge. • 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. • Increasing the transparency with which we manage our performance • 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 & Future Generations Act. • Consistent RAG ratings have been agreed and developed for Corporate Plan commitments • A consistent RAG methodology has been developed to enable a mathematical approach be applied to performance indicators • Directorate scorecards were introduced for the Quarter 2 performance report and presented to PRAP, these were well received and will continue to be used and developed • PSG (Performance Support Group) has been established. This group reviews the Quarterly Performance Report to identify where and how performance can be improved. The group also identify areas for further discussion at SMT and Star Chamber • Wellbeing objectives have been developed in line with the Corporate Plan development timeline and endorsed by SMT and presented to informal cabinet • A target setting process and pro forma has been developed to support the use of appropriate measure and accurate targets in the Corporate Plan and Directorate Delivery Plan • A new Directorate Delivery Plan template has been developed which also incorporates the Future Generations requirements and the 5 ways of working. This has been presented to PSG and the template has been	C	2	Medium Priority (Red/ Amber)	• The Performance Management Framework continues to be developed with key stakeholders across the Council to ensure greater effectiveness of planning and reporting frameworks, with clearer accountabilities and enhanced 'line of sight'. A cascading matrix system of reporting is being developed through DDPs, Service Plan Scorecard and the reporting framework to demonstrate the golden thread. • Service Level scorecards are currently being developed across the Council and will combine planning and reporting elements. • These Scorecards will be used, where appropriate, to provide additional detail to supplement the reporting against the Strategic Directorate Priorities and the Corporate Plan Wellbeing Objectives • Directorate Delivery Plans were developed and in use from April 2017.They will be used and monitored throughout the year to ensure they represent a clear and up to date statement of what the directorate is aiming to deliver and the progress it is making • Building on the work carried out in 2016-17 a new quarterly reporting template has been developed in collaboration with key stakeholders. • Discussions have commened with key representatives to further develop the self-assessment process which will contribute to the development of the Corporate Plan.	**Christine Salter** **(Joe Reay)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					endorsed by SMT • Reporting scorecards have been trialled by representatives of PSG. These were presented at PSG and were well received. • The Corporate Plan has been developed and approved by Full Council • A reporting framework has been developed that allows the right audiences to focus on the right level of detail to better aid decision-making. Some elements of this were used in the Q4 2016-17 performance reporting cycle and will be fully implemented for the reporting of performance for Q1 2017-18 to ensure robust reporting arrangements for the WBFG Act • A Directorate Delivery Plan template was developed, that incorporates the Future Generations requirements and the 5 ways of working. All directorates have developed these plans..					
Organisation Development OD projects fail to deliver the radical change required to deliver efficiency savings and service changes, due to service and resource pressures.	• 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. • Radical changes to service delivery models may impact on the Council's reputation if not planned, co-ordinated and governed effectively. • 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. • Reputational impact if services do not meet increasing customer expectations. • 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. • 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.	B	1	High Priority	• Governance arrangements established, led by the Chief Executive and Programme Boards, chaired by Directors to ensure change is delivered • Disciplined approach, where risk assessment forms an integral part of the approach to change • Programmes initiated with dedicated resources • Experienced gained by managing programmes and projects over a number of years, building on lessons learned • Building capacity and capability across the organisation through development opportunities and skills transfer • Appropriate engagement and stakeholder management, including Trade Union meetings and updates for PRAP, Scrutiny and Internal Audit. • Continued implementation of Programme & Project Management Database to enhance management information and reporting. Investment Review Board review/approve Business Cases and prioritise resources. • 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. • OD/SMT Board approved Programme Briefs for Reshaping Services, Enabling & Commissioning and all component programmes. Improved reporting for the OD Programme has been developed (Dashboard Reports) and implemented at OD/SMT Board. These reports are produced 4-weekly. • A review of the ODP is currently underway and a new change programme, with a clear focus on transformational change, to be in place by September 2017. • SMT receive monthly updates on the ODP via two dashboards. These contain details on new issues/risks, progress updates on projects, resources allocated to the programme and 'deep dives' on selected projects.	C	2	Medium Priority (Red/ Amber)	• New Programmes & projects being initiated as part of Organisational Development – driving change from within Directorates, but corporately governed. • A new change programme is being developed with SMT with a report to Cabinet planned for quarter 2. • A criteria for how projects will to be accepted into the new change programme will be developed with SMT. • Governance arrangements will be reviewed to ensure the projects within the new change programme are managed effectively. • A training programme for the OD Team has been put in place for 2017/18 to ensure project management skills and knowledge are enhanced. • The structure of the OD Team will be reviewed to ensure it is able to deliver the new change programme. • The reporting and escalation of project risks is to be reviewed in quarter 2 to ensure they are reported for all projects in a consistent manner.	**Christine Salter** **(Dean Thomas)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**
Legal Compliance Changes in services and staff roles across the Council resulting in: - gaps in Council wide knowledge of the local authority framework of responsibilities and duties within which we have to operate; - inability to deliver the services in accordance with all duties and responsibilities due to lack of resource: in each case leading to increased risk of challenges. Reduction and changes in front-line services, discretionary and statutory, will lead to increased risks of challenge from users and other stakeholders affected.	Reputational / Legal / Financial / Service delivery • Increase in number of challenges and complaints with consequences in terms of already stretched resources and impact of adverse decisions • Implementation of decisions delayed due to challenges and potentially fatally disrupted. • Impact on projects if reputation for sound management and implementation of projects is damaged • Major incident. • Adverse press/media reaction • Involvement from Welsh Government in terms of performance standards or measures. • Increased costs • Impact on capacity to deal with proactive legal work	B	2	High Priority	• Professional internal legal and financial advice provided to a high standard. • Maintaining robust decision making process with legal implications on all Council, Cabinet and Committee reports and Officer Decision Reports at Director level. • Appropriate use of NPS Legal Services by Solicitors Framework to increase resilience. • Dedicated teams in specialist areas e.g. equalities, FOI / DPA. • Sharing training/publications received.	C	2	Medium Priority (Red/ Amber)	• Prioritisation of work to make best use of internal expertise (including programme of projects in accordance with SMT decision) • Further development of standard precedents with guidance for use in cases of low value/low risk/repetitive matters • Provide legal training to Directorates to develop knowledge within Directorates of specific statutory functions. • Encourage Directorates to ensure reports are discussed at preliminary stage in development to ensure all legal issues are addressed early	**Davina Fiore** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
Education – Schools Delegated Budgets Secondary Schools with deficit budgets do not deliver agreed deficit recovery plans, impacting on the overall budgets for all schools.	Reputational / Legal / Financial. • Budget implications. • Reducing educational standards. • Intervention from WG	A	2	High Priority	• The 2017/2018 delegated budget allocations were issued to schools in early March 2017 and monitoring arrangements put in place for those schools showing financial concern. • Officers from Education and Financial Services have started to work 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. • 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 • Officers continue to monitor and challenge those schools in deficit before allowing any additional financial commitments, both staffing and other expenditure. • 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. • 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 • 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 • Individual school budget monitoring positions reported to Education Management Team on a quarterly basis • 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. • 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 2017/18 school budget letters and the 2017/18 Budget Report. • Finance Officers continue to meet with Challenge Advisers to discuss individual schools in respect of their financial and school standard performance. • 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 16/17 have been identified as requiring meeting with S151 officer and senior education officers. These meetings will take place in April and early May. • The Council will also introduce an increased level of scrutiny of school curriculum plans through support identified with the Central South Consortium.	C	2	Medium Priority (Red/ Amber)	• Council make full use, if necessary, of formal warnings and powers of intervention. • 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. • 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. • 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. • Maintaining the need for financial probity whilst ensuring that each school has the opportunity to improve school standards. • 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. • Following consultation with the School Budget Forum to undertake an audit during the Summer Term 2017 to identify the actual impact of the schools budget settlement at individual school level. • Developing the medium term budget strategy for 2018/19 and providing early notification to budget forum and individual schools of likely impact of said strategy.	**Nick Batchelar** **(Neil Hardee)** **Councillor Sarah Merry, Deputy Leader & Education, Employment & Skills**
Fraud, Bribery and Corruption Fraud, financial impropriety or improper business practices increase as internal controls are weakened as resources become severely stretched.	Reputational / Financial / Legal / Service delivery / Stakeholder • Increase in frauds and losses to the Council. • Reputational risk as more frauds are reported. • Increased time investigating suspected fraud cases.	B	2	High Priority	• The Council communicates a zero tolerance approach to fraud, bribery and corruption. • Regular review of relevant policies and procedures e.g. the Fraud, Bribery and Corruption Policy, Money Laundering Policy and Disciplinary Policy. • Financial Procedure Rules and Contract Standing Order and Procurement Rules frameworks for staff to follow. • Dedicated team of professionally trained and experienced investigators to prevent deter and detect fraud against the Council. • Proactive work on National Fraud Initiative exercises led by the Internal Audit team, in collaboration with the Cabinet Office and Wales Audit Office. • Receipt and dissemination of fraud intelligence alerts from law enforcement agencies. • Regular reports to the Section 151 Officer and Audit Committee and the Chief Executive. • Audit Committee review and assess the risk management, internal control and corporate governance arrangements of the authority. • Independent assurance from Internal and External Audit on the effectiveness of governance, risk and control. • Procurement team compliance role relating to contract procedure rules. • Savings proposals are reviewed and supported by a robust business case and process in consideration of risks to the operation. • Ongoing delivery of briefings to Schools on fraud and control risks. • Cardiff Manager Programme includes session on risk management and compliance / control. • Senior Management Assurance Statements – challenge to Directors and the Chief Executive. • Provision of disciplinary management information on DigiGov. • Multi-team collaboration in the development of the updated Disciplinary Policy and supplementary guidance materials. • Mandatory disciplinary e-learning module for all managers to complete and a programme of mandatory e-learning modules and training for Disciplinary Hearing Chairs, Investigating Officers and Presenting Officers. • Reported to Audit Committee September 2016, raising awareness of the three	B	3	Medium Priority (Red/ Amber)	• Fraud Team to liaise with the Monitoring Officer and agree a policy for monitoring employees at work and a management framework for its enactment. • Fraud Team to liaise with Monitoring Officer to produce a policy for undertaking online investigations. • Continue to deliver the mandatory face to face training for Investigating Officers, Presenting Officers and Disciplinary Hearing Chairs. • Develop and deliver a programme of training for investigatory interview note takers. • Review process for ensuring appropriate fraud, bribery and corruption awareness for Council officers. • Continued delivery of Cardiff Manager Programme. • Fraud Team to review a sample of Disciplinary Hearing outcomes, challenge consistency of disciplinary sanctions and report findings to the Section 151 Officer and Audit Committee. • HRPS to enhance DigiGov to facilitate changes introduced by the new Disciplinary Policy and the production of management information, by the end of quarter 2 2017/18. • Measure the effectiveness of fighting fraud and corruption against the CIPFA strategy by the end of Q2 2017/18. • Undertake a skills assessment of the investigation team and invest in training as appropriate.	**Christine Salter** **(Ian Allwood)** **Councillor Christopher Weaver, Finance Modernisation and Performance.**

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					documents published by CIPFA and an Executive Summary on Fighting Fraud and Corruption Locally. • 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. • A Prosecution Policy has been in place since mid-2016.					
Asset Management Ensure effective operation of the Council's Asset Management Board to achieve effective strategic oversight and identified savings.	Reputational / Legal / Financial / Health & Safety / Stakeholders • Poor use of assets / VFM. • Lost opportunity for capital receipts. • Increased maintenance. • Prosecutions / fines.	B	2	High Priority	• Cabinet formally approved a new Property Strategy in November 2014. • 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. • Established rolling programme of 'Fitness for Purpose' reviews of all council properties providing high level assessment of the current performance and value of buildings. • Carbon Management / Energy Efficiency - Certificates / General Awareness / Introduction of Energy Renewables Strategy. • Established Implementation Plan for the new Property Strategy. • Determined governance and work programme updates for new Corporate Asset Management Board at meeting in January 2015. • 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. • Asset Management Plan considered by Cabinet in July 2015. • Future Strategy and direction of the Council's non – operational Investment Estate approved by Cabinet in November 2015. • Asset Management Board and Partnership Board fully operational. • Delivered targets in Corporate Asset Management Plan in 2015-17 as follows: • Gross internal floor area reduced by 3.5% • Maintenance backlog reduced by @£4.4m • Running cost reduced by £1m • Delivered £6.7 million capital receipts • Corporate Asset Management Plan 2016/17 considered by Cabinet in July 2016. • 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. • Advisor appointed in Q1 to assist with the review of all investment assets and to develop an Investment Estate Strategy. • Completed Insole Court community asset transfer (CAT), which was the largest CAT in Wales. • Progressing Corporate Asset Management Plan targets. In quarter 2 we achieved a 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. • Inaugural Investment Estate Strategy completed. Approved by Cabinet and Scrutiny. • Regular monthly Investment Estate Board meetings are taking place to manage implementation of the Strategy. • On course to achieve the 5 year Corporate Property Strategy targets by April 2020. CAMP achievements for 2016/17 - 7.9% reduction in GIA (617,593 sqft), 9.2% reduction in running costs (£3.3m), £4,500,000 reduction in maintenance backlog and £6m capital receipts.	D	2	Medium Priority (Amber/ Green)	• Asset Management software project progressing within Corporate Landlord programme (Assets Management stream). • Recruited a post to manage the Investment Estate Portfolio. Work will progress on the review of the estate and transaction property deals.	Neil Hanratty Councillor Russell Goodway, Investment & Development.
Workforce Planning Importance of forecasting and planning to build capability and capacity for the future is not fully recognised and embedded.	Reputational / Financial / Stakeholder / Service delivery • Poor service delivery due to ineffective use of resources. • Lack of resources with the knowledge and skills the Council requires for future delivery • Loss of resources and recruitment problems. • Poor morale • Loss of experienced staff members including managers • Reduce the likelihood of attracting high calibre managers to Cardiff Council • Risk of not meeting statutory and legislative requirements in relation to specific workforce requirement e.g. social care. • Risk of workforce not representing the communities to which services are delivered.	B	2	High Priority	• Workforce Strategy developed and agreed by Cabinet in April 2015 and programme developed to encompass a number of projects relating to the requirements around this risk, including Workforce planning, Learning & Development, PPDR review and Employee Voice. • The Workforce planning project has a completed project brief identifying a number of key outputs • Workforce planning dashboard data provided to each Directorate to inform Directorate Delivery Planning discussions and development.. • 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. • HR working with Directorates where required, to help identify appropriate strategies to support their WFP agenda. • Children's Services have developed a Workforce Strategy for their area which is being reviewed on a regular basis. • 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 taken place with Cardiff and Vale College to roll out an Essential Skills diagnostic tool to frontline employees through Commercial Services • A programme of NVQ study is been discussed with Cardiff & vale College and Commercial Services are coming forward with cohorts of employees to attend. • Employee surveys carried out to identify areas where further employee engagement / development can be focused. • Work has been carried out with WLGA and WAO to look at a Wales wide	B	3	Medium Priority (Red/ Amber)	• The Council is reviewing its resourcing strategies to ensure that it is a considered employer for young people leaving school, college and universities. • Recruitment advertising to be reviewed and processes put in place to ensure that adverts are reaching hard to reach groups • Work is taking place to identify areas where the employee group is not representative of the communities and actions identified of what could be done to improve this • Actions being taken to improve the accessibility to Welsh language either through the recruitment process or through the training and development of current employees • Development to take place of a corporately agreed skills set for the future delivery of services so that all employees and posts can be measured against this skill set to identify learning and development gaps • Full rollout of Workforce planning toolkit to take place in 2018/19 • An IT solution to be sourced during 2017/18 in order to develop workforce planning further and to ensure that the Council has available the data it requires to ensure efficient workforce planning in the future.	Christine Salter (Philip Lenz) Councillor Christopher Weaver, Finance Modernisation and Performance

Risk Description	Potential Consequence	L	C	Inherent Risk	Current/Existing Controls	L	C	Residual Risk	Proposed Management Action	Risk Owner
					workforce planning process for use within Local Authorities. • Project brief for Workforce Planning provides full details of milestones and implementation dates. • A review of the courses provided by the Cardiff Academy has taken place to ensure that these meet the skills requirements for the future. • The Council is committed to providing apprenticeships and traineeships for young people and this programme will be enhanced further with a specific target of 100 opportunities for 2017/18. • Workforce planning tool kit has been rolled out to pilot areas and workshops taking place between May and September 2017					

CARDIFF COUNCIL
DINAS CAERDYDD

AUDIT COMMITTEE: 18 SEPTEMBER 2017

MANAGEMENT RESPONSE TO WAO REPORT ON CHARGING FOR SERVICES AND GENERATING INCOME BY LOCAL AUTHORITIES

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 8.1

Reason for this Report

1. To present to the Audit Committee the Wales Audit Office (WAO) national study of Charging for Services and Generating Income by Local Authorities.

Background

2. The Auditor General for Wales undertakes national studies across a range of functions and activities of local government. The report titled 'Charging for Services and Generating Income by Local Authorities' was published in November 2016.

3. This national study on charging for services and generating income examined several aspects of discretionary charging for services set out below:

   - 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

4. All 22 local authorities in Wales took part in an online survey with six local authorities participating in a more thorough review of their approach to charging for services. The six authorities concerned were Caerphilly, Gwynedd, Merthyr Tydfil, Monmouthshire, Newport and Powys respectively.

WAO Comments

Part 1

5. The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging. There are different bases for charging for the various services that local authorities deliver and can be broadly categorised into four groups which are discretionary, income cannot exceed cost of service, nationally prescribed charges or where charging is prohibited.

   - Authorities are aware of the broad legal restrictions in place when reviewing charges, but many have not addressed these opportunities and risks in developing policies to generate income

- The Localism Act 2011 in England has encouraged authorities to develop commercial vehicles as a means of generating income, but this power does not currently exist in Wales, which limits opportunities.
- National charging regimes often do not reflect the true cost of running services
- A wide range of payment options for collecting charges are available and are mostly offered
- Authorities are beginning to develop corporate wide strategies for managing charges, but progress has been slow.

Part 2

6. Approaches to generating income vary and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more.

   - There is a mixed picture in how well Welsh authorities generate income from charges
   - Welsh authorities are not generating as much income from charges as counterparts in England and Scotland
   - Local authorities need to consider how best to balance generating income with the communities' ability to pay more for services

Part 3

7. Authorities do not evaluate charges effectively in order to fully understand their impact.

   - Long established governance and accountability systems are not always agile or robust enough to support good decision making when reviewing charges.
   - Limitations in the quality, detail and range of information used by authorities affects their ability to maximise the benefits of increasing or introducing charges.

8. The Auditor General for Wales concluded 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.

WAO Recommendations

9. Whilst the full report is set out in Appendix A, the summary of the recommendations that are assigned to local authorities are set out below:

   R1 Develop strategic frameworks for introducing and reviewing charges, linking them firmly with the Medium Term Financial Plan and the Corporate Plan

   R2 Review the unit and total costs of providing discretionary services, to identify clearly any deficits and where needed set targets to improve the current operating position

   R3 Use impact checklist whenever changes to charges are considered

   R4 Identify opportunities to procure private sector companies to collect charges to improve efficiency and economy in collecting income.

   R5 Improve management of performance, governance and accountability by regular reporting, improving monitoring, comparing performance and provision of more comprehensive information to facilitate robust decision-making.

R6 Improve the forecasting of income from charges with scenario planning and sensitivity analysis

10. In addition, two further recommendations were assigned to Welsh government and Welsh Local Government Association, which are set out below:

R7 Consider how best to support and encourage local authorities to act more commercially in generating income

R8 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.

Cardiff Council Response

11. Members of the Audit Committee will be aware of the significant budgetary challenges facing the Council in the medium term.

12. Cabinet received the Budget Strategy Report for 2018/19 on 27 July 2017. Within that report is a strategic direction to generate an additional £7.914 million savings through increased income and commercialisation. Over the last two years, guidance on increasing income has been issues during the Budget Setting exercise which is set out in Appendix B.

13. Whilst the focus of the report is the generation of additional income opportunities this is not the only option available to local authorities. For example, the transfer of the Council's leisure centre operations to GLL transferred the financial risk of the business to another operator and delivered savings in excess of £1.9 million as a result.

14. Appendix C shows the Cardiff analysis of income as a percentage of expenditure. The information has been compared to the 2014/15 data for Cardiff and we have used more recent data for 2015/16 and 2016/17. The 2016/17 data for the Wales average is not currently published but the trend of income for Cardiff can be seen to compare well against other welsh authorities.

15. Budget Scrutiny, over the last few years, have been shown analysis across services split into broad sub headings of expenditure and income. This analysis has shown a summary of those services with significant income budgets against them and their position in terms of net budget. This analysis provides the Council with the knowledge of which services are being subsidised where income is not covering the costs of running the service. The analysis sheets show costs that are directly connected with providing the service and do not contain the corporate overheads that arise. Therefore, in reality the subsidy of some services is greater than that presented.

16. The budget process requires a review of each fee and charge currently in operation, the detail of which is set out in the annual budget report laid before Council. Historically, the focus on the review has been the effect that a price change has on the income budget for that service.

17. For 2017/18, work continues to focus on the key areas of income generation across the Council by further developing the need for income/expenditure plans across the Council. The work going forward into the autumn will focus on those services considered able to achieve a relatively low level of subsidy or be self-financing. The work will look to understand the costs of services delivered including those with a relatively high level of

subsidy. The plans will incorporate any capital costs of the service and detail the cost elements that each plan is looking to recover through income. An example of this is the Crematorium, which recovers its revenue costs and puts money aside for maintenance/replacement of equipment at regular intervals.

18. In respect to collecting income, the Council primarily uses a corporate debtor system. Where a more robust recovery method is required then the council uses its own bailiff's service supplemented by use of outside contractors. The Council Tax Recovery Section provides a recovery service for other parts of the Council. For example, the Council Tax Recovery Section provides a recovery service for Civil Parking enforcement. This helps build on the skill set established in the Revenues section whilst providing efficiencies by delivering the service from the same base, management structure and offering a wider experience to the staff in the team.

Reason for Report

Legal Implications

19. There are no legal implications directly arising from this report.

Financial Implications

20. There are no financial implications directly arising from this report.

RECOMMENDATIONS

21. To note the work of the Auditor General in respect of the attached reports.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
18th September 2017

The following Appendices are attached:

Appendix A: Wales Audit Office (WAO) Report, Charging for Services and Generating Income by Local Authorities – Cardiff Council

Appendix B: Budget Strategy 2017/18 Income Generation Guidance

Appendix C: Cardiff Performance against Welsh Average of Income as a % of Expenditure

10 November 2016

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Charging for services and generating income by local authorities

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

I have prepared and published this report in accordance with the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006.

The Wales Audit Office study team Project Manager was Nick Selwyn and comprised of Duncan Mackenzie, Gareth Jones, Martin Gibson Seth Newman and staff of Grant Thornton UK LLP under the direction of Jane Holownia.

Huw Vaughan Thomas
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The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General, together with appointed auditors, also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

For further information please write to the Auditor General at the address above, telephone 029 2032 0500, email: info@audit.wales, or see website www.audit.wales

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Contents

Summary report

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

1 Whilst charging for services is a recognised feature of some local authority activities, many services have traditionally been provided at little or no direct charge to the user[1]. The provision of services at low, or no, charge has led to citizens often receiving heavily subsidised or free services in return for paying their council tax. The reductions in public funding and financial uncertainty created by 'Brexit' has brought charging into sharper focus for local authorities. Authorities are being encouraged by the Welsh Government to look to charges in a way that was not considered 10 years ago.

2 Local authorities set charges for their services. In this report, 'charges' refers to services provided by an authority on a discretionary or commercial basis. Charges are made for services which are not specifically regulated or legislated for and the authority is able to set the charge for an activity at a commercial rate. For example, the cost of someone using leisure services. In section one we refer to the authorities' ability to set 'fees'. Fees refer to services which are governed by specific regulations. Regulatory fees are those fees which have been regulated or legislated with the fee being set at the cost of performing or delivering that particular service. For example, issuing a Food License is a regulatory fee and an authority is only able to charge the cost to perform that service. For some regulatory fees, development control for example, an authority must act in accordance with the fee regime set by Welsh Government.

3 Whilst increasing or introducing charges for services offers scope for authorities to improve their financial position, there are a number of other important considerations. For example, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents may be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, if it deters continued use or increased take up; or by a decision to raise the charges for healthy eating options in schools.

1 See Figure 2 below.

4 Where and at what level charges are set therefore directly influences delivery of an authority's strategic priorities and raises questions such as:

- whether authorities should continue to provide some services;
- how services are funded, whether they should be subsidised and, if so, at what levels;
- who should be charged for using services, how much should they be charged and what impact will charging decisions have on both the demand for services and their viability; and
- how best to meet the needs of disadvantaged groups and individuals who may not have the ability to pay more for using authority services and how will decisions to increase charges affect them.

5 Authorities cannot introduce or raise charges indiscriminately. Authorities need to carefully consider their legal position in setting charges and be clear that what they are doing is in accordance with their legal powers and duties. When considering whether to charge for services or increase charges, authorities also need to fully evaluate the potential impact on residents, service users and businesses. Done badly, the decision to raise more income through higher or new charges can be counterproductive and may result in less people using services because costs are considered by users to be too high.

6 During 2015-16, the Auditor General examined how local authorities use their powers to introduce and increase charges on services, how performance on generating income has changed in recent years, and how the process of consulting with users, and assessing the impact of charging decisions on users, is managed. Our study methods are set out in Appendix 1. These included audit fieldwork at six local authorities, an online survey for chief finance officers on the approach of authorities to increasing or introducing charges, and a survey for citizens to tell us about their views on charging. Our methodology also included a detailed analysis of charges data in England, Scotland and Wales, and a review of key authority documentation.

7 Based on the findings of this audit, the Auditor General has concluded 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.**

The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging

8 Authorities generally have a good awareness of the legal restrictions that exist for many areas of operation, but few authorities have robust corporate wide frameworks or strategies that set out the full range of issues they need to consider when increasing or introducing charges. Just over a third of authorities have a corporate policy or strategy for setting charges covering all services. The remainder have a range of charging policies for individual services, but because of gaps and weaknesses these do not represent an authority wide strategic approach to charging. Whilst a number of authorities have engaged consultants to support them in reviewing charges to identify opportunities to increase income, progress in delivering change from these reviews has been slow.

9 Policy decisions taken by the Welsh Government, as well as the decisions taken by local authorities, determine the level of income that can be derived from charges for specific services. Such national directives set upper limits to the level of charge which may not be directly related to the cost of providing the services, and local authorities stated that the upper limits for charges do not always mirror the true cost of providing services – residential care fees for example.

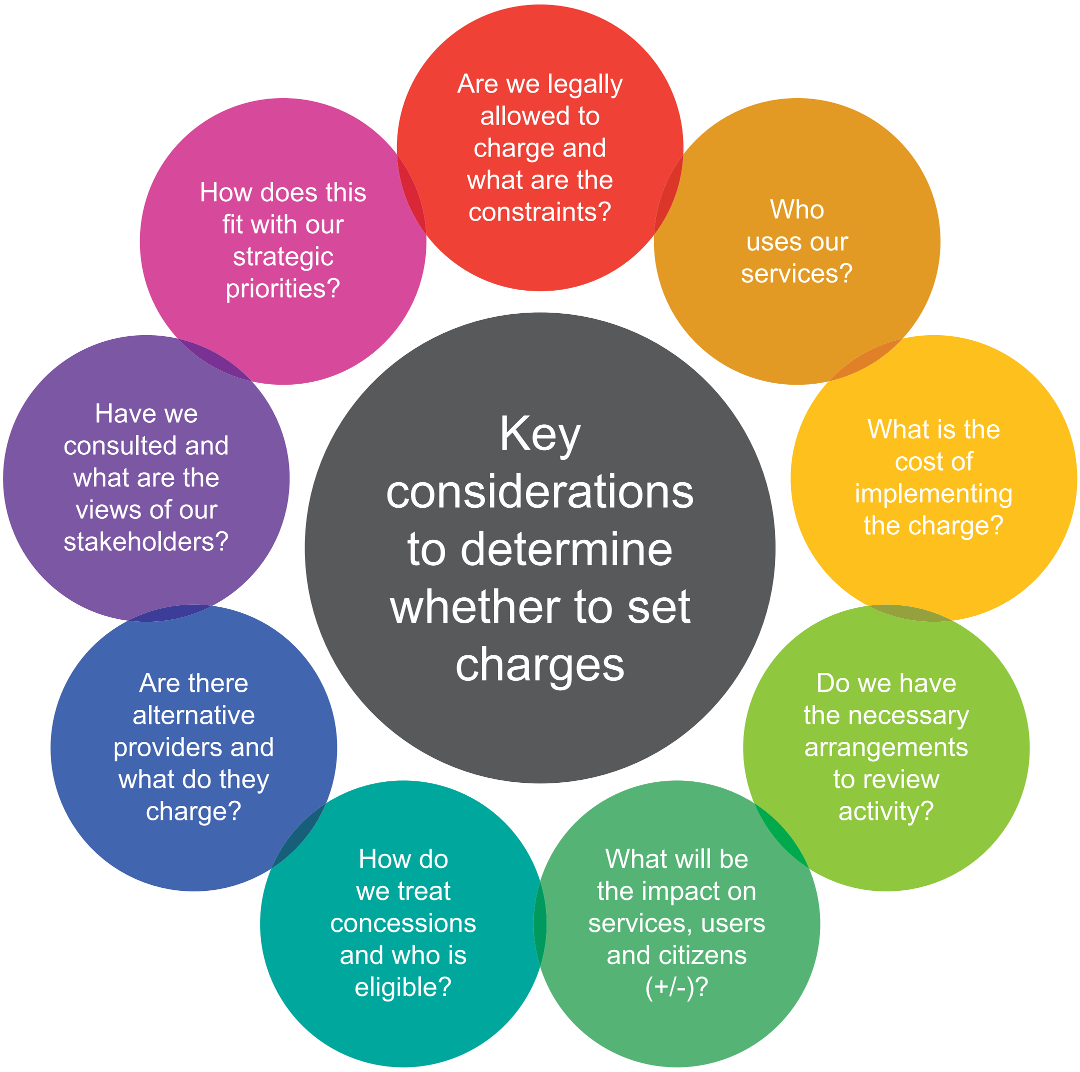
10 The **Local Government Act 2003** provides some freedom for authorities to develop new streams of income by allowing authorities to trade through local authority companies where authorities have a statutory power to perform the service which is subject to trading. However, authorities' use of these powers to generate income has been limited.

11 The **Localism Act 2011** in England provides a clearer statement of authority powers which, coupled with financial pressures there, has supported a cultural shift in England resulting in more authorities identifying and taking opportunities to raise income. The same factors have not applied in Wales and there is no equivalent to a general power of competence at this time.

12 Authorities offer a wide range of payment choices and promote options that have the lowest transaction costs for customers and authorities, and are the cheapest to administer. There are opportunities to both increase the use of digital and smartphone applications as well as increase the use of external providers to improve efficiency further.

13 Few authorities consider how charges can support the delivery of corporate priorities, can better manage demand for services, or how strategically targeting how charges are used can support citizens to change their behaviour. Figure 1 below summarises the key issues authorities should consider when setting charges. Appendix 2 includes our full checklist for authorities to use when reviewing charging options.

Figure 1 – Key considerations for local authorities when setting charges



Source: Wales Audit Office

Approaches to generating income vary, and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more

14 Our analysis of data published by the Welsh Government[2] found that the amount of money local authorities' raise from charges has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms – taking into account inflation – the change in income has been less sharp, rising by £18 million in real terms (5.2 per cent) between 2008-09 and 2014-15. There is a lack of consistency across Welsh local authorities around decisions on whether to charge for services, as well as the level of charging. In 15 of the 18 service areas we have analysed, there has been a net cost[3] improvement, income as a proportion of expenditure is growing, and services require less subsidy to operate. Despite this improving position, there are opportunities for authorities to increase how much income they raise from charges.

15 There are big differences in the charges set and the income collected by local authorities in England, Scotland and Wales. In only two of the nine local authority services where a comparison of data between the countries of Great Britain is possible, have Welsh authorities increased their income at a higher rate than their counterparts in England and/or Scotland. If Welsh local authorities were to generate the same level of income from charges per 1,000 economically active people aged 16-64[4] as is collected in England or Scotland, a potential extra income of £68.1 million could be generated.

16 However, the potential to generate more money has to be tempered. Economically, Wales has lower wages and the proportion of the population who are economically active is smaller than both England and Scotland. Consequently, Welsh citizens may be less able to pay more for goods and services and could be less able to accommodate sharper increases in charges than other parts of Great Britain[5], although, the range of gross median wages in Welsh local authorities vary widely and some authorities are better placed to raise more from their community than others.

2 **StatsWales Outturn data**
3 Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.
4 Economically active people are those in work plus those seeking and available to work.
5 **Nomis - Labour Market Profile - England data**

Authorities do not effectively evaluate charges to fully understand their impact and inform appropriate responses

17 Accurate financial management information, which is a prerequisite for good decision making, is frequently lacking and local authorities often struggle to prepare sufficiently detailed and comprehensive business cases when reviewing options for increasing income from charges. Given the difficult decisions elected members have to make when considering to increase charges that they perceive as adversely impacting their communities, decisions to introduce or increase charges can take many months, in some cases years, to be approved.

18 Local authorities often wish to encourage usage and to ensure those on low incomes are given the opportunity to access and use particular services. However, the level at which locally determined charges are set is usually based on precedent and often bears little relation to the actual cost of providing the service. An accurate understanding of the true cost of providing a service is still absent in many areas. Because authorities do not know the full cost of providing services they are unable to assess what the right level of any subsidy should be.

19 Whilst authorities use impact assessments to judge the potential effect of decisions in respect of their equalities and Welsh language responsibilities, these assessments do not always provide sufficient detail to identify the likely cumulative economic impact of charges on residents and communities. Overall, we found little evidence that authorities co-ordinate increases in charges across all services to better understand the full potential impact of their decisions.

20 Most authorities do not monitor or scrutinise income from charges in sufficient detail and breadth. The range of services benchmarked is narrow, and few authorities are broadening their evaluation to consider a wider range of data, even where data is readily available. Only 10 authorities compare and benchmark how much income they are generating with an appropriate range of performance measures and compare their performance with a range of public and private sector bodies. Only five authorities forecast the likely levels of income generated from charges beyond a 12 month period. Whilst it is acknowledged that it is difficult to accurately predict take up of services once charges have changed, authorities are not using scenario planning and sensitivity analysis to more accurately identify the potential effect of their decisions to better understand and manage the impact of charging policies.

21 Most authorities use a wide range of approaches to consult residents on charges as part of their annual budget-setting processes including the potential opportunities for increasing charges. However, few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. Even where consultation takes place, only 15 of the 22 authorities consider and include consultation responses in the decision-making process for reviewing and setting charges.

Recommendations

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: • regularly reporting any changes to charges to scrutiny committee(s); • improving monitoring to better understand the impact of changes to fees and charges on demand, and the achievement of objectives; • benchmarking and comparing performance with others more rigorously; and • providing elected members with more comprehensive information to facilitate robust decision-making.	Local authorities
R8 Improve the forecasting of income from charges through the use of scenario planning and sensitivity analysis.	Local authorities

Part 1

The legal basis for setting and managing charges is complex and authorities are not always strategic in their approach to charging

1.1 In setting charges authorities need to consider a range of factors. Authorities' legal powers to charge for services are wide-ranging, but they are also complex and there are particular pitfalls around whether charges can be used to generate a surplus to support general revenue budgets or whether they can only seek to recover reasonably incurred costs in providing a service. Authorities should have a clear rationale for how much they charge and what they charge for. Authorities should also be clear as to how charges support them to deliver their corporate priorities. A strategic approach to setting fees and charge will take into account the impacts of setting charges, the views of citizens and service users, and the potential benefits and risks for the authority and its communities (see Figure 8 below).

1.2 In this section of the report we consider the legislative basis for setting charges and the opportunities and risks these present to authorities. We also consider the systems in place to collect charges, and the impact nationally prescribed charging regimes have on authorities. We review the strategic approach of authorities to setting charges and conclude the section with a good practice checklist for local authorities on the key principles to be considered when setting, increasing or introducing charges.

Authorities are aware of the broad legal restrictions in place when reviewing charges, but many have not addressed these opportunities and risks in developing policies to generate income

1.3 Local authorities are statutory bodies which have to act in accordance with their legal functions and can be challenged through the courts if they act outside of these functions (ultra vires). Authorities have a wide range of both general and specific functions which enable or require them to provide services and to incur expenditure in so doing. They also have 'incidental' powers which enable them to do things to facilitate the exercise of their statutory functions.

1.4 The existence of a power or duty to provide a service, and incur expenditure in doing so, does not automatically give rise to a power to set charges for the provision of the service. However, many of the statutes which give the powers to provide the service also include specific powers for charges to be levied – for example for taxi licences sections 53 and 70 of the **Local Government (Miscellaneous Provisions) Act 1976**, and for street parking section 45 of the **Road Traffic Regulation Act 1984**.

1.5 Most of these specific powers apply equally to England and Wales, although, following devolution, separate arrangements are beginning to develop in Wales. There are also examples such as development control where the primary legislation is common between England and Wales, but different fee scales are prescribed by regulations and are set independently by the respective UK and Welsh Governments.

1.6 Whilst authorities can set charges locally for services, authorities are often restricted to recovering no more than the costs of providing these services. Even where setting charge is entirely within the control of an authority to determine, there are significant variations in the level of charges set because of local discretion and choices. In addition, for some services, authorities can only charge for some aspects of a service but not others – for example, they can charge for lending audio-visual material from libraries, but not for books. In others, the fees are set by Welsh Government and there is no local discretion – for example, cost of adult social care, fees for planning applications and alcohol and entertainments licences. As a result, the extent of charging in different service areas and the income that can be generated varies enormously.

1.7 Figure 2 summarises the different basis for charging and includes some examples of the services that fall within these different categories.

Figure 2 – Basis for local authorities setting charges and examples of the services that fall within each category

Basis for charging	Examples
Discretionary – there is no limit on the amounts that can be charged, but the authority must act reasonably (ie, in line with Wednesbury principles[6]) and must set charges only for the purposes authorised by the statute granting the power to charge[7]	Leisure services Off-street parking On-street parking Library services other than book-lending Trade waste Cremation and burial fees
Charges set by the authority but the income from services cannot exceed the cost of providing the service	Taxi licensing (vehicle, driver, operator) Inter-authority charges for school transport Building control fees Local land charges Discretionary activities where the general charging power in S.93 of the Local Government Act 2003 applies
Nationally prescribed eligibility and/or charge levels with little or no local discretion	Development control Premises licence fees Home to school transport Social care charging
Charging is prohibited	School age education Library book provision and lending Children's social care Household waste collection Access to waste disposal sites Registering of food premises Registration of births, deaths and marriages

Source: Wales Audit Office

6 Associated Provincial Picture Houses Ltd. v Wednesbury Corporation, 1948, is a case that sets out the standard of unreasonableness of public-body decisions that would make them liable to be quashed on judicial review, known as Wednesbury unreasonableness. A reasoning or decision is Wednesbury unreasonable (or irrational) if it is so unreasonable that no reasonable person acting reasonably could have made it. The test is a different (and stricter) test than merely showing that the decision was unreasonable.

7 Authorities' desire to generate a surplus is not a relevant consideration that they may take into account when deciding whether to charge and the amount to charge in these areas. Such desire could only be taken into account if a purpose of the statute granting the power to charge is to grant taxation powers.

1.8 From our fieldwork we found that authorities generally have a good awareness of the legal restrictions that exist for many of their areas of operation, and they are very mindful of the need to act in accordance with the legislation or nationally prescribed fee scale when setting charges. Authority officers have a broad understanding of the legal framework in which they work and the potential constraints and opportunities that exist to either prohibit or develop further income streams. For instance, a number of authorities have developed commercial income polices which both identify the potential for generating income but also the process and planning needed to facilitate this. For example, the work of the Vale of Glamorgan Council's countryside service set out in Figure 3 below.

Figure 3 – Income Generation in the Countryside Service – Vale of Glamorgan

The Countryside Service has recently undergone a restructure, facilitating more integrated working across all sites, including Public Rights of Way maintenance. This restructure has led to substantial savings, which has released funding to allow the creation of a new Commercial Opportunities Officer post on a two year contract. The Commercial Opportunities Officer has been working with the private sector to investigate sustainable and feasible options that facilitate new tourism and leisure activities, primarily at Country Parks, such as: water based leisure activities, high ropes, zip wire courses, climbing walls, archery, cycling, field sports, environmental education, tourism based events, weddings, fayres, other innovative activities and retail opportunities.

An 'Invitation to Tender' was submitted to Sell2Wales – the public sector procurement portal for Welsh suppliers and buyers – seeking commercial partnerships for such activities. The Council will be entering into legal agreements with a number of third party service providers which will become operational by the end of the summer of 2016. This approach will enhance what is currently offered at Country Park and other sites, and help to increase footfall and tourism opportunities which could lead to a significant increase in income.

1.9 However, the responses to our survey of local authority chief finance officers found that only 11 of the 22 authority respondents stated that their authority had taken adequate legal advice on the opportunities that exist to optimise income from charges including pursuing commercial activity. For example, Gwynedd County Council following a review of the legislation introduced a commercial waste fee for holiday homes and fees for garden waste from residential properties. We found that other authorities are less clear about the extent to which the legislation can be used to enable a greater degree of risk and pursue commercial opportunity.

1.10 Local authorities primarily have to provide services and activities for which they have a specific statutory power or duty, and activities outside of statutory powers and duties could be considered ultra vires and open to challenge in court. The **Local Government Act 2003** widened opportunities for authorities to charge for discretionary services[8] with the inclusion of a general power in the 2003 Act. The 2003 Act covers both England and Wales[9] and allows authorities to trade through a local authority company, as long as they have a statutory power to perform the service which is subject to trading. Local authorities and their companies do however still need to act reasonably in setting charges, but their desire to generate a profit is a legitimate factor to take into account in trading activity.

1.11 We found some positive examples of initiatives and activates that authorities have developed using these powers. For example, the Radyr Weir Hydro Scheme developed by Cardiff Council provides a good example of initiatives of this nature - Figure 4 below.

8 Discretionary services are not statutory and authorities can choose to provide these services.

9 This power allows authorities to charge for discretionary services, where there was no previous specific power to charge, nor any specific prohibition on doing so, at a level where 'taking one financial year with another, the income from charges….does not exceed the cost of provision' (Section 93(3)). Section 95 of the 2003 Act also explicitly allows authorities to trade (ie, generate profit) through a local authority company.

Figure 4 – Radyr Weir Hydro Scheme – Cardiff Council

As well as facing reducing budgets, Cardiff Council has committed to ambitious environmental standards through its One Planet Cardiff vision. This includes reducing CO_2 consumption by 60 per cent in its operations and reducing its annual energy spend. The presence of the River Taff flowing through the city provides opportunities to create renewable, clean sources of energy that would both meet its environmental standards and generate a profit in the long term.

Radyr Weir was selected as the location for the project, which would install two Archimedes Screw turbines and generate 1.66gWh of energy annually. Using a Feed in Tariff (FiT) accreditation to guarantee a retail price index (RPI) linked cost per unit, the scheme, which had a budget of £3.9 million for completion, will achieve full payback of the capital costs within 12 years, and should generate a net profit of £5.5m over 20 years.

Additionally, the scheme will provide the following benefits:

- an improved fish pass has been incorporated into the design. Working collaboratively with Natural Resources Wales, the improved facility will increase fish stocks upstream of the weir;
- a reduced risk of flooding in the immediate area, due to the additional channel created by the turbines;
- improved understanding of the river's biodiversity, with the scheme's environmental monitoring; and
- lessons learnt to be implemented at two further potential sites on the river for additional hydro schemes

1.12 A number of authorities have also engaged consultants to support them in reviewing charges to identify opportunities to increase income. This support work often considers the legal basis for charging and the opportunities that exist to increase charges through alternative delivery models, particularly potential commercial ventures. Whilst consultant support provides an impetus to focus on the opportunities that exist to generate income, performance in progressing the recommendations of consultant's reviews varies. Whilst some local authorities in Wales have taken forward recommendations from these reviews and developed initiatives, others have been limited in their ambition and scope and have not fully pursued the benefits that can be derived from the opportunities presented by the **Local Government Act 2003**.

The Localism Act 2011 in England has encouraged authorities to develop commercial vehicles as a means of generating income, but this power does not exist in Wales which limits opportunities

1.13 The **Local Government Act 2003** has been superseded in England by the **Localism Act 2011** which introduces the general power of competence. In summary, the general power of competence enables local authorities to do things an individual may generally do but anywhere in the UK or elsewhere. The power also allows authorities to do things for a commercial purpose or otherwise, for a charge or without a charge and without the need to demonstrate that it will benefit the authority, its area or citizens of the area. The general power of competence has extended the range of services which a local authority can lawfully provide and therefore trade for, although, external trading still requires the setting up of a company[10].

1.14 There are some limitations on the general power of competence, either because they are not things which an individual can do or because they are specifically excluded in the 2011 Act. The general power of competence does not provide new powers to raise tax or precepts or to borrow nor does the power enable authorities to set charges for mandatory services, impose fines or create offences or byelaws. Importantly, the power does not override existing legislation in place before the Localism Act 2011 and income from charges should not exceed the cost of provision. Notwithstanding, the general power of competence both increases local authority powers but also provides greater scope for authorities to decide on how best to provide existing and new services for their communities.

1.15 The Local Government Association in England has noted that "the general power of competence is also a challenge to the instinctive caution of some in local government, by clearly showing that just about anything is possible (unless specifically prohibited) and not constrained by the need to ensure that it is permitted by specific legislation"[11]. If used in the spirit intended, the general power of competence can encourage more managed risk taking. Consequently, the Local Government Association noted that use of the power is resulting in new, locally led approaches which deliver positive outcomes for residents and communities. For example, Ansa[12] Environmental Services in Cheshire East summarised in Figure 5.

10 We have included in Appendix 3 more information on the issues needing to be considered in setting up local authority commercial trading companies. Whilst they will not all apply to every project or initiative, the information in Appendix 3 sets out some of the key issues needing to be considered in developing such approaches that we have identified from our fieldwork.

11 **Local Government Association, The General Power of Competence: Empowering councils to make a difference**, July 2013.

12 **Ansa Environmental Services**

Figure 5 – Ansa Environmental Services Ltd – Cheshire East

Ansa Environmental Services was set up in April 2014. It is a wholly owned company of Cheshire East Council, but is run on a day-to-day basis by its own Board and management. It provides environmental services (bin collections, street cleaning, open spaces, etc.) to Cheshire East Council, Macclesfield Hospital and Congleton Hospital. The area has 370,000 residents and 160,000 properties, 2,800km of highways and 3,000 open spaces. By setting up a wholly owned company, opportunities to invest in the infrastructure of the service were created. The transition from an authority-run service to a wholly owned company was completed on time and on budget, with minimal impact to service users and over 400 staff being TUPE transferred to the new company. The new company, in its first year of operation, increased recycling rates, reduced the amount of waste being sent to landfill, reduced the number of missed bin collections and created an operating profit which was shared with the authority.

1.16 The Welsh Government published a **Draft Local Government (Wales) Bill** in February 2015 which included proposals to enact the power of general competence in Wales after the 2016 Assembly elections. Following the elections the timing and content of the Bill is unclear, and the First Minister's statement on the legislative programme[13] did not include the Bill in the programme for the first year of the Assembly. However, the Welsh Government informs us that if legislation proceeds, the provision of the general power of competence will continue to be included. The absence of a specific power of general competence means that Welsh authorities need to continue to rely on existing powers. As the Local Government Association report into the general power of competence cites, there has been notable examples of successful and innovative actions prior to the general power of competence. The lack of this power in Wales therefore, while it may contribute to an instinctive caution, should not be read as a reason for authorities not to explore more innovative approaches to income generation and commercial approaches through existing powers.

National charging regimes often do not reflect the true cost of running services

1.17 The use that authorities make of charging is not just determined by local factors which authorities decide upon, but also by the decisions of the Welsh Government or, in some cases, the UK Government. While there are valid reasons for restrictions on the amount that can be charged – for example, keeping costs affordable for service users – they can create difficulties for authorities and have given rise to considerable debate between Government and local authorities on the advantages and disadvantages of Government setting charges nationally.

13 First Minister's statement on the legislative programme

1.18 At the heart of the tension is the need to balance flexibility and local control for local services, with national concerns over quality and cost. However, it is often not clear to authorities or the public when national charging levels are set:

a What the rationale is for applying charging restrictions to some services and not others. For example, why authorities cannot charge for lending printed materials from libraries, but can charge for lending audio-visual material.

b Why authorities have the power to set their own charges for services where a uniform approach to charging might be preferable. For example personal care services which can be charged for, and NHS provision, which must be provided free of charge.

c Whether the original rationale for controlling fee levels remains valid given changes in how services are provided. For example, authorities now provide building control services in competition with approved inspectors, reducing the monopoly position in the market which originally justified a price control.

1.19 The majority of respondents to our survey of local authority chief finance officers stated that they experienced considerable difficulties where the level of charges are set by the Welsh Government or the UK Government. Many respondents felt that charges are set too low and either did not reflect local circumstance, the complexities and costs of the service, and did not allow for full cost recovery.

1.20 For example, survey respondents noted that national set fees "do not always cover the cost of the service provided. The income quantum can vary significantly between Authorities and the funding formula should take both the cost and income capacity into account." And another that, "in times of austerity greater flexibility should be provided to local authorities to aim for full cost recovery of services. This aim is currently being restricted by statutory thresholds". Others noted that the fee set also did not allow for equitable contributions from service users, either reflecting the 'amount' of the service they use or their ability to pay (particularly relevant to the cap on care charges). One survey respondent noted that "Fairer Charging Policy - it is felt that the charging policy is too restrictive and the current £60 cap is not realistic… (The cap) stops full cost recovery and also hinders the equitable contribution towards the increasing cost of services and the service users who could contribute more to the services they receive."

1.21 Many authorities are also unclear on how the level of charge has been determined by the Welsh or UK Government and what factors were used to influence or determine where the cap should be set. Even where nationally set fees are reviewed and revised periodically, for much of the time they may be out of step with rising costs. Where costs vary by area, reflecting differences in local labour markets, nationally set fees will either fail to meet some authority costs or provide a windfall to others, or both. Respondents to our survey noted that national restrictions on their ability to charge inhibit them from taking decisions that reflect local circumstances and some respondents who commented, wanted the freedom to set their own charges for services that are currently controlled by Government. This has to be balanced with concerns that full local discretion could result in wide variations in charges for social care and other nationally set services if these were to be devolved to authorities to decide on.

A wide range of payment options for collecting charges are available and are mostly offered

1.22 As well as deciding whether and how much to charge for a service, authorities need to also consider how charges will be collected, what an acceptable cost for administering and collecting income is, and how easy it will be to collect the charge. It may also not be worthwhile to charge for services where the cost and complexities of collection cost more and take longer or are waivered where large-scale concessions apply and continuing to subsidise activity may be a better financial and service outcome. There are also a range of direct and indirect costs involved in collecting a charge – for example administration, ticketing and equipment to collect charges, managing non-payment and arrears and bad debts.

1.23 Income is often harder to control, forecast and monitor than expenditure. Expenditure, once committed, is usually certain. Income, on the other hand, often involves a significant element of uncertainty. It is important therefore for authorities to have range of options in place for collecting charges. Figure 6 captures the options and current usage for paying for authority services across the 22 local authorities and shows that authorities provide a wide range of options for service users to pay for services.

Figure 6 – Options offered by local authorities to collect income from charges

Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

1.24 Authorities are also promoting payment options that have the lowest transaction costs and are the cheapest to administer and provide – payment by direct debit for example – as well as seeking payment in advance and not having to chase for non-payment and arrears. Technology can be put to good effect to improve payment security and reduce transaction costs. Innovative ways to pay for services include payment via authority websites, payment using mobile phones for example to pay for ticketless parking, and the cashless payment for services such as school meals using smartcards. Powys County Council introduced a cashless system for payment of meals in schools which has increased both take up of school meals and revenue by an additional £70,000 per annum for the authority.

1.25 The use of technology is beginning to increase, but not universally, and its roll out is often dependent on the new system not costing more than traditional methods of collecting income. Progress in using digital and smartphone applications to make payments, whilst widely acknowledged as a potential area for improvement and growth in the future, is in the early stages of being rolled out.

1.26 From our survey of chief finance officers we found that few authorities have out sourced the collection of charges. Four authorities use external providers to manage car parking provision on behalf of the authority. Only one authority uses an external agency to manage school meals, transport, arts and heritage, and for other activities such as development control and waste and refuse services. No authority has considered outsourcing management.

1.27 Authorities recognise there will be an increasing use of private sector companies to collect charges as authorities seek to introduce more efficient ways of collecting income. Authorities will need to ensure they have good systems and arrangements in place to monitor and evaluate performance to ensure collection levels at least meet, if not exceed, targets. Our survey of chief finance officers however found that current approaches are not as robust as they could be. Whilst most authorities receive monitoring reports from external agencies, not all authorities have agreed performance and income targets nor do they regularly meet with organisations to monitor performance.

Authorities are beginning to develop corporate wide strategies for managing charges, but progress has been slow

1.28 Whether an authority decides to introduce or increase a charge is a significant strategic policy decision. At its most basic, increasing or introducing charges will influence whether people use services. For example, a decision not to raise car parking charges can help bolster visitor numbers to town centres. Conversely, setting car parking prices high can reduce town centre traffic and congestion. Similarly, an authority wide priority of encouraging healthy lifestyles and improving wellbeing of residents will be adversely affected by a decision to increase the rental cost of sports fields, pitches and swimming pools, or raising the charges for healthy eating options in schools.

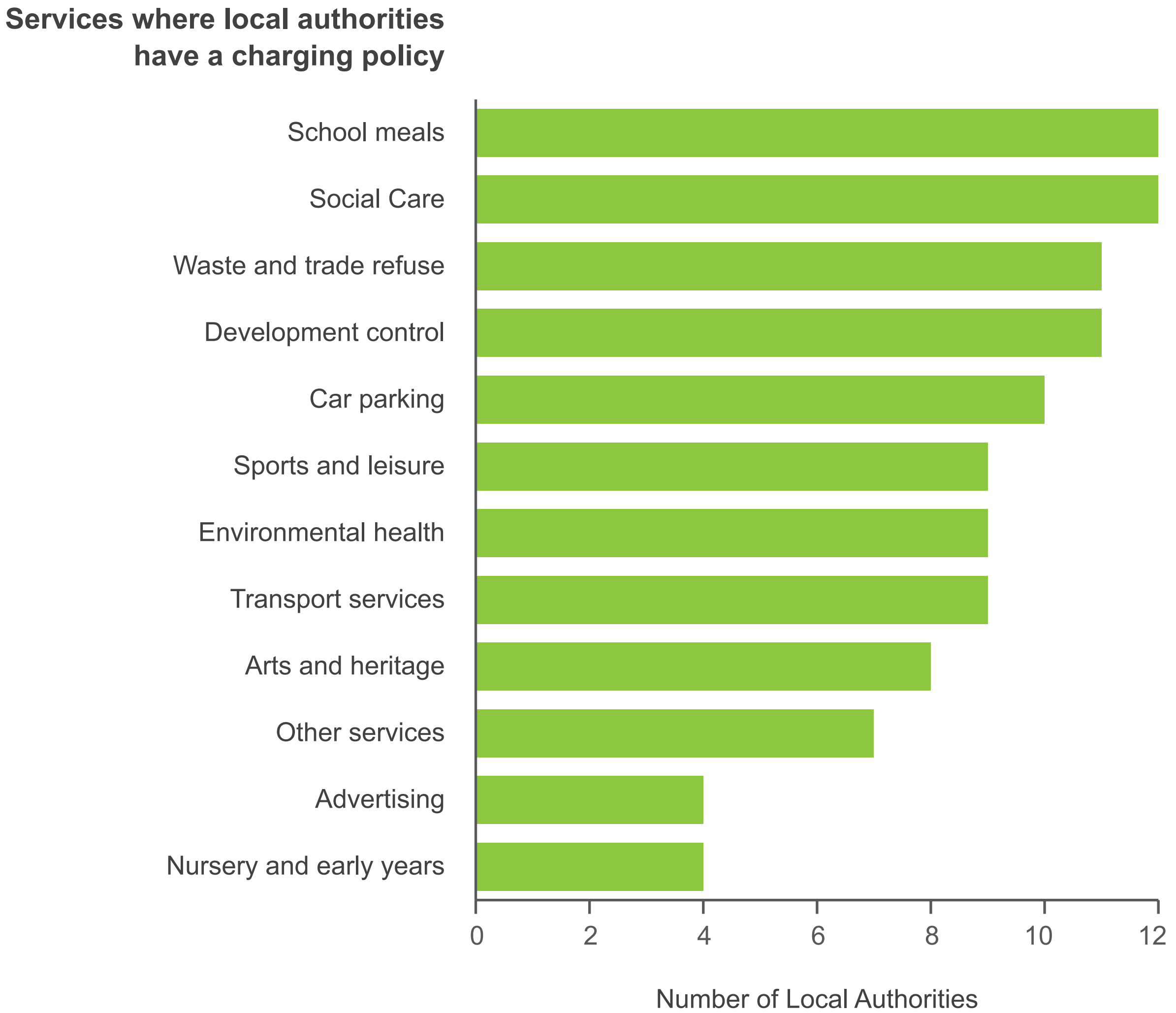
1.29 Where and at what level charges are set therefore directly affects the delivery of an authority’s strategic priorities and, given the complexities of setting charges, it is important that authorities take a strategic approach. A truly strategic policy needs to be developed at a corporate level and cover all services to ensure decisions are fully understood and deliver the intended benefits with no or few unintended consequences.

1.30 From our fieldwork we found that it is often unclear how charging contributes to the achievement of wider strategic objectives. Authorities use a number of approaches when setting charges, but these are mostly not underpinned by a clear set of strategic principles that cover the full range of issues to be considered. For example, our review of documents provided by authorities found that only half of the 22 authorities have a corporate authority-wide policy in place for setting charges. Monmouthshire County Council has recently adopted an authority wide ‘Income Optimisation Strategy’, a wide ranging strategy that covers all services and even discusses the potential to develop commercial models and public-private joint ventures. The ‘Income Optimisation Strategy’ now needs to include an action plan of what income generation activities the authority is planning to introduce or could develop, as currently it sets out the principles to consider in setting charges.

1.31 We also found that some authorities – Merthyr Tydfil County Borough Council and Powys County Council – are in the process of finalising and approving policies that set out a strategic approach to setting charges. At the time of our fieldwork both had draft policies progressing through cabinet/executive for approval. In comparison, other authorities in which we undertook fieldwork are yet to develop corporate income strategies.

1.32 In the absence of an authority-wide policy for setting charges, many authorities have developed specific service charging or income generation polices. For example, Figure 7 summarises the findings from our survey of chief finance officers and highlights where authorities have developed specific charging policies for services. However, these findings show that in many service areas less than half of authorities have developed specific policies for setting charges for services.

Figure 7 – The number of authorities that have developed and adopted policies for setting charges in specific services



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

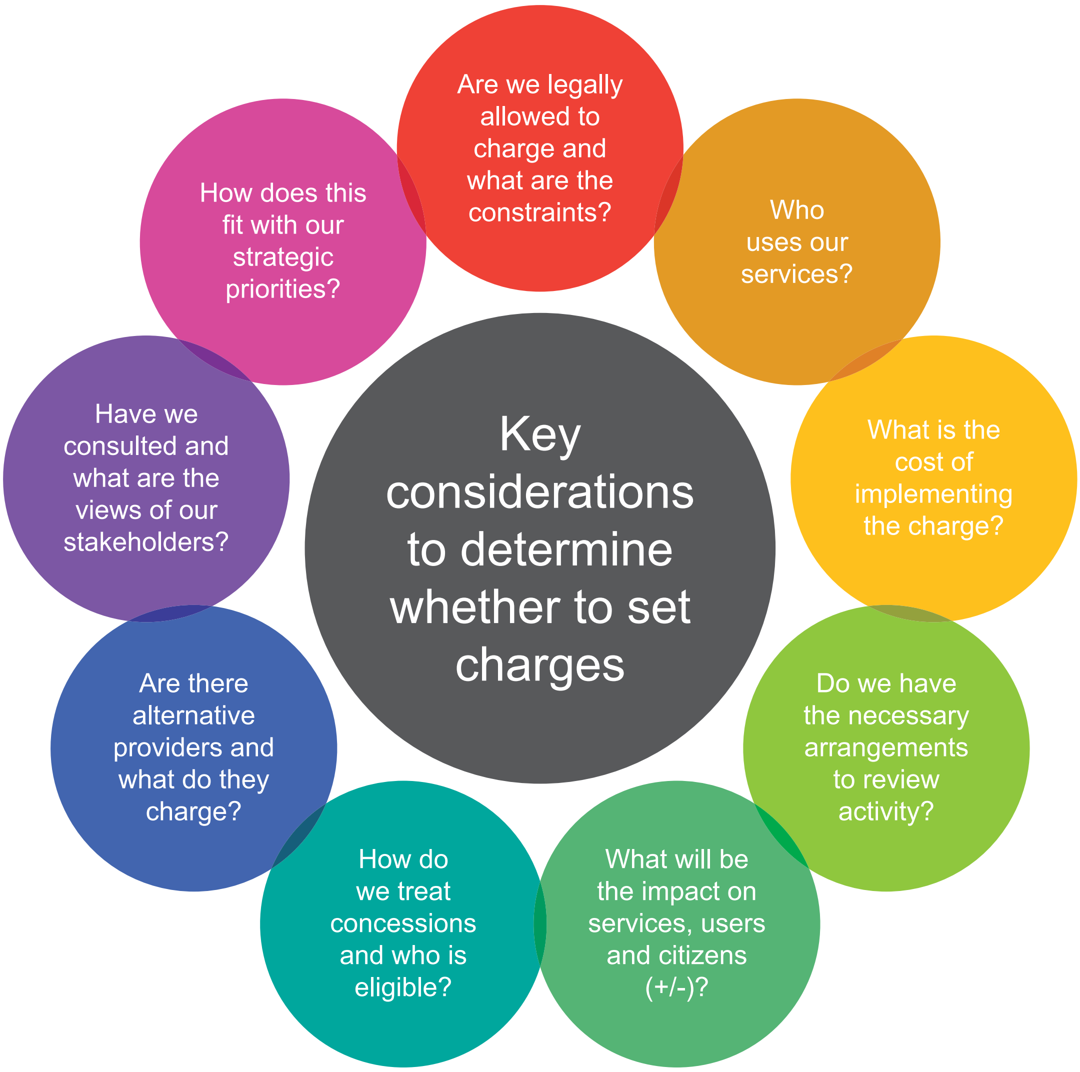
1.33 Some authorities continue to use their Constitution[14] as the main vehicle for setting charges. The Constitution covers all services and sets out the process to be followed when planning an increase/introduction of a fee or charge for a service. The Constitution does not however provide a framework of the strategic issues and priorities for the authority and how setting charges supports their delivery. Nor does the Constitution provide a consistent and integrated basis for setting charges as it often lacks detail on key issues.

1.34 We also found that authority documentation often does not focus on or link how the setting of charges supports delivery of corporate priorities, identify how charges can better manage demand for services, or how their targeting can support changes in behaviour in how citizens access and use services. Documents we reviewed also lacked detail on the legal constraints on charging for services or did not identify how to 'treat' surpluses raised. If authorities are to maximise the benefit from setting charges then a robust consideration of the legal basis for charging is a prerequisite.

1.35 We have summarised in Figure 8 the key factors we have identified from our review that should be considered in setting charges. The full range of information is set out in Appendix 2 on page 62. This list is not exhaustive nor does it replace the need for authorities to take their own legal advice on how, where and what charges to set for different services. Rather, the information summarised in Figure 8 and set out in full detail in Appendix 2 provides a summary of the key issues and questions needing to be considered when reviewing and setting charges.

14 The local authority Constitution sets out how the authority operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the authority to choose. The Constitution sets out the basic rules governing an authority's business, including charges for services provided by the authority.

Figure 8 – Key considerations for local authorities when setting charges



Source: Wales Audit Office

Part 2

Approaches to generating income vary and whilst there are opportunities to increase revenue, local authorities need to balance these aspirations with the ability of their communities to pay more

2.1 Given the current need for local authorities to reduce their net expenditure in line with reductions in central funding, many authorities are reviewing charges to ensure that, where appropriate, they are making the most of opportunities to maximise income. In this section of the report we consider how well Welsh authorities perform in raising income from charges comparing performance between authorities in Wales but also globally with authorities in England and Scotland.

There is a mixed picture in how well Welsh authorities generate income from charges

2.2 In reviewing income from charges, we have analysed Revenue Outturn data submitted by authorities to the Welsh Government[15]. For our review we have focussed primarily on the following areas of activity:

a Home to school transport and Home to college transport

b Parking of vehicles, concessionary fares and airports, harbours and toll facilities

c Meals

d Total cultural and related services (includes leisure)

e Cemetery, cremation and mortuary services, Environmental health – food safety and Total Waste services

f Building control and development control

g Local land charges and registration of births, deaths and charges

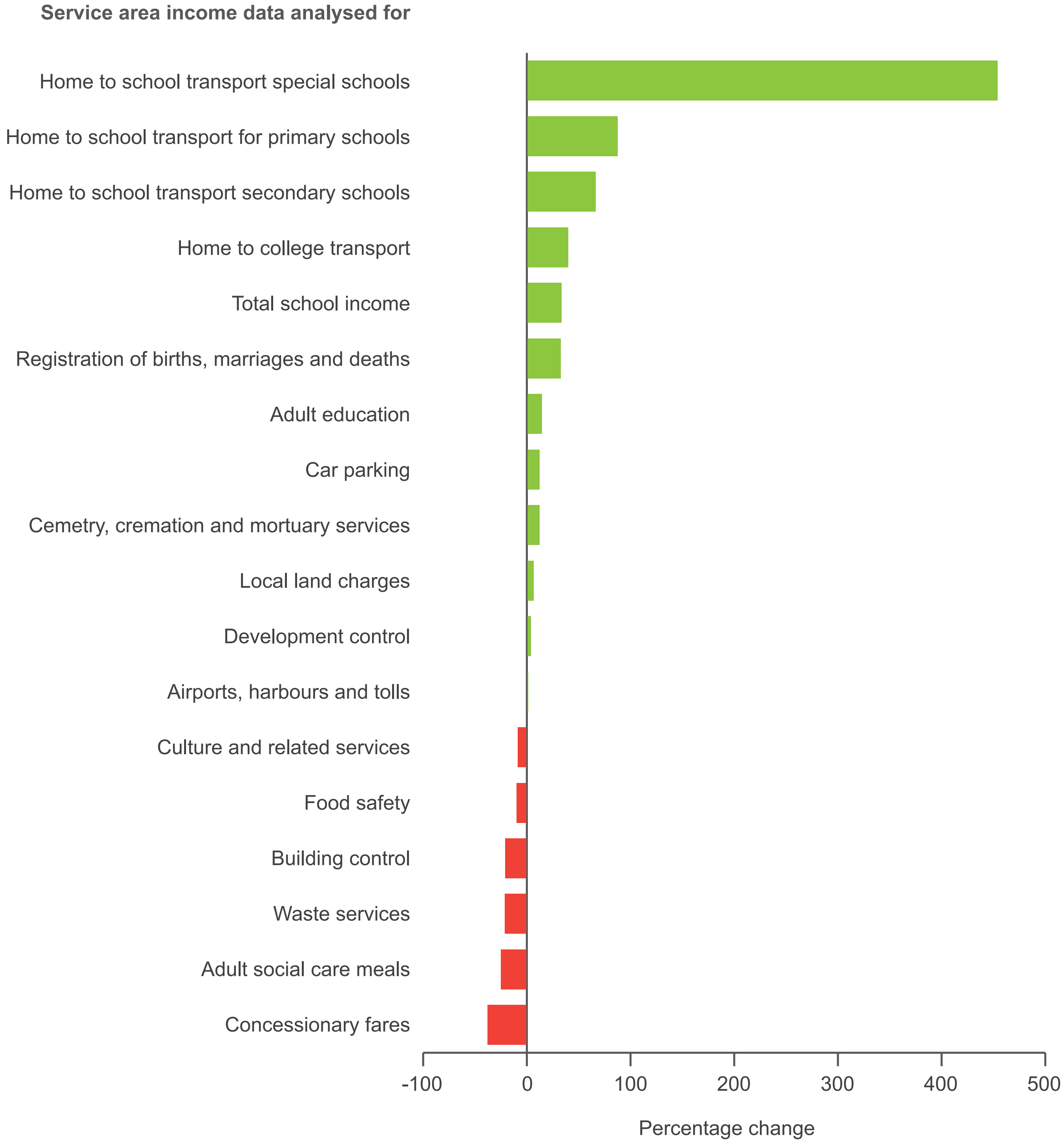
2.3 Analysing Revenue Outturn data, we found that the amount of money local authorities' raise from charges for the activities listed above (Paragraph 2.2 a-to-g) has risen in cash terms from £307.7 million in 2008-09 to £365.7 million in 2014-15, a rise of 18.9 per cent. However, in real terms[16] – taking into account inflation – the change in income has been less sharp, rising by £18 million (5.2 per cent) between 2008-09 and 2014-15.

15 We used the financial data as collected within the RO framework to avoid placing any further administrative burden upon authorities. The financial data within this document uses the income data recorded as 'sales, charges'. We reviewed the contents of returns to StatsWales with authorities and identified approximately 5 per cent of the individual records as inaccurate. The areas for review selected were agreed in discussion with the Society of Welsh Treasurers and represent the main service areas (excluding Housing Revenue Account activities) where authorities charge for and collect income.

16 The level of income taking into consideration the effects of inflation on purchasing power. Real term income refers to the amount of goods and services you can buy today compared to the price of the same goods and services you could have purchased in an earlier period.

2.4 Figure 9 summarises the percentage change in income in real terms from charges between 2008-09 and 2014-15 for the 22 Welsh authorities for individual services. Figure 9 shows that in two-thirds of the areas we have reviewed, authorities have increased how much income they raise from charges, some by significant amounts. The remaining third of services we have reviewed, where income has not increased in real terms, are a mix of activities which are either influenced by national policy charging directives and fee regimes (building control, adult social care and concessionary fares); services which are barometers of prosperity and driven by market conditions (development control and food safety); or discretionary services (culture and related services) which, whilst being in the gift of authorities to determine what charges and fees are set, are also activities where there is often alternative providers and authorities are in competition. Getting pricing right to maintain if not increase service users is, for these services, as important as the drive to generate income.

Figure 9 – The percentage change in income in real terms from charges by individual service between 2008-09 and 2014-15[17]



Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

17 Whilst the proportional increase for home to school transport for special schools income is significant, this has to be balanced with income as a proportion of total gross expenditure which has risen marginally in this period, from 0.7 per cent to 3.8 per cent.

2.5 Whilst income from charges has increased since 2008-09, there is wide variation in what and how much authorities collect. Figure 10 shows that of the 18 service areas we have analysed, in only seven are all 22 authorities recording income from charges. In addition, in 11 of the 18 services analysed, some authorities record receiving no income, and the range of income generated varies widely.

Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15

Area to raise income from charges[18]	Number of authorities collecting income in 2014-15	Lowest amount collected by an authority in 2014-15	Highest amount collected by an authority in 2014-15
Income from Home to school transport – Primary Schools	10	£0	£265,000
Income from Home to school transport – Secondary Schools	15	£0	£269,527
Income from Home to school transport – Special Schools	8	£0	£482,072
Income from Home to college transport	10	£0	£710,827
Income from Adult Education	16	£0	£1,496,000
Total school income	22	£241,000	£28,148,510
Income from Parking of vehicles	22	£12,000	£6,900,000
Income from Concessionary Fares	13	£0	£156,122
Income from Airports, harbours and toll facilities	6	£0	£3,425,000
Income from Adult Social Care, Meals	15	£0	£1,265,954
Total income from cultural and related services	22	£588,000	£24,335,000
Income from Cemetery, cremation and mortuary services	21	£0	£2,604,000
Income from Environmental Health – food safety	21	£0	£69,000

18 The headings used are taken directly from the Revenue Outturn returns and coverage is as defined in Welsh Government forms.

Figure 10 – The level of income raised from charges for individual services by Welsh authorities in 2014-15 (cont.)

Area to raise income from charges	Number of authorities collecting income in 2014-15	Lowest amount collected by an authority in 2014-15	Highest amount collected by an authority in 2014-15
Total income for Waste Services	22	£385,495	£7,506,000
Income from Building Control	22	£133,000	£790,000
Income from Development Control services	22	£180,986	£1,981,000
Income from Local Land Charges	21	£0	£323,000
Income from births, marriages and deaths	22	£66,621	£685,000

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

2.6 With the current financial challenges facing the public sector, fiscal responsibility is ever more important and authorities recognise that they need become even more financially disciplined when it comes to delivery of services. Subsidising services is often driven by a desire to maximise take-up and to support delivery of the wider strategic priorities. However, authorities need to consider their operating environment in a different way and reducing the level of subsidy that is provided to support services can improve financial sustainability. Figure 11 (below) summarises changes in income as a proportion of expenditure in 2008-09 and 2014-15 (the detailed information is set out in Appendix 4). We found that:

- In 15 of the 18 service areas analysed there has been a net cost[19] improvement. In other words, income as a proportion of expenditure is growing and services require less subsidy to operate;
- In one service – car parking – the income raised is greater than the cost of providing the service and a surplus continues to be generated; and
- For some activities, the level of subsidy continues to be significant. For example home to school transport and environmental health food safety where income as a proportion of expenditure is less than 5 per cent of the cost of providing the service.

19 Net cost is the bottom line of the income statement when revenues and gains are less than the aggregate operating expenses.

Figure 11 – The level of income raised from charges for individual services by Welsh authorities in 2014-15

Area financial data analysed	Income as a proportion of gross expenditure 2008-09	Income as a proportion of gross expenditure 2014-15	Change in proportion of income collected over the period
Home to school transport – Primary Schools	0.7%	1.5%	0.80%
Home to school transport – Secondary Schools	1%	1.7%	0.70%
Home to school transport – Special Schools	0.7%	3.8%	3.10%
Home to college transport	9.4%	14.2%	4.80%
Adult Education	18.5%	21.2%	2.70%
Total school	2.9%	4.4%	1.50%
Parking of vehicles	122.8%	152%	29.20%
Concessionary Fares	0.5%	0.3%	-0.20%
Airports, harbours and toll facilities	26.7%	51.5%	24.80%
Adult Social Care, Meals	34.1%	43.4%	9.30%
Cultural and related services	20.5%	28.5%	8.00%
Cemetery, cremation and mortuary services	56.7%	94.1%	37.40%
Environmental Health food safety	3.8%	3.3%	-0.50%
Waste Services	15.4%	13.2%	-2.20%
Building Control	60%	66.4%	6.40%
Development Control services	43.7%	58.2%	14.50%
Local Land Charges	96.7%	107%	10.30%
Births, marriages and deaths	49.5%	70.2%	20.70%

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

2.7 Some of the differences in income relate to what services local authorities have available and how these services are provided. For instance, some local authorities are unable to generate income from certain services because they do not provide any service – those related to airports, harbours and toll facilities for example. Some authorities have also transferred their major leisure facilities to other providers and consequently have seen a reduction in their levels of income compared to those who continue to provide these services in house.

2.8 For other services, the level of income is a reflection on the size of the population that can pay the fee or charge – home to school transport for example – which limits the potential to increase revenue. Conversely in other areas the resident population are not the only ones who pay for the service – services such as car parking – and the ability to generate income is not specific to the local community but wider economic and market considerations[20]. Nonetheless, taken as a whole, the findings in Figures 10 and 11 highlight that there is scope in some authorities to reconsider how much revenue they wish to generate from certain services.

2.9 For example, by using burial and cremation services as a tracer, we have reviewed the current level of charges for different activities. Under the **Open Spaces Act 1906, Parish Councils and Burials Authorities (Misc. Provisions) Act 1970** and the **Local Government Act 1972**, authorities have the right to acquire, maintain and provide services for burial grounds, cemeteries and crematoria. Other organisations and companies also have the legal right to provide burial, cemetery and crematoria services. Because there are fewer restrictions on the charges that can be set by authorities for these services, this has led to a variation in charges applied across Wales.

2.10 Using data gathered from authority websites and requests to authorities, Figure 12 below shows the range of charges for 11 different burial and cremation services provided by authorities. The range in price between the cheapest and most expensive charge levied by authorities for these services varies from 4.1 for exclusive right of burial and the erection and inscription of a headstone (eg, the cost in the most expensive authority is 4.1 times higher than the cost in the cheapest authority) to 11.2 for the scattering of ashes (eg, the cost in the most expensive authority is 11.2 times higher than the cost in the cheapest authority). Even when consideration is given to local factors and the possible differences in provision and quality of service, the scale and range of costs is very broad.

20 An example of pricing strategies is the opening of the National Lido in Pontypridd where Rhondda Cynon Taf local authority took the decision to allow free admission as part of a regeneration effort for the Pontypridd Town Centre. Visitor numbers exceeded expectations and is having a very positive response from traders who have seen an increased footfall in the town centre. It's also received a very positive response from service users and has complimented a general increase in sports and leisure take up within Rhondda Cynon Taf.

Figure 12 – Cost of authority-run burial and cremation services

Item	Lowest	Average	Highest	Range	Base[21]
Exclusive right of burial	£355	£678	£1,455	4.1	16
Headstone	£76	£174	£315	4.1	17
New grave for 1	£427	£853	£1,920	4.5	18
New grave for 3	£490	£1,258	£2,240	4.6	14
New grave for 2	£457	£1,064	£2,120	4.6	19
Cremated remains burial	£160	£349	£777	4.9	17
Cremated remains purchase	£139	£409	£833	6.0	14
Woodland plot for 1	£300	£904	£1,920	6.4	7
Inscription on headstone	£30	£83	£200	6.7	19
Interment of ashes	£75	£233	£504	6.7	12
Scattering of ashes	£20	£99	£223	11.2	14

Source: Wales Audit Office data collection from authorities

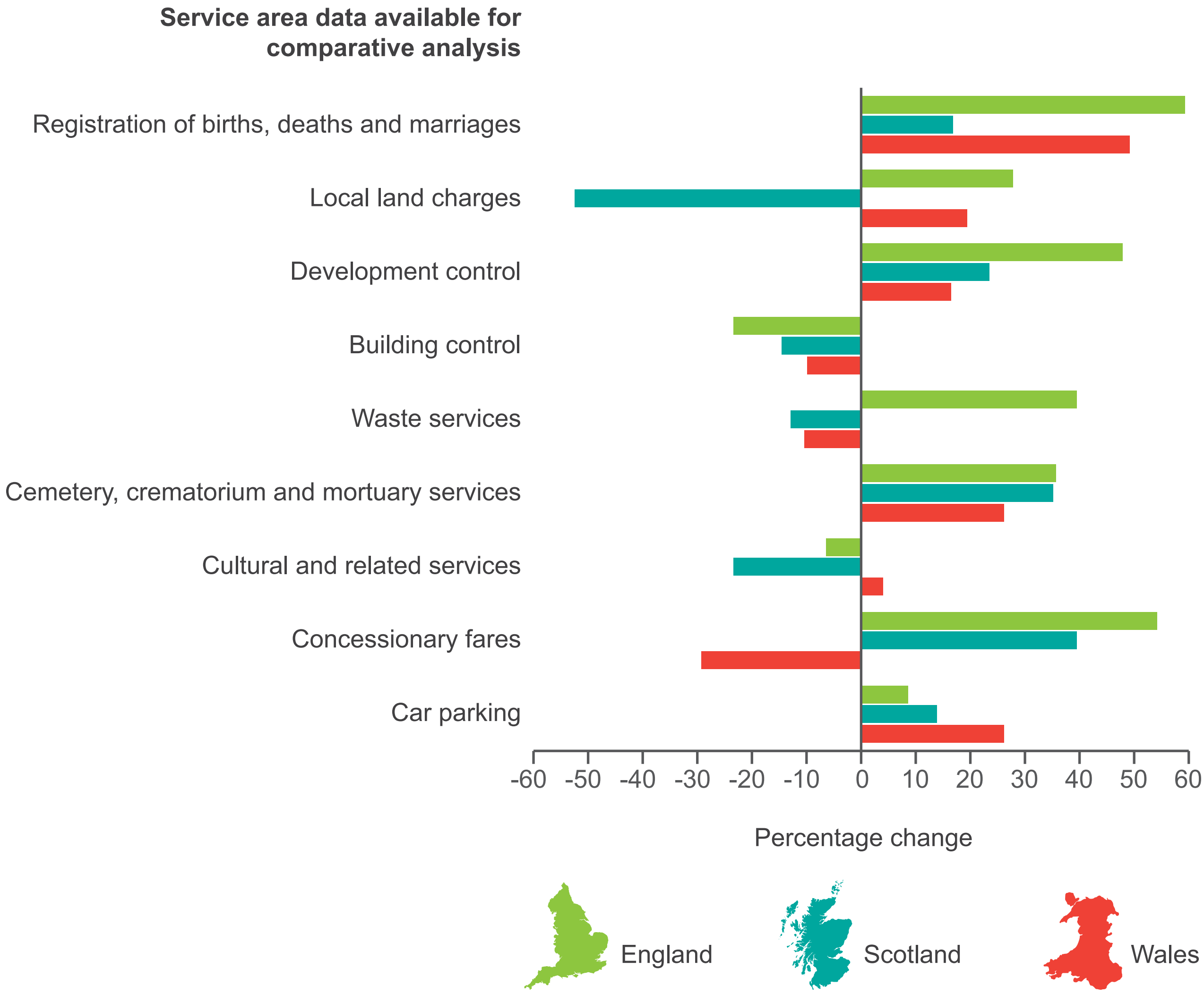
2.11 Another factor concerning services with discretionary charging is the freedom for authorities to raise their prices on a frequent basis. A **Freedom of Information Act 2000** request carried out by the BBC[22] in August 2015 found that, across 169 local authorities in the United Kingdom, the average cost of a basic cremation at a local authority facility had risen from £475 in 2010-11 to £640 in 2015-16, an increase of 35 per cent. In the five Welsh local authorities that responded (Cardiff, Conwy, Rhondda Cynon Taff, Swansea and Wrexham), the cost had risen from £434 to £583, an increase of 34 per cent over the same time period. Local authorities responded stating that changes to emissions targets, the use of larger coffins and rising energy costs had resulted in a sharp increase in costs. Some authorities also noted that their prices were low compared to neighbouring authorities and that rises merely brought them in line with others.

21 Number of local authorities providing a cost for each service
22 **BBC News - Local authority cremation costs**

Welsh authorities are not generating as much income from charges as counterparts in England and Scotland

2.12 There are big differences between how local authorities in England, Scotland and Wales perform in raising income from charges. Using data published by the UK, Scottish and Welsh Governments, Figure 13 summarises the areas where comparison between the three countries is possible and shows that only in respect of car parking and cultural and related services has the income for Welsh authorities increased by a larger percentage than English and Scottish authorities.

Figure 13 – Percentage change in income collected from charges in 2008-09 and 2014-15 in England, Scotland and Wales



Source: Wales Audit Office, analysis of income and fees.

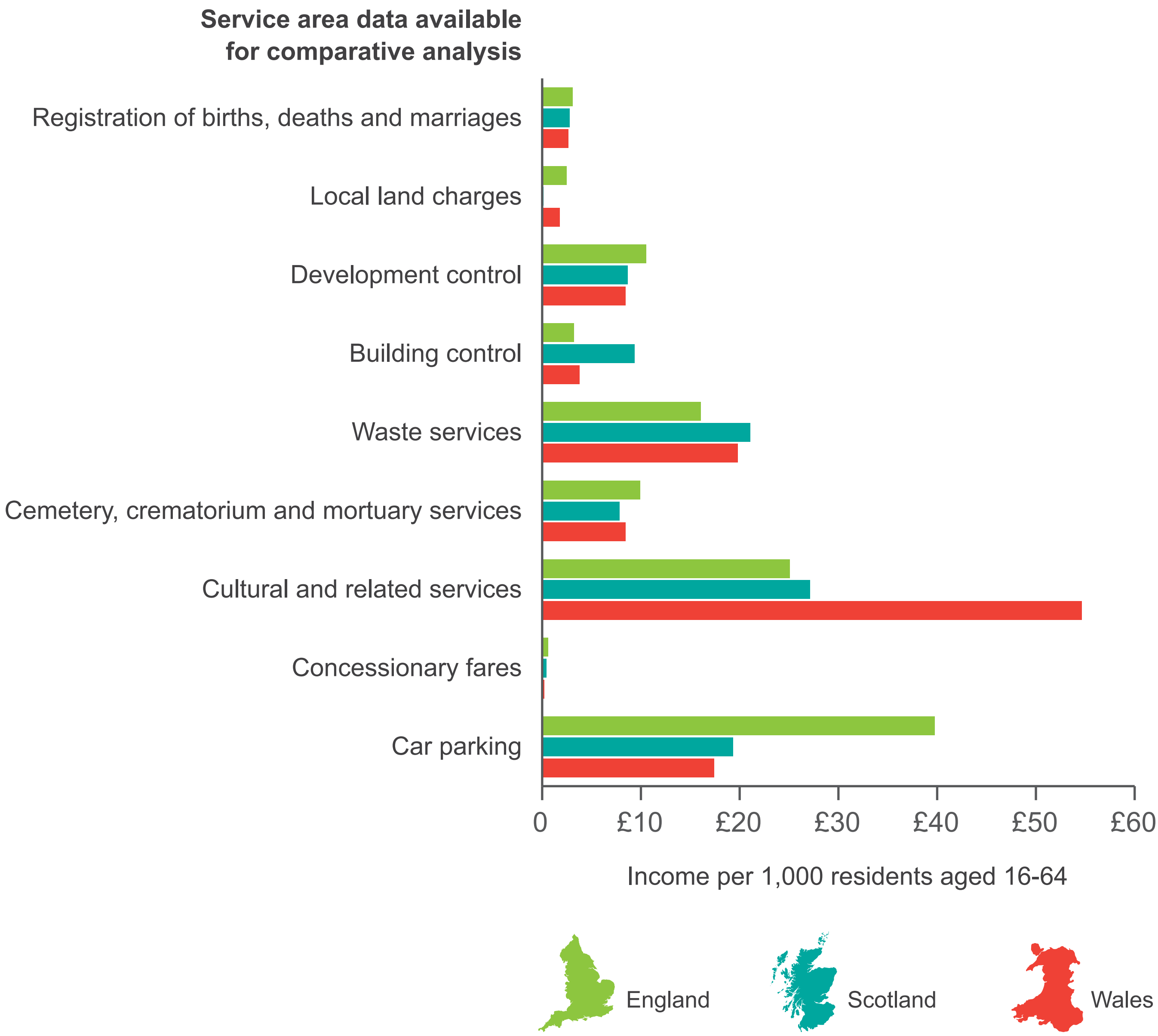
2.13 Whilst our findings suggests that there is scope to increase charges further in Wales in the service areas we have analysed, making a like for like comparison is not straightforward. Each authority and country in Great Britain has its own unique social, economic, environmental and population characteristics. These will influence how services are provided, who consumes services, whether realistic alternatives to authority provision exist, whether charges are controlled or influenced by the respective government and what charges communities can afford. Whilst comparing percentage change in charges for services between England, Scotland and Wales provides a useful starting point, some understanding of the actual level of charge being levied in a community is also required.

2.14 However, no register of charges by authority is collated and it is not possible to easily compare what each charges for the services they provide. Consequently, we have examined the average level of income derived from each service per 1,000 resident population aged between16-64 years of age (economically active age) in each country in Great Britain[23]. By measuring performance using economically active people we are only looking at those who will potentially have to pay for a service and would not be affected by any concessions that are applied. Our analysis provides a broad illustration only but taken with the other data in Figure 13 above, does nonetheless contribute to the debate on the differences in income levels and provide an illustration of the potential opportunities that may exist to review charges.

2.15 Figure 14 summarises the amount of income raised in England, Scotland and Wales per 1,000 resident population aged 16-64 and shows that in the nine areas where a comparative analysis is possible, in only one – cultural and related services – are Welsh authorities raising more income from services than counterparts in England and Scotland. In all other areas, Welsh authorities lag behind counterparts in either England, or Scotland, or both.

23 The mid-year estimates refer to the population on 30 June of the reference year and are published annually. They are the official set of population estimates for the UK and its constituent countries.

Figure 14 – A comparison of the average level of income for named authority services per resident 1,000 population aged 16-64 in England, Scotland and Wales in 2014-15



Source: Wales Audit Office, analysis of income and fees.

2.16 Some of the differences between the UK, Scottish and Welsh Government will be a result of policy decisions (such as concessionary fares) as well as an individual authority's choice on how it wishes to deliver a service. In addition, the socio economic position of some communities – London, for example, where the population and economy has grown at greater rates than the rest of the United Kingdom in recent years[24] – can disproportionately skew findings. Notwithstanding, by analysing the difference between the average income per 1,000 population aged 16 – 64 in Wales with the higher level in either England or Scotland, we are able to determine the potential extra income authorities could raise in Wales.

2.17 In Figure 15 we set out our analysis which shows that in seven of the 18 local authority services where a comparison of performance is possible with England, Scotland or both, Welsh authorities are generating income per 1,000 residents at higher levels than authorities in either England or Scotland. Our analysis in Figure 15 also highlights that if Welsh authorities raised charges to reflect the higher equivalent income per resident 1,000 population aged 16-64 in either England or Scotland for the remaining 11 areas, then a potential extra income of approximately £68.1 million could be generated.

Figure 15 – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland

Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)	Income per resident 1,000 population aged 16-64 in England	Income per resident 1,000 population aged 16-64 in Scotland	Income per resident 1,000 population aged 16-64 in Wales	Potential extra income for Wales based on increasing to the highest average in England or Scotland
Income from Home to school transport - Primary Schools	£0.55	N/A	£0.21	£652,000
Income from Home to school transport - Secondary Schools	N/A	N/A	£0.52	£0
Income from Home to school transport - Special Schools	£0.35	N/A	£0.61	£0
Income from Home to college transport	£0.41	N/A	£0.81	£0
Income from Adult Education	£0.77	£4.68	£3.81	£1,673,000

24 London: The Global Powerhouse

Figure 15 – The potential level of income if Welsh authorities increased charges to mirror the higher average level of income per resident 1,000 population aged 16-64 in England or Scotland (cont.)

Area to raise income from charges (taken from lines in Revenue Outturn returns or equivalent)	Income per resident 1,000 population aged 16-64 in England	Income per resident 1,000 population aged 16-64 in Scotland	Income per resident 1,000 population aged 16-64 in Wales	Potential extra income for Wales based on increasing to the highest average in England or Scotland
Total school income	£52.61	£52.54	£63.24	£0
Income from Parking of vehicles	£39.65	£19.22	£17.31	£42,947,000
Income from Concessionary Fares	£0.48	£0.31	£0.12	£694,000
Income from Airports, harbours and toll facilities	£1.06	N/A	£2.81	£0
Income from Adult Social Care, Meals	N/A	N/A	£1.74	£0
Total income from cultural and related services	£24.96	£27.03	£54.55	£0
Income from Cemetery, cremation and mortuary services	£7.72	£9.81	£8.35	£2,799,000
Income from Environmental Health – food safety	£0.21	N/A	£0.22	£0
Total income for Waste Services	£15.98	£20.97	£19.70	£2,443,000
Income from Building Control	£3.12	£9.24	£3.67	£10,717,000
Income from Development Control services	£10.42	£8.57	£8.33	£4,016,000
Income from Local Land Charges	£2.38	£0.01	£1.69	£1,328,000
Income from births, marriages and deaths	£3.00	£2.67	£2.55	£859,000
Total				**£68,128,000**

Source: Wales Audit Office analysis of income and fees

Local authorities need to consider how best to balance generating income with the communities' ability to pay more for services

2.18 As local authorities are constantly challenged by the need to balance fiscal, social, economic, and environmental goals, they also need to decide how much and what types of new levels of charges the community can accommodate without compromising the day-to-day quality of life for residents. Assessing the 'elasticity of demand' – the potential socio-economic impacts of increasing or introducing charges – is therefore a careful balancing act. Increasing the fee or charge for a service will potentially increase income and safeguard the service. However, it also potentially reduces demand by making the service unaffordable which then raises a question mark on its viability.

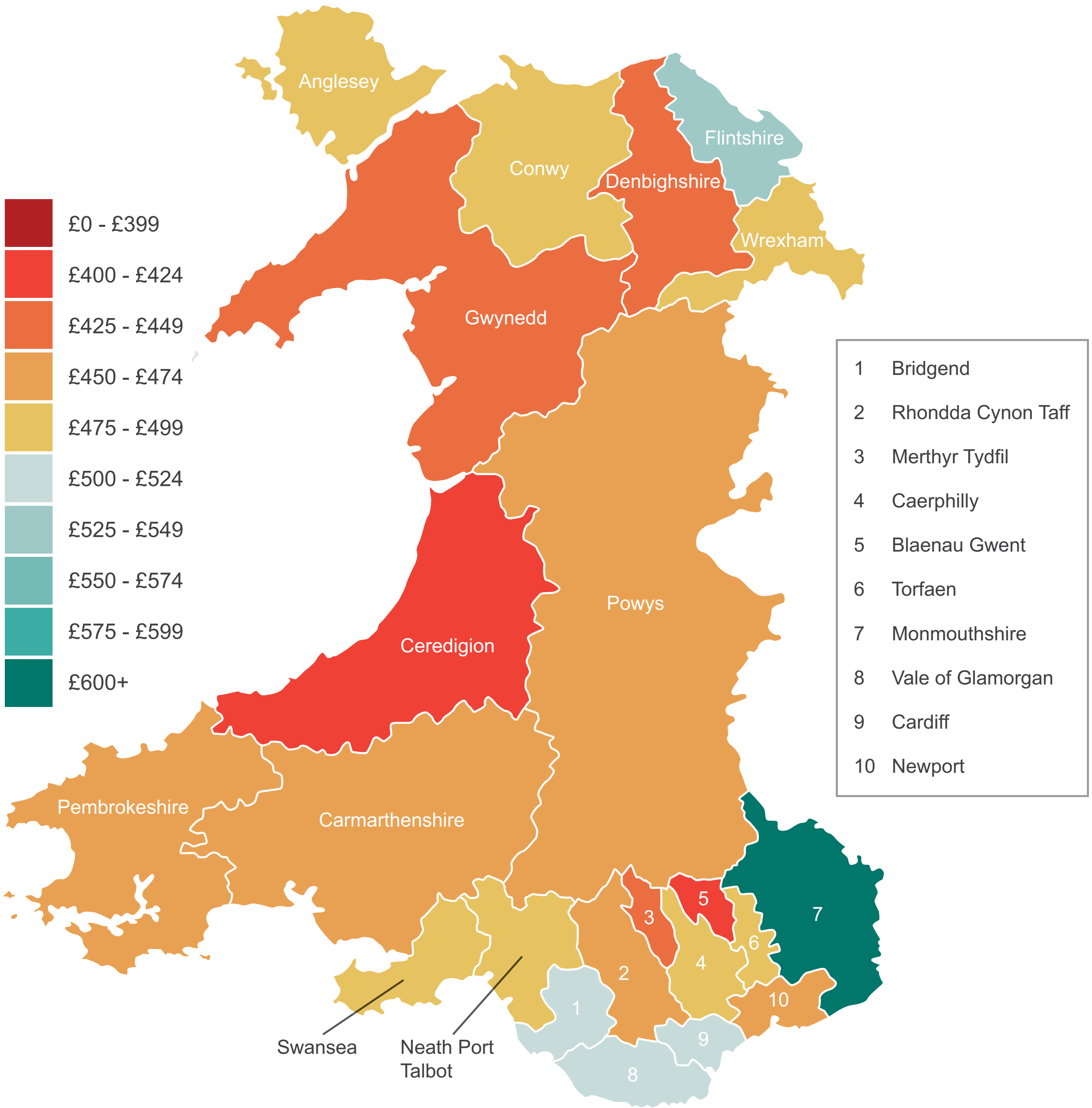
2.19 Local authorities need to therefore take into account local socio-demographic factors, such as the level of social deprivation, because users' ability to pay is an important consideration in setting charges. Considering the socio economic impact on communities is critical because in many communities in Wales the level of average earnings are lower than in either England or Scotland. For example, Official labour market statistics published by the Office for National Statistics[25] show that average gross weekly pay in 2014-15 in England was £527.70 and in Scotland £527 compared to £484.40 in Wales, a difference of roughly 10 per cent or £43.

2.20 Coupled with the proportion of the working population who are economically active – 78 per cent in England, 79.2 per cent in Scotland and 75.2 per cent in Wales – there is potentially less capacity for Welsh citizens to be able to pay more for goods and services. Increasing fees in Wales could therefore be more challenging than in either England or Scotland with many Welsh communities being less likely to be able to accommodate sharper increases than other parts of Great Britain, although, the range of average incomes across Welsh local authorities suggests that some are better placed than others to increase charges.

2.21 Figure 16 shows that the range of gross weekly pay in 2014-15 ranged from £403 in Blaenau Gwent to £610 in Monmouthshire. Authorities where earnings are higher will therefore be better placed to charge and raise more income than those where income levels remain low. When reviewing charges, local authorities need to therefore consider both the options for reducing the level of subsidy they provide to services, but also the socio-economic circumstances of their local community. To aid authorities in responding to this challenge we have set out in Appendix 2 some of the key issues needing to be considered when they set, increase or introduce charges for services.

25 Nomis - Labour Market Profile - England

Figure 16 – Gross Weekly Median Pay by Welsh local authority in 2014-15



Source: NOMIS, annual survey of hours and earnings - resident analysis, 2014-15

Part 3

Authorities do not effectively evaluate charges to fully understand their impact

3.1 Monitoring and evaluating performance in setting and collecting income from charges will help local authority Members and officers to understand how well they are performing and the opportunities that exist to improve performance further. At a time when local authorities are having to manage the impact of reductions in funding from Welsh Government, evaluating and forecasting income from charges is essential to maximising the benefit derived from income in maintaining and growing services. In this final part of the report we provide an analysis of how effective authorities are at forecasting, monitoring and evaluating income. We also consider how well authorities engage with citizens when considering the performance of their authority and how they use these views to decide on changes to services.

Long established governance and accountability systems are not always agile or robust enough to support good decision making when reviewing charges

3.2 Members need to lead on introducing and reviewing charges. Decisions should be considered and ratified by the executive and subject to scrutiny and oversight. The impact of charges on individual services should be subject to careful examination and Members, as the representative for their communities, need to balance the competing requirements of raising income to improve the financial position of authorities, to representing constituents and highlighting the potential impact of decisions, particularly usage and take up.

3.3 To make informed decisions, Members need to have good quality advice from officers, particularly on the cost of providing services and the level of subsidisation taking place. Without good quality and robust information, there is a risk that authorities will continue to either charge too much for services that need to be subsidised or do not charge enough for a service. It is therefore right for Members to debate and influence the setting of charges but their review must balance the strategic need for generating income with the case-by-case implication of the potential local impact on local residents.

3.4 Typically, we found that Member engagement is very strong when authorities consider charges as part of the annual budget setting process. Where issues of increasing charges are presented as part of the global budget, Members have generally been involved in the development of options and the consideration of recommendations that are being proposed. Some authorities have also sought to strengthen engagement with Members and accountability for setting charges. These approaches range from the delegation of decisions on charges to individual portfolio holders and senior managers within specific services, as in Caerphilly County Borough Council, to the creation of corporate wide boards of senior elected Members who set the strategic direction on charges - for example the ‘Income Generation and Cost Improvement Board’ set up by Powys County Council in January 2016. Where these arrangements work well they can provide impetus to better decision making and strengthen accountability.

3.5 However, we also found that whilst authorities are clear on the need to speed up and make better informed decisions when setting charges, these delegated arrangements are not always delivering what was envisaged when they were created. We found that some portfolio holders are reluctant to deal with potentially controversial issues and will not approve increasing or introducing charges, even where the evidence for the increase or introduction is compelling.

3.6 Whilst Members are aware of the financial benefits that charges bring in raising revenue for their authority, some Members are also keenly aware of the potential impact of charges and seek to ensure that any increase or introduction is both justifiable and does not impact unfavourably on service users. Whilst delaying decisions can result in the fee or charge being set low and access to the service remaining affordable, the decision to delay, put off or avoid increasing charges can also result in some services becoming financially unsustainable.

3.7 In addition, we found that income generating options are often not put forward in draft budget proposals to Members simply because officers believe the case will not be endorsed or supported. Whilst some we spoke to argued that Member's reluctance to consider increases in charges is ultimately a reflection of Members 'pastoral' community leadership role and reflects a positive attitude to protecting service users, failing to address budget pressures and consider options, however unpalatable, slows down the process of Member and public education and the shifting of expectations that is needed with reductions in public finances.

3.8 We also found that authorities often struggle to prepare sufficiently detailed and comprehensive business cases on the potential for generating income from charges. Some of these difficulties are a reflection of capacity and capability within services to collate sufficient information to underpin business cases, quantify potential costs, and a reluctance from officers to 'own' findings from external consultants. In other authorities we found that reports seeking decisions often lack the key information required to enable Members to make an informed decision. For example, business cases often:

- lack adequate information to justify the proposed charge increase recommended by officers;
- do not indicate whether an increase in fees or charges will influence how many people use services and the impact of anticipated changes on the level of income generated; or
- do not highlight how the decision to change fees or charges will impact on the authority's medium term financial plan.

Limitations in the quality, detail and range of information used by authorities affects their ability to maximise the benefits of increasing or introducing charges

Authorities do not hold sufficiently detailed or accurate information to understand the true cost of providing services

3.9 Setting, introducing or increasing charges is a complex exercise and needs to take into account many factors. Most crucially, authorities need to understand the full costs involved in delivering the service, including overhead costs – the ongoing expense of the corporate support services and activities such as legal advice, finance or ICT support as well as office and accommodation costs. Knowing the full cost of delivering a service is the starting point for building a case to approve whether to set, increase or introduce charges.

3.10 For many services, charges are based on precedents and do not reflect the actual cost of providing the service. Keeping charges low is often influenced by a conscious decision to support and encourage usage and to ensure those on low incomes are given the opportunity to access and use services. However, only by fully understanding how much it costs to deliver a service can an authority consider what fee or charge it should set, what the strategic impact of its decision is likely to be on the service and those that use it, and what level of subsidy is appropriate to provide for the service.

3.11 How much charges for services are increased by can vary widely. A number of authorities continue to apply a standard percentage increase in charges across all services, whilst others review and agree changes on an individual service by service basis. Treating all services exactly the same and setting flat rates increases in charges has the benefit of being easier to administer. However, such an approach does not provide adequate assurance that the authority has considered the potential impact of its decision strategically.

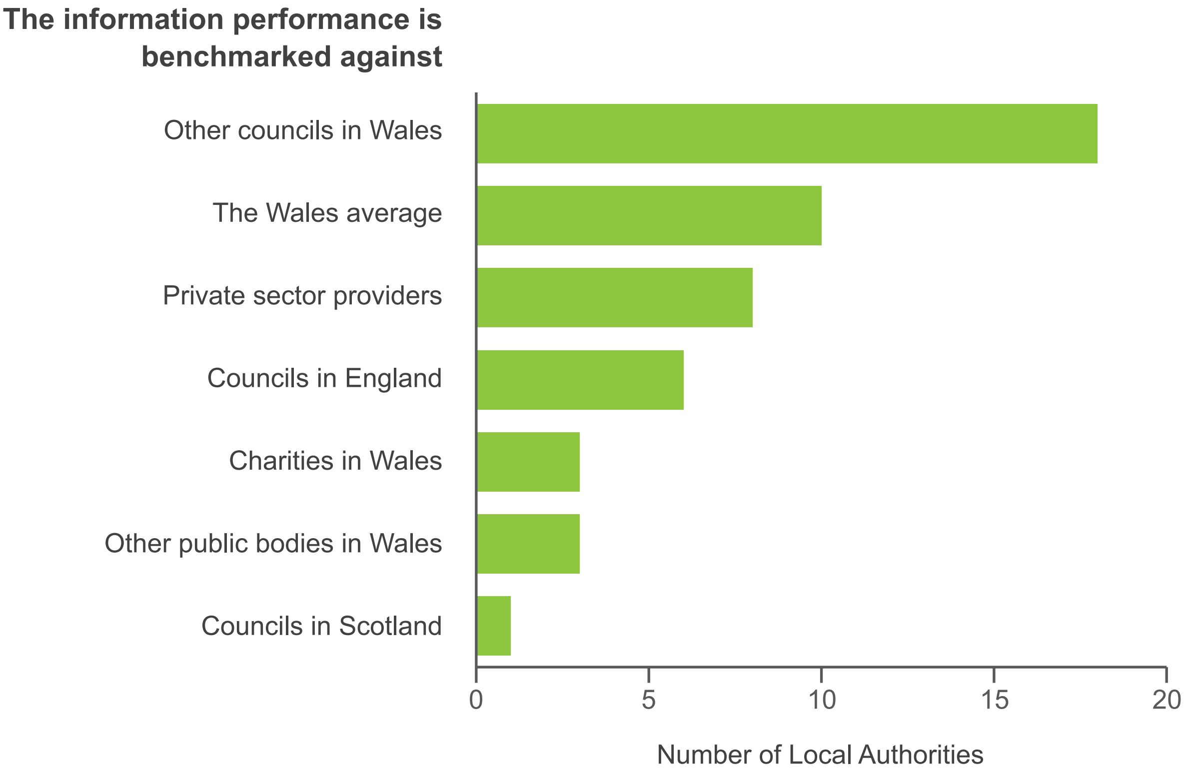
3.12 Different services have different clients groups and the decision to increase or introduce charges will have very different impacts, both positive and negative. For example, a number of authorities set the rate of increase in charges in line with inflation which means that unless there is a beneficial change in how many people use the service or a reduction in running costs, the authority will derive little financial benefit from setting a higher fee or charge in line with inflation.

3.13 Management information is inconsistent and many services are often unable to provide accurate and up to date information on the true costs of provision. We found that authorities have well established systems for reviewing and monitoring service budget performance but are only now beginning to focus on analysing the full cost of services. From our fieldwork we found that authorities do not always calculate unit costs nor consider how much it cost to collect charges. Similarly, authorities often do not apportion the cost of providing services until year end which makes it impossible to accurately identify how well a service is performing financially at any point within the year.

3.14 We also found the range and quality of measures used by authorities to judge performance on collecting charges to be variable. The main focus for the majority of authorities is on recovering income from those in debt or arrears rather than understanding the costs of providing the whole service and the contribution of income in the overall funding envelope. These weaknesses make it difficult for authorities to effectively evaluate performance in-year and address the impact of cost pressures, low or higher usage, or reductions in income.

3.15 When reviewing and considering options to increase or introduce charges, authorities need to make better use of data and benchmarking to support members to make informed and evidence-based policy and operational choices. Our analysis shows that at present, using data to support decision making is limited. Figure 17 summarises the findings of our survey of chief finance officers and shows that whilst 18 of the 22 authorities compare their level of charges for services with those levied by other local authorities in Wales, there are opportunities for many authorities to strengthen benchmarking activity. Only 10 authorities consider their performance against the Welsh average and are benchmarking their performance with a wide range of public and private sector bodies.

Figure 17 – Who and what information local authorities in Wales compare and benchmark their performance on income against



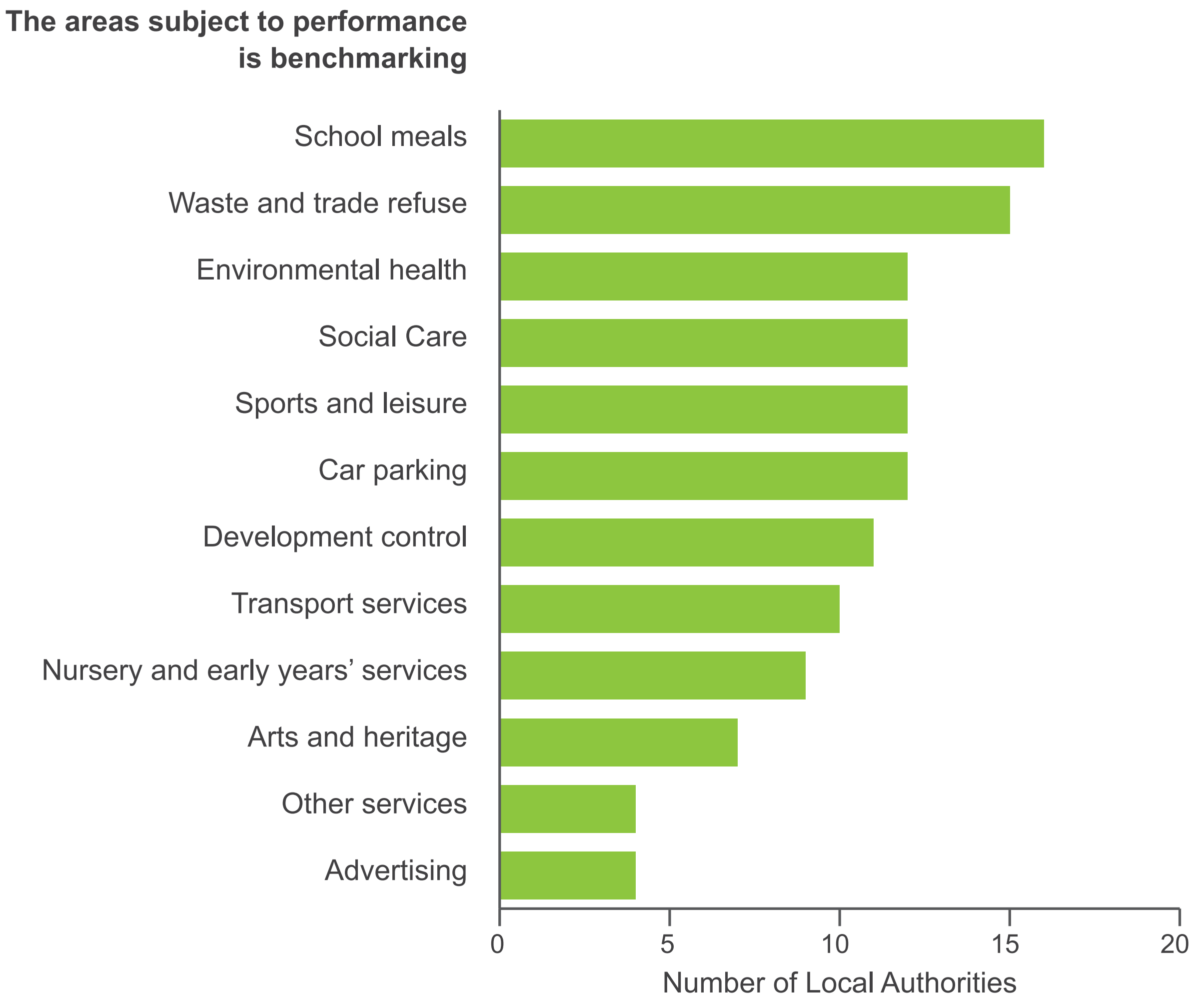
Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

3.16 We also found that whilst 16 authorities monitor and evaluate how effectively they collect charges to ensure systems are as efficient and as cost effective as possible, only nine authorities compare their systems and collection costs with other authorities. The most frequently cited sources of data used by authorities to evaluate charges costs with others is CIPFA[26] (12 authorities); StatsWales and APSE[27] (seven authorities); and the Local Government Data Unit Benchmarking Hub (six authorities).

26 Chartered Institute of Public Finance and Accountancy is the leading accountancy body for public services providing education and training in accountancy and financial management.
27 Association for Public Service Excellence is a networking community that assists local authorities who are striving to improve their frontline services.

3.17 Figure 18 reports which services authorities are comparing their performance on collecting income and managing charges with others. The scope of authority performance management information ranges from only four authorities comparing performance on charges for advertising, to 18 authorities benchmarking costs associated with the provision of school meals. There is scope for many authorities to improve how they monitor and evaluate performance to enable Members to make smarter charging choices.

Figure 18 – The service areas where local authorities in Wales compare and benchmark their performance on collecting income



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016.

Forecasting the likely level of income from changing charges is inconsistent

3.18 It is nearly impossible to predict annual revenues precisely – particularly when introducing charges or setting fees for the first time – because of the way citizens use services and the choices that are open to them. Nonetheless, forecasting income is an important planning tool which helps an authority to manage and understand its performance.

3.19 Seven respondents to our survey of chief finance officers stated that their authority forecast their anticipated income from the introduction and/or increase in charges for one or more years. Of the remaining 15 authorities, eight stated that they forecast income within year only and seven that they do not forecast the potential income for services at all. Our review of documentation provided by authorities and our onsite fieldwork suggests that many authorities have some gaps in financial forecasting data and are not consistently forecasting their anticipated income for all activities.

3.20 Forecasting income is guesswork and it is impossible to know exactly what performance will be for a given period, especially many months or years into the future. One way to address this uncertainty is to use sensitivity analysis[28] to develop a range of possibilities under different assumptions which provide alternative estimates of income. From our review we found that whilst some authorities apply an expected or desired growth rate or return, these are often not underpinned by a robust analysis of current performance, reliable trend information or patterns of past customer usage. These are key sensitivity drivers which influence revenue growth. With better quality forecasting, officers will be able to better inform Members on the potential impact of decisions and what is possible based on an evaluation of pertinent information regarding the potential income that could, and should, be realised.

28 Sensitivity analysis is a technique used to determine how projected performance is affected by changes in the assumptions that those projections are based upon. Sensitivity analysis is often used to compare different scenarios and their potential outcomes based on changing conditions.

Identifying the potential impact of increasing or introducing charges is not robust

3.21 Because of the wide variation in the range of services provided and the reasons for providing them, there are a number of key legal considerations that authorities must take into account in exercising their discretion to set a charge. These are the:

a **Equality Act 2010** – Section 149, known as the 'public sector equality duty', sets out requirements for local authorities to specifically consider the impact of proposed changes (including implementation or variation of charges) on people disadvantaged by race, disability etc. Changing services, including increasing charges, is likely, in appropriate circumstances, to require consultation with these groups;

b **Welsh Language (Wales) Measure 2011** and standards set under it through the **Welsh Language Standards (No.1) Regulations 2015 (SI 2015/996)** - these require authorities and other public bodies to consider the impact of their service provision and policy and operational decisions on promoting or facilitating the use of the Welsh language; and

c **Well-being of Future Generations (Wales) Act 2015** – the Act requires public bodies to plan and deliver their services structured around the five themes of long term, prevention, integration, collaboration and involvement. In setting charges, Welsh local authorities will need to be mindful of these requirements and in particular the objectives set by their local Public Service Boards.

3.22 Authorities have introduced processes to judge the potential impact of decisions in respect of their equalities and Welsh language responsibilities, usually through an impact assessment that accompanies reports to cabinet or full Council seeking either to increase or introduce a charge. The quality of the evidence contained in impact assessments however varies widely. Assessments do not always provide sufficient detail to either identify the impact of changes or equip Members to make informed decisions. For example, forms are often partially completed and lack important information, do not provide adequate information on the expectations and views of service users or citizens, or do not include specific timescales for review.

3.23 It is pleasing to note that a few authorities have adapted existing impact assessment processes to accommodate the five ways of working set out in the Well-being of Future Generations Act 2015, but much work remains to be done. Whilst the Act only came into force on 1 April 2016, the principles of making decisions that consider the long-term impact and are focused on prevention, integration, collaboration and involvement are fundamental issues that underpin good decision making[29]. The five ways of working principles, together with the authority's well-being objectives, need to be considered when authorities are setting, increasing or introducing charges and impact assessments, and business case processes need to be revised to ensure they are given adequate coverage.

29 Authorities need to make sure that when making their decisions they take into account the impact they could have on people living their lives in Wales in the future. There are five things that public bodies need to think about to show that they have applied the sustainable development principle. The Welsh Government believes that following these ways of working will help authorities to work together better, avoid repeating past mistakes and tackle some of the long-term challenges the country faces.

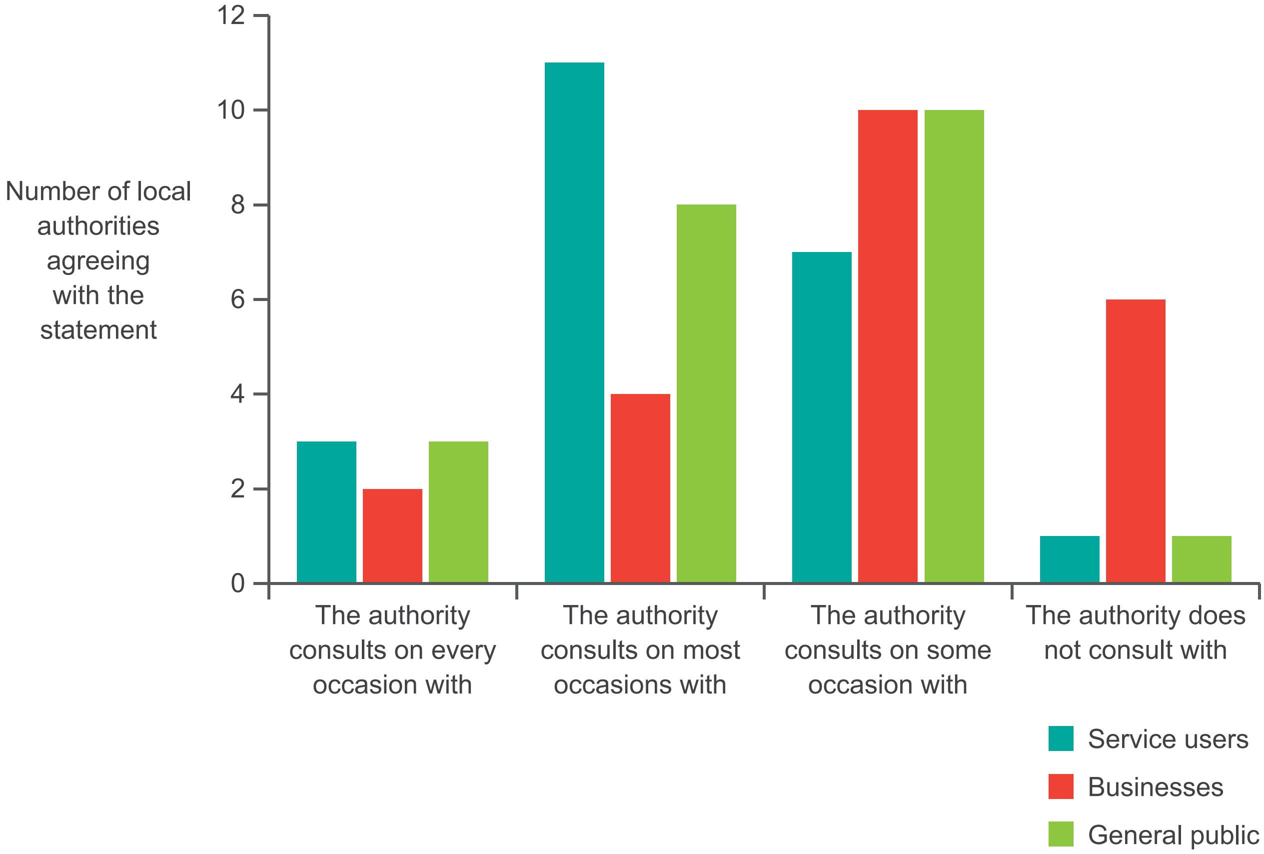
3.24 Authorities generally do not consider the cumulative likely economic impact on residents and communities for all their charges, and do not report, monitor or scrutinise decisions with this wider impact in mind. Understanding the impact on service users and citizens is not easy. Whilst authorities undertake equality impact assessments when making policy decisions, these are rarely revisited in light of policy implementation to assess whether unintended consequences that impact on service users are considered post implementation.

3.25 Public bodies recognise the importance of engaging with and consulting service users and other stakeholders such as citizens, businesses and council tax payers on the decisions that can affect them. Involving stakeholders in helping to shape and decide on changes to services including setting, introducing or increasing charges can result in outcomes that are more relevant and useful. Effective engagement can also lead to a better quality decision and ultimately result in a much stronger commitment to use services or lose them.

3.26 We found that most authorities are consulting residents over charges as part of their annual budget-setting processes where the authority sets out all the revenue raising proposals including issues around charges and income generation. Authorities use a wide range of options to undertake this consultation activity including authority wide newsletters, specific surveys, public meetings and provision of information via social media. Authorities also use annual residents' surveys to consult on and decide a course of action. For example, both Powys County and Caerphilly County Borough Councils have used their resident surveys in recent years to engage with and better understand citizens' views in reviewing and identifying options for income generation from charges to support decision making. Overall, budget setting consultation is more wide ranging and is often based upon an ongoing dialogue over a longer period of time.

3.27 However, engagement and consultation over increasing or introducing specific fees or charges is not always carried out or consistently applied. Our survey of chief finance officers, noted in Figure 19 below, found that few authorities undertake consultation with key stakeholders – service users, businesses and the general public – on every occasion when they are planning to introduce or increase charges. These findings are echoed by citizens, with 50 per cent of those who responded to our on line survey confirming that their authority did not consult with them when introducing or increasing charges.

Figure 19 – Who and how often the local authority consults with when deciding to increase or introduce charges



Source: Wales Audit Office, Survey of Chief Finance Officers, March 2016

3.28 There is a reluctance amongst some Members to engage with service users and local communities on planned changes, especially where there are particular political sensitivities and a perception of difficulties around the introduction of charges. Authorities which have experienced a negative public or media reaction to new or increased charges are often reluctant to tackle the issue again, and consequently choose not to introduce or increase charges. However, an authority that fails to review and revise charges is often delaying the inevitable and continuing to fail to address the issue could result in far worse outcomes such as service closure or greater price rises in the future.

3.29 Generally, citizens are well aware that authorities have to make savings and reduce expenditure, but are less informed on the impact of savings on them and the services they use. Citizens who responded to our survey were mostly critical of consultation practices adopted by authorities. One noted that “consultation not publicised well enough (if at all)”, another that “I’m not aware of any consultation that has ever taken place” and another “if there was a consultation, I didn’t hear about it”.

3.30 Authorities' caution about public opinion can lead to an unwillingness to confront issues openly and discourages consideration of how local services are to be funded. Authorities need to therefore emphasise how increasing or introducing charges will not only safeguard services but also improve the quality of current provision as a means of justifying increases and making the decision more palatable. We found from our chief finance officers' survey that only two authorities always seek the views of service users on the quality of the services provided and a further five stated that they mostly seek such feedback. Providing service users with the opportunity to feedback on current performance is essential where authorities are seeking to justify increasing charges.

3.31 When deciding to introduce or increase a fee or a charge only 15 respondents to our chief finance officers' survey agreed that their authority explores options to phase the introduction of increased charges on service users to mitigate the potential impact. Of these 15, only nine consider the use of concessions or discounted rates when setting charges and only four stated that they provide advice and assistance to service users to secure alternative funds to be able to pay for and continue to use the service.

3.32 Where consultation takes place, only 15 of the 22 authorities stated that they consider and include consultation responses in the decision-making process for changing fees. However, 95 per cent of citizens who responded to our survey stated that when consultation has been undertaken they are not aware of the outcome of engagement activity and their authority did not feedback the findings or decision taken as a result of the consultation activity. There remains a disconnect between authorities' perception of how well they consult and the experience of service users.

3.33 Consulting on whether to introduce or increase a charge is only one dimension that authorities need to appreciate and consider in deciding what they should do. Equally important is to understand the likely impact of charges on current and potential service users. As we noted above, authorities need to consider whether service users can afford the charge being levied; whether service users consider a charge provides value for money for the level of service provided; or whether better alternatives to direct local authority provision are available from other public, private or voluntary sector providers.

3.34 From our public survey we found that citizens choose to use and pay for authority services for a range of positive reasons – the service is well located, is of a better quality or provides a wider range of choice. However, most citizens who responded to our survey also highlighted that the main driver for choosing an authority service over others is cost, particularly where there are discounted charges or no fees currently in place. We found that some citizens have consequently stopped using authority services in the last 12 months with the reasons most often cited for decisions relating to the service costing too much; cheaper alternatives being available; poor quality facilities and equipment; and difficulties with accessing the service (hours of operation and location).

3.35 Even when citizens continue to use authority services several noted that this decision is because there is “usually no other choice” and “the next nearest alternative… involves travelling for over an hour each way”. Others commented that whilst “I haven’t actually stopped using the service, I have reduced the number of times I use it, due to the increased cost and worse service. Now they are complaining that the courts are under-used!” Others noted that “the council could do more consultation with ratepayers. I’m ok with some charges so long as facilities are available to suit working people”.

3.36 Balancing how to raise more income to sustain services whilst ensuring those who depend on such provision can continue to afford to use them will continue to be a challenge for authorities. To address this difficult balancing act will require a readiness from authorities to take careful and well managed risk to ensure services that Welsh citizens depend on continue to be available to them. If authorities do not rise to the challenge, then we are likely to see an increasing number of services becoming unviable and at risk of closure, which will have a deeper negative impact on communities and citizens.

Appendices

Appendix 1 – Study methodology

Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Appendix 3 – Local Authority Trading Companies: key issues to consider

Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15

Appendix 1 – Study methodology

Review of literature

We have reviewed a wide range of documents and media, including:

- Welsh Government policy and guidance documents;
- local authority plans and strategies for income generation in all 22 local authorities; and
- other relevant research and guidance from government, local authorities, CIPFA, and research bodies.

Data and statistical analysis

We have collated and analysed a wide range of performance indicator returns and budget data available online at the Office for National Statistics, StatsWales, the UK and Scottish Governments.

Local authority fieldwork

We visited six local authorities in Wales in 2015-16. The local authorities selected represented a mix of city, urban, rural and valleys authorities which are geographically spread across Wales. These were:

- Caerphilly County Borough Council
- Gwynedd County Council
- Merthyr Tydfil County Borough Council
- Monmouthshire County Council
- Newport City Council
- Powys County Council

During the visits, we interviewed a range of local authority staff and Members.

Surveys

We undertook a range of online surveys and we surveyed:

- Chief Finance Officers and received 22 responses (100 per cent).
- Citizens and received 44 responses. The survey was made available online and promoted through our communications team. The approach taken does not necessarily guarantee a representative response. For example, we received no responses in some local authority areas. Given the low response rate, we have only used the findings of the survey in a limited way and to report views at an all Wales level.

Appendix 2 – The key principles to a strategic approach to setting, increasing or introducing charges for local authority services

Key considerations	Key questions needing to be answered
How does it fit with our strategic priorities?	1 Does the authority understand actual and potential income streams and the opportunities that exist? 2 Is there a clear rationale for the local authority setting, introducing or increasing a fee or charge: • reduce or increase demand? • influence behaviour? • better quality? • quicker response? • more potential users? • wider geographical coverage? 3 Will the setting, introduction or increase in a fee or charge impact adversely on delivering the authority's strategic priorities? 4 Will the setting, introduction or increase in a fee or charge impact adversely any authority commercial or arm's length trading companies? 5 Will the setting, introduction or increase in a fee or charge impact adversely on delivering the department's strategic priorities?
Are we legally allowed to charge for this service?	1 Is the local authority legally allowed to set, increase or introduce charges for this service? 2 If yes, what is it reasonable for the local authority to do (Wednesbury principle)? 3 Is this a statutory service that the local authority has to provide? 4 Will the decision to set, increase or introduce charges adversely: • affect those with a protected characteristic under the equality duty; • impact on the provision of services in Welsh; or • impact on the authority's ability to meet its responsibilities under the Wellbeing of Future Generations Act. 5 Does the local authority know whether it can make a surplus? 6 Has the local authority considered how surpluses will be dealt with?
Have we engaged and consulted, and what are the views of our stakeholders?	1 Has the local authority engaged with protected characteristics regarding whether to: • provide this service? • increase charges? • change eligibility criteria? 2 Has the local authority consulted with Members, community councils, users, residents, third sector partners and businesses within the area on the above matters?

Key considerations	Key questions needing to be answered
Are there alternative providers to us and what do they charge?	1 Is there a commercial competitive advantage for the authority providing this service? 2 Is there potential to deliver services jointly with another authority or provider to reduce overheads? 3 Has the local authority benchmarked costs to determine scope for increasing charges? 4 Are there competitors/alternatives to the local authority who could provide the service? 5 Could the authority stop providing the service without this decision impacting adversely on it statutory responsibilities?
How do we treat concessions and who is eligible?	1 Has the local authority considered use of concessions? 2 Has the local authority considered how to treat non-residents? 3 Does the local authority need to change eligibility? 4 Has the local authority communicated eligibility criteria to service users?
What will be the impact on services, users and citizens (+/-)?	1 Does the local authority know what the likely impact of the decision to introduce or increase charges will be on services, stakeholders, businesses and the authority in the medium to long term? • Has the local authority considered the likely impact on low income households? • Has the local authority considered the likely impact on businesses? • Has the local authority considered the likely impact on the local economy? 2 Do residents of the local authority have the economic capacity to absorb an introduction or increase in charges? 3 Is the local authority decision likely to result in unintended consequences? 4 Has the authority considered the political risks? 5 Has the local authority considered the cumulative impact of setting, introducing or increasing fees for different services on: • service users; • citizens; • tourists/visitors; • businesses; • the local economy; and • third sector organisations. 6 Has the local authority benchmarked the likely impact of increasing or introducing charges?

Key considerations	Key questions needing to be answered
Who uses our services?	1 Will the decision result in an increase in usage? 2 Will the decision result in a fall in the numbers using services? 3 Will the decision have a positive impact on service user's behaviour? 4 Will the decision deter usage (penalty)? 5 Will the decision result in the service improving with; • reduced or increased demand? • positive behaviour change? • improvement in quality? • quicker response to service users? • more potential users? • provision in a wider geographical area?
What is the cost of implementing the charge?	1 Is there sufficient capacity and/or resources to implement the fee or charge? 2 Does the authority have the ability (technology, systems, human and financial resources) to implement and manage charges in areas not previously charged for? 3 Does the cost of implementing collection systems outweigh the potential income that will be raised? 4 Does the local authority know how much it currently costs to deliver the service in full? 5 Does the local authority know how much it currently subsidises the service by? 6 Is the authority seeking full-cost recovery? 7 Does the authority know what the current demand for the service is and the potential to increases usage? 8 Has the authority clearly set out its expected standards and outcomes of services?
Do we have the necessary arrangements to review activity?	1 Can we collect the information we need to review activity? 2 Has the local authority agreed an appropriate timescale (at least annually) to review its decision to introduce or increase a fee or charge and is this happening? 3 Has the authority agreed an appropriate range of measures to be able to understand the impact of setting, introducing or increasing charges? 4 Can we benchmark performance with other organisations?

Appendix 3 – Local Authority Trading Companies: key issues to consider

Local authority trading companies (LATCs) are wholly owned by local authorities; usually they are owned by one authority who is the sole shareholder. When setting up a company, consideration is important for the following:

- Obtain the right professional advice
- Company registration
- Trading
- People and pensions
- Governance
- Finance and taxation
- Transfer of assets and support services costs
- Performance management and contracting

A robust business case and the business plan are essential to developing a successful commercial entity. It is vital to ensure that the business plan is robust – including the assessment of market demand for the services, pricing, the investment requirement, the cash-flow forecast and the governance arrangements. Ideally the business case would warrant independent review and expert advice particularly on the legal and tax implications. But it is also necessary to pay close attention to the assumptions being made about future performance and consider what the outcome would be if, for example, there was an economic downturn. It is also important that local government is clear about the levels of subsidy and service before transfer as it is difficult to make these changes afterwards.

Authorities need to establish reporting, accountability and control mechanisms at the start of any new commercial vehicle so they are aware of the risk profile of each delivery model, and the actions being taken to mitigate the risks. Members need to have a good understanding of the risks associated with group companies or accountable body status, especially as commercial vehicles do not come without risk and can often be a hard concept to overcome.

Key to success is putting the right leadership in place and creating the right culture in how the new service will operate. Underpinning the new arrangements will be the need to ensure adequate consideration of reward, a clearer focus on the needs of customers and a clear vision for the future. Once a company has been set up, it will be critical for local government bodies to commission and manage contracts efficiently if they are to realise the benefits fully, and the overview and scrutiny focus must be maintained through the lifetime of a contract.

While many companies are technically limited by guarantee, it is rarely in an authority's interest to simply allow these companies to fail. Failure would certainly endanger service provision in the short term and, therefore potentially, the discharge of statutory responsibilities, and it is unlikely that an alternative means of delivering the service would be immediately available in most cases. In reality, authorities are underwriting the financial risk (formally or informally), with the burden of failure falling ultimately on local tax payers.

The most common outcome in these cases, is that the service provision including staff and assets, are brought back under the direct control of the authority when it becomes apparent that the business plan is starting to fail. The additional cost of bringing service back in-house could be significant. Similarly there are often reputational and political consequences to the failure of a commercial entity, but again these need not be as destructive as might be imagined which highlights the need for effective risk management for local authorities considering this way forward.

There is also an implied loss of control over the development of these commercial organisations, to a greater or lesser degree depending on the type of entity. The loss of control is around the operational running of the company and therefore service; the authority does however retain control as the sole shareholder of the company through the governance structure.

Generally the more commercial freedom an entity has to grow the business, the less control the authority is able to exercise over the form growth takes. The consequences of less control could affect the authority in a number of ways – from a rising cost of services over time diminishing the initial benefit to consequences for local employment, or exposure to a level of reputational risk that the authority may not be comfortable with, which emphasises the importance of selecting the right vehicle for the new body.

When considering commercial income generating opportunities in particular, authorities must have a clear understanding of the market in which they are to compete, and the comparative advantage they have that would enable them to compete with other commercial bodies. Not all local authorities can establish companies with the same ambitions for cross border selling and growth into neighbouring markets, and close attention must be paid to what alternative options potential buyers of the service would have. Where new companies are established, they also need to overcome the hurdles of staff consultations and terms and conditions, and the identification of hidden costs such as contributions to authority overheads.

In setting up local authority trading companies to generate income from commercial activity, authorities need to specifically consider the following:

Key Stages	Issues to consider
Starting point	**Asset management** Do you know what land and property you own? Does your authority have a Property Investment strategy or an Asset Investment strategy? Buildings and land are the biggest asset an authority owns. These can be key to any income generation plans, whether they by one-off sales of unwanted or unneeded assets, or development opportunities. Having a clear inventory of all your physical assets is the best starting point.
	Make the most of what you've already got It makes sense to utilise your own assets rather than having to purchase land or buildings to develop schemes. Using your own assets reduces cost and can speed up the development and implementation of schemes. This may include an analysis of how best to invest cash reserves. Whilst they act as a safety net for authorities, they can provide investment opportunities, supporting commercial schemes.
Strategic position and resources	**Produce a strategic plan for commercial work** Plans for developing income generation opportunities need to be covered by a corporate-wide strategy. They need to be linked to the overall financial plans of the authority and have clear direction and objectives. This can be done within the framework of a Medium Term Financial Plan, or within a stand-alone document.
	Align work to the Wellbeing of Future Generations Act Wellbeing Plans provide the ideal opportunity for authorities to align the development of commercial schemes to corporate strategies. Within the Act, the sustainable development principles include long term planning, integration and collaboration, all of which are key components for developing commercial schemes. Many schemes will require support and collaboration with external partners, some of whom may already be members of your Public Service Board.

Key Stages	Issues to consider
Strategic position and resources (cont.)	**Internal skills, knowledge and resources** Whist authorities are likely to already have procurement and legal teams and staff experienced in project management, the experience from authorities that manage commercial schemes is that to work successfully requires a full time appointment to the role and specialist knowledge. The full process requires experienced project management skills, starting with writing the business case, tendering for contractual work and then the development and ongoing management of the scheme. Some schemes may involve work for which the authority has now previous experience, or may be of a complexity or size that is beyond their capacity to manage. If authorities want to maximise their potential income from commercial schemes, they have to invest in new staff (or teams of staff) or up skill existing staff and release them from their previous responsibilities, to create the knowledge and resource required to manage commercial schemes.
Mindset of organisation	Risk management is an important part of the design and management of local authority services. It equally applies to the development of commercial schemes. And whilst risk can never be completely eliminated from a scheme it can be mitigated and reduced to an acceptable level by good planning. When developing commercial schemes, one of the most important factors is the mindset of the authority. Looking at the experience of authorities that have developed commercial schemes, a vital component of successful schemes has been the support of members and senior officers from the very beginning. Committing what can be large amounts of money, whether from reserves or in the form of loans, for schemes that will not realise a profit for many years, will be anathema to many. Gaining the support of those people needs to be one of the first aims for officers designing commercial schemes.
Long term	Many commercial schemes are long term, and do not provide a surplus for many years. Committing to such schemes, and tying up large amounts of cash in up front, capital costs in the current financial climate, can be a difficult position to accept. Authorities have to accept the upfront costs, and be able to explain their decision to invest in non-core authority activity to the public and others emphasising the long term benefits. Members also need to understand that they will be agreeing to schemes that will only turn a profit after they are no longer around to take the plaudits for their decisions; a difficult concept for some Members to accept. Additionally, authorities may find themselves operating in new areas when developing commercial schemes. They have to realise that, as new players, it can take some time to build a reputation with private sector organisations

Appendix 4 – Gross expenditure, income and net cost of providing individual services by Welsh authorities in 2008-09 and 2014-15

Area financial data analysed – 2008-09	Gross expenditure	Income	Net cost of the service	Income as a proportion of expenditure
Home to school transport – Primary Schools	£24,653,300	£191,770	£24,461,530	0.7%
Home to school transport – Secondary Schools	£55,485,400	£537,593	£54,947,807	1.0%
Home to school transport – Special Schools	£27,492,900	£187,250	£27,305,650	0.7%
Home to college transport	£10,492,100	£986,912	£9,505,188	9.4%
Adult Education	£30,727,800	£5,683,642	£25,044,158	18.5%
Total school	£2,797,900,700	£80,966,263	£2,716,934,437	2.9%
Parking of vehicles	£21,462,200	£26,369,645	-£4,907,445	122.8%
Concessionary Fares	£66,142,700	£323,660	£65,819,040	0.5%
Airports, harbours and toll facilities	£17,780,000	£4,744,321	£13,035,679	26.7%
Adult Social Care, Meals	£11,502,200	£3,928,236	£7,573,964	34.1%
Cultural and related services	£491,923,000	£100,858,376	£391,064,624	20.5%
Cemetery, cremation and mortuary services	£22,419,000	£12,727,421	£9,691,579	56.7%
Environmental Health food safety	£10,727,200	£405,621	£10,321,579	3.8%
Waste Services	£275,310,100	£42,285,428	£233,024,672	15.4%
Building Control	£13,019,900	£7,821,587	£5,198,313	60.0%
Development Control services	£31,428,100	£13,747,920	£17,680,180	43.7%
Local Land Charges	£2,810,100	£2,718,867	£91,233	96.7%
Births, marriages and deaths	£6,639,400	£3,289,641	£3,349,759	49.5%

Area financial data analysed – 2014-15	Gross expenditure	Income	Net cost of the service	Income as a proportion of expenditure
Home to school transport – Primary Schools	£26,649,700	£406,000	£26,243,700	1.5%
Home to school transport – Secondary Schools	£58,900,500	£1,005,000	£57,895,500	1.7%
Home to school transport – Special Schools	£30,654,500	£1,171,079	£29,483,421	3.8%
Home to college transport	£10,907,700	£1,551,193	£9,356,507	14.2%
Adult Education	£34,504,000	£7,324,377	£27,179,623	21.2%
Total school	£2,753,187,000	£121,584,210	£2,631,602,790	4.4%
Parking of vehicles	£21,815,800	£33,278,462	-£11,462,662	152.0%
Concessionary Fares	£70,721,000	£228,741	£70,492,259	0.3%
Airports, harbours and toll facilities	£10,472,400	£5,397,824	£5,074,576	51.5%
Adult Social Care, Meals	£7,728,900	£3,353,717	£4,375,183	43.4%
Cultural and related services	£367,682,200	£104,872,510	£262,809,690	28.5%
Cemetery, cremation and mortuary services	£17,060,500	£16,060,636	£999,864	94.1%
Environmental Health food safety	£12,560,300	£415,108	£12,145,192	3.3%
Waste Services	£287,056,500	£37,871,039	£249,185,461	13.2%
Building Control	£10,604,800	£7,046,580	£3,558,220	66.4%
Development Control services	£27,517,900	£16,016,265	£11,501,635	58.2%
Local Land Charges	£3,033,500	£3,247,332	-£213,832	107.0%
Births, marriages and deaths	£6,987,900	£4,907,654	£2,080,246	70.2%

Source: Wales Audit Office analysis of Revenue Outturn data published on StatsWales in 2008-09 and 2014-15 as amended following independent audit of the returns by the Wales Audit Office.

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Appendix B

Income Generation considerations

1. The purpose of this paper is to set out those considerations that need to be given when looking to generate additional income so that the budgetary challenges facing the council are partially addressed.

Income by nature can be unpredictable and thus it needs to be managed accordingly.

- Clear evidence of market demand for the good or service with focus on recurring and sustainable demand over a period of years.
- Clear income profile showing prices charged and demand and that an element of optimism bias has been factored into the projections. E.g. consideration of economic climate
- Clarity in what good / service is being provided.
- Will the initiative be seen as a tax or a charge for a worthwhile product / service?
- What behaviours will be triggered in the fee payers group with the introduction of the new fee? How will it impact on existing council services?
- Are the council's legal obligations understood over the lifecycle of the good / service? (Guarantees / maintenance)?
- Consider the potential impact on perceived market demand if there are several income initiatives arising at the same time?
- Ensuring that the VAT liability of income sources is treated properly so that income expectations are a reality and no penalties are incurred by the Council.
- Are there more effective ways of securing the additional income without charging? (voluntary arrangements / negotiation)

Understand the costs of delivering the good / service

- Are all costs identified in marketing, producing and selling the product / service? E.g. Regulatory administration.
- Having identified the costs are they additional to that currently being incurred or are they a further pressure on existing resource.
- Do some of the initiatives require procurement involvement?
- Establish the nature of the costs of the activity. E.g., Capital or revenue?
- The cost lifecycle in providing the good / service is understood
- What is the additional / opportunity cost of using resources in a particular way?
- Understand any 'free' or 'discounted' costs and consider any potential impact that may have on income assumptions
- Ensure that there is a clear business case that shows the interactions and impacts that each initiative will have on another.

Is there a positive impact on the Council's budget position?

- The additional income must exceed the additional expenditure that needs to be incurred to deliver the good / service.
- What is the level of risk in the income not being achieved so that profitability level is not achieved?
- Consider the certainty of the costs compared to the certainty of the income. E.g. Optimism bias
- Are the initiatives revenue or capital in nature?

Is it Council business?

- Does the Local Authority have the power to undertake the activity in question?
- What impact will any income generation have on any existing council services?
- Could the council be seen to be promoting an activity which runs counter to the Council's ethos / services?
- What ethical considerations need to be taken into account in applying the charge?
- Do the income initiatives align themselves within a coherent strategic financial plan?

SUMMARY 4 YEAR COMPARISON INCOME GENERATION : CARDIFF CC AND WELSH AVERAGE INCOME AS A % OF EXPENDITURE

Description	RO Ref	2008 09		2014 15		2015 16		2016 17	
	As per 2016 17 RO Form	Cardiff CC	Welsh Avg	Cardiff CC	Welsh Avg	Cardiff CC	Welsh Avg	Cardiff CC	Welsh Avg
		%	%	%	%	%	%	%	%
Home to School Transport - Primary	RO1 Line 391	7.29%	0.70%	2.16%	1.50%	1.51%	0.00%	1.27%	0.00%
Home to School Transport - Secondary	RO1 Line 392	3.94%	1.00%	5.42%	1.70%	4.49%	0.00%	6.24%	0.00%
Home to School Transport - Special	RO1 Line 393	0.56%	0.70%	1.34%	3.80%	0.55%	0.00%	0.70%	0.00%
Home to College	RO1 Line 102	0.00%	9.40%	0.00%	14.20%	0.00%	0.00%	0.00%	0.00%
Adult Education	RO1 Line 99	37.04%	18.50%	22.09%	21.20%	27.83%	0.00%	35.13%	0.00%
Total School	RO1 Line 435	1.58%	2.90%	4.40%	4.40%	4.80%	0.00%	4.73%	0.00%
Parking of Vehicles	RO2 Line 24	249.20%	122.80%	198.62%	152.00%	192.85%	160.91%	192.61%	0.00%
Concessionary Fares	RO2 Line 26	0.07%	0.50%	0.15%	0.30%	2.02%	0.83%	0.17%	0.00%
Airports/Harbours/Toll Facilites	RO2 Line 33	4.70%	26.70%	17.58%	51.50%	12.68%	48.10%	14.44%	0.00%
Adult Social Care , Meals	RO3 Lines 35/46/57/68	43.75%	34.10%	65.60%	43.40%	61.18%	51.29%	64.22%	0.00%
Cultural & Related Services	RO4 Line 13	28.93%	20.50%	46.84%	28.50%	52.78%	29.88%	50.98%	0.00%
Cemetery/Cremation/Mortuary Services	RO5 Line 1	89.65%	56.70%	104.58%	94.10%	108.64%	101.76%	119.30%	0.00%
Environmental Health Food Safety	RO5 Line 3	13.75%	3.80%	4.95%	3.30%	1.64%	3.77%	2.21%	0.00%
Waste Services	RO5 Line 25.6	21.84%	15.40%	23.71%	13.20%	36.51%	15.36%	26.42%	0.00%
Building Control	RO6 Line 1	64.31%	60.00%	93.71%	66.40%	103.46%	74.09%	84.63%	0.00%
Development Control Sevices	RO6 Line 4	54.90%	43.70%	109.63%	58.20%	167.69%	66.14%	184.02%	0.00%
Local Land Charges	RO9 Line 13	171.81%	96.70%	319.80%	107.00%	380.44%	118.76%	415.98%	0.00%
Births/Marriages/Deaths	RO9 Line 14	78.98%	49.50%	83.43%	70.20%	97.33%	69.73%	90.03%	0.00%

Mae'r dudalen hon yn wag yn fwriadol

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 18 September 2017

TREASURY PERFORMANCE REPORT – POSITION AT 31 AUGUST 2017

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.1

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 August 2017.

Background

3. Appendix 1 provides the Committee with position statements on investments and borrowing at 31 August 2017. There is deemed to be little change for Audit Committee to note since the previous position statement for 31 May 2017 received by Audit Committee in June 2017.

Performance

4. At 31 August 2017, investments total £88 million. This includes £12.218 million, which is currently being separately identified for Treasury Management purposes in relation to Grant received by Cardiff Council as accountable body on behalf of the Capital Cardiff Region City Deal. The budgeted level of interest receivable from treasury investments in 2017/18 is £360,000.

5. Borrowing is £670.6 million, with the average rate being 4.73%. The total interest forecast to be payable is projected at £31.9 million at Month 4 for 2017/18, but If borrowing is not undertaken or taken later in the year, then the value of interest expense will be lower.

6. The projected level of internal borrowing at 31 March 2018 is £65 million. This is dependent on capital expenditure in the year as well as the way in which that expenditure is to be paid for.

Investments

7. Pages 2 and 3 of both Performance Reports consider the position on investments. The charts on the Performance Report show the position at a point in time and investments continue to be closely monitored.

8. 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 2017 by a colour coding which indicates the perceived strength of the organisation.

9. 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.

10. 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

11. Since the May 2017 performance report, a £2 million maturing PWLB loan has been repaid and £57,640 of interest free loans from SALIX for specific capital projects have been included.

12. Whilst interest rates for investments remain low, borrowing will be deferred as this allows short term savings to be made. Current assumptions are that an element of the Council's borrowing requirement would be taken in the last quarter of this financial year

Markets in Financial Instruments Directive – Update

13. The Markets in Financial Instruments Directive (MiFID) is EU legislation that regulates firms who provide financial instrument services to clients. MiFID was applied in the UK from November 2007, but is now being

revised with changes to take effect from 3 January 2018, with the new legislation being known as MiFID II.

14. The aim is to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Organisations undertaking investments will be either classified as 'retail' or 'professional' MiFID II does not cover fixed deposits. It focusses on more complex products such as Certificates of Deposit, Gilts, Corporate Bonds and investment funds including Money Market Funds.

15. MiFID II requires all Local Authorities to be initially treated as "retail clients" unless they "opt up" to a "professional client". The assumption being that retail clients require a greater level of due diligence and support for investment decision making. This is particularly the case for smaller local authority bodies. Financial institutions will owe a greater duty of care to retail clients, however, they will have no greater financial protection than professional clients.

16. In order to meet professional client status, a local authority must have a minimum financial portfolio size of £10 Million and fulfil one of the following criteria:

- has carried out transactions, in significant size on the relevant market at an average frequency of ten per quarter over the previous four quarters
- the person authorised to carry out transactions on behalf of the client works or has worked in the financial sector for at least one year in a professional position, which requires knowledge of the provision of services envisaged.
- the client is an 'administering authority' of the Local Government Pension Scheme.

17. Retail clients will continue to have access to simple fixed term deposits, however in order to continue using Money Market Funds or to have access to Certificates of Deposit or other products which are included in the Treasury Management Strategy the Council will need to be classified as a professional client.

18. Whilst there is likely to be additional administrative costs to the Council, as highlighted in the approved February 2017 Treasury Management Strategy, the Council will aim to secure professional status with each organisation it invests with. Not doing so may limit the products and interest rates offered by financial institutions for what may be similar risk. Professional status will continue to allow investment in AAA rated money market funds and allow the option of investing in other regulated products approved by the current strategy.

19. Over the next few months, the Council is likely to receive information and requests for information from its counterparties and service providers to assess its professional status. Alternatively, CIPFA are offering an online solution for local authorities in consultation with financial institutions to manage the electing-up process and ongoing classifications, for which the Council has registered an initial interest to see how this can support the administrative process.

Reason for Report

20. To provide Audit Committee Members with a performance position statement at 31 August 2017.

Legal Implications

21. No direct legal implications arise from this report.

Financial Implications

22. 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 that 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

23. 1. That the Treasury Performance Report for 31 August 2017 be noted.

    2. Note the intention to secure classification as a "professional client" to allow existing products in the Treasury Management Strategy to continue to be utilised.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
18 September 2017

The following appendix is attached
Appendix 1 – Cardiff Council Treasury Management Performance Report – 31 August 2017

Yn rhinwedd paragraff (au) 14, 21 Rhan (nau) 4 a 5 o Atodlen 12A
o Ddeddf Llywodraeth Leol 1972.

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Mae'r dudalen hon yn wag yn fwriadol

CITY OF CARDIFF COUNCIL
CYNGOR DINAS CAERDYDD

AUDIT COMMITTEE: 18 SEPTEMBER 2017

TREASURY MANAGEMENT ANNUAL REPORT 2016/17

REPORT OF THE CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 9.2

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

PORTFOLIO: CORPORATE AFFAIRS

Reason for this Report

1. The Audit Committee Terms of Reference sets out their responsibility for undertaking scrutiny of the accounting, audit and commercial issues in relation to the Council's Treasury Management Strategy and practices.

2. This report has been prepared to provide Audit Committee Members with the Treasury Management Annual Report before submission to Council in September in accordance with the Council's Treasury Management Policy.

Background

3. 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 due to the technical nature of the documents. The report attached at Appendix 1 provides the Committee with the Treasury Management Annual Report for 2016/17. Audit Committee has already been appraised of the main contents of this report, from previous Treasury Management and performance reports.

Issues

4. In accordance with regulatory requirements, reports were submitted to Council in February 2016 indicating the Treasury Management Strategy for 2016/17 and a mid year report in November 2016. The following paragraphs cover the main highlights of the annual report for 2016/17.

5. The bank base rate reduced from 0.50% to 0.25% in August 2016 following the EU referendum. At 31 March 2017, investments stood at £68.6 million. The annual report includes charts indicating who the investments are placed with and for how long. All investments are deemed recoverable and so no losses are required to be recognised in the Council's Statement of Accounts for activities during 2016/17. Interest receivable from treasury investments totalled £0.6 million during the year.

6. At 31 March 2017, the Council had £674 million of external borrowing, with £14.6 million of new borrowing and £6.8 million of scheduled repayments during 2016/17. Interest payable during the year from its revenue budget on this debt was £32.3 million of which £12.5 million was paid for by the Housing Revenue Account.

7. The level of internal borrowing is £50 million at 31 March 2017. (£43 million at 31 March 2016). Lender Option Borrower Option Loans terms were not changed by the lender during the year, so these were not required to be repaid early, but remain a re-financing risk. Due to restrictive penalty costs, no debt rescheduling was undertaken during the year.

8. At the start of the financial year, the Council is required to set a number of prudential indicators for capital and revenue expenditure. During 2016/17, there was no breach of indicators requiring a separate report to Council. Local affordability indicators are also produced highlighting the percentage of the Council's budgets committed to capital financing costs.

Reason for Recommendations

9. To allow Audit Committee to undertake the scrutiny of Treasury Management in accordance with Council's Treasury Management Policies.

Legal Implications

10. No direct legal implications arise from this report.

Financial Implications

11. This report provides a summary of the Council's Treasury Management activities during 2016/17. The report is required to be submitted to Council to discharge its reporting duties under the Treasury Management Policy adopted by the Council. This requires a report on treasury management at the start of the year, a mid year report and an annual report at the end of the year. The report is to note the activities and position of the prior financial year but highlights the level of investments, borrowing, risks and revenue impact of treasury management decisions.

RECOMMENDATIONS

12. That the Treasury Management Annual Report for 2016/17 be noted.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
13 September 2017

The following appendix is attached:
Appendix 1 – City of Cardiff Council Treasury Management Annual Report 2016/17

APPENDIX 1

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

The County Council of the City and County of Cardiff

Treasury Management Annual Report 2016/17

Introduction

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.

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).

3. On 25th February 2010, Council approved policies and adopted the four clauses of the treasury management code which are replicated in **Annexe A** for information. Council received a report in February 2016 on the Council's Treasury Management Strategy for 2016/17 and a mid year review in November 2016.

4. This report provides members with an annual report for the Council's Treasury Management activities for 2016/17. It covers:-

   - the economic background to treasury activities
   - investment strategy and outturn for 2016/17
   - borrowing strategy and outturn for 2016/17
   - debt rescheduling
   - compliance with treasury limits and prudential indicators
   - treasury management issues for 2017/18

5. Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and practices to be undertaken by the Council's Audit Committee. A number of reports were submitted to the Committee to note and review during the year, with each committee receiving a report on the position and performance of treasury investments and borrowing. Member training has also been undertaken to support Members' scrutiny role.

Economic Background

6. The UK EU referendum on 23 June pushed back market expectations of a rate rise with the Monetary Policy Committee (MPC) actually reducing bank rate from 0.5% to 0.25% in August 2016. Quantitative easing and was re-introduced and further funding was made available to banks, reducing interest rates available on investments. UK Growth has remained strong and inflation has risen rapidly due to the effects of price increases following the fall in the sterling exchange rate. This has meant further base rate reductions were unnecessary. During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising during quarter 3. The long term forecast is for borrowing rates to rise.

Investments and Outturn

7. The management of the day-to-day cash requirements of the Council is undertaken in-house with credit advice from Capita Asset Services, the Council's Treasury

Management Advisors. This may involve temporary borrowing pending receipt of income/long-term funds or the temporary lending of surplus funds. These temporary surplus funds fluctuate daily and arise from a number of sources including differences in timing of revenue and capital cash flows, reserves, provisions and other balances held for future use.

8. The Council invests with institutions listed on the Council's approved lending list and in accordance with investment guidelines established by the Welsh Government as reflected in the Council's investment strategy. Lending to these institutions is subject to the time and size limits laid down on that list. The categories, names, periods and size limits on this list can be extended, varied or restricted at any time by the Section 151 Officer under delegated powers and are monitored closely in conjunction with the Council's treasury advisors.

9. An extract from the investment strategy approved by Council in February 2016 is shown below.

> *Given the likelihood of internal borrowing and the interest rate forecasts identified above, longer-term investments above one year will be unlikely. The Debt Management Agency Deposit Facility will be used only as a last resort.*

10. At 31 March 2017, investments stood at £68.6 million, with a short term investment strategy employed for most of the year. The Council's choice of investments maintained an approach of security where the amount invested is that repayable. **Annexe B** shows with whom these investments were held.

11. A selection of performance indicators and benchmarking charts in relation to investments is included in **Annexe C.** The main areas to highlight at 31 March 2017 are as follows:-

- Counterparty exposure against the maximum allowed directly with an organisation. This shows that at 31 March 2017 no exposure limits set were breached. This was also the case during the course of the year.
- Investments held with different institutions as a percentage of the total shows that investments are diversified over a number of organisations and this was a strategy applied where possible during the course of the year.
- The geographic spread of investments as determined by the country of origin of relevant organisations. All investments are in sterling and countries are rated AA and above as per our approved criteria.

12. Using historic data adjusted for current financial market conditions and based on the level of counterparty exposure at 31 March 2017, the probability of any default is low at circa 0.013% of the investments outstanding, £8,912.

13. All investments held at 31 March 2017 are deemed recoverable. Accordingly, no impairment losses are reflected in the Council's 2016/17 Statement of Accounts arising from the Council's treasury management activities.

14. The overall level of interest receivable from treasury investments totalled £0.6 million in 2016/17. The returns achieved compared to industry benchmarks are shown in the table below.

	Return on Investment 2015/16		Return on Investment 2016/17	
	Benchmark 7day / 3month (%)	**Achieved (%)**	**Benchmark 7day / 3month (%)**	**Achieved (%)**
In-house	0.36/ 0.46	0.70	0.20/ 0.32	0.62

15. The benchmarks are the average of the 7 day London Interbank Bid Rate (LIBID) and 3 month LIBID respectively. These represent the average rate during the course of the year for investments for those periods. Performance exceeded benchmarks, due to availability of notice accounts offering higher deposit rates and undertaking longer term deposits where appropriate.

<u>Borrowing and Outturn</u>

16. Long term borrowing is undertaken to finance the Council's capital programme. The main sources of borrowing are currently the Public Works Loan Board (PWLB) and the Money Markets.

17. At 31 March 2017, the Council had £674 million of external borrowing. This was predominantly fixed interest rate borrowing payable on maturity.

31 March 2016			31 March 2017	
£m	**Rate (%)**		**£m**	**Rate (%)**
612.8		Public Works Loan Board (PWLB)	617.2	
52.0		Market	51.0	
0.5		Welsh Government	3.0	
0.8		Other	2.8	
666.1	**4.84**	**Total External Debt**	**674.0**	**4.74**

18. Total interest payable on external debt during 2016/17 was £32.3 million of which £12.5 million was payable by the Housing Revenue Account (HRA). In total £32.7 million was set aside from General Fund and HRA revenue budgets in line with the Councils approved policy on provision for debt repayment.

19. Extracts from the borrowing strategy approved by Council in February 2017 are shown below.

The Council will aim to manage its debt portfolio on a long-term basis with a high regard to the effects on current and future Council Tax and Rent Payers.
The Council's Borrowing Strategy for 2016/17 and the capital financing revenue budgets included in the MTFP will consider all options to meet the long-term aims of: • *Promoting revenue cost stability to aid financial planning and avoid a stop-start approach to service delivery, although it is recognised that this may have a financial impact.* • *Pooling borrowing and investments to ensure the whole Council shares the risks and rewards of treasury activities.* • *Reduction over time in the average rate of interest on overall Council borrowing* • *Ensuring any refinancing risk is manageable each financial year, using opportunities to re-profile borrowing where cost effective to do so both in the short and long term.* • *Ensuring borrowing plans are aligned to known capital expenditure spending plans, the useful life of assets created, financial reserve levels and consistent with the prudent provision for the repayment of any such expenditure paid for by borrowing.*
<u>External verses internal borrowing</u> *Whilst interest rates for borrowing are greater than interest rates the Council receives for investments (the cost of carry), it makes financial sense to use any internal cash balances held in the short-term to pay for capital expenditure and minimise costs (Internal Borrowing), rather than undertake external borrowing. However, there is a risk that the Council may have to borrow at higher rates when it does actually need to borrow in future and so this position is kept under continuous review.* *A high level balance sheet review undertaken at a point in time suggests that a maximum level of internal borrowing is circa £70 million. However this is dependent on cash flows, the timing of use of General and Earmarked Reserves and provisions and longer term pressures in the MTFP.*
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. *Whilst investment rates remain lower than long term borrowing rates internal borrowing will be used to minimise short-term costs where possible.*

20. During 2016/17 borrowing of £14.6 million was undertaken. £10 million from PWLB at 2.53% and a further £4.6 million of interest free borrowing from Welsh Government and Salix for specific capital schemes. Together with the natural maturity of £6.8m of primarily PWLB loans, the overall effect of new borrowing during the year was to reduce the average rate on the Council's borrowing to 4.74% at the 31 March 2017.

21. As part of its loan portfolio, the Council has 6 Lender Option Borrower Option (LOBO) loans totalling £51 million. These are where the lender can request a change in the rate

of interest payable by the Council on pre-determined dates. The Council at this point has the option to repay the loan. Apart from the option to increase rates these loans are comparable to PWLB and have no other complications such as variation in interest rates or complex terms.

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

23. None of the LOBO's had to be repaid during 2016/17. However £24 million of the LOBO's are subject to the lender potentially requesting a change in the rate of interest payable every six months which could trigger early repayment. A further £5 million and £22 million have call options in January 2018 and November 2020 respectively and every five years thereafter. This is a manageable refinancing risk as LOBO's form a relatively low proportion of the Council's overall borrowing at 7.57%.

£m	Rate	Potential Repayment Date	Option Frequency	Full Term Maturity
6	4.28%	21/05/2017	6 months	21/11/2041
6	4.35%	21/05/2017	6 months	21/11/2041
6	4.06%	21/05/2017	6 months	23/05/2067
6	4.08%	01/09/2017	6 months	23/05/2067
5	4.10%	15/01/2018	5 years	17/01/2078
22	3.81%	21/11/2020	5 years	23/11/2065

24. In accordance with the strategy, the Council has been undertaking internal borrowing which is when it uses temporary cash balances it holds in the short term instead of undertaking external borrowing. This is confirmed by a comparison of the Council's external level of debt and Capital Financing Requirement at 31 March 2017 as shown later in this report.

Debt Rescheduling

25. No debt rescheduling or early repayment of debt was undertaken during 2016/17. The main obstacle remains the level of premium (penalty) that would be chargeable on early repayment by the PWLB. The premium payable on the balance of PWLB loans at 31 March 2017, which are eligible for early repayment (£424 million) is £305 million. This premium is payable primarily because:-

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

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

Compliance with treasury limits and prudential indicators

27. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the annual Treasury Management Strategy. The actual outturn for 2016/17 Prudential Indicators is shown in the following paragraphs and compared to the original estimates contained in the 2016/17 Budget Report. Future year's figures are taken from the Budget Report for 2017/18 and will be updated in the Budget Report for 2018/19.

Capital Expenditure

28. The "Prudential Code" requires the Council to estimate the capital expenditure that it plans to incur over the Medium Term. The actual capital expenditure incurred in 2016/17 and reported in the Outturn Report to Cabinet in June 2017 and estimates of capital expenditure for the current and future years as set out in the Budget Report of February 2017 are as follows:-

Capital Expenditure	**2016/17 Actual**	**2016/17 Original Estimate**	**2017/18 Estimate Month 4**	**2018/19 Estimate**	**2019/20 Estimate**
	£m	**£m**	**£m**	**£m**	**£m**
General Fund	84	89	117	81	18
HRA	24	25	33	31	24
Total	**108**	**114**	**150**	**112**	**42**

Capital Financing Requirement (CFR) – The Borrowing Requirement (Excluding Landfill Provision)

29. 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)

30. It is the CFR that results in the need to borrow and it is important to note that any financial deficit and liabilities of the HRA are ultimately liabilities of the Council. It should be noted that the CFR figures quoted below exclude non cash backed provisions in relation to Landfill after care provision. This relates to future expenditure obligations over a 60 year period.

31. The CFR as at 01 April 2016 was £709 million. The actual CFR as at 31 March 2017, estimates for current and future years (estimated in the February 2017 budget) are shown in the table below:-

Capital Financing Requirement (Excludes landfill provision)

	31.03.2017 Actual £m	**31.03.2017 Original Estimate £m**	**31.03.2018 Estimate £m**	**31.03.2019 Estimate £m**	**31.03.2020 Estimate £m**
General Fund	450	459	476	472	462
HRA	274	279	282	291	292
Total CFR	**724**	**738**	**758**	**763**	**754**
External Debt	**674**				
Over / (Under) Borrowing	**(50)**				

32. By comparing the CFR at 31 March 2017 (£724 million) and the level of external debt at the same point in time (£674 million), it can be seen that the Council is temporarily using circa £50 million of internal cash balances to finance the Capital Programme at 31 March 2017 (£43 million at 31 March 2016).

33. As set out in the February 2017 Budget Report, the CFR for the General Fund is forecast to increase over the next three years due to increasing investment in the current Capital Programme which includes increasing levels of additional borrowing for invest to save schemes. These forecasts will be updated in the 2018/19 Budget Report.

34. The Housing Revenue Account CFR at 31 March 2017 is £274 million. As part of the Housing Finance Reform voluntary agreement with WG and HM Treasury, a debt cap (limit of indebtedness) was set for this figure to be no higher than £316 million. The Council remained within the HRA debt cap at 31 March 2017.

Actual External Debt

35. The Code requires the Council to indicate its actual external debt at 31 March 2017 for information purposes. This was £674 million as shown in the earlier paragraphs.

Affordable Borrowing Limit

36. The Council has a statutory duty under section 3 of the Local Government Act 2003 and supporting regulations to determine and keep under review how much it can afford to borrow and to enter into credit arrangements (the “Affordable Borrowing Limit”). This

cannot be breached without Council approval. Council must have regard to the Prudential Code when setting this limit which is intended to ensure that total capital investment remains within sustainable limits and that the impact upon future council tax/rent levels is affordable.

37. During 2016/17 the Council remained within the authorised limit of £780 million set for that year.

Operational Boundary

38. The operational boundary is the estimated level of external borrowing and is subject to the timing of borrowing decisions. The boundary was originally estimated at £738 million to match the forecast for the CFR when setting the 2016/17 budget, but the actual level of external debt equalled £674 million reflecting the strategy to utilise internal borrowing in the short term.

Maturity Structure of Fixed Rate Borrowing

39. The maturity structure remains within the limits below approved as part of the 2016/17 strategy below. These limits are set to avoid having large amounts of debt maturing in a short space of time, thus being exposed to significant liquidity risk and interest rate risk.

	31-Mar-16			**31-Mar-17**			
			Upper limit	**Loans to Maturity**		**Loans if LOBO's Paid Early**	
	%	**£m**	**%**	**%**	**£m**	**%**	**£m**
Under 12 months	1.0	6.7	10.0	0.9	6.0	5.2	35.0
12 months and within 24 months	0.8	5.6	10.0	0.6	4.0	0.6	4.0
24 months and within 5 years	0.9	5.7	15.0	1.5	9.9	4.7	31.9
5 years and within 10 years	3.1	20.3	20.0	3.6	24.2	3.6	24.2
10 years and within 20 years	21.6	144.2	30.0	22.6	152.2	22.6	152.2
20 years and within 30 years	24.6	164.0	35.0	24.5	165.0	22.7	153.0
30 years and within 40 years	26.8	178.7	35.0	30.9	208.7	31.0	208.7
40 years and within 50 years	18.6	123.9	35.0	12.9	87.0	9.6	65.0
50 years and within 60 years	1.8	12.0	15.0	1.8	12.0	0.0	0.0
60 years and within 70 years	0.8	5.0	5.0	0.7	5.0	0.0	0.0

40. The maturity profile of the Council's borrowing as at 31 March 2017 is also shown in a chart in **Annexe D**. Unless the Council's LOBO loans are repaid early, very little debt matures within the next 10 years. In the medium to long term, efforts will be made to restructure loans maturing in 2056/57 and to review LOBO maturities in order to reduce refinancing risk.

Ratio of financing costs to net revenue stream

41. This indicator is an indicator of the affordability of historic and future capital investment plans and shows the proportion of the Council's net revenue stream that is subsumed

each year in servicing debt financing costs. Financing costs include, interest payable and receivable on treasury management activities, prudent revenue budget provision for repayment of capital expenditure paid for by borrowing and re-imbursement of borrowing costs from directorates in respect of Invest to Save schemes.

42. For the General Fund, net revenue stream is the sum of non-specific WG Grants and Council Tax, whilst for the HRA it is the amount to be met from rent payers.

Ratio of Capital Financing Costs to Net Revenue Stream

	2016/17	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	Original Estimate	Actual	Estimate	Estimate	Estimate
	%	%	%	%	%
General Fund	6.08	6.00	5.77	5.80	5.92
HRA	31.17	30.46	30.53	30.89	30.97

43. Whilst the indicator above is required by the Prudential Code, it has a number of limitations:

- it does not take into account the fact that some of the Council's budget is outside of its direct control
- it is impacted by transfers in and out of the settlement.
- it includes investment income which is unpredictable, particularly in future years.
- it does not reflect gross capital financing costs for schemes where additional borrowing is undertaken to be repaid from within directorate budgets.

44. Although there may be short term implications, approved invest to save schemes are intended to be net neutral on the capital financing budget. However there are risks that the level of income, savings or capital receipts anticipated from such schemes will not materialise and would have a detrimental long term consequence on the Revenue budget. This requires careful monitoring when considering future levels of additional borrowing.

45. Accordingly additional local indicators were developed and are shown in the table below for the period up to 2021/22. These indicators, which will be updated in the budget proposals report for 2018/19, show capital financing costs of the Council as a percentage of its controllable budget and excludes treasury investment income on temporary cash balances:-

Capital Financing Costs as percentage of Controllable Budget

	2011/12	2016/17	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Difference 11/12-21/22
	Actual	Original Estimate	Actual	Estimate	Estimate	Estimate	Estimate	Estimate	%
	%	%	%	%	%	%	%	%	
Net	13.47	15.79	15.10	14.77	15.29	15.78	17.11	18.32	36.01
Gross	15.17	19.94	18.95	19.44	20.13	20.51	22.00	23.19	52.87

46. Whilst the method on which the above indicator is based continues to be refined, it is a useful measure of risk to affordability. An increasing ratio indicates that a greater percentage of the budget that is controllable is required for capital financing costs which are committed in the long term. The requirement to meet these additional costs can only come from future savings or from increases in Council Tax. Careful monitoring of these indicators will be required over the life of the Capital Programme and the Medium Term Financial Plan.

Principal Invested for over 364 days

47. An upper limit for principal invested over 364 days was set at £60 million and this was not breached during the year, primarily due to the strategy adopted of minimising the period for which investments were made during 2016/17.

Treasury Management issues for 2017/18

48. Whilst this report is primarily in relation to Treasury Activities for 2016/17, some key issues for 2017/18 are :-

- Implementation of Markets in Financial Instruments Directive II (MiFID II) from January 2018 to ensure financial institutions undertake more extensive checks on their client's suitability for investment products. Whilst there is likely to be additional administrative costs to the Council, as highlighted in the approved February 2017 Treasury Management Strategy, the Council will aim to secure professional status with each organisation it invests with. Not doing so may limit the products and interest rates offered by financial institutions for what may be similar risk.
- CIPFA consultation on updates to the Prudential Code and Treasury Management Code of Practice.

49. In accordance with the Council's Treasury Management Policy, Council will a further update on Treasury Management issues as part of the 2017/18 Mid-Year Treasury Management report in November 2017.

Christine Salter
Corporate Director Resources
13 September 2017

The following Annexes are attached:-
Annexe A – Treasury Management Policy and Four Clauses of Treasury Management
Annexe B – Investments at 31 March 2017
Annexe C – Investment charts at 31 March 2017
Annexe D – Maturity analysis of debt as at 31 March 2017

Mae'r dudalen hon yn wag yn fwriadol

Annexe A – Treasury Management Policy and Four Clauses of Treasury Management adopted by Council 25/02/2010

Council's treasury management Policy / Activities

1. This Council defines its treasury management activities as: the management of its investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. This Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications.

3. This Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management

Four Clauses of Treasury Management

4. In compliance with the First Clause, this Council will create and maintain, as the cornerstones for effective treasury management:-

    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities
    - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities

5. In compliance with the Second Clause, this Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy in advance of the year, a mid-year review and an annual report after the year's close, in the form prescribed in its TMPs.

6. In compliance with the Third Clause, this Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Executive, and for the execution and administration of treasury management decisions to the Corporate Director Resources in accordance with existing delegations, who will act in accordance with the Policy Statement, TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

7. In compliance with the Fourth Clause, this Council requires the scrutiny of the accounting, audit and commercial issues of its Treasury Management Strategy and Practices to be undertaken by the Council's Audit Panel due to the technical nature of the documents.

Mae'r dudalen hon yn wag yn fwriadol

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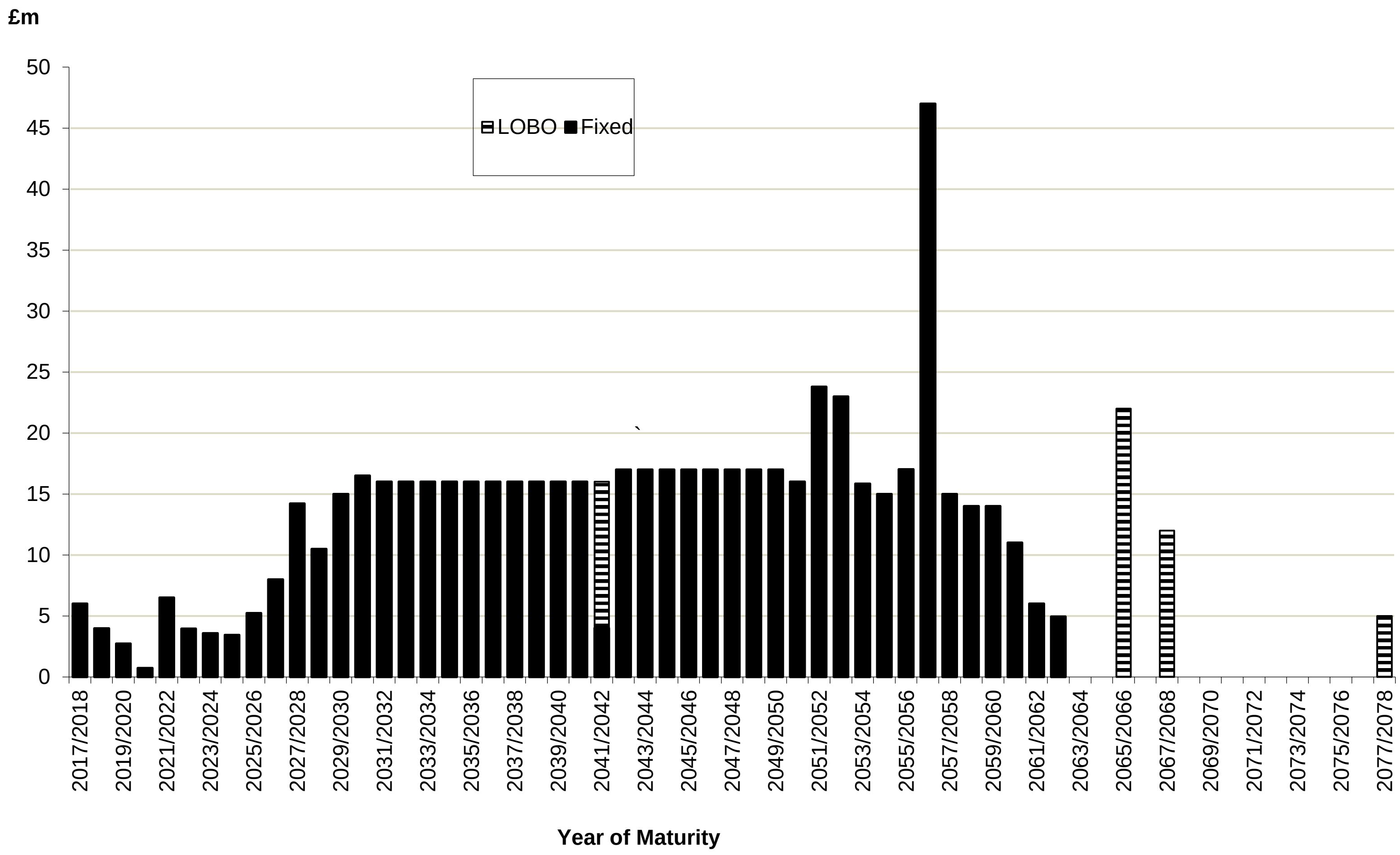
Annexe D – Maturity Profile of Debt at 31 March 2017



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CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 18 September 2017

INTERNAL AUDIT PROGRESS REPORT, 2017-18

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. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.

2. This report has been prepared to provide Audit Committee Members with an update on the work of Internal Audit as at August 2017 for the current financial year.

Background

1. An Audit Plan is prepared each year in order to provide a measure of the work performed by Internal Audit function. It is important that the plan 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.

2. The Head of Finance prepares quarterly and half-yearly progress reports, outlining the work undertaken by the audit teams.

3. 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.

4. The progress report is discussed with the Corporate Director Resources to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. The Progress Update is then presented to Audit Committee.

Issues

5. The Internal Audit Progress Update set out at Appendix A provides further detail of the performance of the Internal Audit section and with particular reference to the Internal Audit Plan. The progress update outlines the challenges facing the Internal Audit Section, the remedial action already taking place and the information provided to Audit Committee in order to provide it with the assurance that appropriate internal controls

are covered. The progress update provides the details the key points in the following paragraphs.

6. As reported at the previous Audit Committee, a significant amount of audit working days were lost during the first four months of the year due to sickness absence and a vacant Principal Auditor post. As of 1st August 2017, the two sickness absences have returned with no further sickness absences recorded within the team. In order to recover lost progress against the audit plan, the Council recruited an auditor through an agency on a temporary basis until 31st January 2018. In addition, the vacant post was re-advertised (with a closing date of 15th September 2017) with an intended start date of 1st November 2017. As previously reported, we have extended the temporary contract of the auditor maternity cover until 31st December 2017 in order to provide further resource to ensure completion of the audit plan. The maternity cover returned on 7th September 2017. These actions form the basis for ensuring that the Audit Plan is achievable.

7. In order to maintain the target of achieving the internal audit plan, a review of certain audits identified whether or not if there were opportunities to reduce the number of days on the assignment without compromising the scope of the internal audit plan through the better use of resources. This review resulted in 180 days freed up without compromising or limiting the coverage of the audit plan. The revised audit plan is set out in detail at Appendix B and shows the position with regard to the assignments agreed at the Audit Committee meeting in March 2017. The incorporated changes will be included in the plan for reporting to the next meeting of this Committee in November 2017.

8. The report sets out suggested changes to the audit plan for 2017/18 to accommodate availability of audit days, review of Council business (including scrutiny business) and discussions with directors at the relationship manager meetings. These meetings discussed both performance and potential new audits and those to be potentially deferred until a later date due to on-going system changes.

9. Appendix C sets out in detail the audit recommendations issued in this year and the progress to date in implementing them. Progress to date shows that 48% of the recommendations agreed have been implemented. This information has been provided by regular updates from directorates. Where directorates have not provided any information by the deadlines given, then these will be reported as part of the audit progress update. Whilst it is pleasing to note that all recommendations have been commented upon, there will be continued emphasis on the need for audit recommendations to be completed within the agreed timescales.

10. The output from the performance indicators from the CIPFA Internal Audit benchmarking group is also included in the report. The results from the Welsh Chief Auditor and Core Cities groups will be reported to Audit Committee when the results are received later in the year.

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Legal Implications

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

Financial Implications

12. The actions taken in terms of resource as set out in paragraph 6 can be contained within the overall budget for Internal Audit.

RECOMMENDATIONS

13. That the Committee notes the contents of the report and the proposed changes to the audit plan for 2017/18 to address the shortfall in audit days.

IAN ALLWOOD
HEAD OF FINANCE
18 September 2017

The following is attached: **Appendix A**: Internal Audit Progress Report, 2017-18
Appendix B: Revised Internal Audit Plan
Appendix C: Schedule of Audit Recommendations

Mae'r dudalen hon yn wag yn fwriadol

Appendix B

Audit Plan 2017/18

Fundamental Audits - S151 Assurance	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.08.17	Revised Days
Creditor Payments & Processing (including procurement)	Assurance	Chargeable	75	CRSA 2017/18	10	Planned for Q4	10
				In-year testing 2016/17 and 2017/18	65	Testing on 2016/17 data ongoing. 2017/18 proposed to be deferred to Q1, 2018/19	30
Payroll	Assurance	Chargeable	70	CRSA 2017/18	10	Planned for Q4	10
				In-year testing 2016/17 and 2017/18	60	2016/17 ongoing. Data also being used in thematic reviews	60
Council Tax	Assurance	Chargeable	15	CRSA 2017/18	5	Planned for Q3	5
				In-year testing 2016/17	10	Final report issued	10
NNDR	Assurance	Chargeable	15	CRSA 2017/18	5	Planned for Q4	5
				In-year testing 2016/17	10	Final report issued	10
Local Housing Allowances	Assurance	Chargeable	15	Local Housing Allowances	15	Scope of audit being discussed with directorate	15
Treasury Management	Assurance	Chargeable	10	CRSA 2017/18	4	Planned for Q3	4
				In-year testing 2017/18	6	Planned for Q4	6
Main Accounting	Assurance	Chargeable	10	CRSA 2017/18	4	Planned for Q4	4
				In-year testing 2016/17	6	Draft report issued	6
Income and Debtors	Assurance	Chargeable	30	Income and Debtors	30	Planned for Q4	30
Asset Management	Assurance	Chargeable	30	Asset Management	30	Planned for Q3 with reduced days	15
Housing Rents	Assurance	Chargeable	10	Housing Rents	10	Scope of audit being discussed with directorate (see also audit of leasehold properties)	10
Total			**280**		**280**		**230**
Corporate Governance Assurance - Audit (Tier 1)	**Type of engagement**	**CIPFA classification**	**Original audit plan**	**Assignment**	**Days**	**Status as at 31.08.17**	**Days**
Audit of risk management arrangements	Assurance	Chargeable	20	Audit of risk management arrangements	20	Fieldwork	20
Audit of governance arrangements	Assurance	Chargeable	30	Audit of governance arrangements	30	Proposed to be deferred	0
Audit of ethics and values	Assurance	Chargeable	15	Audit of ethics and values	15	Briefing paper being prepared	15
Audit of performance management	Assurance	Chargeable	15	Audit of performance management	15	Deferred until Q3 due to implementation of changes in processes	15
Audit of Information governance	Assurance	Chargeable	20	Audit of Information governance	20	Draft report issued	20
Total			**100**		**100**		**70**
Programme and projects (including ODP)	Assurance	Chargeable	20	Programme and projects (including ODP)	20	Deferred due to changes in the OD programme	0
Total			**20**		**20**		**0**
Other Assurance (Tier 2)	**Type of engagement**	**CIPFA classification**	**Original audit plan**	**Assignment**	**Days**	**Status as at 31.08.17**	**Days**
Contract Audit	Assurance	Chargeable	130	Revision of CSO&PR and training	15	Revision of rules is on-going. First draft being considered	15
				CRSA 2017/18	10	Planned for Q4	10
				In-year testing 2017/18, including contract variations	35	Planned for Q4	35
				Effective Decision Making	10	Planned for Q4	10
				Cradle to Grave reviews (2)	10		0
				Cradle to Grave review - Days	0	Draft report being reviewed	5
				Cradle to Grave review - Gullivers	0	Fieldwork	5
				GLL and other partnership working	50	Planned for Q3	50
Education - SOP	Assurance	Chargeable	30	Education - SOP	30	Fieldwork	30
Computer Audit	Assurance	Chargeable	100	Cybersecurity governance	30	Scope of audit being discussed (see below)	30
				Inventory of information assets	20	Scope of audit being discussed with Head of IT	20
				Standard security configurations	20	Planned for Q3	20
				Information Access Management	10	Planned for Q4	10
				Response and remediation	10	To be included in scope of cyber security review	10
				On-going monitoring	10	To be included in scope of cyber security review	10
				PCI DSS	0	Carried over from 2016/17 - audit closed	0
Driving Improvement - Value for Money studies	TBC	Chargeable	30	Vehicle usage	10	Scope of audit being discussed	10
				Disciplinary process	5	Planned for Q3	5
				PP&DR process	5	Planned for Q3	5
				Sickness Absence procedures	5	Draft report issued	5
				Discretionary grant payments	5	Scope of audit being discussed	5
System Development	TBC	Chargeable	30	System Development	30	Proposed to reduce the number of days to 15	15
Pensions and Investments	Assurance	Chargeable	10	CRSA 2017/18	4	Planned for Q4	4
				In-year testing 2016/17	6	Deferred until Q3	6
Insurance	Assurance	Chargeable	10	CRSA 2017/18	4	Planned for Q4	4
				In-year testing 2016/17	6	Final report issued	6
Mileage & subsistence	Assurance	Chargeable	10	Mileage & subsistence (including pool cars)	10	Proposed to be deferred	0
Stores	Assurance	Chargeable	15	Stores	15	Planned for Q4	15
Business Continuity	Assurance	Chargeable	15	Business Continuity	15	Planned for Q3	15
Total			**380**		**380**		**355**
Service specific audits (Tier 2)	**Type of engagement**	**CIPFA classification**	**Original audit plan**	**Assignment**	**Days**	**Status as at 31.08.17**	**Days**
				Commissioning and Procurement		Planned for Q2	30
				Governance		Planned for Q3	20

City Operations	Assurance	Chargeable	120	Payroll	120	Fieldwork	20
				Effective Decision Making		Planned for Q4	20
				Section 106 agreements		Fieldwork	10
				Not yet allocated		Not yet identified by directorate	20
				Adopted Land	0	Carried forward from 2016/17 - final report issued	0
Communities, Housing and Customer Services	Assurance	Chargeable	120	Commissioning and Procurement	20	Fieldwork	20
				Governance	15	Planned for Q2	15
				Payroll	10	Fieldwork	10
				Effective Decision Making	20	Planned for Q4	20
				Leasehold Properties	15	Scope of audit being discussed with directorate (in line with audit of housing rents)	15
				Supporting People contracts	10	Planned for Q4	10
				Mini-tender Process	15	Planned for Q4	15
				Assessment of Return on Investment (new housing developments)	15	Proposed to be deferred	0
				Community Hubs - follow up	0	Draft report being reviewed	0
				Regional Partnership Board	0	Possible new audit (Scrutiny letters)	0
				Communities First	0	Carried over from 2016/17. Audit ongoing (changes in governance)	0
	Consultation			Building Services Maintenance Framework	0	Attendance at meetings	0
Economic Development	Assurance	Chargeable	110	Commissioning and Procurement	20	Fieldwork	20
				Governance	5	Planned for Q2	5
				Payroll	5	Planned for Q2	5
				Effective Decision Making	10	Planned for Q3	10
				Managing Lease Arrangements	10	Planned for Q4	10
				Use of Internal and External Providers	10	Planned for Q4	10
				Commercial Services	50	Scope of reviews being discussed with managers	50
Education and Lifelong Learning	Assurance	Chargeable	330	Commissioning and Procurement	40	Proposed to reduce the number of days to 30	30
				Governance	40	Fieldwork	40
				Payroll	20	Fieldwork	20
				Effective Decision Making	40	Proposed to reduce the number of days to 30	30
				Income	30	Fieldwork	30
				Premises / stat observations in opted-out schools	20	Deferred to Q1 2018/19 (possibly Q4 2017/18)	0
				Music Service	10	Scope of audit being discussed with officers in Education	10
				Catering in opted-out schools	15	Draft report being reviewed	15
				New developments, including Eastern High	35	Planned for Q3 / 4	35
				CRSA 2017/18	30	Annual exercise - ongoing and on track for completion by end of Q4	30
				Work in individual schools	50		45
				Adamsdown	0	Audit being arranged for start of Autumn Term	5
				All Saints	0	Carried forward from 2016/17 - final report issued	0
				Birchgrove	0	Carried forward from 2016/17 - final report issued	0
				Eastern High	0	Carried forward from 2016/17 - final report issued	0
				Mount Stuart	0	Carried forward from 2016/17 - final report issued	0
				St. Cuthbert's	0	Carried forward from 2016/17 - final report issued	0
				St. David's	0	Carried forward from 2016/17 - final report issued	0
				St. Monica's	0	Carried forward from 2016/17 - final report issued	0
				The Court	0	Carried forward from 2016/17 - fieldwork continuing (delay due to absence of school staff)	0
				School Admissions	0	Possible new audit (Scrutiny letters)	0
Governance and Legal Services	Assurance	Chargeable	20	Commissioning and Procurement	6	Fieldwork	6
				Governance	2	Planned for Q3	2
				Payroll	2	Fieldwork	2
				Effective Decision Making	5	Planned for Q4	5
				Use of external legal advice	5	Planned for Q4	5
				Land charges follow up	0	Carried forward from 2016/17 - final report issued	0
Resources	Assurance	Chargeable	50	Commissioning and Procurement	10	Planned for Q2	10
				Governance	15	Planned for Q3	15
				Payroll	10	Fieldwork	10
				Effective Decision Making	15	Planned for Q4	15
Social Services	Assurance	Chargeable	300	Commissioning and Procurement	50	Planned for Q2	50
				Governance	50	Planned for Q3	50
				Payroll	20	Planned for Q3	20
				Effective Decision Making	40	Proposed to reduce the number of days to 30	30
				ICT systems and associated procedures	40	Proposed to reduce scope due to changes in directorate	20
				Admin processes	30	Planned for Q4	30
				Domiciliary Care	30	Deferred at the request of the Director of Social Services	0
				Payment processes	40	Research and scoping	40
				Homecare (Mobile Scheduling)	0	Draft report issued	0
				Children with Disabilities	0	Carried forward from 2016/17 - final report issued	0
				Payments to Care Leavers	0	Carried forward from 2016/17 - final report issued	0
Total			**1,050**		**1,050**		**935**

External (Tier 2)	Type of engagement	CIPFA classification	Original audit plan	Assignment	Days	Status as at 31.08.17	
External clients	Assurance	Chargeable	10	Cardiff Further Education Trust Fund	1	Due in Q4	1
				Joint committees	3	Four audits undertaken. All closed	3
				Other external clients	14		14
				Norwegian Church Trust 2015/16	0	Due in Q3	0
				Norwegian Church Trust 2016/17	0	Due in Q4	0
Grants	Assurance	Chargeable	20	Tresilian House	2	Due in Q4	2
				IMLU	5	Final report issued	5
				Other grants	5		5
Total			**30**		**30**		**30**
Contingencies	**Type of engagement**	**CIPFA classification**	**Original audit plan**	**Assignment**	**Days**	**Status as at 31.08.17**	
General Audit		Chargeable	82	General Audit	82	Days used for audits that were carried over from 2016/17	82
Total			**82**		**82**		**82**
Management (Tier 3)	**Type of engagement**	**CIPFA classification**	**Original audit plan**	**Assignment**	**Days**	**Status as at 31.08.17**	
Support for Audit Committee / liaison with WAO	Consultation	Chargeable	40	Support for Audit Committee / liaison with WAO	40	On-going and continuous	40
Assurance mapping	Consultation	Chargeable	20	Assurance mapping	20	On-going	20
CRSA development	Consultation	Chargeable	10	CRSA development	10	Proposed to be deferred	0
Work requested by Audit Manager	Consultation	Chargeable	20	Work requested by Audit Manager	20		20
Audit Planning and monitoring	Consultation	Chargeable	20	Audit Planning and monitoring	20	On-going and continuous	20
Process Development	Consultation	Chargeable	20	Process Development	20		20
Review of Financial Rules etc	Consultation	Chargeable	30	Review of Financial Rules etc	30	Revision of rules is on-going	30
Consultancy - advice and guidance	Consultation	Chargeable		Consultancy - advice and guidance		On-going and continuous	
Total			**160**		**160**		**150**
Total chargeable days			**2,102**		**2,102**		**1,852**

Mae'r dudalen hon yn wag yn fwriadol

CARDIFF
CAERDYDD

RESOURCES DIRECTORATE
INTERNAL AUDIT TEAM

Internal Audit Progress Report
(as at 31st August 2017)

CONTENT 1

Prepared by: Ian Allwood, Head of Finance

INTERNAL AUDIT PROGRESS REPORT

1. INTRODUCTION

1.1 Background

The Audit Committee at its meeting in March 2017 approved the Internal Audit plan for 2017/18. The plan is the framework for audit work in the forthcoming year and is aligned to the Council's corporate governance arrangements, whilst also being responsive to any changes to the risks faced by the Council during the year.

The Internal Audit plan for the Audit section as a whole for 2017/18 is made up of a total of 3,500 days (2,900 for the audit team and 600 for the investigations team): 2,519 chargeable days were agreed – 2,102 for the audit team and 417 for the investigations team (see separate report at item 10.2 of the agenda).

This report serves to provide an update on progress against the audit plan to the end of August 2017.

1.2 Internal Audit Section Resources

The Internal Audit section reports directly to the Head of Finance. In line with the provisions of the Public Sector Internal Audit Standards (1100), organisational independence is maintained as the Head of Finance reports functionally to the Audit Committee for all audit-related matters. In all other respects, the Head of Finance reports to the Corporate Director Resources.

During the first four months of this year, there have been a number of occasions of sickness absence in the team for various reasons. This has reduced the number of chargeable days worked for that period. We have adhered to the provisions of the Council's Attendance and Wellbeing Policy in each case of sickness absence and officers have been supported in their return to work. There were no sickness absences for the period of August 2017 within Internal Audit.

As previously reported, the team has had a vacant Principal Auditor post this year, and although a short gap in recruitment had been anticipated when the plan for 2017/18 was developed, the post was readvertised but proved unsuccessful. This post has been readvertised again with a wider circulation including the Institute of Internal Audit website with a closing date of 15th September 2017. In order to provide an injection of audit resources, an agency appointment has been made until 31st January 2018 in addition to the extension of a maternity cover by a further three months until 31st December 2017.

1.3 Continuing Professional Development

The section's 2016/17 Personal Reviews, which evaluate performance, were completed by the deadline given (31st May 2017) with the two outstanding being completed very shortly after their return from long-term sickness absences.

The Council has a new Personal Review Scheme from April 2017 and we have used this to reinforce the focus on improvement in productivity and recommendations implemented. The new objectives for 2017/18 underpin the work of the internal audit section and were discussed and agreed with the members of the Section by the end of June 2017.

A key cornerstone of the Quality Assurance Improvement Plan is an assessment of each auditor against the skills matrix that Internal Audit uses. This matrix is primarily based on the CIPFA document "The Excellent Internal Auditor" to identify any gaps in skills or knowledge both at an individual and team level. In readiness for the half-yearly review, each auditor is reviewing themselves against the matrix in order to assess progress against both their individual planned objectives and that of the team. This will include progress in the use of key systems such as Excel, SharePoint and Word but also technical skills in terms of contract auditing or audit report writing. The Cardiff Internal Audit Section is an active member of the Welsh Chief Internal Auditors group. Where appropriate, resources will be allocated to training events held by the group.

2. SUMMARY OF WORK PERFORMED

The Audit Plan for 2017/18 set the scene for audit coverage for the year and the planned assignments have been set up in the audit planning, monitoring and control database. Priority had been given to any audits planned for 2016/17 but not completed during that year.

All auditors are allocated three months' work at the beginning of each quarter, with an expectation their assignments will be effectively managed and delivered within that time scale. This approach focuses on outcomes and is improving performance and timeliness of reporting.

This progress report concentrates on audit work undertaken and some key performance indicators to date. A full Plan v Actual position is provided at **Appendix B** and includes recommendations to changes to planned coverage, taking into account the need to review available resources due to sickness, the enhanced productive time of agency workers and areas identified from work of other scrutiny committees.

The first five months of the year have lost 44 working weeks due to either sickness absence or vacancy of the Principal Auditor. Some of this time will be made up by the extension of the contract of the temporary ICT auditor for a further three months and, although the agency worker will be engaged to undertake work until the end of January 2018, the audit plan has been reduced by around 50 weeks (or 250 days) at this stage. Part of this reduction is to reflect the increased productivity that will come from the use of an experienced principal auditor and the extension of the temporary ICT auditor to 31st December 2017. This position will be reviewed again over the forthcoming weeks in order to provide assurance that the reduction in input days does not result in a fall in the coverage fo the audit plan. Any further changes to the audit plan will be reported to the next Audit Committee meeting.

The audit plan for 2017/18 was devised on the basis of thematic reviews of the Council and directorates, and work will continue to be undertaken in these areas. The audits recommended to be removed from the audit plan are shown in **Appendix B** and summarised in the table below:

Name of audit	Original days	Revised days	Difference	Comments
Audits not yet allocated				
System development	30	15	15	Further development of systems to be deferred
Mileage and subsistence	10	0	10	This can be combined with payroll audits in directorates without loss of coverage
Audit of governance arrangements	30	0	30	This can be combined with governance audits in directorates without loss of coverage
Social Services – Effective Decision Making	40	30	10	Scope to be reduced following discussion with Director of Social Services
Social Services – ICT systems	40	20	20	Audit to be undertaken by experienced IT auditor thus reducing amount of background reading required. This will also result in less labour intensive testing whilst still providing assurance on systems
Education – Effective Decision Making	40	30	10	This can be combined with governance audit in Education without loss of coverage
Education – commissioning and procurement	40	30	10	Some information already received as part of CRSA returns, thereby reducing the number of visits required
Creditor payments	65	30	35	Fieldwork of 2016/17 completed. Which has allowed a level of assurance to defer some 2017/18 testing 2018/19 due to other work on effectiveness of creditor system and to align with timing of work by WAO

Name of audit	Original days	Revised days	Difference	Comments
Asset management	30	15	15	Scope in 2017/18 to be reduced as assurance can be provided by other activity. Further work will be undertaken in 2018/19.
CRSA development	10	0	10	Further development of CRSAs to be deferred as there is no evidence that a significant benefit will be achieved.
Communities - return on investment (new housing developments)	15	0	15	To be deferred to Q1, 2018/19 in order to align with house building programme
Audits allocated but not yet started				
Domiciliary Care	30	0	30	Deferred to 2018/19 following discussion with Director of Social Services (system changes)
Premises – stat observations in opted out schools	20	0	20	Deferred following discussions with Director of Education to Q1 2018/19 (possibly Q4 2017/18) due to system changes in Education
Programme and projects	20	0	20	Deferred due to changes in the Organisational Development programme

Key information this quarter is shown at the end of this report (Annex A) which shows a list of audits reported for the period April until the end of August 2017 (time of writing this report). This includes assignments carried forward from 2016/17 which were prioritised accordingly in this year's Plan.

The opinions given in reports issued to the end of August 2017 are shown below. Members will note that the opinions given are those applicable to 2016/17, as these reports have been carried over from the previous year:

	Number of reports	Opinion				No opinion given
		High Assurance / Effective	Satisfactory / Effective with opportunity for improvement	Limited / Insufficient with major improvement needed	No Assurance / Unsatisfactory	
Draft reports issued	4	2	1	1	0	0
Final reports issued	23	3	8	4	0	8
TOTAL	27	5	9	5	0	8

There are eight pieces of work undertaken that have not been given an assurance opinion. These are:

Audit	Comments
Welsh Language Standards	Briefing paper for consideration by Senior Management Team. Further audit work to be considered after Q3.
Breakfast Club – Coryton Primary School	Briefing paper on the Breakfast Club provided at the request of the Headteacher.
Annual Returns (x 4)	Audits undertaken to support the Council's Statement of Accounts.
Supporting People - Outcomes	A review of the outcomes information relating to the Supporting People grant (as required by the Welsh Government).
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to the NTSB.

The number of chargeable days allocated to audits to 25th August 2017 is 552 (against a pro-rata plan of 849 days), which is 65% of the planned chargeable days. The resource limitations of the early part of the year have already been documented along with the remedial action proposed and implemented.

Members will be aware that there are a number of thematic reviews in each directorate in the plan for 2017/18, namely commissioning and procurement, payroll, governance and effective decision making. Income was added for Education only. The intention remains that the outcome from each theme would be reported to future meetings of the Audit Committee. The timetable for reporting is set out below and shows a slight revision from the initial plan.

Theme	Intended committee meeting for reporting	Revised committee meeting for reporting
Commissioning and procurement	September 2017	November 2017
Payroll	November 2017	November 2017
Governance	January 2018	January 2018
Effective decision making	March 2018	March 2018
Income (Education only)	November 2017	November 2017

3. AUDIT PERFORMANCE AND ADDED VALUE

3.1 Added value

Meetings have been arranged with every Director, in line with our Relationship Manager initiative, and diarised for quarterly meetings throughout 2017/18. These meetings have been, and remain, useful in order to progress matters relating to audits completed and planned as well as discussing directorate risks, issues and areas for potential audit input. As a result of these meetings, some audits have been deferred / amended or led to opportunities to allocate fewer days than originally planned.

3.2 Benchmarking

The Audit team is a member of the Welsh Chief Auditors, Core Cities, and CIPFA benchmarking groups and has submitted information to all groups for 2016/17. Some information has been received from the Welsh Chief Auditors group, but this only contains the performance information for 10 authorities (including Cardiff) and is, therefore, not representative of the Welsh authorities as a whole. Comparative data from the Core Cities group is anticipated to be received during the summer period.

Final information has been received from CIPFA and a brief analysis of the output from both the main group forms the rest of this section

The results from the CIPFA benchmarking exercise have now been received, both for the group overall and the councils that Cardiff has selected to be compared with. The results from each exercise are outline in the paragraphs below.

GROUP OVERALL

Including Cardiff, there are 22 councils in the CIPFA benchmarking group. The table below shows some relevant benchmarks across the group, based on 2016/17 actuals:

Benchmark	Cardiff	Group average
Audit days	1,935	
FTE staff on payroll	11.81	9.2
% qualified staff of total FTE	26%	45%
% audit staff in training at 31.03.17	31%	7%
Audit cost per £'m turnover	£544	£565
Chargeable days per FTE (staff on payroll)	181	173
Cost per chargeable day	£286	£317
Cost per auditor	£51,820	£54,280
Audit days per £'m turnover	1.90	1.89

Members will note that, against the average for the full group of authorities, Cardiff has a larger FTE staffing complement, a lower percentage of qualified staff and a higher percentage of audit staff currently being trained. There are four auditors in the section currently studying for the Institute of Internal Auditors (IIA) qualification.

The cost per chargeable audit day and cost per auditor are lower than the group average, which is reflective of the differences in structures of the audit team compared to the group members. However, it can be seen that the number of chargeable days per FTE is higher than the overall group, which is due to higher annual leave, sickness and time coded to administration tasks per FTE in other members of the group. Cardiff is below the group average for all non-chargeable days, except for training time where Cardiff is at the average (nine days).

It is also clear from a review of information from previous years that the number of chargeable days per FTE has increased since Cardiff re-joined the CIPFA benchmarking group in 2014/15, being 145 days in 2014/15, 167 days in 2015/16 and 181 days in 2016/17. Whilst there will be differences in each year in terms of non-chargeable time (sickness levels, for example), this steady increase is a positive indicator; this measure is now included as part of the personal reviews for all audit staff.

COMPARATOR GROUP

Members of the benchmarking club can select comparator authorities for more detailed comparison (between four and 18 comparators are permitted). Cardiff has selected 13 other councils to be compared against; the comparators chosen include three councils who are also members of the Core Cities group and have been included to provide a wider comparison of information as the data sets provided for CIPFA and Core Cities are dissimilar.

The table below shows the benchmarks across the comparator group:

Benchmark	Cardiff	Group average
Audit days	1,935	
FTE staff on payroll	11.81	10.10
% qualified staff of total FTE	26%	47%
% audit staff in training at 31.03.17	31%	8%
Audit cost per £'m turnover	£544	£476
Chargeable days per FTE (staff on payroll)	181	182
Cost per chargeable day	£286	£306
Cost per auditor	£51,820	£53,790
Audit days per £'m turnover	1.90	1.90

Members will note that, against the average for the comparator group of authorities, Cardiff has a larger staffing complement, a lower percentage of qualified staff and a higher percentage of audit staff studying for qualifications. However, despite having around 1.7 FTE more than the group average, the number of chargeable audit days per FTE is actually one day lower. Further analysis of the number of days coded on timesheets to chargeable and non-chargeable work shows that the days that auditors were available to work (i.e. after allowances for leave, bank / public holidays and training) is the same as the comparator group average (208). Further work is scheduled in order to identify reasons for the differences in the time coded to other non-chargeable work such as administrative tasks.

3.3 Processes

Internal Audit has continued to develop its use of SharePoint, the Council's Electronic Document & Record Management System and is using a timesheet module on the Council's DigiGOV system for time recording. The management information available from both SharePoint and DigiGOV has been used to provide performance management information for each auditor and the section as a whole, as well as the information provided in this report.

3.4 Recommendations implemented

One of the objectives in 2017/18 from the Finance delivery plan is to ensure that accountablility and responsibility is clearly defined and acted upon, and the measure for Internal Audit is the percentage of recommendations implemented within three months. In order to measure this, the recommendations raised in each report are recorded on SharePoint and auditees are provided with a link to the report to enable them to update the progress made on implementing each recommendation. Only schools are unable to access SharePoint in this way and Headteachers are provided with a copy of the recommendations for them to update. Discussions are on-going with colleagues in ICT regarding access permissions for Headteachers.

This is key information going forward in order to provide assurance to the audit manager and the audit committee that progress against the audit plan is being achieved as well as it being an effective way to assess the impact of the audit plan by identifying the % of audit recommendations implemented against those recommended. This is a good example of the reporting being more outcome focussed rather than focussing on inputs such as days available.

With regard to the implementation of recommendations as at the end of August 2017, it can be seen from **Appendix C** that 42 of the 111 (38%) recommendations raised so far in 2017/18 have been implemented. This would be expected at this stage of the year as the deadline for some recommendations to be implemented have not yet been reached. For the recommendations raised where the implementation date has been reached, 41 out of the 85 (48%) have been actioned and discussions are on-going with managers to identify reasons why implementation has been delayed.

Auditors are also focussing on the recommendations that are being written to ensure that auditees are clear on their responsibilities for improving controls. In addition, recommendations focus on the root causes of issues identified, so that managers understand the actions to be taken.

3.5 External assessment

Members will be aware that, under the Public Sector Internal Audit Standards (PSIAS), there needs to be an external review of the Section by 31st March 2018. The review was due to take place in Q4 2016/17 but was postponed with the agreement of the external assessor in order to allow for the changes in processes and procedures outlined at the March Committee to embed.

The review has now been agreed for Q3 2017/18, and the outcomes of this review will be reported to a future meeting of this Committee.

4. SCRUTINY COMMITTEE CORRESPONDENCE

At the March meeting of the Audit Committee, it was proposed that future progress reports included any relevant items arising from Scrutiny Committees. The review of items since the last meeting of the Audit Committee has identified no items as being relevant for inclusion in this progress report as new audits; however, the scope of the effective decision making reviews in some directorates will include elements from the discussions at appropriate Scrutiny Committees.

It was noted at the June meeting of the Committee that two Scrutiny letters were to be scoped for audits: these were School Admissions and Regional Partnership Board. The suggested objectives for each audit are:

(a) School Admissions – to review the admissions to schools process to ensure compliance with the Council's admissions policy and the School Admissions Code. The new policy discussed at the Children and Young People's Scrutiny Committee in March 2017 will be in place for the 2018/19 academic year and any review in 2017/18 will be based on the policy currently extant. Consideration is being given to including school admissions in the scope of audits of the organisational development programme in Q1 2018/19.

(b) Regional Partnership Board – to review the governance structure of the Cardiff and Vale of Glamorgan Partnership Board to ensure that it is robust; to examine the needs assessment to ensure that it includes all required information for decision making purposes.

Both audits have been added to the list of audits in SharePoint, but have not yet been given an allocation of audit days. If these are to be audited in 2017/18, further changes will need to be made to the audit plan agreed by Audit Committee at its meeting in March.

5. CONCLUSION

Members will note that the work of the section has been affected by a number of factors, including sickness and vacant post. A plan has been put in to place to recover lost time by the use of agency and retention of temporary staff and it is the case that part of the recovery is through use of increased productivy of those staff retained and recruited. There has also been a thorough review of the audit plan in order to ensure resources available are used in an optimised manner. Whilst there is pressure on the audit team to achieve the plan there is confidence that the proposals put in place will ensure that the Internal audit plan will be achieved and that an appropriate level of assurance will be achieved. A further report on the progress of the internal audit team and the audit plan will be brought to Audit Committee as scheduled in November 2017.

Reports Issued - as at 25th August 2017

Audit Area	Audit Opinion	High Risk Recommendations		Comments
		Proposed	Agreed	
Fundamental / High				
NDR	Effective			
Council Tax	Effective			
Medium				
St. Cuthbert's	Limited	2	2	
St. David's	Satisfactory	1	1	
Welsh Language Standards	None given			
Adopted Land	Limited	3	3	
Mount Stuart	Satisfactory	1	1	
Eastern High	Satisfactory			
ICT – PCI DSS	Insufficient with major improvement needed	2	1	
Insurance	Effective			
ICT – governance	Effective with opportunity for improvement			Draft issued
VFM – sickness absence procedures	Effective			Draft issued
Main accounting 2016/17	Effective			Draft issued
Homecare (Mobile Scheduling)	Insufficient with major improvement needed			Draft issued
Follow-ups				
Birchgrove	Satisfactory			
St. Monica's	Satisfactory	1	1	
All Saints	Limited	5	5	
Land Charges	Satisfactory			
Payments to Care Leavers	Limited	2	2	
Children with Disabilities	Effective with opportunity for improvement			
Grants / Accounts / External Bodies				
Joint Committee – City Deal	Annual returns (part of Statement of Accounts)			
Joint Committee – Port Health				
Joint Committee – Prosiect Gwyrdd				
Joint Committee – Glamorgan Archives				
Supporting People - outcomes	Assessment of outcomes for Supporting People grant			
Illegal Money Lending Unit	Audit of grant for 2016/17 and submission of information to NTSB			
Ad hoc assignments				
Breakfast Club – Coryton Primary School	Audit undertaken at the request of the Headteacher			

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o Ddeddf Llywodraeth Leol 1972.

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Mae'r dudalen hon yn wag yn fwriadol

CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 18 September 2017

INTERNAL AUDIT PROGRESS REPORT 2017/18 – INVESTIGATION TEAM REPORT

REPORT OF THE HEAD OF FINANCE **AGENDA ITEM: 10.2**

Reason for this Report

1. Audit Committee's Terms of Reference requires that Members consider reports from the Audit Manager on Internal Audit's performance during the year.

2. This report has been prepared to provide Audit Committee Members with an update on the work of the Internal Audit Section's Investigation team as at August 2017.

Background

1. An Audit Plan is prepared each year, 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.

2. The Head of Finance prepares quarterly and half yearly progress reports, outlining the work undertaken by the audit teams.

3. Progress reports are discussed with the Corporate Director Resources, to provide a meaningful update on the work of the team and to give the opportunity to discuss changing priorities. This is then presented to Audit Committee.

Issues

4. The progress report is attached at Annex 1 for information.

.

Legal Implications

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

Financial Implications

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

RECOMMENDATIONS

7. That the Committee notes the content of the report.

IAN ALLWOOD
HEAD OF FINANCE
18 September 2017

The following is attached:

Annex 1: Internal Audit Progress Report 2017/18 – Investigation Team Report

Investigation Team – Progress Report

Policies and Procedures

Following an inspection undertaken by the Office of the Surveillance Commissioners during February, the investigation team was tasked with producing a corporate policy for the use of Social Networking sites for investigative purposes. This policy has been drafted and is awaiting approval.

Further to the report that went to the Audit Committee on the 19th September 2016 in respect of Fighting Fraud and Corruption Locally, work has been undertaken to draft a Counter Fraud Toolkit, Fraud Risk Assessment, Fraud Maturity Model and revised Fraud, Bribery and Corruption Policy, these documents have been produced and are awaiting approval.

Training

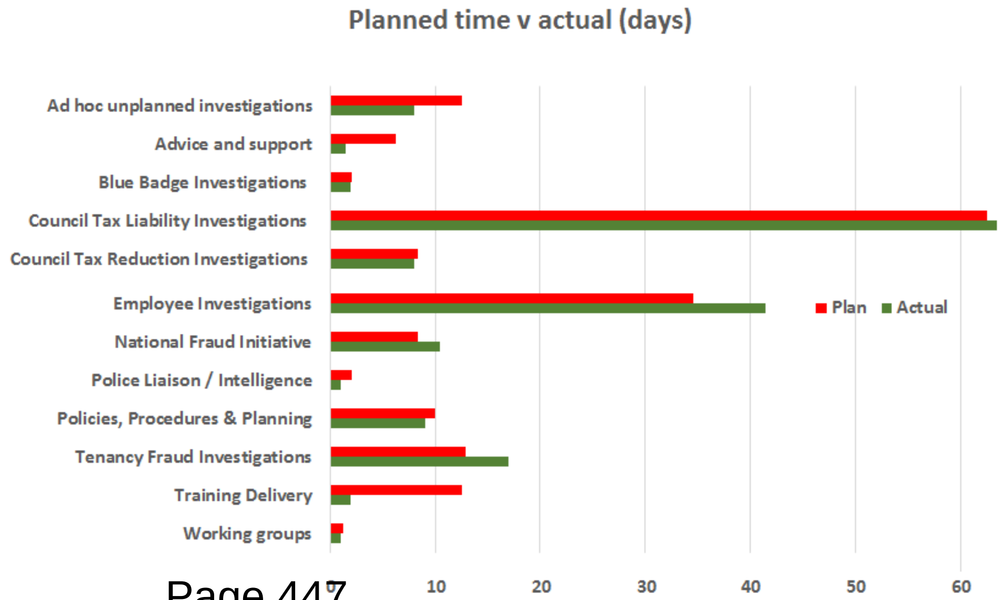
Training for investigating officers, a mandatory requirement of the disciplinary policy, will continue to be delivered by the investigation team from quarter three. Following demand from attendees, a half day training session has been developed for note takers, these are due to commence in quarter three.

Rent Smart Wales have procured the services of the team to develop and deliver a 1 day criminal investigation training session for their Enforcement Officers. This training will be delivered during quarter two.

Resources

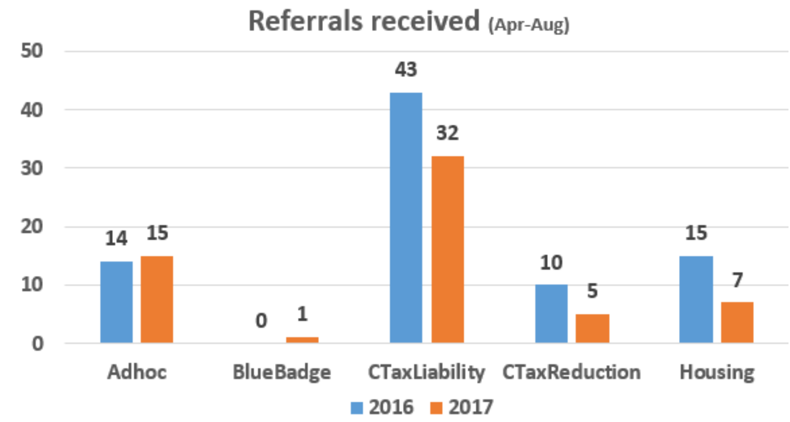
There are 2.3fte staff in the investigation team, consisting of a Professional Accredited Counter Fraud Manager / Accredited Counter Fraud Specialist, and a Professional Accredited Counter Fraud Specialist.

The 2017 fraud plan allots 417 days for investigative work, including undertaking investigations and providing training, advice, guidance and support.



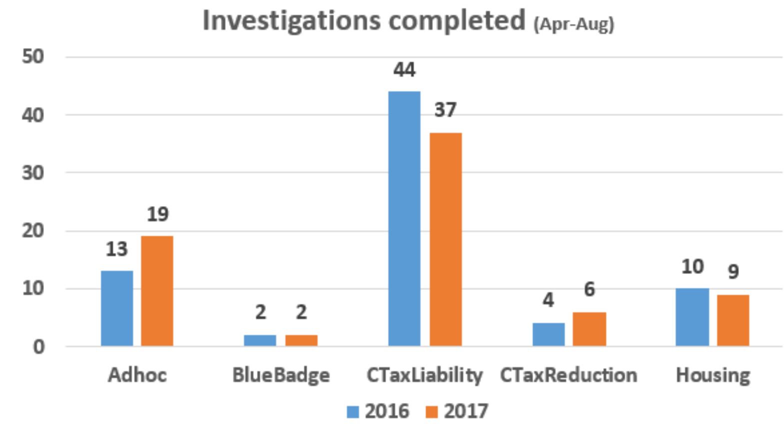
Reactive - Referrals

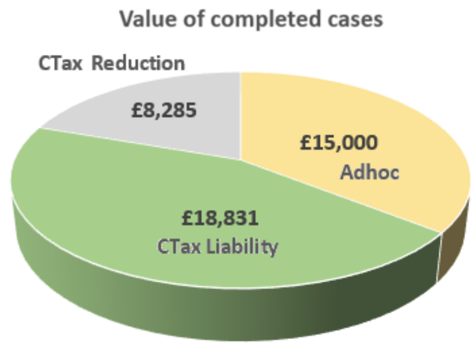
60 referrals were received by the team, compared to 82 last year:



Investigations concluded

73 cases were concluded, the same number as last year:





Ad-hoc referrals relate to any other fraud or allegation not listed above and may include employees or external parties. The investigation may either be led by the investigation team, or assistance / advice will be provided and include the following allegations:

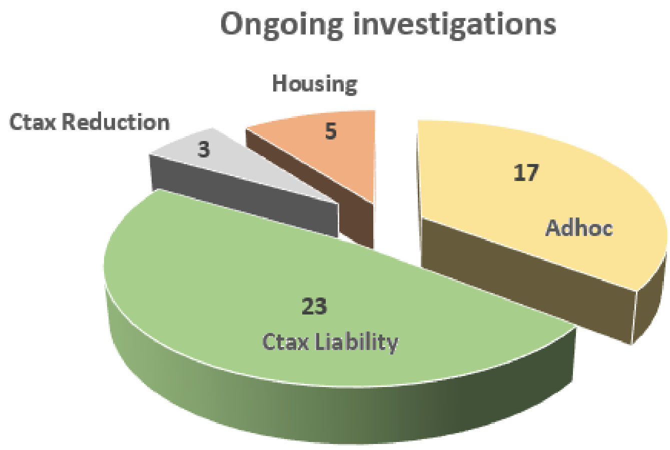
- Drug and Alcohol misuse
- Failure to disclose business interests
- Failure to work claimed overtime
- Falsification of building certificates
- Identity theft
- Misuse of internet during work
- Misuse of time
- Not following Financial Procedure Rules
- Pension life certificate validation
- Petty cash irregularity
- Theft
- Waste collection

Sanctions

- Three cases have been reported to the Police, two remain open and under investigation.
- 1 employee has been prosecuted and received a 12 month prison sentence, suspended for two years, 250 hours unpaid work, 40 days tag and a three month curfew.
- Two cases have been passed to legal to be considered for prosecution with a value of £54,000.
- One Blue Badge has been confiscated.

Investigations ongoing

There are 48 ongoing investigations currently assigned to a member of the investigation team:



Data Matching

The investigation team has been appointed by the Director of Resources to undertake the National Fraud Initiative, Key Contact role. This places a responsibility on the team to fulfil data protection requirements, investigate matches and act as the point of contact for other bodies, coordinating and monitoring the overall exercise.

The pension team recently requested a one off data match of their data to the Department for Work and Pensions Mortality database. This was facilitated by the investigation team, whereby the data was checked to ensure compliance with the Cabinet Office requirements and uploaded to the online web tool. The exercise generated thirty four potential matches, of these, eight cases were identified where there had been a change of circumstances. The pension team will now liaise with the families and identify overpayments.

Investigation service

To date, three schools have engaged the services of the investigation team, utilising professionally trained officers, in order to undertake independent investigations. Two investigations have been completed and reports have been issued to the Chair of Governors. The terms of reference for the third case is awaiting agreement, with 30 days of planned work to be undertaken.

Advice & Guidance

The investigation team has provided advice and guidance on 21 separate occasions to 14 different officers between April and August. In order to measure the value of the support, a quality / feedback form will be introduced shortly.

Mae'r dudalen hon yn wag yn fwriadol

CARDIFF COUNCIL
CYNGOR CAERDYDD

AUDIT COMMITTEE: 18 September 2017

SCRUTINY CORRESPONDENCE

REPORT OF CORPORATE DIRECTOR RESOURCES

AGENDA ITEM: 11.1

Reason for this Report

1. At its pre-meeting on the 27 June 2016, it was agreed that members of the Audit Committee would be provided with copies of any correspondence between the Chair of Audit Committee and the Chairs of Scrutiny Committees.

Background

2. At the Committee meeting on the 20th June 2017, Members considered the Corporate Risk Register, and asked questions in relation to its content.

3. One aspect of the discussion around the register was in respect of safeguarding and the mitigations that have been put in place to ensure against systemic failure.

Issues

4. The Deputy Chair considered the Terms of Reference of Audit Committee and determined that the matter of Safeguarding risk management be referred to the Chairpersons of the Community and Adult Services Scrutiny Committee, and the Children and Young People Scrutiny Committee.

5. Correspondence from Audit Committee to the Scrutiny Chairs can be found at Appendix A.

6. This matter will now be considered within their respective work programmes.

7. Members of the Children and Young People Scrutiny Committee considered the letter at their work programme forum and agreed to receive a report, to committee on the identified risk and mitigating activities prior to its formal review of the draft annual report and requested that the Scrutiny Officer determine with the Director of Social Services the most appropriate time during the year for the report to be presented to Committee.

8. The Community & Adult Services Scrutiny Committee will consider this issue in the coming year, and will keep Members informed on progress. The full response can be found at Appendix B.

Reasons for Recommendations

9. To note the content of the correspondence.

Legal Implications

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

Financial Implications

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

Recommendations

12. To note the content of the correspondence.

CHRISTINE SALTER
CORPORATE DIRECTOR RESOURCES
Date: 18 September 2017

The following appendices are attached:

Appendix A - Correspondence between the Chair of Audit Committee, and the Chairpersons of Community & Adult Services Scrutiny Committee, and the Children & Young People Scrutiny Committee

Appendix B - Response from Chairperson, Community & Adult Services Scrutiny Committee

County Hall
Cardiff,
CF10 4UW
Tel: (029) 2087 2087
www.cardiff.gov.uk

Neuadd y Sir
Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088
www.caerdydd.gov.uk

Cyf/My Ref:: AUD/IA/CB
Eich Cyf/Your Ref::

Dyddiad/Date: 10 July 2017

Cllr Lee Bridgeman
Chair of Children & Young People Scrutiny Committee

mailto:Lee.E.Bridgeman@cardiff.gov.uk

Dear Cllr Bridgeman

I am writing to you in the capacity of Chair of Audit Committee and congratulate you in your appointment as Chairperson of the Children & Young People Scrutiny Committee.

The Audit Committee considered the Corporate Risk Register on the 20th June 2017 and asked a series of questions relating to its contents. One line of enquiry that was entered into was in respect of safeguarding and the mitigations that have been put in place to ensure against systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.

In considering the Audit Committee work programme going forward, it is felt that safeguarding is an area that is within the remit of the Children & Young People Scrutiny Committee whose role is to scrutinise, measure and actively promote improvement in the Council's performance in the provision of services and compliance with Council policies, aims and objectives in the area of children and young people.

I am therefore respectfully referring this item to this Scrutiny Committee in order for it to be considered within your work programme.

Yours sincerely

Ian Arundale
Chairperson, Audit Committee
Cardiff Council

c.c. Christine Salter – Corporate Director Resources
Ian Allwood – Head of Finance
Paul Keeping – OM, Scrutiny Services
Martyn Hutchings – Principal Scrutiny Officer

ATEBWCH I / PLEASE REPLY TO: C/O Internal Audit, Head of Finance, Room 345a, County Hall, Cardiff, CF10 4UW.
Tel: (029) 2087 2809 I.Allwood@cardiff.gov.uk or e-mail: arundale@btinternet.com

Cyf/My Ref:: AUD/IA/CB
Eich Cyf/Your Ref::

Dyddiad/Date: 10 July 2017

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Caerdydd,
CF10 4UW
Ffôn: (029) 2087 2088
www.caerdydd.gov.uk

Cllr McGarry
Chair of Community & Adult Services Scrutiny Committee

mailto:Mary.McGarry@cardiff.gov.uk

Dear Cllr McGarry

I am writing to you in the capacity of Chair of Audit Committee and congratulate you in your reappointment as Chairperson of the Community & Adult Services Scrutiny Committee.

The Audit Committee considered the Corporate Risk Register on the 20th June 2017 and asked a series of questions relating to its contents. One line of enquiry that was entered into was in respect of safeguarding and the mitigations that have been put in place to ensure against systemic failure in the effectiveness of the Council's safeguarding arrangements together with other statutory safeguarding partners.

In considering the Audit Committee work programme going forward, it is felt that safeguarding is an area that is within the remit of the Community & Adult Services Scrutiny Committee whose role is to scrutinise, measure and actively promote improvement in the Council's performance in the provision of services and compliance with Council policies, aims and objectives in the area of community and adult services.

I am therefore respectfully referring this item to this Scrutiny Committee in order for it to be considered within your work programme.

Yours sincerely

Ian Arundale
Chairperson, Audit Committee
Cardiff Council

c.c. Christine Salter – Corporate Director Resources
Ian Allwood – Head of Finance
Paul Keeping – OM, Scrutiny Services
Martyn Hutchings – Principal Scrutiny Officer

ATEBWCH I / PLEASE REPLY TO: C/O Internal Audit, Head of Finance, Room 345a, County Hall, Cardiff, CF10 4UW.
Tel: (029) 2087 2809 I.Allwood@cardiff.gov.uk or e-mail: arundale@btinternet.com

My Ref: Scrutiny/Correspondence/MMG/210817IA

21 August 2017

Ian Arundale
Chairperson, Audit Committee
c/o Internal Audit
Head of Finance
Room 345a
County Hall

Dear Ian,

ADULT SAFEGUARDING

Thank you for your letter dated 10 July 2017, requesting that the Community & Adult Services Scrutiny Committee consider ***"the effectiveness of the Council's (adult) safeguarding arrangements together with other statutory safeguarding partners"*** as part of its Work Programme for 2017/18.

I am writing to inform you that the Committee has agreed that it will consider this issue in the coming year. The Committee will be signing off the Work Programme at its next meeting on the 6th September. I will keep you informed of progress on this issue and would appreciate your input into the process at the appropriate juncture, particularly in relation to your findings arising from the Audit Committee's consideration of the corporate Risk Register.

Yours sincerely,

COUNTY COUNCILLOR MARY MCGARRY
Chairperson - Community & Adult Services Scrutiny Committee

Cc: Christine Salter – Corporate Director Resources
Ian Allwood – Head of Finance

Mae'r dudalen hon yn wag yn fwriadol

Audit Committee Action Plan

(Updated following meeting held on 20 June 2017)

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Finance (Budget)			
14.03.17	**Accounting Policies Update** Members sought clarification on the full impact of the proposal to change IFRS 9 Financial Instruments from 2018/19, and in particular the effect this would have in terms of the valuation of Cardiff Bus. Officer agreed to assess the proposal and its likely impact and report back to a future meeting of the Committee	27.03.18	Anil Hirani
29.11.16	**Social Services Financial Position** In terms of the Integrated Service/Financial Strategy, members requested that the finalised proposals be presented to the Audit Committee once approved by Cabinet. The Corporate Director gave an undertaking to facilitate this.	28.11.17	C Salter/ I Allwood
20.06.17	When published, send electronic link to Council Out-Turn report to Audit Committee members. Completed 27.07.17	Completed 27.07.17	Ian Allwood
20.06.17	Provide Committee members with links to the Corporate Asset Management Property Plan and Investment Property Strategy. Completed 27.07.17	Completed 27.07.17	Anil Hirani
20.06.17	Update on the changes to the CIPFA code regarding Cardiff Bus will be presented in due course.	When Code updated	Anil Hirani
20.06.17	Amendment to narrative report of Statement of Accounts re unusable reserves. (*Feedback was actioned as part of the draft accounts that were signed by 30/06/2017*).	Completed	Anil Hirani
20.06.17	Members requested further details be provided in the remuneration note for 2015/16. Officers agreed to include additional information in a footnote. *(Actioned in the Draft accounts).*	Completed	Anil Hirani
20.06.17	The Committee notes that the audited Statement of Accounts for 2016/17 will, prior to being presented to Council, be reviewed by this Committee in September.	18.09.17	C Salter/ I Allwood
20.06.17	The Chairperson requested that a progress report be provided on the implementation of the Statement of Actions at the next meeting.	18.09.17	C Salter/ I Allwood
Governance & Risk Management			
Wales Audit Office (WAO)			
20.06.17	1. WAO to circulate a comparison of proposed WAO fees/actual WAO fees. 2. WAO to provide further details in respect of audit fee refunds. (email sent to Members 25.08.17)	Completed 25.08.17 Completed 25.08.17	M Coe M Coe
WAO Tracker/Other Studies			

Minute No. /Agenda No.	Actions	Timeline	Action Owner
Internal Audit			
Treasury Management			
24.01.17	Officers agreed to provide a comparison of maturity analysis profiles with other local authorities.	28.11.17	C Salter/ A Hirani
24.01.17	A Hirani to reflect on the merits of a trigger points approach to balancing investments with treasury management advisors and will report considerations back to committee.	30.01.18	A Hirani
Published Scrutiny Letters			
Operational Items			
Outstanding Actions			
20.06.17	**Director City Operations – Response to Internal Audit Report** . Director of City Operations to be invited to Committee Meeting to comment on Internal Audit Reports within that directorate.	28.11.17	A Gregory

DRAFT Audit Committee Work Programme 2017-18

Key: One-off Items

Topic	Tuesday 20.06.17 at 2pm (CR4)	Monday 18.09.17 at 2pm (CR4)	Tuesday 28.11.17 at 2pm (CR4)	Tuesday 30.01.18 at 2pm (CR4)	Tuesday 27.03.18 at 2pm (CR4)	Tuesday 26.06.18 at 2pm (CR4)
				12.30-1.30pm - Committee Self-Assessment Workshop prior to the meeting		
Wales Audit Office	Annual Audit Plan 2017	Annual Improvement Report			Annual Audit Plan 2018	Annual Improvement Report
		Audit of Financial Statement Report for City of Cardiff Council (ISA260)				
	Cardiff & Vale Pension Fund Audit Plan	Audit of Financial Statement Report - Cardiff & Vale of Glamorgan Pension Fund (ISA260)			Cardiff & Vale Pension Fund Audit Plan	
	WAO Activity Update	Report Progress Update	Report Progress Update	Report Progress Update	Report Progress Update	Report Progress Update
Treasury Management	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report	Performance Report
		Annual Report	Half Year Report			
				Draft Strategy '17-18	Treasury Mgmt Practices	
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 '16-17 (including the AGS)	Final Statement of Accounts for '16-17 (including the AGS)			Draft Statement of Accounts/AGS & report any changes in accounting policy	Draft Statement of Accounts '17-18 (including the AGS)
	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	Progress update (to include Benchmarking & Comparative Data Matching)	Half Yearly Progress Report	Progress Update	Progress Update	Progress Update
	Internal Audit Annual Report '16-17			Draft Audit Charter '18-19	Audit Charter '18-19	Internal Audit Annual Report '17-18
Governance and Risk Management				Audit Committee Annual Report Discussion '17-18	Audit Committee Draft Annual Rep. '17-18	Audit Committee Annual Rep. '17-18
	Senior Management Assurance Statement Review – Feedback – Final Position		Senior Management Assurance Statement Review			Senior Management Assurance Statement Review – Feedback – Final Position
				AGS '17-18 Action Plan (Mid-Year)	Draft AGS '17-18	
	Corporate Risk Register (Year-End) [to include Corporate Risk Map]	Corporate Risk Register Qtr 1 update	Corporate Risk Register (Mid-Year) [to include Corporate Risk Map]	Risk Management Interim Update	Corporate Risk Register Qtr 3 update [to include Corporate Risk Map]	Corporate Risk Register (Year-End) [to include Corporate Risk Map]
					Audit Committee Self-Assessment Feedback/Action Plan	
Operational matters / Key risks		Education Annual Report on School Governance (including Balances) and Deficits				

Mae'r dudalen hon yn wag yn fwriadol